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BEFORE THE ARIZONA CORPORATION

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COMMISSIONERS

MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
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2008 JAN 28 P 4: 32

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
GRAHAM COUNTY ELECTRIC COOPERATIVE,
INC. FOR AN ORDER SETTING JUST AND
REASONABLE RATES.

DOCKET NO. E-01749A-07-0236

**NOTICE OF FILING OF
SUMMARIES OF STAFF WITNESS
TESTIMONY**

On May 16, 2007, the Administrative Law Judge Jane L. Rodda issued a Procedural Order (“Order”) setting the schedule in this matter. The Order scheduled the hearing date in this matter on January 30, 2008. The Order further directed that summaries of the pre-filed testimony of each witness be provided “at least two working days before the witness is scheduled to testify.”

Staff hereby provides summaries of the testimony of each of its witnesses, which are attached as Exhibits to this filing, as follows:

- Exhibit 1, Staff witness Jerry Anderson
- Exhibit 2, Staff witness Gerald Becker
- Exhibit 3, Staff witness Prem Bahl, and
- Exhibit 4, Staff witness William Musgrove.

Copies of these summaries are being sent electronically with this filing.

RESPECTFULLY SUBMITTED this 28th day of January, 2008.

Arizona Corporation Commission
DOCKETED

JAN 28 2008

DOCKETED BY *nr*

By *Kevin O. Torrey*
Kevin O. Torrey
Attorney, Legal Division
1200 West Washington
Phoenix, Arizona 85007
(602) 542-3402

1 Original and 13 copies of the foregoing
filed this 28th day of January, 2008, with:

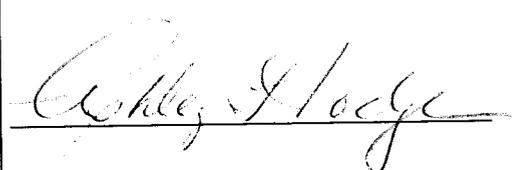
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3 Docket Control
4 Arizona Corporation Commission
1200 West Washington
5 Phoenix, Arizona 85007

6 Copy of the foregoing mailed this
28th day of January, 2008, to:

7 John Wallace
8 Grand Canyon State Electric Cooperative Assn. Inc.
120 North 44th Street, Suite 100
9 Phoenix, AZ 85034

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A handwritten signature in cursive script, appearing to read "Ashley Hodge", is written over a horizontal line. The signature is positioned between the 10th and 11th line numbers.

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Exhibit 1

SUMMARY OF TESTIMONY
OF
JERRY D. ANDERSON
PUBLIC UTILITIES ANALYST V
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

January 28, 2008

Direct Testimony:

Staff's direct testimony addresses eight main topics.

BASE COST OF PURCHASED POWER – Staff recommends that Graham County Electric Cooperative's ("Graham") Purchased Power Adjustor ("PPA") rate be reset from its current level of \$0.018000 to zero, and that Graham's base cost of purchased power be reset from the current level of \$0.060034 to \$0.076509 per kWh.

PURCHASED POWER ADJUSTOR ISSUES – Staff offers suggestions on how Graham might more effectively manage its PPA rate in the future and recommends a new threshold level of \$350,000 over-collected or under-collected for two consecutive months.

DEMAND-SIDE MANAGEMENT COST RECOVERY – Staff does not recommend any Demand-Side Management ("DSM") programs be ordered for Graham at this time. However, Staff recommends a DSM adjustment mechanism be set up in this case so that the Cooperative will have such a mechanism in place if DSM activities are mandated or otherwise undertaken by Graham in the future.

RENEWABLES PROGRAMS COST RECOVERY – Staff recommends that Graham's EPS surcharge become an adjustor mechanism in order to provide the Cooperative with more flexibility.

QUALIFIED FACILITY TARIFFS – Staff recommends changes to the wording of Graham's Qualified Facility ("QF") tariffs in an attempt to standardize the wording as much as possible among various cooperatives.

RULES AND REGULATIONS - Staff recommends changes to Graham's Rules and Regulations to conform to its recommendations regarding the Line Extension Tariff and Hook-up Fees.

LINE EXTENSION TARIFF - Staff recommends that Graham's 100 foot free line extension allowance be eliminated. Staff also offers a recommendation to ensure the new policy would be implemented in a manner that ensures equitable treatment of Graham's customers during the transition.

HOOK-UP FEES - Staff recommends that Graham's request for a \$1,000 per service hook-up fee be denied at this time.

Exhibit 2

SUMMARY OF TESTIMONY
OF
GERALD BECKER
PUBLIC UTILITIES ANALYST V
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

January 28, 2008

Direct Testimony:

Graham County Electric Cooperative, Inc. - ("GCEC" or "Cooperative") is a nonprofit cooperative corporation that provided electric service to approximately 9,400 customers during the test year ended September 30, 2006, in Graham County, Arizona.

On April 11, 2007, GCEC filed an application for a permanent rate increase. The Company states that it incurred an adjusted test year operating margin of \$1,919,155. Present activity resulted in a times interest earned ratio ("TIER") of negative 0.13 and a DSC of 0.62.

GCEC proposed a \$2,909,075, or 22.89 percent, revenue increase from \$12,709,081 to \$15,618,875. The increase reflects resetting application of the fuel adjustor rate to zero and this accounts for \$1,154,269 or 9.08 percent of the total increase requested. The proposed revenue increase would produce an operating margin of \$776,635. The Cooperative's revenue requirement produces a TIER of 1.78 and a DSC of 2.19.

Staff's revenue requirement of \$15,968,075 represents an increase of \$1,069,028, or 7.18 percent of Staff adjusted test year revenues of \$14,899,047 which includes an adjustment to Base Cost of Power revenues of \$2,182,585 and two other adjustments. Staff recommended revenue would produce an operating margin (after interest expense on long-term debt) of \$989,921. Staff's revenue requirement produces a TIER of 2.00 and a DSC of 2.38.

Exhibit 3

SUMMARY OF TESTIMONY
OF
PREM K. BAHL
ELECTRIC UTILITIES ENGINEER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

January 28, 2008

Direct Testimony:

Utilities Division Staff's ("Staff") Direct testimony, discusses its review of Graham County Electric Cooperative's ("Graham," or "Cooperative") electrical system operations and performance and Cost of Service study for the rate case filed under Docket No. E-01749A-07-0236, and presents Staff's conclusions and recommendations.

Based on its review of Graham's COS study, Staff's conclusions and recommendations are as follows:

1. It is Staff's conclusion that Graham:
 - a. is operating and maintaining its electrical system properly,
 - b. is carrying out system improvements, upgrades and new additions to meet the current and projected load of the Cooperative in an efficient and reliable manner. These improvements, system upgrades and new construction are reasonable and appropriate.
 - c. has acceptable level of system losses, consistent with the industry guidelines, and
 - d. has a satisfactory record of service interruptions in the historic period from 2003 thru 2006, reflecting satisfactory quality of service.
2. Staff further concludes that Cooperative has used the COS model for the bundled rate filing appropriately and consistent with the model approved by the Commission in the last rate filing by the Cooperative.
3. Staff further concludes that, based on the evaluation of the COS model utilized by the Cooperative, the results are satisfactory, and in compliance with the Commission Order in Decision No. 66382 in that Graham has included Street Light class in the unbundled COS study in this rate filing.
4. Staff recommends that:
 - a. Graham should continue to pursue the wooden pole replacement and tree trimming program, and other necessary system improvements and additions reflected in the Cooperative's 5-year Work Plan 2002-2006.
 - b. Graham should continue to use the same COS model for the bundled case in future rate cases as used in this rate filing.

Exhibit 4

SUMMARY OF TESTIMONY
OF
WILLIAM H. MUSGROVE
ON BEHALF OF STAFF
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

January 28, 2008

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01749A-07-0236

Direct Testimony

Staff's direct testimony addresses five main topics.

1. Revenue Allocations and Rate Design:

The following table summarizes revenue allocations by rate class.

Summary of Revenues from Customer Charges and Sales

<u>Rate Class</u>	<u>Present \$</u>	<u>Proposed \$</u>	<u>\$ Increase</u>	<u>% Increase</u>
Residential	\$6,042,374	\$7,633,380	\$1,591,006	26.33%
Irrigation	\$1,506,994	\$1,949,930	\$442,936	29.39%
Commercial-Sm.	\$2,444,997	\$3,115,925	\$670,928	27.44%
Commercial-Lg.	\$2,205,543	\$2,764,684	\$559,141	25.35%
Security Lgts.	\$108,800	\$121,659	\$12,859	11.82%
Street Lgts.	<u>\$10,435</u>	<u>\$12,769</u>	<u>\$2,334</u>	22.37%
Totals	\$12,319,147*	\$15,570,760*	\$3,251,613*	26.39%

*Adjusted for Graham adjustments in the amount of approximately \$27,000 and rounding

The following tabulation summarizes rate design by rate class.

Summary of Rate Design

STAFF PROPOSED					
	Average kWh	Present	Staff Proposed	Dollar	Percent
<u>Customer Class</u>	<u>Per Month</u>	<u>Rates</u>		<u>Increase</u>	<u>Increase</u>
Residential	775	\$74.96	\$94.54	\$19.58	26.13%
Small Commercial	3,161	\$284.19	\$361.73	\$77.54	27.28%
Large Commercial	186,120	\$14,701.37	\$18,431.21	\$3,729.84	25.37%
Irrigation	1,916	\$190.69	\$244.37	\$53.69	28.15%
Security Lgt-Sm. (per lgt.)	70	\$9.95	\$11.13	\$1.18	11.82%
Security Lgt-Lg. (per lgt.)	175	\$17.51	\$20.45	\$2.94	16.79%
Street Lgt-Sm. (per lgt.)	70	\$5.83	\$6.95	\$1.11	19.12%
Street Lgt-Lg. (per lgt.)	175	\$14.58	\$17.36	\$2.79	19.12%

2. Tariff Changes: Staff recommended that tariff housekeeping and power requirement changes be accepted by the Commission.
3. Service-Related Charges: Staff supports the elimination of delinquent account field collections to better protect the safety of Graham's employees.
4. Unbundled Rates: Staff recommended Commission approval of the unbundled rates summarized in Exhibit WHM-3.
5. Bill Estimation Tariff: Staff recommended that Graham be required to file a Bill Estimation Tariff within 30-days of a decision in this docket.