



0000095659

Transcript Exhibit(s)

Docket #(s): E-01891A-08-0598

Exhibit #: A1-A5, S1-S5

Arizona Corporation Commission
DOCKETED

APR - 6 2009

DOCKETED BY 

RECEIVED
2009 APR - 6 A 10: 26
AZ CORP COMMISSION
DOCKET CONTROL

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2008 DEC 12 P 2:18

COMMISSIONERS

AZ CORP COMMISSION
DOCKET CONTROL

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF
GARKANE ENERGY COOPERATIVE, INC. TO
EXPAND ITS CERTIFICATE OF CONVENIENCE
AND NECESSITY TO INCLUDE COLORADO
CITY, ARIZONA

Docket No. E-01891A-08-0598

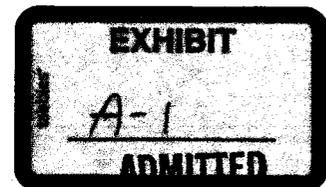
APPLICATION

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

Garkane Energy Cooperative, Inc. ("Garkane" or the "Cooperative"), pursuant to A.R.S. § 40-281 and in support of its Application to Expand its Certificate of Convenience and Necessity ("CC&N"), states as follows:

1. Garkane is a Utah non-profit cooperative association which supplies electricity to its members—most of which are located in the State of Utah. Garkane serves approximately 11,600 total customers. About 700 of those customers are in Arizona and are situated primarily north of the Grand Canyon in the vicinity of Fredonia and Colorado City, Arizona.

2. Prior to May of 1994, Garkane provided electric service to the residents of Colorado City as well as to the neighboring town of Hildale, Utah (the "Twin Cities"). In 1993, however, municipal utilities were formed by the Twin Cities. Bonds were also authorized to finance the acquisition of the Cooperative's utility assets as well as to construct additional facilities. At their request, Garkane entered into agreements with Hildale and Colorado City to sell its distribution facilities to the Twin Cities.



1 3. In Decision No. 58571 dated March 16, 1994, the Commission approved the
2 transfer of the Garkane assets to Colorado City as well as the cancellation of the relevant portion
3 of the Cooperative's CC&N relating to service to Colorado City. The transaction closed in April
4 of 1994. Garkane ceased service to Colorado City at that time.

5 4. Approximately two years ago, Garkane was approached by the Trustee for the
6 Twin Cities bondholders concerning whether the Cooperative would be interested in purchasing
7 the Twin Cities' systems and resuming electricity service to the area. Colorado City and Hildale
8 began to default on their bond payments in 2000 and on their interest payments in 2005. The
9 Trustee was considering either a receiver to run the system or a purchaser. After negotiations
10 between the parties, Garkane has entered into a Memorandum of Understanding ("MOU") to
11 purchase the Twin Cities' utility assets, including the assets which serve Colorado City. A copy
12 of the MOU is attached as Exhibit A. Closing of the transaction is contingent, among other
13 things, upon receipt of the Commission's approval to expand Garkane's CC&N to once again
14 provide electric service to the approximately 700 customers in Colorado City. Paragraph 4 of the
15 MOU requires closing of the transaction no later than June 30, 2009.

16 5. Attached hereto as Exhibit B is the legal description of the territory which
17 Garkane requests the Commission approve as the addition to its CC&N. Exhibit B describes
18 basically the same area comprising Colorado City which the Commission authorized be deleted
19 from the Cooperative's CC&N in 1994.

20 6. At the general election on November 4, 2008, Colorado City voters
21 overwhelmingly approved the issuance of a franchise to Garkane to allow its operations within
22 the city limits. The voters approved the franchise on a vote of 578-33.

1 load. Finally, there will be some operational efficiencies associated with the acquisition of the
2 Twin Cities operation which will redound to the benefit of all of Garkane's members.

3 WHEREFORE, having fully stated its Application, Garkane requests that the
4 Commission enter its Order granting this Application and including within its Certificate of
5 Convenience and Necessity the area described in Exhibit B. The Cooperative asks that the
6 approval be granted as soon as possible and no later than the Commission's April 28-29 Open
7 Meeting.

8 RESPECTFULLY SUBMITTED this 12th day of December, 2008.

9 GALLAGHER & KENNEDY, P.A.

10
11 By 
12 Michael M. Grant
13 2575 East Camelback Road
14 Phoenix, Arizona 85016-9225
15 Attorneys for Garkane Energy Cooperative, Inc.

14 **Original and 13 copies** filed this
15 12th day of December, 2008, with:

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

18 **Copy of the foregoing** delivered
19 this 12th day of December, 2008, to:

20 Steve Olea
21 Utilities Division
22 Arizona Corporation Commission
23 1200 West Washington Street
24 Phoenix, Arizona 85007

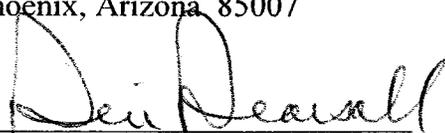

10703-3/1961437

EXHIBIT A

MEMORANDUM of UNDERSTANDING

Between

Twin Cities Power Authority (“TCP”); the City of Hildale, UT, a Utah Municipal Corporation (“Hildale”); Colorado City, AZ, an Arizona Municipal Corporation (“Colorado City”); Wells Fargo Bank, and Bondholders N.A., as Trustee for the holders of certain Revenue Bonds issued in 1995 and 1997 (“Wells Fargo”),

and

Garkane Energy Cooperative, Inc. (“Garkane”)_

This Memorandum of Understanding is intended to set forth the terms and conditions of the proposed sale of the electrical transmission, substation, and distribution system assets currently belonging to TCP, Hildale, Colorado City and/or Wells Fargo (collectively, “Sellers”) to Garkane.

It is intended that the entire existing electrical transmission, substation, and distribution system(s) of Sellers together with certain materials and supplies pertaining to such system(s) on hand be sold, as an operating unit, to Garkane together with the right and duty to provide electrical service to the residents and businesses of Hildale, Utah and Colorado City, Arizona.

In contemplation of that sale upon meeting the statutory requirements for the sale or disposition of Municipal Utility Assets it is agreed that:

1. Garkane will purchase the electric transmission, substation, and distribution system assets (the “System”) of Sellers on the closing date, consisting of the following items:
 - a. All transmission line facilities (including all easements) from the interconnect point at the Clifton Wilson Substation in Hurricane to the Twin Cities Substation. The Sellers will be responsible for the complete termination of Section 4.3 of the agreement entitled “Right-Of-Way and Pole Agreement Between Hildale, Utah and the City of Hurricane”.

- b. All substation and switch yard facilities including all land the stations utilize located near 770 North 1400 West Hildale UT, including the underlying property interests, with the exception of the generator stepup transformers and the associated lowside wiring from the transformer to the generator building located inside the substation yard.
 - i. The stick built control "building" located inside the metal generator building and the metal generator building will remain in place and will be included as part of this transaction.
 - ii. The generator equipment located in and on the generator building and site shall be removed by the Sellers within 12 months of closing. The Sellers will be responsible for cleaning up and debris removal, including any and all hazardous materials, from the building and site. Sellers will be responsible to safeguard and minimize damage to the building and site during equipment removal.
 - iii. The existing 24 and 48 volt DC systems necessary for the operation of the controls and relays associated with the substation shall be included as part of this transaction. Said DC systems shall remain in operation at all times through the removal of the generator equipment.
 - iv. The existing substation metering and protective equipment shall remain in place and in operation at all times during the removal of the generator equipment.
- c. All electrical distribution system facilities (including all easements).
- d. Sellers will assist Garkane in converting the existing obsolete L&G Prepaid Metering System to a replacement system which can be supported by the manufacturer.
- e. Storage yard, including all lands the yard utilizes, with storage vans, materials, supplies, and spares located within the yard.
- f. All meters and metering supplies in stock.
- g. One service truck used by electric department employees with associated tools and materials, less individual personal hand tools.
- h. Sellers shall provide acceptable Title Insurance to Garkane covering all transmission line easements, and all substation, switching station, and storage yard real property. Garkane will be responsible to pay upon

closing, one half of the cost of the Title Insurance as an addition to the amount provided in paragraph 2 with the remainder the responsibility of Seller

2. These assets to be sold are herein referred to as the "System Assets". The Sellers will warrant title to the System Assets free and clear of all liens and encumbrances. Sellers will provide to Garkane acceptable Title Insurance as indicated in the preceding paragraphs, otherwise, the System Assets are being sold and purchased in their "AS IS" condition. No other assets or liabilities of Sellers are being purchased except as specifically enumerated below.
3. Title to the distribution system facilities (including easements) purchased by the Sellers from Garkane in or about 1995 will be conveyed by Quitclaim Deed in the same manner as when purchased from Garkane. Seller will be responsible for clearing any and all liens and encumbrances that may have been placed upon the facilities during the time the Sellers held the facilities.
4. The purchase price for the System Assets is Three Million Dollars (\$3,000,000) (the "Purchase Price"). The Purchase Price will be payable in cash at the closing. All parties to this transaction will take all reasonable steps to timely obtain any and all necessary authorizations and approvals required to proceed with the sale, including any and all required approvals of the Sellers' respective electorates. Moreover, the parties shall make all reasonable efforts to close the transaction by or before December 31, 2008, but in no event later than June 30, 2009.
5. Sellers will continue to operate the System Assets until the closing and will generally maintain the System Assets in the condition in which it presently exists. Except as provided below in this Section 5, Sellers may dispose of assets of the System Assets and may acquire other assets during that period of operation, all in the ordinary course of business. There shall be no adjustment in the Purchase Price for any such dispositions or acquisitions. During that period of operation, Sellers shall not dispose of or acquire assets having an aggregate value in excess of \$5,000.00 without the written consent of Garkane, the granting of which consent may require an adjustment in the Purchase Price.
6. Garkane will not assume any obligation or liabilities to UAMPS or other entities associated with the delivery of electricity to Sellers prior to the closing of this transaction. Rather, Sellers shall be solely responsible for the satisfaction, termination, cancellation, and/or disposition of all such agreements and obligations except as otherwise specifically indicated in this Memorandum.

7. Sellers shall be responsible for the termination and complete satisfaction of the "Hildale Interconnect Agreement Among Utah Associated Municipal Power Systems, The City of Hurricane, Utah, and the City of Hildale, Utah.
8. Sellers shall transfer to Garkane all deposits held on account of electric customers. Sellers shall provide to Garkane an itemized list of all such amounts, the account they are held for, the date such deposit was received by TCP and the terms and conditions of refunds. Sellers shall transfer to Garkane all Contributions in Aid Of Construction. TCP shall provide to Garkane an itemized list of all such amounts, the account they are held for, the date such deposit was received by TCP, terms and conditions of refunds, copies of all contracts or documents pertaining to the amount, and the amount of accrued interest if any.
9. Sellers shall make available to Garkane electrical customer information, necessary for Garkane to set up billing accounts, in a readily useable electronic format (i.e. an excel spreadsheet at least 90 days prior to the anticipated closing date with weekly updates of changes to account data. Sellers will, prior to the closing date, provide copies of all drawings, maps (including base maps), diagrams and other similar documents relating to the System. Drawings and maps shall be provided in electronic AutoCAD 2000 format. Garkane will keep all information received from Sellers under this section confidential and, in the event that the sale and purchase does not close, will return to Sellers or destroy all documents and other information received.
10. Customer meters will be read jointly by TCP and Garkane on or about the closing date. TCP will send final billings to the customers and will be entitled to all customer payments for service provided prior to the closing. Sellers will be responsible for any power purchases for usage prior to the closing date (meter reading date) regardless of the billing date. TCP and Garkane shall jointly coordinate this meter reading/closing date with their appropriate power suppliers so as to facilitate a seamless change in suppliers.
11. At closing, Garkane will establish which of TCP's outstanding electrical accounts receivable are not older than 90 days. Forty-five (45) days after closing, Garkane shall purchase such of those same receivables that as of that date remain unpaid, at a discounted rate of 50%. This amount will also be reduced by any outstanding balances of prepaid meter accounts. This purchase amount will be paid directly to Sellers, in addition to the Purchase Price.
12. Garkane will be responsible to timely obtain all governmental and lender approvals necessary to consummate the purchase of the System Assets and

the provision of electricity to the residents and businesses of Hildale and Colorado City.

13. Sellers will be responsible to timely obtain all governmental and lender approvals necessary to consummate the sale of the System Assets.
14. Sellers will be responsible for timely compliance with all applicable rules and statutes regarding sale or disposition of Municipal Utility Assets. Sellers will proceed with promptness to get the issue placed on the next General Election or at a special election called for that purpose of the sale of Twin Cities Electrical Transmission, Substation, and Distribution System.
15. Bondholder's legal counsel will assist Garkane in securing required approvals from Utah and Arizona Governmental Agencies.
16. Garkane and/or DGT must obtain a TSO delivery from Rocky Mountain Power at Hurricane, Hildale, or a mutually agreeable point in between.
17. Garkane and DGT must enter into a suitable purchased power contract amendment for delivery of necessary power and energy at the delivery point under RSA energy and capacity charges with a Facilities Charge not to exceed \$930,000 per year. In the event that the final negotiated rate from DGT exceeds RSA or a facilities charge in excess of \$930,000 per year the Purchase Price in Section 3 shall be reduced by the net present value of the difference in projected power cost over the 25 year window discounted at 7.5%.
18. Sellers will deem that granting a franchise to Garkane in the former TCP service area is beneficial, and will pass a resolution(s) to that effect. Sellers shall submit the question of granting the franchise to the qualified electors at the earliest practicable date. The franchise agreement between Colorado City and Garkane will have a minimum term of 25 years, and shall include acceptable provisions for renewal. The franchise agreement between Hildale City and Garkane will have a minimum term of 30 years. Garkane will be subject to assessment by Hildale and/or Colorado City of such franchise fees and other charges as the respective city councils may impose from time to time in accordance with the provisions of applicable law. Garkane has the right to pass such fees through to the retail customers as a tax.
19. Garkane will establish an office for receipt of payment and customer service in Hildale or Colorado City for a minimum period of three years after the closing. After the initial period the continuation of the office will be at the sole discretion of Garkane's Board.
20. All customers of Garkane in the former TCP service area may be charged rates equivalent to the existing TCP rates with a structure similar to the existing

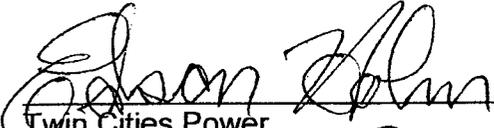
Garkane Rates. Future rate changes will be in proportion to rate changes to other Garkane customers. Garkane reserves the right to allocate costs and expenses to the TCP service area separate from other Garkane service areas provided that those costs or expenses are directly attributable to costs or expenses incurred in the TCP area. The rates and regulations for Colorado City, Arizona customers must be approved by the Arizona Corporation Commission substantially as presented and such approval must be satisfactory to Garkane in its sole and absolute discretion. The rates and regulations for Hildale, Utah customers must be approved by the Utah Public Service Commission substantially as presented and such approval must be satisfactory to Garkane in its sole and absolute discretion.

21. The customers acquired as part of this transaction by Garkane shall become members of Garkane with all the rights and privileges of others members and subject to the same rules and regulations of similar Garkane customers except as herein provided.
22. Garkane will undertake a realignment of the Garkane Board districts during a normal and regular District Election process, in order to properly and adequately represent, at the discretion of Garkane's Board using prudent business judgment, the interests of the additional approximately 1000 new customers from TCP.
23. Garkane will extend offers of employment to the two existing TCP Journeyman Linemen.
24. This entire Memorandum of Understanding is contingent upon releases from Colorado City, Hildale and the Bondholders (or the Trustee) from any and all current and future debts and liabilities for the transfer of Twin Cities distribution system to Garkane.
25. Arizona Rev. Stat. Ann. 38-511 applies to this contract as if fully set forth herewith, which allows cancellation of this contract, within three years after its execution if any person significantly involved in initiating, negotiating, securing, drafting, or creating the contract on behalf of the state, its political subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or consultant to any other party of the contract with respect to the subject matter of the contract. The Parties will provide to Garkane notarized, sworn affidavits from each person significantly involved in initiating, negotiating, securing, drafting, or creating the contract on behalf of the state, its political subdivisions or any of the departments or agencies stating that they and their actions are in full compliance with Arizona Rev. Stat. Ann. 38-511.

26. Upon execution of this Memorandum of Understanding by all parties, the parties will enter into negotiations for the development, approval and execution of:
- a. A Purchase and Sale Agreement for the System Assets between Garkane and Sellers; and
 - b. A Settlement Agreement and Release between Wells Fargo (on behalf of the bondholders), Hildale and Colorado City with respect to amounts owed
 - i. By Hildale to the bondholders on account of the outstanding revenue bonds issued in 1995 and 1997; and
 - ii. By Colorado City to Hildale and/or the bondholders under a certain Power Sales Contract dated December 15, 1995.
27. Without limiting the generality of the foregoing, the parties acknowledge and agree that all obligations of the Sellers contemplated here under are contingent on:
- a. The full, complete, and permanent release and discharge of the Sellers from any and all debts, liabilities, obligations or claims of any kind or nature whatsoever by or through any of the parties to this Memorandum;
 - b. The irrevocable commitment by Garkane to provide electric service to the residents and businesses of Colorado City and Hildale subject to Garkane obtaining all necessary approvals in satisfactory form to Garkane and
 - c. Approval of this Memorandum and all subsequent agreements pertaining to the subject matter hereof by the Colorado City Town Council, Hildale City Council, Wells Fargo Bank as Trustee for Bondholders, and Garkane Energy Board of Directors.
28. Final Closing of this Purchase/Sale Transaction will be contingent upon approval of the final documents and transaction by and/or receipt of necessary approvals from:
1. Garkane Board of Directors
 2. Twin Cities Board of Directors
 3. Hildale, UT. Town Council
 4. Colorado City, AZ Town Council
 5. Wells Fargo Bank as Trustees for Bondholders
 6. Affirmative vote of Hildale and Colorado City residents
 7. Utah Public Service Commission
 8. Arizona Corporation Commission

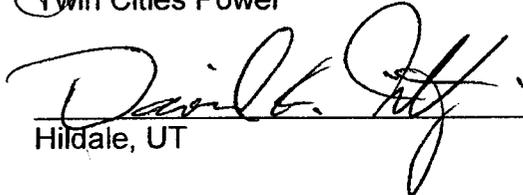
9. Rural Utilities Service (RUS)
 10. National Rural Utilities Cooperative Finance Corporation (CFC)
 11. DGT Board of Directors (Purchase Power Contract Only)
 12. Federal Energy Regulatory Commission (FERC)
29. Sellers acknowledge that Garkane must receive various regulatory approvals from the Arizona Corporation Commission ("ACC") as a precedent to and in order to close the Purchase/Sale Transaction as well as to commence providing electric service to Colorado City, Arizona. These regulatory approvals include, but are not limited to, expansion of Garkane's service territory to include areas sufficient and necessary to provide electric service to Colorado City as well as the rates, tariffs and rules and regulations under which Garkane is willing to provide electric service (the "Necessary Regulatory Approvals"). Should the ACC refuse to issue the Necessary Regulatory Approvals or if it attaches to any of the Necessary Regulatory Approvals modifications, terms or conditions which are unacceptable in Garkane's sole and absolute discretion, then Garkane may cancel the Purchase/Sale Transaction upon written notice to the other parties.

These terms and conditions are acceptable as a basis to negotiate the specific transaction hereby contemplated.



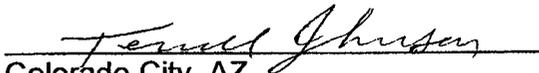
Twin Cities Power

10-03-08
Date



Hildale, UT

10-3-08
Date



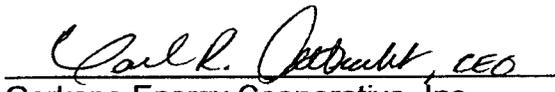
Colorado City, AZ

11-3-08
Date



Wells Fargo Bank

11-19-8
Date



Garkane Energy Cooperative, Inc.

11/12/08
Date

EXHIBIT B

**Legal Description of the Metes and Bounds
Colorado City, Mohave County, Arizona**

Beginning at a point in Range 6 West Township 42 North; the Northwest Corner of Sec 31 on the Utah/Arizona State Line; thence East along the Arizona State Line, Sec 31, 32, 33, to the North Quarter Corner of Sec 33; thence South to the South Quarter Corner of Sec 33, Range 6 West, Township 42 North, which also is the North Quarter Corner of Sec 4, Township 41 North, Range 6 West; thence South along the Quarter Line of Sec 4 & 9 to the South Quarter Corner of Sec 9; thence West along the South Boundary of Sec 9, 8 and 7 to the Southwest Corner of Sec 7 Township 41 North, Range 6 West; thence North along the West Boundary of Sec 7, and Sec 6, Township 41 North, Range 6 West and continuing North along the West Boundary of Sec 31, Township 42 North, Range 6 West to the point of beginning.

EXHIBIT "B"

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-9000

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2009 MAR 27 P 1:14

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
GARKANE ENERGY COOPERATIVE, INC. TO
EXPAND ITS CERTIFICATE OF CONVENIENCE
AND NECESSITY TO INCLUDE COLORADO
CITY, ARIZONA

Docket No. E-01891A-08-0598

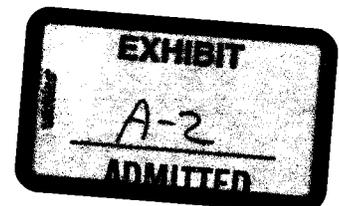
RESPONSE TO STAFF REPORT

Garkane Energy Cooperative, Inc. ("Garkane" or the "Cooperative") submits this Response to the March 18, 2009 Staff Report ("Staff Report"). The Staff Report is quite thorough. The Cooperative supports its Conclusions and Recommendations. This Response is limited to clarifying a few factual matters and suggesting more specific language in relation to Staff's Condition 2, which is at the top of page 7 of the Staff Report.

As required by the Procedural Order, the Cooperative has completed all notice requirements for this matter. For the convenience of the Administrative Law Judge, a copy of the Docket Control filing of the affidavits of mailing and publication is attached as Exhibit A.

Referring to the Staff Report, Garkane has three minor factual clarifications:

- In the Executive Summary (page 2, its sixth item) and at page 7, item 3, concerning the part-time maintenance crew members currently employed by Colorado City, the Cooperative will have sufficient work to make them "full-time" employees—a designation which Garkane uses instead of "permanent."



- 1 ▪ At page 3, item 6 of the Staff Report, the Memorandum of Understanding requires
2 that the facilities charge from Deseret not exceed \$930,000 per year for the
3 special power arrangements to serve Colorado City. Garkane has secured a
4 facilities charge for power arrangements at less than that cost.
- 5 ▪ At page 5, in the sixth paragraph of the Public Interest section of the Staff Report,
6 Garkane line crews normally travel to the area around Colorado City two or three
7 times a week instead of two or three times a day.

8 Finally, on Rates, as Staff correctly states at the bottom of page 4 of its report:

9 In order to recover the additional [\$900,000 in annual] costs to serve the
10 Colorado City Area, Garkane has included, as part of its wholesale power cost
11 adjustment mechanism, an acquisition fuel adjustment charge (“FAC”),
12 calculated by customer class.

13 These FACs are fixed based upon the Cooperative’s additional costs to serve Colorado City.

14 They will be in addition to other customer charges and energy charges authorized in Garkane’s
15 tariffs.

16 Because Garkane likely will use its Commission-approved wholesale power cost
17 adjustment mechanism to reflect other changes in its wholesale power costs which would result
18 in other positive or negative “FACs,” the Cooperative requests that the following specific
19 condition language be included in the Commission order:

20 Garkane will be required to charge its current Commission-approved rates and
21 charges, including Acquisition FACs of \$0.037317 per kWh/Residential,
22 \$0.037412 per kWh/Residential Prepaid, \$0.006177 per kWh/Small Comm’l,
23 \$0.015035 per kWh/Large Comm’l, \$0.003956 per kWh/Public Buildings and
24 \$0.020568 per kWh/Small Industrial and Retail to the requested extension
 area until further order of the Commission.

 This language parallels Staff’s Condition 2 language at page 7 of its report. But, by identifying
 these adjustors as “Acquisition” FACs—which will distinguish them from other “regular”

1 FACs—and also stating in the Decision the fixed rates by class, this phrasing will avoid any
2 possible future confusion concerning the rates the Cooperative is authorized to charge in
3 Colorado City.

4 Garkane appreciates Staff and the Hearing Division's assistance in moving this matter to
5 the Commission's Open Meeting on April 28 so that the required closing date of no later than
6 June 30, 2009 can be met. The Cooperative will order an expedited transcript for delivery on
7 April 6 and will present a witness in support of these comments at the April 3 hearing.

8 RESPECTFULLY SUBMITTED this 27th day of March, 2009.

9 GALLAGHER & KENNEDY, P.A.

10

11

By 
Michael M. Grant
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for Garkane Energy Cooperative, Inc.

12

13

14 **Original and 13 copies** filed this
15 27th day of March, 2009, with:

16 Docket Control
17 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

18 **Copies** of the foregoing delivered
19 this 27th day of March, 2009, to:

20 Vicki Wallace
21 Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

22

23

24

1 Candrea Allen
Utilities Division
2 Arizona Corporation Commission
1200 West Washington Street
3 Phoenix, Arizona 85007

4 Prem Bahl
Utilities Division
5 Arizona Corporation Commission
1200 West Washington Street
6 Phoenix, Arizona 85007

7 Robin Mitchell
Legal Division
8 Arizona Corporation Commission
1200 West Washington Street
9 Phoenix, Arizona 85007

10 Sarah N. Harping
Administrative Law Judge
11 Hearing Division
Arizona Corporation Commission
12 1200 West Washington Street
Phoenix, Arizona 85007

13 
14 Dan Deasall
10703-3/2067012

15

16

17

18

19

20

21

22

23

24

EXHIBIT A

GALLAGHER & KENNEDY

P.A.

LAW OFFICES

MICHAEL M. GRANT
DIRECT DIAL: (602) 530-8291
E-MAIL: MMG@GKNET.COM

RECEIVED

2009 MAR 18 P 12:47

AZ CORP COMMISSION
DOCKET CONTROL

March 18, 2009

2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Affidavit of Publication and Certification of Mailing in Relation to Garkane's Application to Extend Its Certificate of Convenience and Necessity; Docket No. E-01891A-08-0598*

Dear Sir or Madam:

Enclosed are (1) the original and 13 copies of the Affidavit of Publication confirming published notice in this matter in *The Spectrum*, a newspaper of general circulation in Colorado City, Arizona; and (2) the original and 13 copies of Garkane's Certification of Mailing to property owners and signatories of the Memorandum of Understanding.

Your assistance in relation to this matter is appreciated.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:

Michael M. Grant

MMG/plp
10703-3/2064749
Enclosures

cc (w/enclosures): Robin Mitchell, Legal Division
Candrea Allen, Utilities Division
Mike Avant

Original and 13 copies filed with Docket Control this 18th day of March, 2009.

SPECTRUM

A Marketing and Communications Company

IN THE MATTER OF THE APPLICATION OF
GARKANE ENERGY COOPERATIVE, INC. FOR
APPROVAL TO EXTEND ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY TO INCLUDE
COLORADO CITY, ARIZONA
(Docket No. E-01891A-08-0598)

Summary

On December 12, 2008, Garkane Energy Cooperative, Inc. ("Garkane") filed with the Arizona Corporation Commission ("Commission") an application to extend its Certificate of Convenience and Necessity ("CC&N") to provide electric service to Colorado City, Arizona. According to its application, Garkane has entered into a Memorandum of Understanding to purchase the utility assets of Colorado City, Arizona, and Hildale, Utah ("the Twin Cities") and provide electric service to the residents of the Twin Cities, including approximately 700 customers in Colorado City. Garkane has stated that it will provide electric service to Colorado City residents using its current Commission-approved tariffs and regulations and will use the tariffs' wholesale power cost adjustment provision to adjust Colorado City's tariff rates because there is a higher annual wholesale power cost to serve the Twin Cities than exists for the remainder of Garkane's service area in Arizona and Utah.

The Commission's Utilities Division Staff ("Staff") is in the process of analyzing the application and has not yet made any recommendations in this matter. The Commission will determine whether to grant the application based on the evidence of record in this matter. The Commission is not bound by the proposals made by Garkane, Staff, or any intervenors.

How You Can View or Obtain a Copy of the Application and Other Documents

Copies of the application and the other documents filed in this matter are available at Garkane's offices 1802 South Highway 89A, Kanab, Utah 84741; at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona, for public inspection during regular business hours; and on the Internet via the Commission's website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

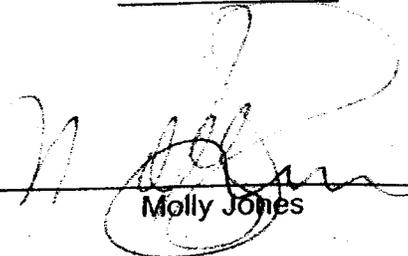
The Commission will hold a hearing in this matter beginning on April 3, 2009, at 9:30 a.m., in Room 100 at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. E-01891A-08-0598 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000 or 602-542-4251.

PROOF
OF
PUBLICATION

STATE OF UTAH SS.
COUNTY OF WASHINGTON

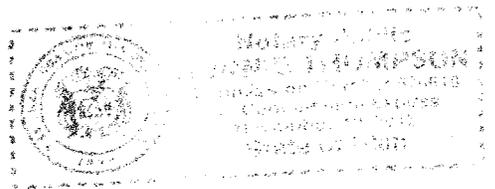
Molly Jones, being duly sworn, deposes and says that she is an accounting representative, at the daily newspaper published at St. George, Washington County, State of Utah, also distributed in Iron County, and that the notice **IN THE MATTER OF THE....** is a true copy of which is here to attached, was published in its issue dated the 26 day of FEBRUARY 2009 and was published again in the issues of said newspaper dated:

_____ for
a total of 1 insertion(s)


Molly Jones

Subscribed and sworn before me
this 16th day of
March 2009.


NOTARY PUBLIC RESIDING
AT WASHINGTON COUNTY



ST. GEORGE OFFICE
275 E St. George Blvd. - St. George, UT 84770
Office (435) 674-6200 FAX 674-6265
CEDAR CITY OFFICE
369 N. 100 W. Cedar City, UT 84720
Office (435) 586-7646 FAX 586-7471

About Intervention

Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission no later than **March 25, 2009**. You must send a copy of the motion to intervene to Garkane or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a resident of Colorado City, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to Garkane or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before March 25, 2009. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor's obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the docket for the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter and request this document in an alternative format by contacting the ADA Coordinator, Shaylin A. Bernal, at sabernal@azcc.gov, voice phone number (602) 542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

Certification of Mailing In Docket No. E-01891A-08-0598

I, Mike Avant, am the Engineering Manager of Garkane Energy Cooperative, Inc. ("Garkane'). I certify that on the 23rd day of February 2009, I deposited in the first-class U.S. Mail, postage pre-paid, the attached Notice concerning the Application of Garkane addressed to each property owner in the Colorado City requested extension area based upon records provided to Garkane by Colorado City and also addressed to each signatory of the Memorandum of Understanding.

MAVANT

[Signature]

Notary

State of UT
County of Kane
On this 24 day of Feb 2008, Ira Mike Avant
personally appeared before me,
 who is personally known to me,
 whose identity I verified on the basis of UT Driver's License
____ whose identity I verified on the basis of affirmation of _____
a credible witness.

to be the signer of the foregoing document, and he/she acknowledged that he/she signed it.

[Signature]

Notary Public
My Commission Expires 7/7/12



**IN THE MATTER OF THE APPLICATION OF GARKANE
ENERGY COOPERATIVE, INC. FOR APPROVAL TO EXTEND
ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO
INCLUDE COLORADO CITY, ARIZONA
(Docket No. E-01891A-08-0598)**

Summary

On December 12, 2008, Garkane Energy Cooperative, Inc. ("Garkane") filed with the Arizona Corporation Commission ("Commission") an application to extend its Certificate of Convenience and Necessity ("CC&N") to provide electric service to Colorado City, Arizona. According to its application, Garkane has entered into a Memorandum of Understanding to purchase the utility assets of Colorado City, Arizona, and Hildale, Utah ("the Twin Cities") and provide electric service to the residents of the Twin Cities, including approximately 700 customers in Colorado City. Garkane has stated that it will provide electric service to Colorado City residents using its current Commission-approved tariffs and regulations and will use the tariffs' wholesale power cost adjustment provision to adjust Colorado City's tariff rates because there is a higher annual wholesale power cost to serve the Twin Cities than exists for the remainder of Garkane's service area in Arizona and Utah.

The Commission's Utilities Division Staff ("Staff") is in the process of analyzing the application and has not yet made any recommendations in this matter. The Commission will determine whether to grant the application based on the evidence of record in this matter. The Commission is not bound by the proposals made by Garkane, Staff, or any intervenors.

How You Can View or Obtain a Copy of the Application and Other Documents

Copies of the application and the other documents filed in this matter are available at Garkane's offices **1802 South Highway 89A, Kanab, Utah 84741**; at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona, for public inspection during regular business hours; and on the Internet via the Commission's website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a **hearing** in this matter beginning on **April 3, 2009**, at **9:30 a.m.**, in Room 100 at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. E-01891A-08-0598 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000 or 602-542-4251.

About Intervention

Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission no later than **March 25, 2009**. You must send a copy of the motion to intervene to Garkane or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a resident of Colorado City, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to Garkane or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **March 25, 2009**. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor's obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the docket for the case.

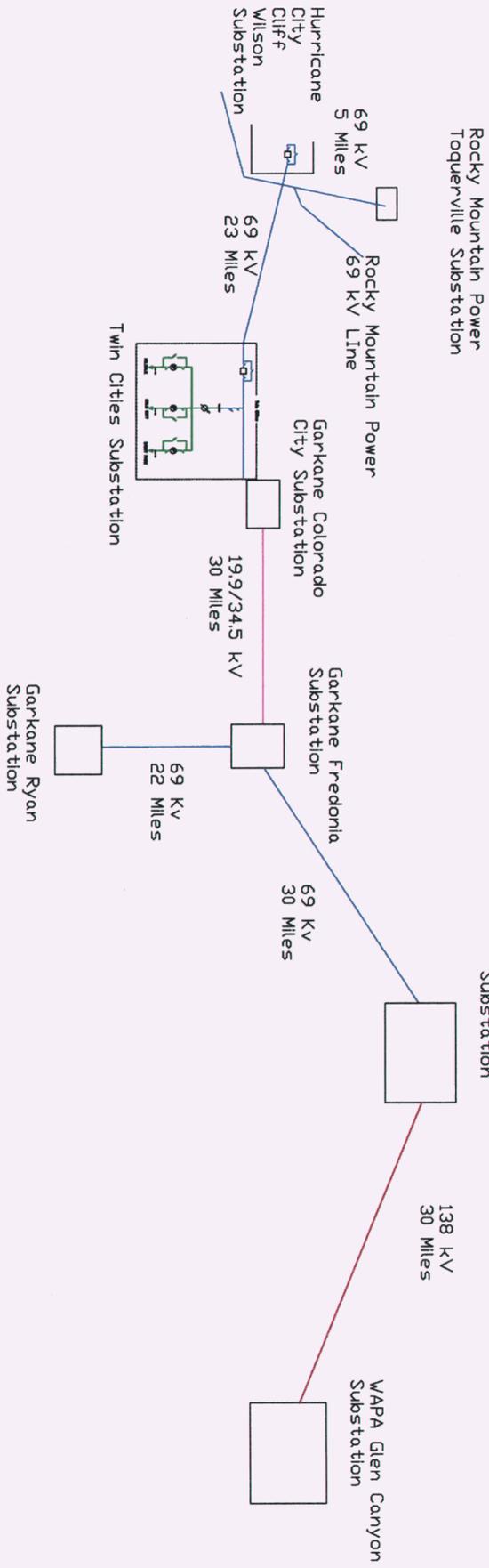
ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter and request this document in an alternative format by contacting the ADA Coordinator, Shaylin A. Bernal, at sabernal@azcc.gov, voice phone number (602) 542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.



EXHIBIT 1

Twin Cities currently takes delivery from UAMPS at the Hurricane City Cliff Wilson Substation. Under Garkane Twin Cities would take delivery from Rocky Mountain Power just outside of the Cliff Wilson Substation



Garkane Energy / Twin Cities One Line

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIFTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF

Docket No. E-01891A-08-0598

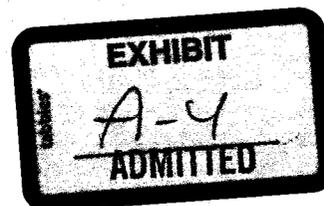
March 10, 2009

CA 5-2 If your response to 5.1 above is in the affirmative, please provide the following information:

- A. The adjustor rate to be charged.
- B. An explanation of how the adjustor will be calculated.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: In relation to the adjustor rate to be charged, Garkane provided pages from the financial model in its response to CA 1-3. Included were three pages entitled Comparison of Rates. The adjustor for each rate class is shown under "Acq FAC" (or Acquisition Fuel Adjustment Charge) in the far right-hand block of calculations for each class. So, for example, the Residential "Acq FAC" is \$0.037317; the Residential Prepay "Acq FAC" is \$0.037412; and so on. Attached are pages from the model with handwritten notes which show how these adjustors were calculated by class. These adjustors are fixed based upon the \$900,000 in higher annual costs as explained in the responses to CA 5-1 and 1-4. They will not be recalculated. Should wholesale power costs change generally for Garkane's system—up or down—in the future, those adjustors will affect all Garkane customers and will be added to (or subtracted from) these fixed adjustors in Colorado City. Please call me at the number above if you would like further explanation.



Twin Cities Residential Revenue

2003 Twin Cities Rates
First 150 kWh at no charge

2008

Hildale Res No Customers-Mon	2,468
Hildale Res kWh Sold	5,027,025

Hildale Res Cust Chg	20.00
Hildale Res Energy Chg	0.1120

Hildale Res Cust Chg Rev	49,360
Hildale Res Energy Chg Rev	521,564
Hildale Res Total Rev	570,924

Colorado City Res No Cust-Mo	5,781
Colorado City Res kWh Sold	8,641,023

Colorado City Res Cust Chg	20.00
Colorado City Res Energy Chg	0.1120

Colorado City Res Cust Chg Rev	115,620
Colorado City Res Energy Chg Rv	870,674
Colorado City Res Total Rev	986,294

Total Res Revenue	1,557,218
-------------------	-----------

Average Rev/kWh 0.1139

Average kWh/CustomrMonth 1857

2008 Twin Cities Rates

2008

Hildale Res No Customers-Mon	2,468
Hildale Res kWh Sold	5,027,025

Hildale Res Cust Chg	20.00
Hildale Res Energy Chg	0.122

Hildale Res Cust Chg Rev	49,360
Hildale Res Energy Chg Rev	613,287
Hildale Res Total Rev	662,657

Colorado City Res No Cust-Mo	5,781
Colorado City Res kWh Sold	8,641,023

Colorado City Res Cust Chg	20.00
Colorado City Res Energy Chg	0.122

Colorado City Res Cust Chg Rev	115,620
Colorado City Res Energy Chg Rv	1,054,205
Colorado City Res Total Rev	1,169,825

Total Res Revenue	1,832,482
-------------------	-----------

Average Rev/kWh 0.1341

Existing GKE AZ Rates
w/ no FAC

2008

Hildale Res No Customers-Mon	2,468
Hildale Res kWh Sold	5,027,025

Hildale Res Cust Chg	12.50
Hildale Res Energy Chg	0.06907

Hildale Res Cust Chg Rev	30,850
Hildale Res Energy Chg Rev	347,217
Hildale Res Total Rev	378,067

Colorado City Res No Cust-Mo	5,781
Colorado City Res kWh Sold	8,641,023

Colorado City Res Cust Chg	12.50
Colorado City Res Energy Chg	0.06907

Colorado City Res Cust Chg Rev	72,263
Colorado City Res Energy Chg Rv	596,835
Colorado City Res Total Rev	669,098

Total Res Revenue	1,047,165
-------------------	-----------

Average Rev/kWh 0.0766

Res Req to Match 2003 TC Rev	510,054
Res Acquisition FAC	0.0373172

$$510,054 = 1,557,218 - 1,047,165$$

$$0.0373172 = \frac{510,054}{5,027,025 + 864,1023}$$

Twin Cities Residential PrePay Revenue

2003 Twin Cities Rates

2008

Hildale Res Prepay No Customer	654
Hildale Res Prepay kWh Sold	1,274,589

Hildale Res Prepay Cust Chg	20.00
Hildale Res Prepay Energy Chg	0.1120

Hildale Res Prepay Cust Chg Re	13080
Hildale Res Prepay Energy Chg R	131,767
Hildale Res Prepay Total Rev	144,847

Colorado City Res Prepay No Cu	1,043
Colorado City Res Prepay kWh S	1,585,684

Colorado City Res Prepay Cust C	20.00
Colorado City Res Prepay Energy	0.1120

Colorado City Res Prepay Cust C	20860
Colorado City Res Prepay Energy	160,074
Colorado City Res Prepay Total R	180,934

Total Res Prepay Revenue	325,781
--------------------------	---------

Average Rev/kWh	0.1139
Average kWh/Customer/Month	1,685

2006 Twin Cities Rates

2008

Hildale Res Prepay No Customer	654
Hildale Res Prepay kWh Sold	1,274,589

Hildale Res Prepay Cust Chg	20.00
Hildale Res Prepay Energy Chg	0.122

Hildale Res Prepay Cust Chg Re	13,080
Hildale Res Prepay Energy Chg R	155,500
Hildale Res Prepay Total Rev	168,580

Colorado City Res Prepay No Cu	1,043
Colorado City Res Prepay kWh S	1,585,684

Colorado City Res Prepay Cust C	20.00
Colorado City Res Prepay Energy	0.122

Colorado City Res Prepay Cust C	20,860
Colorado City Res Prepay Energy	193,453
Colorado City Res Prepay Total R	214,313

Total Res Prepay Revenue	382,893
--------------------------	---------

Average Rev/kWh	0.13387
-----------------	---------

$$107009 = 325781 - 218772$$

$$.0374123 = \frac{107009}{1274589 + 1585684}$$

Existing GNE AZ Rates

Eliminate prepay and move accounts to Residential

2008

Hildale Res Prepay No Customer	654
Hildale Res Prepay kWh Sold	1,274,589

Hildale Res Prepay Cust Chg	12.50
Hildale Res Prepay Energy Chg	0.06907

Hildale Res Prepay Cust Chg Re	8,175
Hildale Res Prepay Energy Chg R	88,036
Hildale Res Prepay Total Rev	96,211

Colorado City Res Prepay No Cu	1,043
Colorado City Res Prepay kWh S	1,585,684

Colorado City Res Prepay Cust C	12.50
Colorado City Res Prepay Energy	0.06907

Colorado City Res Prepay Cust C	13,038
Colorado City Res Prepay Energy	109,523
Colorado City Res Prepay Total R	122,561

Total Res Prepay Revenue	218,772
--------------------------	---------

Average Rev/kWh	0.07649
-----------------	---------

Prepay Res Req to Match 2003 T	107,009
Prepay Res Acquisition FAC	0.0374123

Twin Cities Large Commercial Revenue

2003 Twin Cities Rates

2009

Hikdale Large Comm No Customers-Mon	275
Hikdale Large Comm kWh Sold	2,167,905
Hikdale Large Comm kW-Mon Sold	8,547
Hikdale Large Comm Cust Chg	10.00
Hikdale Large Comm Energy Chg	0.0500
Hikdale Large Comm Capacity Chg	12.0000
Hikdale Large Comm Cust Chg Rev	2750
Hikdale Large Comm Energy Chg Rev	108,395
Hikdale Large Comm Capacity Chg Rev	102,562
Hikdale Large Comm Total Rev	213,717

Colorado City Large Comm No Cust-Mo	210
Colorado City Large Comm kWh Sold	1,728,198
Colorado City Large Comm kW-Mon Sold	5,845

Colorado City Large Comm Cust Chg	10.00
Colorado City Large Comm Energy Chg	0.0500
Colorado City Large Comm Capacity Chg	12.0000

Colorado City Large Comm Cust Chg Rev	2100
Colorado City Large Comm Energy Chg Rev	86,410
Colorado City Large Comm Capacity Chg Rev	70,135
Colorado City Large Comm Total Rev	158,645

Total Large Comm Revenue	372,362
--------------------------	---------

Average Rev/kWh	0.0656
Average kWh/Customer/Month	8.017
Average Load Factor	0.371

2008 Twin Cities Rates

2008

Hikdale Large Comm No Customers-Mon	278
Hikdale Large Comm kWh Sold	2,167,905
Hikdale Large Comm kW-Mon Sold	8,547

Hikdale Large Comm Cust Chg	20.00
Hikdale Large Comm Energy Chg	0.060
Hikdale Large Comm Capacity Chg	12.00

Hikdale Large Comm Cust Chg Rev	5,520
Hikdale Large Comm Energy Chg Rev	130,074
Hikdale Large Comm Capacity Chg Rev	102,562
Hikdale Large Comm Total Rev	238,156

Colorado City Large Comm No Cust-Mo	210
Colorado City Large Comm kWh Sold	1,728,198
Colorado City Large Comm kW-Mon Sold	5,845

Colorado City Large Comm Cust Chg	20.00
Colorado City Large Comm Energy Chg	0.06
Colorado City Large Comm Capacity Chg	12.00

Colorado City Large Comm Cust Chg Rev	4,200
Colorado City Large Comm Energy Chg Rev	103,692
Colorado City Large Comm Capacity Chg Rev	70,135
Colorado City Large Comm Total Rev	178,027

Total Large Comm Revenue	416,183
--------------------------	---------

Average Rev/kWh	0.10682
-----------------	---------

Existing GKE A2 Rates w/ no FAC

2008

Hikdale Large Comm No Customers-Mon	278
Hikdale Large Comm kWh Sold	2,167,905
Hikdale Large Comm kW-Mon Sold	8,547

Hikdale Large Comm Cust Chg	20.00
Hikdale Large Comm Energy Chg	0.06115
Hikdale Large Comm Capacity Chg	6.37

Hikdale Large Comm Cust Chg Rev	5,520
Hikdale Large Comm Energy Chg Rev	132,587
Hikdale Large Comm Capacity Chg Rev	54,443
Hikdale Large Comm Total Rev	192,531

Colorado City Large Comm No Cust-Mo	210
Colorado City Large Comm kWh Sold	1,728,198
Colorado City Large Comm kW-Mon Sold	5,845

Colorado City Large Comm Cust Chg	20.00
Colorado City Large Comm Energy Chg	0.06115
Colorado City Large Comm Capacity Chg	6.37

Colorado City Large Comm Cust Chg Rev	4,200
Colorado City Large Comm Energy Chg Rev	105,679
Colorado City Large Comm Capacity Chg Rev	37,230
Colorado City Large Comm Total Rev	147,110

Total Large Comm Revenue	339,640
--------------------------	---------

Average Rev/kWh	0.08717
-----------------	---------

Large Comm Req to Match 2003 TC Rev	32,722
Large Comm Acquisition FAC	0.01503

$$32722 = 372362 - 339640$$

$$0.01503 = \frac{32722}{2167905 + 1728198}$$

Twin Cities Small Commercial Revenue

2003 Twin Cities Rates

2008	
Hildale Small Comm No Customers-Mon	463
Hildale Small Comm kWh Sold	1,380,721
Hildale Small Comm kW-Mon Sold	5,853
Hildale Small Comm Cust Chg	10.00
Hildale Small Comm Energy Chg	0.0700
Hildale Small Comm Capacity Chg	5.0000
Hildale Small Comm Cust Chg Rev	4630
Hildale Small Comm Energy Chg Rev	96,659
Hildale Small Comm Capacity Chg Rev	29,269
Hildale Small Comm Total Rev	130,546

Colorado City Small Comm No Cust-Mo	637
Colorado City Small Comm kWh Sold	1,346,509
Colorado City Small Comm kW-Mon Sold	6,768
Colorado City Small Comm Cust Chg	10.00
Colorado City Small Comm Energy Chg	0.0740
Colorado City Small Comm Capacity Chg	5.0000
Colorado City Small Comm Chg Rev	6370
Colorado City Small Comm Energy Chg Rev	99,642
Colorado City Small Comm Capacity Chg R	33,838
Colorado City Small Comm Total Rev	139,858

Total Small Comm Revenue	270,396
Average Rev/kWh	0.0991
Average kWh/Customer/Month	2,479
Average Load Factor	0.298

2008 Twin Cities Rates

2008	
Hildale Small Comm No Customers-Mon	463
Hildale Small Comm kWh Sold	1,380,721
Hildale Small Comm kW-Mon Sold	5,853
Hildale Small Comm Cust Chg	20.00
Hildale Small Comm Energy Chg	0.063
Hildale Small Comm Capacity Chg	5.00
Hildale Small Comm Cust Chg Rev	9,260
Hildale Small Comm Energy Chg Rev	114,048
Hildale Small Comm Capacity Chg Rev	29,269
Hildale Small Comm Total Rev	152,577

Colorado City Small Comm No Cust-Mo	637
Colorado City Small Comm kWh Sold	1,346,509
Colorado City Small Comm kW-Mon Sold	6,768
Colorado City Small Comm Cust Chg	20.00
Colorado City Small Comm Energy Chg	0.083
Colorado City Small Comm Capacity Chg	5.00
Colorado City Small Comm Chg Rev	12,740
Colorado City Small Comm Energy Chg Rev	111,222
Colorado City Small Comm Capacity Chg R	33,838
Colorado City Small Comm Total Rev	157,800

Total Small Comm Revenue	310,373
Average Rev/kWh	0.11381

Existing G&E AZ Rates
w/ no FAC

2008	
Hildale Small Comm No Customers-Mon	463
Hildale Small Comm kWh Sold	1,380,721
Hildale Small Comm kW-Mon Sold	5,853
Hildale Small Comm Cust Chg	12.50
Hildale Small Comm Energy Chg	0.05845
Hildale Small Comm Capacity Chg	6.37
Hildale Small Comm Cust Chg Rev	5,788
Hildale Small Comm Energy Chg Rev	80,703
Hildale Small Comm Capacity Chg Rev	37,284
Hildale Small Comm Total Rev	123,775

Colorado City Small Comm No Cust-Mo	637
Colorado City Small Comm kWh Sold	1,346,509
Colorado City Small Comm kW-Mon Sold	6,768
Colorado City Small Comm Cust Chg	12.50
Colorado City Small Comm Energy Chg	0.05845
Colorado City Small Comm Capacity Chg	6.37
Colorado City Small Comm Chg Rev	7,963
Colorado City Small Comm Energy Chg Rev	78,703
Colorado City Small Comm Capacity Chg R	43,110
Colorado City Small Comm Total Rev	129,776

Total Small Comm Revenue	253,551
Average Rev/kWh	0.09297
Small Comm Reg to Match 2003 TC Rev	16,845
Small Comm Acquisition FAC	0.00618

$$16845 = 270396 - 253551$$

$$.00618 = \frac{16845}{270396 - 253551}$$

Twin Cities Small Public Buildings Revenue

2003 Twin Cities Rates

2008

Hidale Sm Pub Bid No Customers-Mon	72
Hidale Sm Pub Bid kWh Sold	184,127
Hidale Sm Pub Bid kW-Mon Sold	658
Hidale Sm Pub Bid Cust Chg	10.00
Hidale Sm Pub Bid Energy Chg	0.0700
Hidale Sm Pub Bid Capacity Chg	5.0000
Hidale Sm Pub Bid Cust Chg Rev	720
Hidale Sm Pub Bid Energy Chg Rev	13,586
Hidale Sm Pub Bid Capacity Chg Rev	3,489
Hidale Sm Pub Bid Total Rev	17,798

Colorado City Sm Pub Bid No Cust-Mo	270
Colorado City Sm Pub Bid kWh Sold	1,084,486
Colorado City Sm Pub Bid kW-Mon Sold	3,358
Colorado City Sm Pub Bid Cust Chg	10.00
Colorado City Sm Pub Bid Energy Chg	0.0700
Colorado City Sm Pub Bid Capacity Chg	5.0000

Colorado City Sm Pub Bid Chg Rev	2700
Colorado City Sm Pub Bid Energy Chg Rev	75,814
Colorado City Sm Pub Bid Capacity Chg Rev	16,789
Colorado City Sm Pub Bid Total Rev	95,403

Total Small Public Buildings Revenue 113,201

Average Rev/kWh	0.0885
Average kWh/Customer/Month	3,738
Average Load Factor	0.432

2008 Twin Cities Rates

2008

Hidale Sm Pub Bid No Customers-Mon	72
Hidale Sm Pub Bid kWh Sold	184,127
Hidale Sm Pub Bid kW-Mon Sold	658
Hidale Sm Pub Bid Cust Chg	20.00
Hidale Sm Pub Bid Energy Chg	0.0826
Hidale Sm Pub Bid Capacity Chg	5.00
Hidale Sm Pub Bid Cust Chg Rev	1,440
Hidale Sm Pub Bid Energy Chg Rev	16,035
Hidale Sm Pub Bid Capacity Chg Rev	3,489
Hidale Sm Pub Bid Total Rev	20,964

Colorado City Sm Pub Bid No Cust-Mo	270
Colorado City Sm Pub Bid kWh Sold	1,084,486
Colorado City Sm Pub Bid kW-Mon Sold	3,358
Colorado City Sm Pub Bid Cust Chg	20.00
Colorado City Sm Pub Bid Energy Chg	0.0826
Colorado City Sm Pub Bid Capacity Chg	5.00

Colorado City Sm Pub Bid Chg Rev	5,400
Colorado City Sm Pub Bid Energy Chg Rev	88,578
Colorado City Sm Pub Bid Capacity Chg Rev	16,789
Colorado City Sm Pub Bid Total Rev	111,768

Total Small Public Buildings Revenue 132,732

Average Rev/kWh	0.10381
-----------------	---------

$$8357 = 113201 - 104845$$

$$.00654 = \frac{8357}{194127 + 1084486}$$

Existing GKE AZ Rates w/ no FAC

2008

Hidale Sm Pub Bid No Customers-Mon	72
Hidale Sm Pub Bid kWh Sold	194,127
Hidale Sm Pub Bid kW-Mon Sold	658
Hidale Sm Pub Bid Cust Chg	12.50
Hidale Sm Pub Bid Energy Chg	0.05845
Hidale Sm Pub Bid Capacity Chg	6.37
Hidale Sm Pub Bid Cust Chg Rev	900
Hidale Sm Pub Bid Energy Chg Rev	11,347
Hidale Sm Pub Bid Capacity Chg Rev	4,445
Hidale Sm Pub Bid Total Rev	16,692

Colorado City Sm Pub Bid No Cust-Mo	270
Colorado City Sm Pub Bid kWh Sold	1,084,486
Colorado City Sm Pub Bid kW-Mon Sold	3,358
Colorado City Sm Pub Bid Cust Chg	12.50
Colorado City Sm Pub Bid Energy Chg	0.05845
Colorado City Sm Pub Bid Capacity Chg	6.37

Colorado City Sm Pub Bid Chg Rev	3,375
Colorado City Sm Pub Bid Energy Chg Rev	63,388
Colorado City Sm Pub Bid Capacity Chg Rev	21,390
Colorado City Sm Pub Bid Total Rev	88,153

Total Small Public Buildings Revenue 104,845

Average Rev/kWh	0.08200
-----------------	---------

Small Pub Bid Req to Match 2003 TC Rev	8,357
Small Pub Bid Acquisition FAC	0.00654

Twin Cities Large Public Buildings Revenue

2003 Twin Cities Rates

2003	
Hildale Lg Pub Bid No Customers-Mon	54
Hildale Lg Pub Bid kWh Sold	158,714
Hildale Lg Pub Bid kW-Mon Sold	538
Hildale Lg Pub Bid Cust Chg	10.00
Hildale Lg Pub Bid Energy Chg	0.0500
Hildale Lg Pub Bid Capacity Chg	12.0000
Hildale Lg Pub Bid Cust Chg Rev	540
Hildale Lg Pub Bid Energy Chg Rev	7,936
Hildale Lg Pub Bid Capacity Chg Rev	6,453
Hildale Lg Pub Bid Total Rev	14,929
Colorado City Lg Pub Bid No Cust-Mo	197
Colorado City Lg Pub Bid kWh Sold	2,384,010
Colorado City Lg Pub Bid kW-Mon Sold	6,730
Colorado City Lg Pub Bid Cust Chg	10.00
Colorado City Lg Pub Bid Energy Chg	0.0500
Colorado City Lg Pub Bid Capacity Chg	12.0000
Colorado City Lg Pub Bid Chg Rev	1970
Colorado City Lg Pub Bid Energy Chg Rev	119,201
Colorado City Lg Pub Bid Capacity Chg Rev	80,764
Colorado City Lg Pub Bid Total Rev	201,934
Total Large Public Buildings Revenue	216,863
Average Rev/kWh	0.0853
Average kWh/Customer/Month	10,130
Average Load Factor	0.479

2008 Twin Cities Rates

2008	
Hildale Lg Pub Bid No Customers-Mon	54
Hildale Lg Pub Bid kWh Sold	158,714
Hildale Lg Pub Bid kW-Mon Sold	538
Hildale Lg Pub Bid Cust Chg	20.00
Hildale Lg Pub Bid Energy Chg	0.0600
Hildale Lg Pub Bid Capacity Chg	12.00
Hildale Lg Pub Bid Cust Chg Rev	1,080
Hildale Lg Pub Bid Energy Chg Rev	9,523
Hildale Lg Pub Bid Capacity Chg Rev	6,453
Hildale Lg Pub Bid Total Rev	17,056
Colorado City Lg Pub Bid No Cust-Mo	197
Colorado City Lg Pub Bid kWh Sold	2,384,010
Colorado City Lg Pub Bid kW-Mon Sold	6,730
Colorado City Lg Pub Bid Cust Chg	20.00
Colorado City Lg Pub Bid Energy Chg	0.0600
Colorado City Lg Pub Bid Capacity Chg	12.00
Colorado City Lg Pub Bid Chg Rev	3,940
Colorado City Lg Pub Bid Energy Chg Rev	145,041
Colorado City Lg Pub Bid Capacity Chg Rev	80,764
Colorado City Lg Pub Bid Total Rev	227,744
Total Large Public Buildings Revenue	244,801
Average Rev/kWh	0.08627

Existing GME AZ Rates w/ no FAC

2008	
Hildale Lg Pub Bid No Customers-Mon	54
Hildale Lg Pub Bid kWh Sold	158,714
Hildale Lg Pub Bid kW-Mon Sold	538
Hildale Lg Pub Bid Cust Chg	20.00
Hildale Lg Pub Bid Energy Chg	0.06115
Hildale Lg Pub Bid Capacity Chg	6.37
Hildale Lg Pub Bid Cust Chg Rev	1,080
Hildale Lg Pub Bid Energy Chg Rev	9,705
Hildale Lg Pub Bid Capacity Chg Rev	3,426
Hildale Lg Pub Bid Total Rev	14,211
Colorado City Lg Pub Bid No Cust-Mo	197
Colorado City Lg Pub Bid kWh Sold	2,384,010
Colorado City Lg Pub Bid kW-Mon Sold	6,730
Colorado City Lg Pub Bid Cust Chg	20.00
Colorado City Lg Pub Bid Energy Chg	0.06115
Colorado City Lg Pub Bid Capacity Chg	6.37
Colorado City Lg Pub Bid Chg Rev	3,940
Colorado City Lg Pub Bid Energy Chg Rev	145,782
Colorado City Lg Pub Bid Capacity Chg Rev	42,872
Colorado City Lg Pub Bid Total Rev	192,594
Total Large Public Buildings Revenue	206,805
Average Rev/kWh	0.08133
Large Pub Bid Reg to Match 2003 TC Rev	10,058
Large Pub Bid Acquisition FAC	0.00396

$$10058 = 216863 - 206805$$

$$0.00396 = \frac{10058}{158714 + 2384010}$$

Twin Cities-Small Industrial Revenue

2003 Twin Cities Rates
First 150 kWh at no charge

2008	
Hikdale Small Industrial No Customers-Mon	72
Hikdale Small Industrial kWh Sold	63,248
Hikdale Small Industrial kW-Mon Sold	315
Hikdale Small Industrial Cust Chg	20.00
Hikdale Small Industrial Energy Chg	0.1120
Hikdale Small Industrial Capacity Chg	0.0000
Hikdale Small Industrial Cust Chg Rev	1440
Hikdale Small Industrial Energy Chg Rev	5,874
Hikdale Small Industrial Capacity Chg Rev	-
Hikdale Small Industrial Total Rev	7,314

Colorado City Small Industrial No Cust-Mo	285
Colorado City Small Industrial kWh Sold	181,435
Colorado City Small Industrial kW-Mon Sold	430
Colorado City Small Industrial Cust Chg	20.00
Colorado City Small Industrial Energy Chg	0.1120
Colorado City Small Industrial Capacity Chg	0.0000
Colorado City Small Industrial Cust Chg Rev	5700
Colorado City Small Industrial Energy Chg Rev	15,533
Colorado City Small Industrial Capacity Chg Rev	-
Colorado City Small Industrial Total Rev	21,233

Total Small Industrial Revenue	28,547
Average Rev/kWh	0.1167
Average kWh/Customer/Month	685
Average Load Factor	0.449

2003 Twin Cities Rates

2008	
Hikdale Small Industrial No Customers-Mon	72
Hikdale Small Industrial kWh Sold	63,248
Hikdale Small Industrial kW-Mon Sold	315
Hikdale Small Industrial Cust Chg	20.00
Hikdale Small Industrial Energy Chg	0.122
Hikdale Small Industrial Capacity Chg	0.00
Hikdale Small Industrial Cust Chg Rev	1,440
Hikdale Small Industrial Energy Chg Rev	7,718
Hikdale Small Industrial Capacity Chg Rev	0
Hikdale Small Industrial Total Rev	9,158

Colorado City Small Industrial No Cust-Mo	285
Colorado City Small Industrial kWh Sold	181,435
Colorado City Small Industrial kW-Mon Sold	430
Colorado City Small Industrial Cust Chg	20.00
Colorado City Small Industrial Energy Chg	0.122
Colorado City Small Industrial Capacity Chg	0.00
Colorado City Small Industrial Cust Chg Rev	5,700
Colorado City Small Industrial Energy Chg Rev	22,135
Colorado City Small Industrial Capacity Chg Rev	0
Colorado City Small Industrial Total Rev	27,835

Total Small Industrial Revenue	36,993
Average Rev/kWh	0.15118

Existing GKE AZ Rates
w/ no FAC

2008	
Hikdale Small Industrial No Customers-Mon	72
Hikdale Small Industrial kWh Sold	63,248
Hikdale Small Industrial kW-Mon Sold	315
Hikdale Small Industrial Cust Chg	12.50
Hikdale Small Industrial Energy Chg	0.05845
Hikdale Small Industrial Capacity Chg	6.37
Hikdale Small Industrial Cust Chg Rev	900
Hikdale Small Industrial Energy Chg Rev	3,697
Hikdale Small Industrial Capacity Chg Rev	2,009
Hikdale Small Industrial Total Rev	6,606

Colorado City Small Industrial No Cust-Mo	285
Colorado City Small Industrial kWh Sold	181,435
Colorado City Small Industrial kW-Mon Sold	430
Colorado City Small Industrial Cust Chg	12.50
Colorado City Small Industrial Energy Chg	0.05845
Colorado City Small Industrial Capacity Chg	6.37
Colorado City Small Industrial Cust Chg Rev	3,563
Colorado City Small Industrial Energy Chg Rev	10,605
Colorado City Small Industrial Capacity Chg Rev	2,741
Colorado City Small Industrial Total Rev	16,909

Total Small Industrial Revenue	23,514
Average Rev/kWh	0.09810
Small Industrial Rev to Match 2003 TC Rev	5,033
Small Industrial Acquisition FAC	0.02057

$$5033 = 28547 - 23514$$

$$0.02057 = \frac{5033}{63248 + 181435}$$

Twin Cities Interruptable Revenue

2003 Twin Cities Rates

2008	
Hidale Interruptable No Customers-Mon	0
Hidale Interruptable kWh Sold	0
Hidale Interruptable kW-Mon Sold	0
Hidale Interruptable Cust Chg	20.00
Hidale Interruptable Energy Chg	0.1200
Hidale Interruptable Capacity Chg	0.0000
Hidale Interruptable Cust Chg Rev	0
Hidale Interruptable Energy Chg Rev	-
Hidale Interruptable Capacity Chg Rev	-
Hidale Interruptable Total Rev	-

Colorado City Interruptable No Cust-Mo	12
Colorado City Interruptable kWh Sold	4,230
Colorado City Interruptable kW-Mon Sold	28
Colorado City Interruptable Cust Chg	20.00
Colorado City Interruptable Energy Chg	0.1200
Colorado City Interruptable Capacity Chg	0.0000
Colorado City Interruptable Chg Rev	240
Colorado City Interruptable Energy Chg Rev	508
Colorado City Interruptable Capacity Chg Rev	-
Colorado City Interruptable Total Rev	748

Total Interruptable Revenue	748
Average Rev/kWh	0.1767
Average kWh/Customers/Month	353
Average Load Factor	0.226

2008 Twin Cities Rates
Interruptable Rate Eliminated - Move to SM Commercial

2008	
Hidale Interruptable No Customers-Mon	0
Hidale Interruptable kWh Sold	0
Hidale Interruptable kW-Mon Sold	0
Hidale Interruptable Cust Chg	20.00
Hidale Interruptable Energy Chg	0.0828
Hidale Interruptable Capacity Chg	5.00
Hidale Interruptable Cust Chg Rev	-
Hidale Interruptable Energy Chg Rev	0
Hidale Interruptable Capacity Chg Rev	-
Hidale Interruptable Total Rev	-

Colorado City Interruptable No Cust-Mo	12
Colorado City Interruptable kWh Sold	4,230
Colorado City Interruptable kW-Mon Sold	28
Colorado City Interruptable Cust Chg	20.00
Colorado City Interruptable Energy Chg	0.0828
Colorado City Interruptable Capacity Chg	5.00
Colorado City Interruptable Chg Rev	240
Colorado City Interruptable Energy Chg Rev	349
Colorado City Interruptable Capacity Chg Rev	128
Colorado City Interruptable Total Rev	717

Total Interruptable Revenue	717
Average Rev/kWh	0.16960

Existing GKE AZ Rates
w/ no FAC

2008	
Hidale Interruptable No Customers-Mon	0
Hidale Interruptable kWh Sold	0
Hidale Interruptable kW-Mon Sold	0
Hidale Interruptable Cust Chg	12.50
Hidale Interruptable Energy Chg	0.05845
Hidale Interruptable Capacity Chg	6.37
Hidale Interruptable Cust Chg Rev	-
Hidale Interruptable Energy Chg Rev	0
Hidale Interruptable Capacity Chg Rev	-
Hidale Interruptable Total Rev	-

Colorado City Interruptable No Cust-Mo	12
Colorado City Interruptable kWh Sold	4,230
Colorado City Interruptable kW-Mon Sold	28
Colorado City Interruptable Cust Chg	12.50
Colorado City Interruptable Energy Chg	0.05845
Colorado City Interruptable Capacity Chg	6.37
Colorado City Interruptable Chg Rev	150
Colorado City Interruptable Energy Chg Rev	247
Colorado City Interruptable Capacity Chg Rev	163
Colorado City Interruptable Total Rev	560

Total Interruptable Revenue	560
Average Rev/kWh	0.13248

Interruptable Req to Match 2003 TC Rev	187
Interruptable Acquisition FAC	0.04428

$187 = 748 - 560$

$0.04428 = \frac{187}{0 + 4230}$

GALLAGHER & KENNEDY
A PROFESSIONAL ASSOCIATION

MICHAEL M. GRANT
ATTORNEY
DIRECT LINE
(602) 530-8291

2600 NORTH CENTRAL AVENUE
PHOENIX, ARIZONA 85004-3020
(602) 530-8000
FAX: (602) 257-9459

April 8, 1999

Christopher Kempley, Esq.
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



Re: Garkane Power Association, Inc. ("Garkane")

Dear Chris:

As we discussed, the purpose of this letter is briefly to memorialize the conclusions we reached this week on lack of Commission jurisdiction over Garkane's debt and lien matters.

Garkane is a Utah nonprofit cooperative corporation. It owns facilities and supplies electricity in both Arizona and Utah. More than 90% of its member owners are in Utah.

Garkane is currently in the process of applying for an RUS guaranteed loan. Because Garkane is a foreign corporation engaged in interstate commerce which owns facilities in more than one state, Commission approval is not required because of interstate commerce clause restrictions. Op. Atty. Gen. No. 69-10.

I appreciate your attention to this matter. If I have misunderstood or misstated our conclusions, please call. Otherwise, Garkane will not seek Commission approval for this current or any future loan application.

Very truly yours,

A handwritten signature in black ink that reads "Mike".

By
Michael M. Grant

cc: Mr. Carl Albrecht

#735993 v1 - Kempley

MEMORANDUM

RE

2009 MAR 18 F

AZ CORP COMM
DOCKET CONTROL

TO: Docket Control
FROM: Ernest G. Janson
Director
Utilities Division

MAR 18 2009

Date: March 18, 2009

RE: STAFF REPORT FOR THE APPLICATION OF GARKANE ENERGY COOPERATIVE, INC. TO EXPAND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO INCLUDE COLORADO CITY, ARIZONA (DOCKET NO. E-01891A-08-0598)

Attached is the Staff Report for the extension of Garkane Energy Cooperative, Inc.'s Certificate of Convenience and Necessity to include Colorado City, Arizona. Staff recommends approval.

EGJ:VW:kdh

Originator: Vicki Wallace



Service List For: Garkane Energy Cooperative, Inc.
Docket No. E-01891A-08-0598

Mr. Michael M. Grant
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorney for Garkane Energy Cooperative, Inc.

Arizona Reporting Services, Inc.
2200 North Central Avenue, Suite 502
Phoenix, Arizona 85004-1481

Mr. Ernest G. Johnson
Director Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Lyn Farmer
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

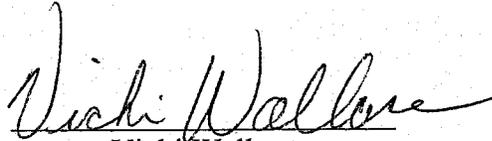
**GARKANE ENERGY COOPERATIVE, INC.
E-01891A-08-0598**

**APPLICATION OF GARKANE ENERGY COOPERATIVE, INC. TO
EXPAND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
TO INCLUDE COLORADO CITY, ARIZONA**

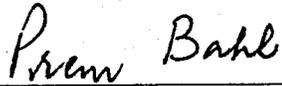
MARCH 18, 2009

STAFF ACKNOWLEDGMENT

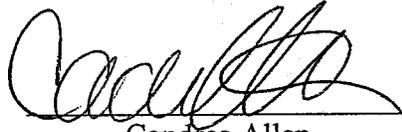
The Staff Report for Garkane Energy Cooperative, Inc., Docket No. E-01891A-08-0598, was prepared by the Staff members shown below:



Vicki Wallace
Executive Consultant



Prem Bahl
Utilities Engineer



Candrea Allen
Public Utilities Analyst

EXECUTIVE SUMMARY
GARKANE ENERGY COOPERATIVE, INC.
E-01891A-08-0598

On December 12, 2008, Garkane Electric Cooperative, Inc. ("Garkane" or "Cooperative") filed an application with the Arizona Corporation Commission ("Commission or "ACC") to expand its Certificate of Convenience and Necessity ("CC&N") to include Colorado City, Arizona, in Mohave County.

Prior to May of 1994, Garkane provided electric service to the residents of Colorado City as well as to the neighboring town of Hildale, Utah ("the Twin Cities"). In 1993, however, municipal utilities were formed by the Twin Cities. At their request, Garkane entered into agreements with Hildale and Colorado City to sell its distribution facilities to the Twin Cities. In Decision No. 58571 issued March 16, 1994, the Commission approved the transfer of the Garkane assets to Colorado City as well as the cancellation of the relevant portion of the Cooperative's CC&N relating to service to Colorado City.

The Twin Cities began to default on bond payments, and about two years ago, Garkane was approached by the Trustee for the Twin Cities bondholders, Wells Fargo, about purchasing the Twin Cities' systems and resuming electricity service to the area. In November of 1998, the parties signed a Memorandum of Understanding for the sale, and the bondholders specified a closing date of June 30, 2009.

Garkane has made wholesale power arrangements with its power supplier, Deseret Power Electric Cooperative, and transmission arrangements with Rocky Mountain Power for the purchase as well as the transmission of the energy necessary to supply Colorado City.

Staff's analysis indicates that Colorado City customers using an average of 500 kWh per month will experience an approximate \$15.31 reduction in their current electric bills, from \$81.00 to \$65.69.

CONCLUSIONS AND RECOMMENDATIONS

- Garkane has the financial, technical, and managerial experience to own and operate an electric utility.
- Once the acquisition is completed, Colorado City customers will become members of the Cooperative and have the same rights and privileges as current members.
- Garkane has entered into a Memorandum of Understanding ("MOU") with Colorado City and all pertinent parties to purchase the system and resume service, and a purchase agreement will be finalized once all necessary approvals are received pursuant to the MOU.

- Garkane has been approved by the National Rural Utilities Cooperative Finance Corporation for loan funds in excess of the \$3,000,000 amount needed to close this acquisition.
- Garkane has established that it is in the public interest to approve this expansion of territory to include Colorado City.
- Staff recommends that Garkane's expansion of its territory to once again include Colorado City be approved with the following conditions.
 1. Garkane will be required to file documentation of the finalized purchase agreement with the Commission in this docket upon closing the transaction.
 2. Garkane will be required to charge its current Commission-approved rates and charges, including the requested FAC, to the requested extension area until further order of the Commission.
- Garkane has sufficient resources to serve the additional load of Colorado City;
- Sufficient transmission capacity exists to deliver power to Colorado City;
- Garkane will have sufficient work for the existing two part-time maintenance crew members to make them permanent as they would be able to additionally serve a significant number of existing Arizona customers in close proximity to Colorado City;
- The ability to serve the composite load of Arizona customers and that of Twin Cities would result in operational efficiencies and improved reliability in providing quicker response to customer outages, as the maintenance staff would not have come from the present Garkane area office located at Kanab, Utah, which is one hour away from the Twin Cities;
- After 2011, when the 69 kV Toquerville to Cliff Wilson transmission line is upgraded, Garkane will divert the Deseret generation, now coming from Glen Canyon, approximately 100 miles away, to Toquerville, which is only 28 miles away. This will result in significant savings on system losses.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
THE MEMORANDUM OF UNDERSTANDING	2
WHOLESALE POWER AND TRANSMISSION ARRANGEMENTS	3
ENGINEERING ANALYSIS	3
GARKANE'S FINANCIAL ABILITY TO SERVE THE AREA	4
RATES	4
PUBLIC INTEREST	5
FRANCHISE	6
CUSTOMER NOTICE	6
COMPLIANCE	6
CONCLUSIONS AND RECOMMENDATIONS	6

EXHIBITS

ENGINEERING MAPS	1
MEMORANDUM OF UNDERSTANDING	2
ENGINEERING SECTION REPORT	3
TELECOMMUNICATION AND ENERGY SECTION REPORT	4
FRANCHISE	5
CUSTOMER NOTICE	6

INTRODUCTION

On December 12, 2008, Garkane Electric Cooperative, Inc. ("Garkane" or "Cooperative") filed an application with the Arizona Corporation Commission ("Commission" or "ACC") to expand its Certificate of Convenience and Necessity ("CC&N") to include Colorado City, Arizona, in Mohave County.

On January 27, February 5, February 10, and February 27, 2009, Staff issued data requests to the Company, and responses were subsequently received.

On February 6, 2009, Staff issued its Sufficiency Letter to Garkane. A Procedural Order was issued on February 10, 2009, setting a hearing for April 3, 2009.

BACKGROUND

Garkane is a rural non-profit electric cooperative headquartered in Loa, Utah. The Cooperative serves approximately 11,600 total customers. About 700 of those customers are in Arizona and are situated primarily north of the Grand Canyon in the vicinity of Fredonia and Colorado City, Arizona. Garkane is in good standing with the Commission's Corporations Division and was certified to provide water utility services in Arizona via Decision No. 38392 issued February 3, 1966. Garkane's existing rates were established in Decision No. 61105 issued August 20, 1998. Staff's legal description and engineering map of the service area is attached as Exhibit 1.

Prior to May of 1994, Garkane provided electric service to the residents of Colorado City as well as to the neighboring town of Hildale, Utah ("the Twin Cities"). In 1993, however, municipal utilities were formed by the Twin Cities. Bonds were also authorized to finance the acquisition of the Cooperative's utility assets as well as to construct additional facilities. At their request, Garkane entered into agreements with Hildale and Colorado City to sell its distribution facilities to the Twin Cities.

In Decision No. 58571 issued March 16, 1994, the Commission approved the transfer of the Garkane assets to Colorado City as well as the cancellation of the relevant portion of the Cooperative's CC&N relating to service to Colorado City. The transaction closed in April of 1994. Garkane ceased service to Colorado City at that time. The Hildale transaction was subject to the jurisdiction of the Utah Public Service Commission ("Utah Commission") and thus required no action by the ACC.

Approximately two years ago, Garkane was approached by the Trustee for the Twin Cities bondholders concerning whether the Cooperative would be interested in purchasing the Twin Cities' systems and resuming electricity service to the area. Garkane indicated that things did not go well after the acquisition by the Twin Cities, partly as a result of the Twin Cities' reliance on natural gas fired generation; and Colorado City and Hildale began to default on their bond payments in 2000 and on their interest payments in 2005. The Trustee was considering

either a receiver to run the system or a purchaser. After negotiations between the parties, Garkane entered into a Memorandum of Understanding ("MOU") to purchase the Twin Cities' utility assets, including the assets which serve Colorado City.

THE MEMORANDUM OF UNDERSTANDING

As indicated above, a MOU was entered into between the Twin Cities Power Authority ("TCP"); the City of Hildale, UT, a Utah Municipal Corporation ("Hildale"); Colorado City, AZ, an Arizona Municipal Corporation ("Colorado City"); Wells Fargo Bank, and Bondholders N.A., as Trustee for the holders of certain Revenue Bonds issued in 1995 and 1997 and Garkane in November of 2008, specifying a closing date of no later than June 30, 2009. According to the Cooperative, closing of the transaction is contingent upon, among other things such as acquisition of the Hildale System, and the receipt of the Commission's approval to expand Garkane's CC&N to once again provide electric service to the approximately 700 additional customers in Colorado City.

The Hildale transaction is under the jurisdiction of the Utah Commission. Under Utah Commission Rule R746-401, Garkane is only required to report the transaction to the Utah Commission. Because the transaction involved less than five percent of Garkane's gross utility plant, no approval from the Utah Commission is required. Garkane must submit the report to the Utah Commission at least 30 days prior to the closing. That report will be made before the end of March 2009.

The MOU is attached as Exhibit 2. The MOU sets forth the terms and conditions of the proposed sale of the electrical transmission, substation, and distribution system assets currently belonging to TCP, Hildale, Colorado City and/or Wells Fargo (collectively, "Sellers") to Garkane. The Town Council of Colorado City has approved the MOU for the sale and will also approve final sales documents. The main provisions of the MOU are as follows:

1. Garkane will purchase the entire existing electrical transmission, substation, and distribution system(s) ("System Assets") of Sellers together with certain materials and supplies pertaining to such system(s) together with the right and duty to provide electrical service to the residents and businesses of Hildale and Colorado City.
2. The purchase price for the System Assets will be \$3,000,000 and will be payable in cash at the time of closing. Closing of the transaction will be no later than June 30, 2009.
3. The Sellers will warrant title to the System Assets free and clear of all liens and encumbrances. Title to the distribution system facilities (including easements) will be conveyed via Quitclaim Deed, and Seller will be responsible for clearing any and all liens and encumbrances.

4. Sellers will continue to operate the System Assets until closing, and Garkane will not assume any obligation or liabilities to any entity associated with the delivery of electricity to Sellers prior to closing of the transaction.
5. Sellers will transfer to Garkane all deposits held on account of electric customers and provide all pertinent information associated with these accounts. Sellers will also make available to Garkane all electrical customer information necessary for the Cooperative to set up billing accounts, etc. Garkane was advised there were no outstanding/pending main line extensions.
6. Garkane must enter into a suitable purchased power contract amendment for delivery of necessary power and energy not to exceed \$930,000 per year.
7. Garkane will establish an office for receipt of payment and customer service in Hildale or Colorado City for a minimum period of three years after the closing.
8. The entire MOU is contingent upon releases from Colorado City, Hildale and the Bondholders (or the Trustee) from any and all current and future debts and liabilities for the transfer of Twin Cities distribution system to Garkane.
9. Once the acquisition is completed, Colorado City customers will become members of the Cooperative and have the same rights and privileges as current members.

WHOLESALE POWER AND TRANSMISSION ARRANGEMENTS

The Cooperative has made wholesale power arrangements with its power supplier, Deseret Power Electric Cooperative ("Deseret") and transmission arrangements with Rocky Mountain Power for the purchase as well as the transmission of the energy necessary to supply Colorado City.

ENGINEERING ANALYSIS

Within its existing CC&N, Garkane is presently serving approximately 700 customers in Arizona with a total load of approximately 4 MW. Of these, approximately 600 customers are in the vicinity of Colorado City (within a 15-minute drive). The Colorado City load is approximately 5 MW. Therefore, the total system load of the Cooperative will be about 9 MW if it acquires ACC approval to provide service to Colorado City. Garkane's provision of service in the area should be more efficient and cost effective if the Application is approved.

Currently, Twin Cities takes power delivery from Utah Associated Municipal Power Systems ("UAMPS") at Hurricane City's Cliff Wilson Substation over a 23-mile long 69 kV line. According to information received from the Cooperative, Rocky Mountain Power ("RMP") would install one disconnect switch outside of the Cliff Wilson Substation between the RMP 69 kV line and the Twin Cities 69 kV line and utilize the existing 69 kV line to provide service to

Twin Cities. Power will be received from the Deseret¹ via the Rocky Mountain Power system delivered through the 69 kV Toquerville Substation, which is approximately 5 miles from the Cliff Wilson Substation.

Garkane is presently serving all its Arizona customers, including the 600 customers in the Colorado City area, from Glen Canyon over approximately 100 miles of line consisting of 30 miles of 138 kV, 30 miles of 69 kV, 30 miles of 34.5 kV and 10 miles of 12.5 kV lines. RMP plans to upgrade the 69 kV line between the Toquerville Substation and Cliff Wilson substation in 2011. At that time, the upgraded line will be able to carry additional power needed to serve all of Garkane's Arizona customers in the Colorado City area. This arrangement will offer the Cooperative significant savings in reduced system losses, because the power flow distance would decrease from approximately 100 miles to 28 miles.

A one-line diagram showing Garkane's electric system serving Arizona customers and the proposed Twin Cities area is attached as Exhibit 1.

Currently, because of depressed economic conditions and inadequate amount of work, there are only two part-time maintenance crew members serving the customers of Twin Cities. Maintenance crew staff that responds to the Arizona customers in the Colorado City area comes from Garkane's office in Kanab, Utah. They travel for about one hour to reach these customers. If the Application is approved, the Cooperative will have sufficient customers in the Colorado City area to dedicate full time positions and reduce repair time and improve quality of service to customers.

GARKANE'S FINANCIAL ABILITY TO SERVE THE AREA

Garkane indicated that it has already been approved by the National Rural Utilities Cooperative Finance Corporation for loan funds in excess of the \$3,000,000 amount needed to close this acquisition. The Cooperative also asserted that it is a financially sound cooperative with current margins and equity total assets level of approximately 36 percent.

RATES

Garkane indicated that it will use its current Commission-approved tariffs and regulations to provide service to the residents of Colorado City. Garkane estimated that the rates it will charge in Colorado City will be approximately five percent lower than current rates now in effect. The wholesale power supply and transmission arrangements are specifically for the Twin Cities and are approximately \$900,000 higher per year than the wholesale power costs for the balance of the Cooperative's customers in Arizona and Utah. In order to recover the additional costs to serve the Colorado City Area, Garkane has included, as part of its wholesale power cost adjustment mechanism, an acquisition fuel adjustment charge ("FAC"), calculated by customer

¹ Deseret Power Cooperative is a generation cooperative in Utah. Garkane would receive additional power delivery from Deseret for Colorado City under the existing wholesale power contract if the Application is approved.

class. According to Garkane, the FAC is fixed based on the additional cost to serve the Colorado City area. The FAC will be in addition to the monthly customer charge and energy charges.

Staff's analysis indicates that a residential customer using 500 kWh per month is currently paying approximately \$81.00 per month. With Garkane's current Commission-approved rates inclusive of the FAC charge, a residential customer with the same usage as above will pay approximately \$65.69 per month which is \$15.31 less a month for electricity. For a more detailed review of Staff's rate analysis, see the Telecommunications and Energy Section which is attached as Exhibit 4.

PUBLIC INTEREST

Garkane indicates that the expansion of Garkane's CC&N to reauthorize service to Colorado City is in the public interest for the following reasons:

It will bring stability to the ownership and operation of the electric system which has been in default to its bondholders and subject to sale or receivership for several years.

Colorado City residents will see an immediate decrease in their rates and bills.

Garkane's operation of the system will also provide rate stability for Colorado City customers. Since 1993, the average retail power cost has doubled from \$0.06/kWh to \$0.12/kWh because of the municipal system's much higher power costs and debt load.

There will be some operational efficiencies associated with the acquisition of the Twin Cities operation which will benefit of all of Garkane's members.

In response to Staff's inquiry as to what operational efficiencies would ensue, Garkane indicated that one of the efficiencies had to do with maintenance/repair personnel being located more closely to Garkane's current service territory. Of the approximately 700 customers that Garkane serves in Arizona, over 500 of them are located within a 15-minute drive of Colorado City. Those customers are currently served with line crews out of the Kanab Office which is approximately 45 minutes to one hour away. These same line crews normally travel to the area around Colorado City two or three times a day. With the acquisition, Garkane will acquire two journeyman linemen and an office/warehouse building. By having them service both the Twin Cities area and the Arizona Garkane customers in the surrounding area, this will reduce the travel time and expense of Garkane crews to Arizona customers as well as improving response time to the area.

Additionally, Garkane indicated that under the MOU, in 2011 Garkane will be able to move the existing Garkane Arizona loads in the area onto the new delivery point. This change in delivery point feed will reduce the current loading on the Fredonia Sub transformer by approximately twenty (20 percent), which is currently near its top rating. The Cooperative

believed this would save customers money by eliminating or, at least, postponing the need to replace this transformer with a larger size.

FRANCHISE

At the general election on November 4, 2008, Colorado City voters overwhelmingly approved (578 yes; 33 no) the issuance of a franchise to Garkane to allow its operations within the City limits. A copy of the franchise ordinance is attached as Exhibit 5

CUSTOMER NOTICE

Customers were noticed of Garkane's expansion of territory to include Colorado City and Hildale via first-class mail on February 23, 2009, as evidenced by the attached certification of mailing and notice (Exhibit 6). There were no oppositions filed to the expansion as of the time of the filing of this Staff Report.

COMPLIANCE

Arizona Corporation Commission

The Utilities Division's Compliance Section indicates there are no delinquencies for Garkane Electric Cooperative, Inc.

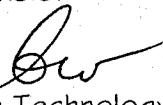
CONCLUSIONS AND RECOMMENDATIONS

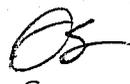
- Garkane has the financial, technical, and managerial experience to own and operate an electric utility.
- Once the acquisition is completed, Colorado City customers will become members of the cooperative and have the same rights and privileges as current members.
- Garkane has entered into a Memorandum of Understanding with Colorado City and all pertinent parties to purchase the system and resume service, and a purchase agreement will be finalized once all necessary approvals are received pursuant to the MOU.
- Garkane has been approved by the National Rural Utilities Cooperative Finance Corporation for loan funds in excess of the \$3,000,000 amount needed to close this acquisition.
- Garkane has established that it is in the public interest to approve this expansion of territory to include Colorado City.
- Staff recommends that Garkane's expansion of its territory to once again include Colorado City be approved with the following conditions.

1. Garkane will be required to file documentation of the finalized purchase agreement with the Commission in this docket upon closing the transaction.
 2. Garkane will be required to charge its current Commission-approved rates and charges, including the FAC, to the requested extension area until further order of the Commission.
- Garkane has sufficient resources to serve the additional load of Colorado City;
 - Sufficient transmission capacity exists to deliver power to Colorado City;
 - Garkane will have sufficient work for the existing two part-time maintenance crew members to make them permanent as they would be able to additionally serve a significant number of existing Arizona customers in close proximity to Colorado City;
 - The ability to serve the composite load of Arizona customers and that of Twin Cities would result in operational efficiencies and improved reliability in providing quicker response to customer outages, as the maintenance staff would not have come from the present Garkane area office located at Kanab, Utah, which is one hour away from the Twin Cities;
 - After 2011, when the 69 kV Toquerville to Cliff Wilson transmission line is upgraded, Garkane will divert the Deseret generation, now coming from Glen Canyon, approximately 100 miles away, to Toquerville, which is only 28 miles away. This will result in significant savings on system losses.

MEMORANDUM

TO: Vicki Wallace
Chief, Consumer Services & Special Projects
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: January 12, 2009

RE: **GARKANE ENERGY COOPERATIVE, INC. (DOCKET NO. E-01891A-08-0598)**

The area requested by Garkane for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

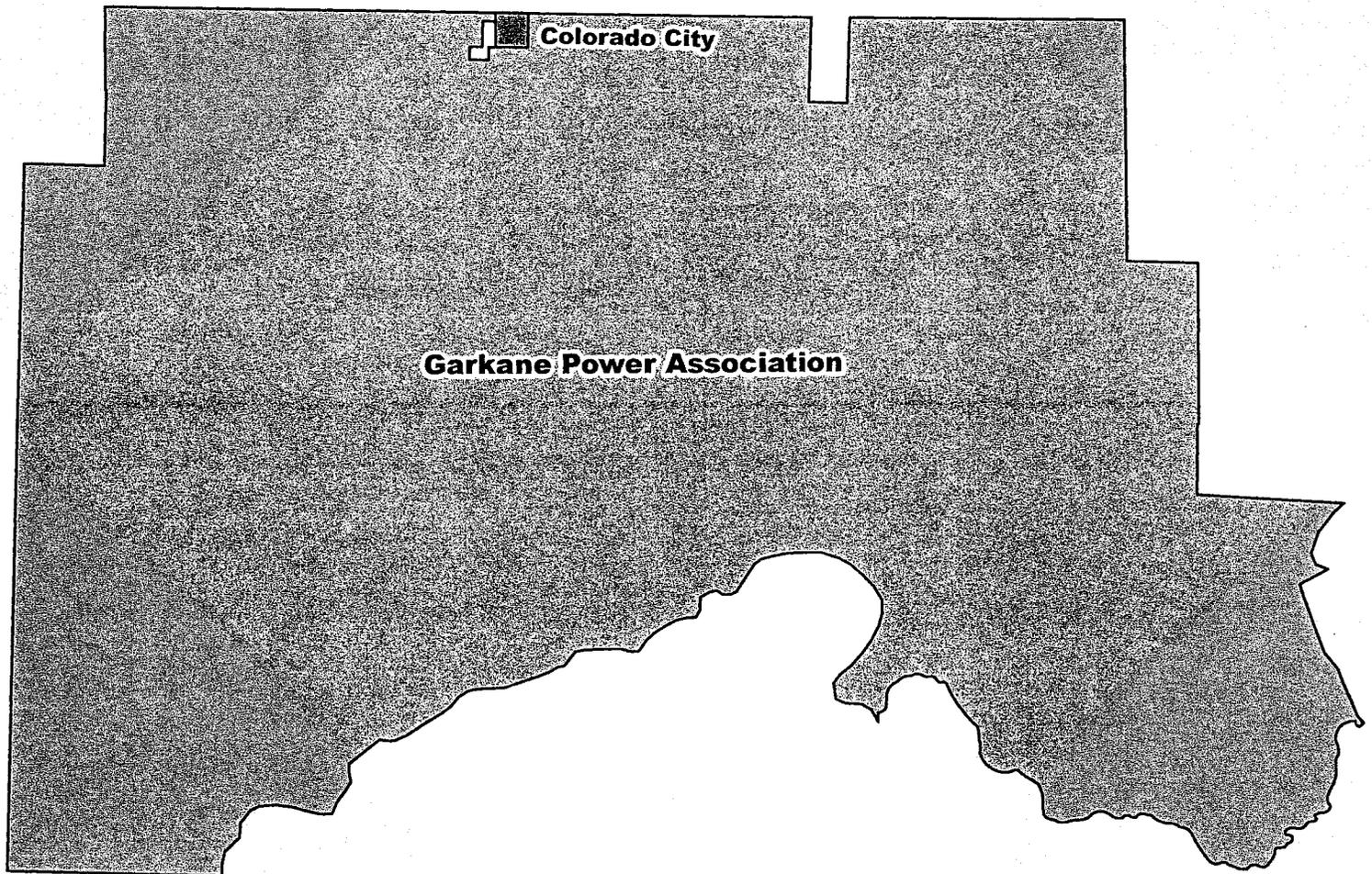
Also attached is a copy of the map for your files.

:bsw

Attachments

cc: Mr. Michael Grant
Ms. Deb Person (Hand Carried)
Mr. Prem Bahl

**Garkane Energy Cooperative, Inc.
Docket No. E-01891A-08-0598
Application for Extension**



**Legal Description of the Metes and Bounds
Colorado City, Mohave County, Arizona**

Beginning at a point in Range 6 West Township 42 North; the Northwest Corner of Sec 31 on the Utah/Arizona State Line; thence East along the Arizona State Line, Sec 31, 32, 33, to the North Quarter Corner of Sec 33; thence South to the South Quarter Corner of Sec 33, Range 6 West, Township 42 North, which also is the North Quarter Corner of Sec 4, Township 41 North, Range 6 West; thence South along the Quarter Line of Sec 4 & 9 to the South Quarter Corner of Sec 9; thence West along the South Boundary of Sec 9, 8 and 7 to the Southwest Corner of Sec 7 Township 41 North, Range 6 West; thence North along the West Boundary of Sec 7, and Sec 6, Township 41 North, Range 6 West and continuing North along the West Boundary of Sec 31, Township 42 North, Range 6 West to the point of beginning.

EXHIBIT "B"

MEMORANDUM of UNDERSTANDING**Between**

Twin Cities Power Authority ("TCP"); the City of Hildale, UT, a Utah Municipal Corporation ("Hildale"); Colorado City, AZ, an Arizona Municipal Corporation ("Colorado City"); Wells Fargo Bank, and Bondholders N.A., as Trustee for the holders of certain Revenue Bonds issued in 1995 and 1997 ("Wells Fargo"),
and
Garkane Energy Cooperative, Inc. ("Garkane")_

This Memorandum of Understanding is intended to set forth the terms and conditions of the proposed sale of the electrical transmission, substation, and distribution system assets currently belonging to TCP, Hildale, Colorado City and/or Wells Fargo (collectively, "Sellers") to Garkane.

It is intended that the entire existing electrical transmission, substation, and distribution system(s) of Sellers together with certain materials and supplies pertaining to such system(s) on hand be sold, as an operating unit, to Garkane together with the right and duty to provide electrical service to the residents and businesses of Hildale, Utah and Colorado City, Arizona.

In contemplation of that sale upon meeting the statutory requirements for the sale or disposition of Municipal Utility Assets it is agreed that:

1. Garkane will purchase the electric transmission, substation, and distribution system assets (the "System") of Sellers on the closing date, consisting of the following items:
 - a. All transmission line facilities (including all easements) from the interconnect point at the Clifton Wilson Substation in Hurricane to the Twin Cities Substation. The Sellers will be responsible for the complete termination of Section 4.3 of the agreement entitled "Right-Of-Way and Pole Agreement Between Hildale, Utah and the City of Hurricane".

- b. All substation and switch yard facilities including all land the stations utilize located near 770 North 1400 West Hildale UT, including the underlying property interests, with the exception of the generator stepup transformers and the associated lowside wiring from the transformer to the generator building located inside the substation yard.
 - i. The stick built control "building" located inside the metal generator building and the metal generator building will remain in place and will be included as part of this transaction.
 - ii. The generator equipment located in and on the generator building and site shall be removed by the Sellers within 12 months of closing. The Sellers will be responsible for cleaning up and debris removal, including any and all hazardous materials, from the building and site. Sellers will be responsible to safeguard and minimize damage to the building and site during equipment removal.
 - iii. The existing 24 and 48 volt DC systems necessary for the operation of the controls and relays associated with the substation shall be included as part of this transaction. Said DC systems shall remain in operation at all times through the removal of the generator equipment.
 - iv. The existing substation metering and protective equipment shall remain in place and in operation at all times during the removal of the generator equipment.
- c. All electrical distribution system facilities (including all easements).
- d. Sellers will assist Garkane in converting the existing obsolete L&G Prepaid Metering System to a replacement system which can be supported by the manufacturer.
- e. Storage yard, including all lands the yard utilizes, with storage vans, materials, supplies, and spares located within the yard.
- f. All meters and metering supplies in stock.
- g. One service truck used by electric department employees with associated tools and materials, less individual personal hand tools.
- h. Sellers shall provide acceptable Title Insurance to Garkane covering all transmission line easements, and all substation, switching station, and storage yard real property. Garkane will be responsible to pay upon

closing, one half of the cost of the Title Insurance as an addition to the amount provided in paragraph 2 with the remainder the responsibility of Seller

2. These assets to be sold are herein referred to as the "System Assets". The Sellers will warrant title to the System Assets free and clear of all liens and encumbrances. Sellers will provide to Garkane acceptable Title Insurance as indicated in the preceding paragraphs, otherwise, the System Assets are being sold and purchased in their "AS IS" condition. No other assets or liabilities of Sellers are being purchased except as specifically enumerated below.
3. Title to the distribution system facilities (including easements) purchased by the Sellers from Garkane in or about 1995 will be conveyed by Quitclaim Deed in the same manner as when purchased from Garkane. Seller will be responsible for clearing any and all liens and encumbrances that may have been placed upon the facilities during the time the Sellers held the facilities.
4. The purchase price for the System Assets is Three Million Dollars (\$3,000,000) (the "Purchase Price"). The Purchase Price will be payable in cash at the closing. All parties to this transaction will take all reasonable steps to timely obtain any and all necessary authorizations and approvals required to proceed with the sale, including any and all required approvals of the Sellers' respective electorates. Moreover, the parties shall make all reasonable efforts to close the transaction by or before December 31, 2008, but in no event later than June 30, 2009.
5. Sellers will continue to operate the System Assets until the closing and will generally maintain the System Assets in the condition in which it presently exists. Except as provided below in this Section 5, Sellers may dispose of assets of the System Assets and may acquire other assets during that period of operation, all in the ordinary course of business. There shall be no adjustment in the Purchase Price for any such dispositions or acquisitions. During that period of operation, Sellers shall not dispose of or acquire assets having an aggregate value in excess of \$5,000.00 without the written consent of Garkane, the granting of which consent may require an adjustment in the Purchase Price.
6. Garkane will not assume any obligation or liabilities to UAMPS or other entities associated with the delivery of electricity to Sellers prior to the closing of this transaction. Rather, Sellers shall be solely responsible for the satisfaction, termination, cancellation, and/or disposition of all such agreements and obligations except as otherwise specifically indicated in this Memorandum.

7. Sellers shall be responsible for the termination and complete satisfaction of the "Hildale Interconnect Agreement Among Utah Associated Municipal Power Systems, The City of Hurricane, Utah, and the City of Hildale, Utah.
8. Sellers shall transfer to Garkane all deposits held on account of electric customers. Sellers shall provide to Garkane an itemized list of all such amounts, the account they are held for, the date such deposit was received by TCP and the terms and conditions of refunds. Sellers shall transfer to Garkane all Contributions in Aid Of Construction. TCP shall provide to Garkane an itemized list of all such amounts, the account they are held for, the date such deposit was received by TCP, terms and conditions of refunds, copies of all contracts or documents pertaining to the amount, and the amount of accrued interest if any.
9. Sellers shall make available to Garkane electrical customer information, necessary for Garkane to set up billing accounts, in a readily useable electronic format (i.e. an excel spreadsheet at least 90 days prior to the anticipated closing date with weekly updates of changes to account data. Sellers will, prior to the closing date, provide copies of all drawings, maps (including base maps), diagrams and other similar documents relating to the System. Drawings and maps shall be provided in electronic AutoCAD 2000 format. Garkane will keep all information received from Sellers under this section confidential and, in the event that the sale and purchase does not close, will return to Sellers or destroy all documents and other information received.
10. Customer meters will be read jointly by TCP and Garkane on or about the closing date. TCP will send final billings to the customers and will be entitled to all customer payments for service provided prior to the closing. Sellers will be responsible for any power purchases for usage prior to the closing date (meter reading date) regardless of the billing date. TCP and Garkane shall jointly coordinate this meter reading/closing date with their appropriate power suppliers so as to facilitate a seamless change in suppliers.
11. At closing, Garkane will establish which of TCP's outstanding electrical accounts receivable are not older than 90 days. Forty-five (45) days after closing, Garkane shall purchase such of those same receivables that as of that date remain unpaid, at a discounted rate of 50%. This amount will also be reduced by any outstanding balances of prepaid meter accounts. This purchase amount will be paid directly to Sellers, in addition to the Purchase Price.
12. Garkane will be responsible to timely obtain all governmental and lender approvals necessary to consummate the purchase of the System Assets and

the provision of electricity to the residents and businesses of Hildale and Colorado City.

13. Sellers will be responsible to timely obtain all governmental and lender approvals necessary to consummate the sale of the System Assets.
14. Sellers will be responsible for timely compliance with all applicable rules and statutes regarding sale or disposition of Municipal Utility Assets. Sellers will proceed with promptness to get the issue placed on the next General Election or at a special election called for that purpose of the sale of Twin Cities Electrical Transmission, Substation, and Distribution System.
15. Bondholder's legal counsel will assist Garkane in securing required approvals from Utah and Arizona Governmental Agencies.
16. Garkane and/or DGT must obtain a TSO delivery from Rocky Mountain Power at Hurricane, Hildale, or a mutually agreeable point in between.
17. Garkane and DGT must enter into a suitable purchased power contract amendment for delivery of necessary power and energy at the delivery point under RSA energy and capacity charges with a Facilities Charge not to exceed \$930,000 per year. In the event that the final negotiated rate from DGT exceeds RSA or a facilities charge in excess of \$930,000 per year the Purchase Price in Section 3 shall be reduced by the net present value of the difference in projected power cost over the 25 year window discounted at 7.5%.
18. Sellers will deem that granting a franchise to Garkane in the former TCP service area is beneficial, and will pass a resolution(s) to that effect. Sellers shall submit the question of granting the franchise to the qualified electors at the earliest practicable date. The franchise agreement between Colorado City and Garkane will have a minimum term of 25 years, and shall include acceptable provisions for renewal. The franchise agreement between Hildale City and Garkane will have a minimum term of 30 years. Garkane will be subject to assessment by Hildale and/or Colorado City of such franchise fees and other charges as the respective city councils may impose from time to time in accordance with the provisions of applicable law. Garkane has the right to pass such fees through to the retail customers as a tax.
19. Garkane will establish an office for receipt of payment and customer service in Hildale or Colorado City for a minimum period of three years after the closing. After the initial period the continuation of the office will be at the sole discretion of Garkane's Board.
20. All customers of Garkane in the former TCP service area may be charged rates equivalent to the existing TCP rates with a structure similar to the existing

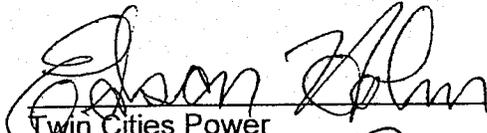
Garkane Rates. Future rate changes will be in proportion to rate changes to other Garkane customers. Garkane reserves the right to allocate costs and expenses to the TCP service area separate from other Garkane service areas provided that those costs or expenses are directly attributable to costs or expenses incurred in the TCP area. The rates and regulations for Colorado City, Arizona customers must be approved by the Arizona Corporation Commission substantially as presented and such approval must be satisfactory to Garkane in its sole and absolute discretion. The rates and regulations for Hildale, Utah customers must be approved by the Utah Public Service Commission substantially as presented and such approval must be satisfactory to Garkane in its sole and absolute discretion.

21. The customers acquired as part of this transaction by Garkane shall become members of Garkane with all the rights and privileges of others members and subject to the same rules and regulations of similar Garkane customers except as herein provided.
22. Garkane will undertake a realignment of the Garkane Board districts during a normal and regular District Election process, in order to properly and adequately represent, at the discretion of Garkane's Board using prudent business judgment, the interests of the additional approximately 1000 new customers from TCP.
23. Garkane will extend offers of employment to the two existing TCP Journeyman Linemen.
24. This entire Memorandum of Understanding is contingent upon releases from Colorado City, Hildale and the Bondholders (or the Trustee) from any and all current and future debts and liabilities for the transfer of Twin Cities distribution system to Garkane.
25. Arizona Rev. Stat. Ann. 38-511 applies to this contract as if fully set forth herewith, which allows cancellation of this contract, within three years after its execution if any person significantly involved in initiating, negotiating, securing, drafting, or creating the contract on behalf of the state, its political subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or consultant to any other party of the contract with respect to the subject matter of the contract. The Parties will provide to Garkane notarized, sworn affidavits from each person significantly involved in initiating, negotiating, securing, drafting, or creating the contract on behalf of the state, its political subdivisions or any of the departments or agencies stating that they and their actions are in full compliance with Arizona Rev. Stat. Ann. 38-511.

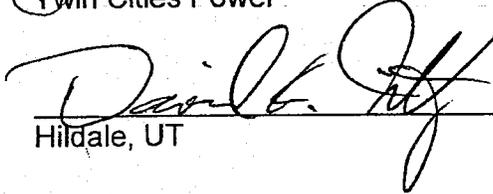
26. Upon execution of this Memorandum of Understanding by all parties, the parties will enter into negotiations for the development, approval and execution of:
- a. A Purchase and Sale Agreement for the System Assets between Garkane and Sellers; and
 - b. A Settlement Agreement and Release between Wells Fargo (on behalf of the bondholders), Hildale and Colorado City with respect to amounts owed
 - i. By Hildale to the bondholders on account of the outstanding revenue bonds issued in 1995 and 1997; and
 - ii. By Colorado City to Hildale and/or the bondholders under a certain Power Sales Contract dated December 15, 1995.
27. Without limiting the generality of the foregoing, the parties acknowledge and agree that all obligations of the Sellers contemplated here under are contingent on:
- a. The full, complete, and permanent release and discharge of the Sellers from any and all debts, liabilities, obligations or claims of any kind or nature whatsoever by or through any of the parties to this Memorandum;
 - b. The irrevocable commitment by Garkane to provide electric service to the residents and businesses of Colorado City and Hildale subject to Garkane obtaining all necessary approvals in satisfactory form to Garkane and
 - c. Approval of this Memorandum and all subsequent agreements pertaining to the subject matter hereof by the Colorado City Town Council, Hildale City Council, Wells Fargo Bank as Trustee for Bondholders, and Garkane Energy Board of Directors.
28. Final Closing of this Purchase/Sale Transaction will be contingent upon approval of the final documents and transaction by and/or receipt of necessary approvals from:
1. Garkane Board of Directors
 2. Twin Cities Board of Directors
 3. Hildale, UT. Town Council
 4. Colorado City, AZ Town Council
 5. Wells Fargo Bank as Trustees for Bondholders
 6. Affirmative vote of Hildale and Colorado City residents
 7. Utah Public Service Commission
 8. Arizona Corporation Commission

9. Rural Utilities Service (RUS)
 10. National Rural Utilities Cooperative Finance Corporation (CFC)
 11. DGT Board of Directors (Purchase Power Contract Only)
 12. Federal Energy Regulatory Commission (FERC)
29. Sellers acknowledge that Garkane must receive various regulatory approvals from the Arizona Corporation Commission ("ACC") as a precedent to and in order to close the Purchase/Sale Transaction as well as to commence providing electric service to Colorado City, Arizona. These regulatory approvals include, but are not limited to, expansion of Garkane's service territory to include areas sufficient and necessary to provide electric service to Colorado City as well as the rates, tariffs and rules and regulations under which Garkane is willing to provide electric service (the "Necessary Regulatory Approvals"). Should the ACC refuse to issue the Necessary Regulatory Approvals or if it attaches to any of the Necessary Regulatory Approvals modifications, terms or conditions which are unacceptable in Garkane's sole and absolute discretion, then Garkane may cancel the Purchase/Sale Transaction upon written notice to the other parties.

These terms and conditions are acceptable as a basis to negotiate the specific transaction hereby contemplated.


Twin Cities Power

10-03-08
Date


Hildale, UT

10-3-08
Date


Colorado City, AZ

11-3-08
Date


Wells Fargo Bank

11-19-8
Date


Garkane Energy Cooperative, Inc.

11/12/08
Date

EXHIBIT B

**Legal Description of the Metes and Bounds
Colorado City, Mohave County, Arizona**

Beginning at a point in Range 6 West Township 42 North; the Northwest Corner of Sec 31 on the Utah/Arizona State Line; thence East along the Arizona State Line, Sec 31, 32, 33, to the North Quarter Corner of Sec 33; thence South to the South Quarter Corner of Sec 33, Range 6 West, Township 42 North, which also is the North Quarter Corner of Sec 4, Township 41 North, Range 6 West; thence South along the Quarter Line of Sec 4 & 9 to the South Quarter Corner of Sec 9; thence West along the South Boundary of Sec 9, 8 and 7 to the Southwest Corner of Sec 7 Township 41 North, Range 6 West; thence North along the West Boundary of Sec 7, and Sec 6, Township 41 North, Range 6 West and continuing North along the West Boundary of Sec 31, Township 42 North, Range 6 West to the point of beginning.

EXHIBIT "B"

MEMORANDUM

To: Vicky Wallace
Chief, Consumer Services and Special Projects
Utilities Division

From: Prem Bahl *Prem*
Electric Utilities Engineer
Utilities Division

Date: March 13, 2009

Subject: Garkane Energy Cooperative, Inc. – Application to extend their Certificate of Convenience and Necessity to include Colorado City, Arizona
(Docket No. E-01891A-08-0598)

INTRODUCTION

On December 15, 2008, Garkane Energy Cooperative, Inc. (“Garkane” or Cooperative”) filed an application (“Application”) with the Arizona Corporation Commission (“ACC” or “Commission”), seeking authorization for expanding its Certificate of Convenience and Necessity (“CC&N”) to provide electric service to Colorado City (in Arizona). The Cooperative will also serve Hildale (in Utah¹). These two cities are called the “Twin Cities.” This filing only concerns service to Colorado City.

Within its existing CC&N, Garkane is presently serving approximately 700 customers in Arizona with a total load of approximately 4 MW. Of these, approximately 600 customers are in the vicinity of Colorado City (within a 15-minute drive). The Colorado City load is approximately 5 MW. Therefore, the total system load of the Cooperative will be about 9 MW if it acquires ACC approval to provide service to Colorado City. Garkane’s provision of service in the area should be more efficient and cost effective if the Application is approved.

DESCRIPTION OF FACILITIES AND PROPOSED SERVICE TO COLORADO CITY

Currently, Twin Cities takes power delivery from Utah Associated Municipal Power Systems (“UAMPS”) at Hurricane City’s Cliff Wilson Substation over a 23-mile long 69 kV line. According to information received from the Cooperative, Rocky Mountain Power (“RMP”) would install one disconnect switch outside of the Cliff Wilson Substation between the RMP 69 kV line and the Twin Cities 69 kV line and utilize the existing 69 kV line to provide service to Twin Cities. Power will be received from the Deseret Power Cooperative² (“Deseret”) via the

¹ Notification of Hildale acquisition has been made to the Utah PUC pursuant to its rules.

² Deseret Power Cooperative is a generation cooperative in Utah. Garkane would receive additional power delivery from Deseret for Colorado City under the existing wholesale power contract if the Application is approved.

Rocky Mountain Power system delivered through the 69 kV Toquerville Substation, which is approximately 5 miles from the Cliff Wilson Substation.

Garkane is presently serving all its Arizona customers, including the 600 customers in the Colorado City area, from Glen Canyon over approximately 100 miles of line consisting of 30 miles of 138 kV, 30 miles of 69 kV, 30 miles of 34.5 kV and 10 miles of 12.5 kV lines. RMP plans to upgrade the 69 kV line between the Toquerville Substation and Cliff Wilson substation in 2011. At that time, the upgraded line will be able to carry additional power needed to serve all of Garkane's Arizona customers in the Colorado City area. This arrangement will offer the Cooperative significant savings in reduced system losses, because the power flow distance would decrease from approximately 100 miles to 28 miles.

A one-line diagram showing Garkane's electric system serving Arizona customers and the proposed Twin Cities area is attached as Exhibit 1.

Currently, because of depressed economic conditions and inadequate amount of work, there are only two part-time maintenance crew members serving the customers of Twin Cities. Maintenance crew staff that responds to the Arizona customers in the Colorado City area comes from Garkane's office at Kanab in Utah. They travel for about one hour to reach these customers. If the Application is approved, the Cooperative will have sufficient customers in the Colorado City area to dedicate full time positions and reduce repair time and improve quality of service to customers.

STAFF'S ANALYSIS, CONCLUSIONS AND RECOMMENDATION

Staff has reviewed the Application, and, based on the information received from the Cooperative by way of data responses and verbal discussions with Mr. Mike Avant, Staff concludes as follows:

- Garkane has sufficient resources to serve the additional load of Colorado City;
- Sufficient transmission capacity exists to deliver power to Colorado City;
- Garkane will have sufficient work for the existing two part-time maintenance crew members to make them permanent as they would be able to additionally serve a significant number of existing Arizona customers in close proximity to Colorado City;
- The ability to serve the composite load of Arizona customers and that of Twin Cities would result in operational efficiencies and improved reliability in providing quicker response to customer outages, as the maintenance staff would not have come from the present Garkane area office located at Kanab, Utah, which is one hour away from the Twin Cities.

After 2011, when the 69 kV Toquerville to Cliff Wilson transmission line is upgraded, Garkane will divert the Deseret generation, now coming from Glen Canyon, approximately 100

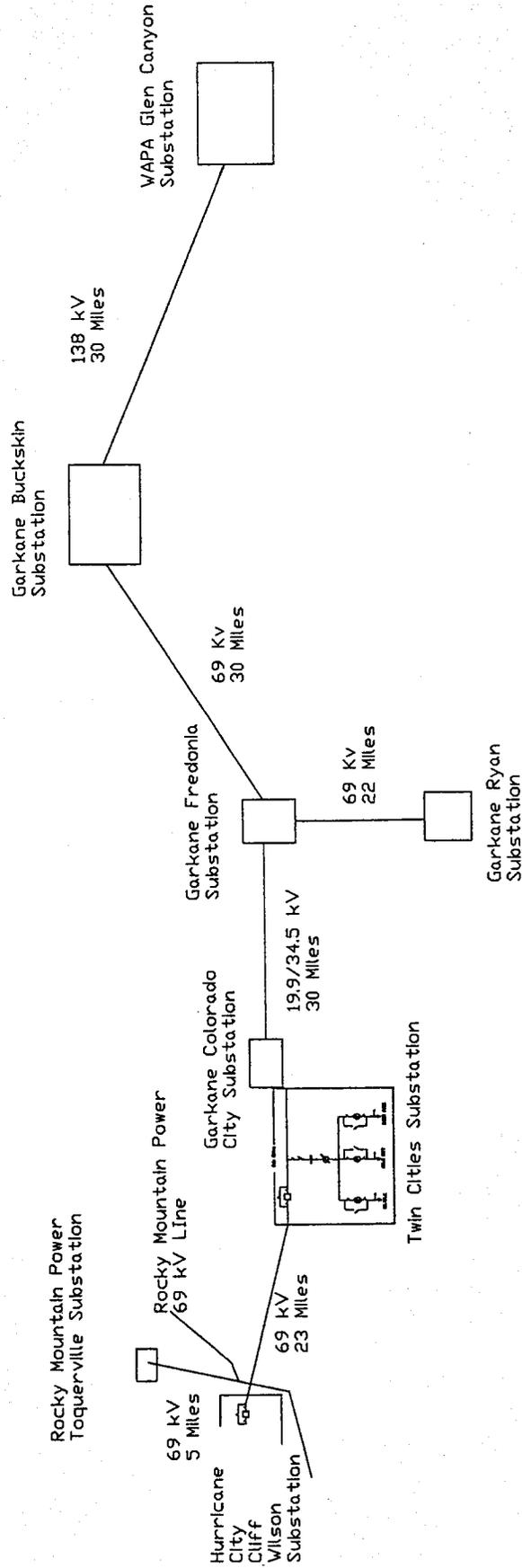
Garkane Energy Cooperative, Inc.
Electric Service to Colorado City
Docket No. E-01891A-08-0598
Page 3 of 4

miles away, to Toquerville, which is only 28 miles away. This will result in significant savings in reduced system losses.

Based on the above analysis, Staff concludes that, from a technical, reliability and economic stand-point, the Cooperative's proposal to expand its CC&N to serve Colorado City is reasonable and appropriate. Staff, therefore, recommends that Commission approve this Application,

EXHIBIT 1

Twin Cities currently takes delivery from UAMPS at the Hurricane City Cliff Wilson Substation. Under Garkane Twin Cities would take delivery from Rocky Mountain Power just outside of the Cliff Wilson Substation



Garkane Energy / Twin Cities One Line

MEMORANDUM

TO: Vicki Wallace
Chief of Consumer Services - Utilities Division

FROM: Candrea Allen 
Public Utilities Analyst – Utilities Division

DATE: March 11, 2009

RE: GARKANE ENERGY COOPERATIVE, INC. APPLICATION FOR APPROVAL
TO EXTEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
(DOCKET NO. E-01891A-08-0598)

Introduction

On December 12, 2008, Garkane Energy Cooperative, Inc. (“Garkane” or “Applicant” or “Company”) filed an application with the Arizona Corporation Commission (“Commission”) to extend its Certificate of Convenience and Necessity (“CC&N”) to provide electric service to the Colorado City area, Arizona. Garkane provides service to approximately 11,600 customers. According to the application, there are approximately 700 customers located primarily in the Colorado City area.

The application indicates that in 1993, Colorado City, Arizona and Hildale, Utah (the “Twin Cities”), created municipal utilities. Garkane entered into agreements with the Twin Cities to sell its facilities to the Twin Cities. In Decision No. 58571 the Commission approved the transfer of Garkane’s assets and cancellation of the applicable portion of its CC&N relevant to service in the Colorado City area. Garkane ceased providing electric service to the Colorado City area in April 1994.

According to the application, contingent on Commission approval, Garkane has entered into a Memorandum of Understanding (“MOU”) with Trustee for the Twin Cities’ bondholders to purchase the Twin Cities’ utility assets, including those that currently serve the Colorado City area. The MOU requires closing of the transaction no later than June 30, 2009.

Staff Analysis

According to the application, Garkane indicated that it will provide service to the customers in the Colorado City area according to the rates and charges contained in its current Commission-approved tariffs.

In response to Staff's data request, Garkane indicated that the following rates are currently being charged by the Twin Cities:

Customer Class	Monthly Customer Charge	kWh charge	kW Charge
Residential (prepaid and non-prepaid accounts)	\$20.00	\$0.122 per kWh	n/a
Small Commercial <30 kW	\$20.00	\$0.0826 per kWh	\$5.00 per kW
Government/Utility/Schools <30 kW	\$20.00	\$0.0826 per kWh	\$5.00 per kW
Large Commercial >30 kW	\$20.00	\$0.060 per kWh	\$12.00 per kW
Large Government/Utility/Schools > 30kW	\$20.00	\$0.060 per kWh	\$12.00 per kW
Small Industrial/Retail	\$20.00	\$0.122 per kWh	n/a

Garkane's Commission-approved tariffs include the following rates that the Company currently charges its other customers:

Customer Class	Monthly Customer Charge	kWh Charge	kW Charge	Annual Base Charge
Residential	\$12.50	\$0.06907 per kWh	n/a	n/a
Irrigation	n/a	\$0.05723 per kWh	\$5.31 per kW	\$75.00 single phase
				\$125.00 three phase
Commercial/Industrial/Public bldgs/Authorities	\$12.50	\$0.05845 per kWh	\$6.37 per kW	n/a
Customers with demand of >50 kW	\$20.00	\$0.06115 per kWh	\$6.37 per kW	n/a

Garkane also has a wholesale power cost adjustment mechanism, but the adjustor rate is currently set at zero.

Garkane entered into wholesale power cost arrangements with Deseret Power Electric Cooperative for electricity to be served to the Colorado City area. The cost of these arrangements is approximately \$900,000 more expensive each year than the wholesale power costs attributable to Garkane's other customers in Arizona. In order to recover the additional costs to serve the Colorado City area, Garkane has included, as part of its wholesale power cost

adjustment mechanism, a Fuel Acquisition Adjustment Charge ("FAC"), calculated by customer class. According to Garkane, the FAC is fixed based on the additional costs to serve the Colorado City area. The FAC will be in addition to the monthly customer charge and energy charge. In addition, the Twin Cities has residential customers with prepaid electric accounts. However, Garkane was unable to acquire the system to provide service to the customers with prepaid accounts. Therefore, Garkane will incorporate the Twin Cities prepaid account holders into its residential customer category. The FAC for the Twin Cities customers with prepaid accounts will be \$0.037412 per kWh. The following FAC will be applied to only the customers in the Colorado City area:

Customer Class	FAC Rate
Residential	\$0.037317 per kWh
Residential (Twin Cities prepaid accounts)	\$0.037412 per kWh
Small Commercial	\$0.006177 per kWh
Large Commercial	\$0.015035 per kWh
Small and Large Public Buildings	\$0.003956 per kWh
Small Industrial and Retail	\$0.020568 per kWh

As an example, under the current Twin Cities rates, a residential (prepaid or non-prepaid) customer using 500 kWh per month is paying approximately \$81.00 per month. With Garkane's current Commission-approved rates, a residential (non-prepaid) customer using 500 kWh per month will pay approximately \$65.69 per month. A residential (prepaid) customer using 500 kWh per month will pay approximately \$65.74 per month. The following tables compare the monthly bills a customer could expect to see from the Twin Cities and the monthly bill a customer can expect to see from Garkane's current Commission-approved rates that will be charged to the customers in the Colorado City area:

Customer Class*	Total Monthly Bill Twin Cities	Total Monthly Bill Garkane**	Difference
Residential (500 kWh)	\$81.00	\$65.69	-\$15.31
Residential Prepaid Accounts (500 kWh)	\$81.00	\$65.74	-\$15.26
Small Commercial (23 kW and 5,000 kWh)	\$548.69	\$483.03	-\$65.66
Large Commercial (37 kW and 10,000 kWh)	\$1,063.26	\$1,017.14	-\$46.12
Small Public Buildings (16 kW and 5,000 kWh)	\$512.30	\$425.55	-\$86.75
Large Public Buildings (32 kW and 10,000 kWh)	\$1,000.63	\$873.11	-\$127.52
Small Industrial and Retail (16 kW and 5,000 kWh)	\$630.00	\$529.61	-\$100.39

*Assuming the kW demand and kWh usage.

**Includes the FAC

Garkane's charges include the FAC. For each customer class, Garkane's current rates are lower than the rates charged by the Twin Cities.

Recommendations

Based on Garkane's experience as an electric utility, Staff believes that Garkane is fit and proper to provide service to the requested extension area. Staff recommends the approval of Garkane's application to extend its CC&N as discussed herein. Staff recommends that Garkane charge its current Commission-approved rates and charges including the FAC, to the requested extension area, until further ordered by the Commission. Staff further recommends that Garkane's application be approved to serve only the requested extension area.

TOWN OF COLORADO CITY, ARIZONA

ORDINANCE NO. 2008-04

AN ORDINANCE GRANTING AN ELECTRIC UTILITY FRANCHISE TO GARKANE ENERGY COOPERATIVE, INC.

AN ORDINANCE GRANTING GARKANE ENERGY COOPERATIVE, INC, A UTAH CORPORATION, THE RIGHT, PRIVILEGE AND FRANCHISE TO CONSTRUCT, MAINTAIN, AND OPERATE UPON, OVER, ALONG, ACROSS AND UNDER THE STREETS, AVENUES, ALLEYS, HIGHWAYS, BRIDGES AND OTHER PUBLIC RIGHTS-OF-WAY IN THE TOWN OF COLORADO CITY, ARIZONA, ITS ELECTRIC DISTRIBUTION AND TRANSMISSION SYSTEM AND NECESSARY APPURTENANCES FOR THE PURPOSE OF SUPPLYING ELECTRICAL POWER TO THE TOWN, ITS SUCCESSORS, THE INHABITANTS THEREOF, AND INDIVIDUALS AND ENTITIES WITHIN THE LIMITS THEREOF; PRESCRIBING CERTAIN RIGHTS, DUTIES, TERMS AND CONDITIONS; PROVIDING FOR THE SUBMISSION HEREOF TO THE ELECTORS FOR THEIR APPROVAL; AND DECLARING AN EMERGENCY.

WHEREAS, Garkane Energy Cooperative, Inc., a Utah corporation, (the "Company") has offered to purchase from The Town of Colorado City (the "Town"), and the Town has agreed to sell to the Company, all of the Town's electric distribution utility system (the "Sale"); and

WHEREAS, as a condition of the Sale, the Company desires to receive from the Town a contractual franchise to operate an electric distribution and transmission system within the corporate limits of the Town, as such limits may be modified through annexation from time to time; and

WHEREAS, the Town Council of Colorado City, Arizona desires to grant to the Company such a franchise on terms and conditions set forth in this ordinance;

THEREFORE, be it ordained by the Mayor and Council of the Town of Colorado City, Arizona, as follows:

1. Repealing and Replacing. This ordinance repeals and replaces conflicting ordinances.
2. Grant of Franchise. There is hereby granted by the Town to the Company and its successors and assigns the right and privilege to do the following:
 - a. Construct, erect, maintain, relocate, upgrade and operate its electric distribution and transmission system, as defined herein, upon, over, along, across, above and under the present and future public rights-of-ways (herein called "Franchise Area").
 - i. The electric distribution and transmission system includes all poles, wires, cables, underground conduits, manholes and other electric fixtures necessary or proper for the construction, maintenance and operation of the system.
 - ii. The present and future rights-of-way include, but are not limited to, streets, alleys, highways, bridges and other public ways now laid out or dedicated, and all extensions, additions, improvements or upgrades thereof within the limits of the Town, and any part thereof, either as now located and as may be hereafter or

extended within the present or any future limits of the Town. The Town also grants to the Company a license to use all rights-of-way and easements owned by the Town across private property.

- b. Use of the Town's public rights-of-way to supply, distribute and furnish electrical power and energy, associated services to Town, its successors, the inhabitants thereof, and all individuals and entities either within or beyond the limits thereof, for all purposes.
 - c. Provide such additional services, perform or make such additional improvements, and construct such additional facilities as may from time to time be required by applicable federal, state, or local law with respect to any activities of the Company or which may be necessary to provide service to existing or future customers within the Franchise Area related to its electric distribution and transmission system.
3. Non-Exclusive Franchise
- a. This Franchise is a non-exclusive franchise to the extent that the Company has been granted a certificate by the Arizona Corporation Commission to service any part or all of the Franchise Area and for so long as such certificate remains in full force and effect. Given the non-exclusive nature of this Franchise, nothing contained herein shall be construed to prevent the City from granting other like or similar grants or privileges to any other person, firm or corporation.
 - b. The Town shall not directly or indirectly, during the term of the Franchise, undertake in any manner to sell, supply, distribute or furnish electric power and energy for retail or end-use consumption to any Person located within the Franchise Area, except as required by federal or state statute; provided that the Town shall not exercise any option it may have under such statutes in a way that would have the effect of nullifying its commitment under this provision, if it can reasonably avoid doing so in a manner consistent with its obligations to its citizens.
4. Compliance With Applicable Laws and Ordinances
- a. The Company shall, at all times during the term of this Franchise, be subject to and shall comply with all lawful exercise of the police power by the Town, such lawful regulation of general and non-discriminatory application as the Town shall from time to time by resolution or ordinance provide, and all rules and regulations of any other governing authority having jurisdiction.
 - b. The Company shall, at all times during the term of this Franchise, furnish and supply electric power and energy to residents of the Town within the Franchise Area in such a manner as shall be reasonably calculated to satisfy any legal obligation of the Town to provide for such utility service within the corporate limits of the Town.

In particular, the Company represents and warrants that it shall use its best efforts to upgrade and maintain its electric distribution system in the Franchise Area as necessary to provide retail electric service to its members located within the Franchise Area that is similar in quality and reliability to the service that other members of the Company receive. Taxes and fees imposed on the Company by the Town or other jurisdictions shall not be included in such service rate comparison.

5. Compliance with Town Practice

- a. The Company shall perform all construction under this Franchise in accordance with the National Electrical Safety Code, Rural Electrification Administration design and construction standards, and Service Rules and Regulations as approved by the Arizona Corporation Commission (collectively the "Rules and Regulations"). The Town will not enact or apply any requirements that conflict with the Rules and Regulations. The Town shall promptly reimburse the Company for all costs, both direct and indirect, associated with complying with any Town-imposed special standards or requirements in excess of the Rules and Regulations. Without limitation, the Company shall comply with requirements of the Town regarding street cuts. Such construction shall be completed within a reasonable time.
- b. Before the Company makes any installations in the public rights-of-way, the Company shall apply for and obtain from the Town such permit or permits as are required by the Town for work in the public rights-of-way, and submit for approval a map showing the location of such proposed installations to the Town. The Town shall issue such permit or permits to the Company on such conditions as are reasonable and necessary to ensure compliance with the terms and conditions of this Franchise. The Town shall issue such permits within seven (7) calendar days of their submittal and shall not unreasonably deny the issuance of such permits.
- c. The Town shall provide to the Company, at least ninety (90) days before the end of each calendar year, maps showing the location(s) and projected load data for all new or upgraded service requirements within the Town's planning area reasonably anticipated within the next calendar year. The Company will use such information to prepare an annually-updated proposed capital plan and foreseeable future corridor plans for all improvements in the Town's planning area.
- d. If the Town undertakes, either directly or through a contractor, any construction project adjacent to the Company's electric distribution and transmission system operated pursuant to this Franchise, the Town shall notify the Company of such construction project during the design phase of the project. The Town will coordinate its construction schedule with the Company. The Company will take steps as are reasonably necessary to maintain safe conditions throughout the construction project, including, but not limited to the temporary removal or barricading of the Company's system or equipment, the location of which may create an unsafe condition in view of the equipment to be utilized or the methods of construction to be followed by the Contractor, at the Town's cost.

6. Construction and Relocation of Company's Facilities

- a. All electric distribution and transmission system facilities installed or constructed pursuant to this Franchise shall be located and erected as to (i) minimize the interference with the proper use of streets, roads, alleys, parks and other public ways and places and (ii) cause minimum interference with the rights or reasonable convenience of property owners who adjoin any of the said streets, roads, alleys, parks or other public ways and places in the Town. The location of all electric distribution and transmission facilities in place upon the Effective Date are deemed to be approved by the Town.

- b. All electric distribution and transmission system structures, lines and equipment erected by the Company within the Town shall be erected and placed in accordance with applicable safety codes and regulations.
- c. The Town shall have the right to inspect all phases of construction or installation work performed, subject to the provisions of this Franchise, to ensure compliance with governing ordinances. The Company shall correct any construction or installation found by the Town not to be in compliance with this Franchise or other applicable safety codes and regulations. Nothing herein shall create any obligation of the Town to the Company or any third party, or give rise to a claim for failure to supervise or inspect or to a claim for improper inspection, supervision direction.
- d. The Company shall not install, construct, maintain or use its electric distribution and transmission system in a manner that damages or interferes with any existing facilities of another utility located in the public right-of-way.
- e. The Company shall keep accurate installation records of the location of all electric distribution and transmission system facilities in the public rights-of-way and furnish them to the Town upon request. Upon completion of new or relocation construction of underground facilities in the public rights-of-way, the Company shall provide the Town with corrected drawings showing the actual location of the underground facilities in those cases where the actual location differs from the proposed location. The Company shall maintain installation records pursuant to Arizona Revised Statutes Section 40-360.30.
- f. All underground abandoned lines shall continue to remain the property of the Company, unless the Company specifically acknowledges otherwise to the Town Engineer and such is accepted by the Town.
- g. Except as otherwise provided herein, the Company shall bear the entire cost of relocating its electric distribution and transmission system facilities located on public rights-of-way, the relocation of which is necessary for the Town's carrying out of its governmental functions. The Town shall bear the entire cost of relocation of the Company's electric distribution and transmission system facilities located on private or public rights-of-way if such relocation is necessary for the Town to carry out its governmental functions and the Town had previously approved the location of the subject facilities. All functions of the Town that are not specifically determined by law to be proprietary are governmental. Governmental functions include, but are not limited to, the following:
 - i. Any and all improvements to the Town streets, alleys, avenues and Town property;
 - ii. Establishing and maintaining domestic gas, water systems, sanitary sewers, storm drains, water, and related facilities;
 - iii. Establishing and maintaining municipal parks, parking lots (or parking spaces), parkways, pedestrian malls, or grass, shrubs, trees and other vegetation for the purpose of landscaping any street or public property;
 - iv. Providing fire protection and other public safety functions; and
 - v. Collection and/or disposal of garbage and recyclable materials.

- h. The Town reserves its prior superior right to use the public rights-of-way and Town property, including the surface areas, for all public purposes, funded with public funds. When the Town uses its prior superior right to the public rights-of-way or other Town property, the Company shall move its property that is located in the public rights-of-way, or on other Town property, at its own cost, to such location as the Town directs. The Town shall bear the entire cost of relocation of the Company's electric distribution and transmission system facilities located on private or public rights-of-way if the Town previously approved such location(s).
 - i. Where the Town has a prior superior right to use the public rights-of-way, or where Town facilities occupy public rights-of-way under authority of a Town permit, license or franchise, the Company shall bear the entire cost of relocating any of the Company's electric distribution and transmission system facilities that are already located in the public rights-of-way. The Town shall bear the entire cost of relocation of the Company's electric distribution and transmission system facilities located on private or public rights-of-way if the Town previously approved the location(s). The Town and the Company agree that the Town is not a party to disputes among permittees using the public rights-of-way.
 - j. If the Town participates in the cost of relocating the Company's electric distribution and transmission system facilities for any reason, the cost to the Town shall be limited to those costs and expenditures reasonably incurred for relocating such facilities in accordance with the Rules and Regulations. Costs to the Town for relocation of the Company's electric distribution and transmission system facilities shall not include any upgrade or improvement of the Company's electric distribution and transmission system as it existed prior to relocation unless so agreed upon by the Town. Prior to payment by the Town, the Company shall provide an itemization of such costs and expenditures.
 - k. The Town will not exercise its right to require the Company's electric distribution and transmission system to be relocated in an unreasonable or arbitrary manner, or to avoid its obligations under this Franchise.
7. Restoration of Rights-of-Way.
- a. If, in the installation, use or maintenance of its electrical distribution or transmission system the Company damages or disturbs the surface or subsurface of any public road or adjoining public property or the public improvement located thereon, therein, or thereunder, the Company shall promptly, at its own expense and in a manner acceptable to the Town, restore the surface or subsurface of the public road or public property, or repair or replace the public improvement thereon, therein, or thereunder, in as good a condition as before such damage or disturbance, or as may be required by construction standards established by the Town issued permit, and shall maintain the restoration in an approved condition for a period of two (2) years.
 - b. Except due to circumstances beyond the Company's control, if such restoration, repair or replacement cannot be completed within a reasonable time or pursuant to the Town issued permit or fails to meet the Town's duly adopted standards, as may be amended from time to time, the Town may, after prior notice to the Company, perform the necessary restoration, repair or replacement either through its own forces or through a hired contractor, and the Company agrees to reimburse the Town for the expense it incurred in performing the necessary restoration, repair or replacement within thirty (30) days after

receipt of an invoice from the Town. The Town shall give ninety (90) days notice to the Company before amending any of the Town's adopted standards that could be applicable to the Company.

8. Indemnification

- a. The Town shall be neither liable nor responsible for any accident or damage that may occur in the construction, operation or maintenance by the Company of its electric distribution and transmission system. The acceptance of this Franchise shall be deemed an agreement on the part of the Company to indemnify the Town and hold it harmless against any and all liability, loss, cost, damage and expense (including, without limitation, attorneys' fees) which may accrue to the Town by reason of the negligence, fault or misconduct of the Company, its agents or employees, or violation of any applicable environmental regulations or standards, in the construction, operation, maintenance or removal and disposal of the Company's electric distribution and transmission system under this Franchise, including the maintenance of barricades and traffic control devices in construction and maintenance areas.
- b. The Company shall defend, indemnify, and save the Town harmless from any expenses and losses incurred as a result of injury or damage to third persons occasioned by the exercise of this Franchise by the Company, provided, however, that such claims, expenses and losses are not the result of any willfully or grossly negligent acts of the Town.
- c. The Company shall have and maintain throughout the term of this Franchise liability insurance and/or a program of self-retention or general assets to adequately insure and/or protect the legal liability of the Company with reference to the installation, operation and maintenance of the electric distribution and transmission system, together with all the necessary and desirable appurtenances authorized herein to occupy the public rights-of-way. Such insurance, self-retention or general asset program will provide protection for bodily injury and property damage including contractual liability and legal liability for damages arising from explosion, collapse and underground incidents.
- d. The Company shall file with the Town documentation of such liability insurance, self-retention or general asset program within sixty (60) days following the effective date of this Franchise and thereafter on an annual basis.

9. Franchise Fee

- a. The Company shall pay to the Town in consideration of the grant of this Franchise a sum equal to two percent (2%) of its gross revenues derived from the sale at retail by it of electricity for residential, commercial and industrial purposes/customers, within the present or any future corporate limits of the Town as shown by the Company's billing records. Such payments are to be due and payable monthly and postmarked on or before the last calendar day of the month following the month in which the franchise fee accrues.
- b. In the event the payment is received later than the fifteenth (15th) calendar day of the second month following the month in which the franchise fee accrues, interest of one point five percent (1.5%) monthly shall accrue on the entire amount due. The interest and penalty may be waived by the Town if the failure to postmark by the due date was the result of a

casualty that renders the Company unable to compute or estimate the liability from the business records.

- c. For the purpose of verifying amounts payable hereunder, the books and records of the Company shall be subject to inspection or audit by duly authorized officers or representatives of the Town at reasonable times.
- d. All such fees and charges levied by the Town upon the receipts or operations of the Company may be passed through to the Company's customers who receive electrical service within the Franchise Area.

10. Additional Fees and Taxes. Notwithstanding any provision contained herein to the contrary, the Company shall pay any lawful taxes, fees, charges or assessments adopted by the Town from time to time during the term of this Franchise, including without limitation any transaction privilege tax, use tax or property tax levied and collected by or on behalf of the Town pursuant to the Town or State Tax Code, on the delivered value of electric power and energy sold by the Company to members and customers within the Franchise Area. The Company may include any such taxes, fees charges and assessments in its rates or bills to the customers in the Franchise Area.

11. Records and Reports. During the term of the Franchise, the Town shall have access at all reasonable hours to all of the Company's accounting, financial, and statistical records relating to the properties and the operation of the Company within the Franchise Area. The Company shall provide to the Town within one hundred eighty (180) days after the end of each year an annual summary report, which summary report shall be certified by the duly elected President or Chief Financial Officer of the Company, showing the gross revenues received by the Company and expenses from its operations during the prior year.

12. Town Reserves Certain Powers and Rights. The Town expressly reserves unto itself, subject to the limitations of the Constitution and laws of Arizona, certain powers which may be necessary or convenient for the conduct of its municipal affairs, and for the health, safety, and general welfare of its inhabitants, including, among other things, the right to pass and enforce ordinances to allow proper and adequate extensions of the service of the grant hereby made, and to protect the public from danger or inconvenience in the operation of any work or business authorized by the grant of this Franchise, and the further right to make and enforce all such regulations as shall be reasonably necessary to allow adequate, sufficient and proper service extensions and accommodations for the people and insure their comfort and convenience.

13. Dispute Resolution. This Franchise Agreement shall be governed by and construed in accordance with the laws of the State of Arizona. Any dispute, controversy, claim or cause of action arising out of or related to this Franchise Agreement may, but in no event need, be settled by submission, with the written consent of both parties, to binding arbitration in accordance with the rules of the American Arbitration Association and the Arizona Uniform Arbitration Act, Arizona Revised Statutes Section 12-1501, et.seq., and judgment upon any award rendered by the arbitrator(s) shall be entered in the Superior Court of Mohave County, Arizona. The venue for any such dispute shall be Mohave County, Arizona. Both parties consent in advance to such venue and jurisdiction and waive any right that Mohave County is an inconvenient forum based upon lack of venue. Neither party shall be entitled to recover from

the other party any of its attorneys' fees, costs or expert witness fees incurred in such dispute, controversy, claim or cause of action, but each party shall bear its own attorneys' fees, whether the same is resolved through arbitration, litigation in a court or otherwise.

14. Notices. Any notice required or permitted to be given hereunder shall be in writing, unless otherwise expressly permitted or required, and shall be deemed given (i) upon hand delivery to the person then holding the office shown on the attention line of the address below, or, if such office is vacant or no longer exists, to the person holding a comparable office, or (ii) on the third (3rd) business day following its deposit with the United States Postal Service, first class and certified or registered mail, return receipt requested, postage prepaid, and addresses as follows:

The Town: Town Manager
 Town of Colorado City
 P.O. Box 70
 25 South Central Street
 Colorado City, Arizona 86021

The Company: General Manager/CEO
 Garkane Energy Cooperative, Inc.
 120 West 300 South
 Box 465
 Loa, Utah 84747

15. Approval of Electors. This Franchise Agreement/Ordinance is subject to the approval of the electors of the Town. The Town shall be responsible for all of the costs the Town incurs in drafting and approval of the Franchise, including conducting the franchise election.

16. Effective Date and Term

- a. This Franchise shall take effect when the Company executes this ordinance in the space below and delivers the executed ordinance to the Town Clerk, and after its approval by the majority of the qualified electors residing within the corporate limits of the Town and voting thereon at a special municipal election to be held in the Town for that purpose and upon the final closing of the Company's acquisition of the Twin Cities System and the transfer of system operations to the Company (the "Effective Date").
- b. The Franchise shall continue in force and effect for a term of twenty-five (25) years after the Effective Date, unless sooner terminated as provided herein.
- c. In the event the Company fails to comply with any of the provisions of this Franchise and that failure continues for a period of ninety (90) days after written notice by the Town to the Company, all rights of the Company under this Franchise may be terminated by the Town upon written notice of termination, and the term of the Franchise shall thereupon cease.

17. Assignment or Transfer. This Franchise and the rights hereunder are non-transferable and non-assignable, except as such assignment or transfer is approved by the Town in writing. The right, privilege and franchise hereby granted may not be leased, assigned, transferred or otherwise alienated in whole or in part by the Company, its successors and assigns, without the prior

consent of either the Town or (if applicable) the Arizona Corporation Commission. Such prior consent from the Town will not be unreasonably withheld.

18. Procedure after Termination or Revocation

- a. Upon the revocation of this Franchise, or at the end of the term of this Franchise, all rights, duties, and obligations or undertakings of the Company under this Franchise shall terminate. The Town shall have the right to determine whether the Company may continue to maintain its electric distribution and transmission system within the Franchise Area pending the decision of the Town as to the future maintenance and operation of the Company's electric distribution and transmission system.
- b. Absent a written agreement between the Town and the Company, the Town shall be deemed to have directed removal of the electric distribution and transmission system from the entire Franchise Area within one (1) year after the end of the term of the Franchise.
- c. The Town shall reasonably cooperate with and not interfere in the Company's right to remove its property, plant and equipment. Nothing in this paragraph shall be deemed or decreed to be a consent by the Company to the Town's use of the Company's poles, wires and other facilities to provide electrical service to citizens of the Town.

19. Conflict of Interest. This Franchise Agreement may be terminated in accordance with Arizona Revised Statutes Section 38-511 without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating this Franchise Agreement on behalf of the Town is, at any time while the Franchise Agreement or any extension of the Franchise Agreement is in effect, an employee of any other party to the Franchise Agreement with respect to the subject matter of the Franchise Agreement. The parties hereto believe no such circumstance exists.

20. Conflicting Ordinances. The Company agrees, insofar as the applicable provisions of the Town Code existing on the Effective Date are legally enforceable and constitute valid requirements, to comply therewith in all respects and to that end said provisions of the Town code are hereby made a part of this Franchise as though fully set forth herein.

21. Headings. Headings used in the Franchise Agreement are for convenience only and shall not be used in construing terms.

22. Independent Provisions. If any section, paragraph, clause, phrase or provision of this Franchise Agreement shall be adjudged invalid or unconstitutional, the same shall not affect the validity of this Franchise Agreement as a whole or any part of the provisions hereof other than the part so adjudged to be invalid or unconstitutional.

23. Emergency Clause

- a. Whereas, it is necessary for the preservation of the peace, health and safety of the Town of Colorado City, Arizona, an emergency is declared to exist.
- b. This Ordinance, subject to the approval of the electors of the Town, shall be effective immediately (i) after its passage by the affirmative vote of three-fourths of the Town Council members, (ii) after the Company executes this ordinance in the space below and delivers

the executed ordinance to the Town Clerk, and (iii) upon the final closing of the Company's acquisition of the Twin Cities System and transfer of system operations to the Company.

We, the Undersigned, have executed this document contingent upon the results of the Town of Colorado City Special Election on November 4, 2008, on the dates below written.

PASSED the _____ day of _____, 2008

CERTIFIED AND ACCEPTED:

MAYOR, TOWN OF COLORADO CITY

ATTEST:

TOWN CLERK

APPROVED AS TO FORM:

TOWN ATTORNEY

ACCEPTED:
GARKANE ENERGY COOPERATIVE, INC.

By: _____

Title: _____

ATTEST:

SECRETARY

Date accepted: _____, 2008

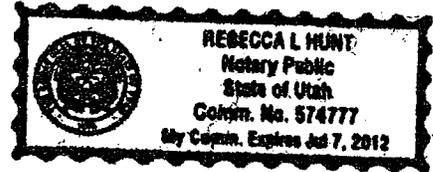
Certification of Mailing In Docket No. E-01891A-08-0598

I, Mike Avant, am the Engineering Manager of Garkane Energy Cooperative, Inc. ("Garkane"). I certify that on the 23rd day of February 2009, I deposited in the first-class U.S. Mail, postage pre-paid, the attached Notice concerning the Application of Garkane addressed to each property owner in the Colorado City requested extension area based upon records provided to Garkane by Colorado City and also addressed to each signatory of the Memorandum of Understanding.

Mike Avant
[Signature]

Notary

State of UT
County of Kane
On this 24 day of Feb 2008, Im Mike Avant
personally appeared before me,
 who is personally known to me,
 whose identity I verified on the basis of UT Driver's License
whose identity I verified on the said affirmation of _____
a credible witness,
to be the signer of the foregoing document, and he/she acknowledged that he/she signed it
Rebecca L Hunt
My Comm. Expires 7/7/12



**IN THE MATTER OF THE APPLICATION OF GARKANE
ENERGY COOPERATIVE, INC. FOR APPROVAL TO EXTEND
ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO
INCLUDE COLORADO CITY, ARIZONA
(Docket No. E-01891A-08-0598)**

Summary

On December 12, 2008, Garkane Energy Cooperative, Inc. ("Garkane") filed with the Arizona Corporation Commission ("Commission") an application to extend its Certificate of Convenience and Necessity ("CC&N") to provide electric service to Colorado City, Arizona. According to its application, Garkane has entered into a Memorandum of Understanding to purchase the utility assets of Colorado City, Arizona, and Hildale, Utah ("the Twin Cities") and provide electric service to the residents of the Twin Cities, including approximately 700 customers in Colorado City. Garkane has stated that it will provide electric service to Colorado City residents using its current Commission-approved tariffs and regulations and will use the tariffs' wholesale power cost adjustment provision to adjust Colorado City's tariff rates because there is a higher annual wholesale power cost to serve the Twin Cities than exists for the remainder of Garkane's service area in Arizona and Utah.

The Commission's Utilities Division Staff ("Staff") is in the process of analyzing the application and has not yet made any recommendations in this matter. The Commission will determine whether to grant the application based on the evidence of record in this matter. The Commission is not bound by the proposals made by Garkane, Staff, or any intervenors.

How You Can View or Obtain a Copy of the Application and Other Documents

Copies of the application and the other documents filed in this matter are available at Garkane's offices **1802 South Highway 89A, Kanab, Utah 84741**; at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona, for public inspection during regular business hours; and on the Internet via the Commission's website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a **hearing** in this matter beginning on **April 3, 2009, at 9:30 a.m.**, in Room 100 at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. E-01891A-08-0598 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000 or 602-542-4251.

About Intervention

Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission no later than **March 25, 2009**. You must send a copy of the motion to intervene to Garkane or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a resident of Colorado City, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to Garkane or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **March 25, 2009**. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor's obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the docket for the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter and request this document in an alternative format by contacting the ADA Coordinator, Shaylin A. Bernal, at sabernal@azcc.gov, voice phone number (602) 542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

Hoover

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

AUG 28 1998

DOCKETED BY *Jml*

JIM IRVIN
COMMISSIONER - CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER



IN THE MATTER OF THE APPLICATION OF)
GARKANE POWER ASSOCIATION, INC., A)
UTAH NON-PROFIT RURAL ELECTRIC)
COOPERATIVE, FOR A HEARING TO)
DETERMINE THE FAIR VALUE OF ITS)
PROPERTIES, A JUST AND REASONABLE)
RETURN THEREON, AND TO ESTABLISH)
RATES.)

DOCKET NO. E-01891A-98-0021

DECISION NO. 61105

OPINION AND ORDER

DATE OF HEARING: July 22, 1998
PLACE OF HEARING: Phoenix, Arizona
PRESIDING OFFICER: Barbara M. Behun
APPEARANCES: Mr. Michael M. Grant, GALLAGHER & KENNEDY, on behalf of Garkane Power Association, Inc.;
Ms. Joy I. Staveley, Vice President, Canyoneers, Inc. dba Kaibab Lodge, North Rim Country Store and Kaibab Camper Village; and
Ms. Janice Alward, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

Garkane Power Association, Inc. ("Garkane" or "Applicant") is a Utah-based non-profit rural electric cooperative. Garkane is engaged in the business of providing electric utility service to the public in Utah and Arizona. Garkane served approximately 438 customers in Mohave and Coconino counties in Arizona, and approximately 6,575 customers in Utah, in the test year ended December 31, 1996 ("TY").

On November 21, 1997, the Arizona Corporation Commission ("Commission") received from Applicant an application for a permanent rate increase. On December 18, 1997, Applicant supplemented its application. On January 16, 1998, the Commission's Utilities Division Staff ("Staff") determined that Applicant's application was sufficient. By Procedural Order issued on January 23, 1998, the matter was set for a hearing on July 22, 1998. On May 4, 1998, Applicant filed an Amendment to Application,

1 requesting two waivers to the Commission Rules. This Amendment was incorporated in the hearing held
2 on July 22, 1998.

3 Canyoners, Inc, dba Kaibab Lodge, North Rim Country Store and Kaibab Camper Village
4 ("Canyoners" or "Intervenor") requested intervention, which was granted on April 15, 1998.

5 The matter came before a duly authorized Hearing Officer of the Commission at the
6 Commission's offices in Phoenix, Arizona on July 22, 1998. Garkane and Staff appeared through
7 counsel. Canyoners appeared through its Vice President, Ms. Joy I. Staveley. At the conclusion of the
8 hearing, the matter was adjourned pending issuance of a Recommended Opinion and Order to the
9 Commission.

10 DISCUSSION

11 Applicant's existing rates were established in Decision No. 57106 (September 21, 1990). As of
12 April 1, 1996, with the approval of the Commission, Garkane and other members of Deseret Generation
13 and Transmission Co-operative, Inc. ("Deseret") agreed to integrate their resources with Deseret, in order
14 for Deseret to continue to provide an assured source of power. Garkane lost about half its Arizona
15 customers in 1994 due to municipalization. In addition, the Kaibab Saw Mill, Garkane's only large
16 power account in Arizona, shut down operations in April 1995. Applicant indicated, and Staff did not
17 dispute, that Garkane subsidized Arizona operations from its Utah customers.

18 In its application, Garkane requested an increase in operating revenues of \$169,349, to be phased
19 in over three years. Staff recommended an increase in operating revenues of \$149,779, without a phase-
20 in period. Applicant's loan terms with the National Rural Utilities Cooperative Finance Cooperation
21 ("CFC") require a debt service coverage ("DSC") ratio of 1.35. Staff stated that the full amount of
22 Applicant's increase was needed to reach a DSC ratio of 1.35.

23 The Intervenor did not dispute the need for an increase, but presented its own financial
24 information, which indicated that it was losing approximately \$147,000 per year at its North Rim lodge
25 and campground. Canyoners did not desire to increase its expenses at those locations.

26 On June 19, 1998, Applicant filed rebuttal testimony, which stated that Applicant agreed with the
27 overall result reflected in Schedule 1 of the pre-filed testimony of Ms. Crystal Brown, attached as
28 Attachment A and incorporated herein, the rate base calculations on Schedule KFR-1 of Mr. Keith

1 Rogers' pre-filed testimony, and Staff's recommended rate design at Schedule 5 of Ms. Brown's pre-filed
 2 testimony, attached as Attachment B and incorporated herein. Applicant also indicated its agreement
 3 with Staff's other recommendations.

4 According to Garkane, the rate design approved herein will increase Intervenor's bill by \$2,000
 5 annually. The fact that Canyoneers operates at a loss at that location does not justify a reduced tariff for
 6 it. We would request that Garkane work with Canyoneers to attempt to conserve usage, and to reduce
 7 its electric costs. We will approve Staff's recommendations as agreed to by Garkane.

8 * * * * *

9 Having considered the entire record herein and being fully advised in the premises, the
 10 Commission finds, concludes, and orders that:

11 FINDINGS OF FACT

12 1. Garkane is a Utah-based non-profit electric cooperative engaged in the business of
 13 providing electric utility service to the public in portions of Mohave and Coconino counties in Arizona,
 4 and in Utah. Applicant serves approximately 438 customers in Arizona and approximately 6,575
 15 customers in Utah.

16 2. Garkane lost about half its Arizona customers in 1994 due to municipalization. Garkane's
 17 only remaining large power account in Arizona, the Kaibab Saw Mill, closed in 1995.

18 3. Since 1996, Garkane and other members of Deseret have integrated their resources with
 19 Deseret, in order for Deseret to continue to provide an assured source of power.

20 4. Garkane's generation cost of the power donated to Deseret has not previously been
 21 included in its purchased power costs.

22 5. On November 21, 1997, the Commission received from Applicant an application for a
 23 permanent rate increase. The application was supplemented on December 18, 1997.

24 6. On January 16, 1998, Staff determined that Garkane's application met the sufficiency
 25 requirements of A.A.C. R14-2-103 and that Applicant had been classified as a Class C utility.

26 7. In accordance with A.A.C. R14-2-101, a Procedural Order was issued on January 23,
 27 1998, which set the matter for hearing on July 22, 1998.

28 8. In accordance with the Procedural Order, Garkane published notice of its application for

1 an increase in its rates and charges in newspapers of general circulation in its service areas and mailed,
2 by means of a bill insert, a copy of the notice to each of its customers.

3 9. A request for intervention was filed by Canyoneers, which was granted by Notification
4 of Intervention filed on April 15, 1998.

5 10. Applicant agreed to the recommendations contained within Staff's pre-filed testimony of
6 May 26, 1998, which resolved all issues regarding Garkane's application.

7 11. Applicant and Staff have agreed as follows:

8 (a) Based upon the TY, for its Arizona operations:

9 (i) Garkane had total operating revenues of \$594,935, operating expenses of
10 \$584,035, and operating margin before long term debt interest expense
and amortization expense of \$10,900;

11 (ii) Garkane's TY below the line revenue was \$41,400, and operating margin
12 including interest and amortized debt was \$88,918, for a net margin of
(\$47,518) and DSC ratio of 0.67; and

13 (iii) Garkane's Original Cost Less Depreciation Rate Base and Fair Value Rate
14 Base ("FVRB") is \$2,436,942;

15 (b) Garkane may transfer from base plant to its purchased power obligation the cost
of generating power donated to Deseret;

16 (c) Garkane's loan agreements require a DSC ratio of 1.35;

17 (d) Staff's proposed rates and charges as set forth on Schedule 5 of the testimony of
18 Ms. Brown, which are attached as Attachment B, are fair and reasonable; will provide
a total revenue increase of \$149,779 (25.77 percent); and are designed to achieve a fair
19 rate of return on FVRB and maintain a DSC ratio of 1.35;

20 (e) Garkane may combine its General Service #1 and General Service #2 customer
classes, and remove the Large General Service customer class tariff;

21 (f) Garkane may increase its returned check charge from \$15 to \$20;

22 (g) Garkane may allow its customer twenty days prior to billing a delinquency, and
23 may require a deposit of three times the average bill of a delinquent residential consumer,
or one with insufficient proof of prior satisfactory payment history; and

24 (h) Garkane will keep separate data on Arizona service interruptions.

25 (i) Garkane's base cost of power in relation to its Purchased Power Adjustor is
26 \$0.02558.

27 12. Garkane has filed a copy of its rules and regulations, as recommended by Staff.

28 13. On July 22, 1998, a hearing was held on this matter at the Commission's offices in

1 Phoenix, Arizona.

2 14. Applicant stated, and Staff did not dispute, that Garkane subsidized Arizona operations
3 from its Utah customers.

4 15. The Intervenor requested a special, reduced tariff to assist its cash flow at its North Rim
5 lodge and campground.

6 CONCLUSIONS OF LAW

7 1. Applicant is a public service corporation within the meaning of Article 15 of the Arizona
8 Constitution and A.R.S. §§ 40-250 and 40-251.

9 2. The Commission has jurisdiction over Applicant and over the subject matter of this
10 proceeding.

11 3. Applicant provided notice of this proceeding in accordance with law.

12 4. Staff's recommendations, as agreed to by Garkane, resolves all matters contained therein
13 in a manner which is just and reasonable, and which promotes the public interest.

14 5. The Commission's acceptance and approval of the terms agreed to by Applicant and Staff
15 are in the public interest.

16 6. Based upon the agreement between Applicant and Staff, for purposes of this proceeding,
17 Applicant's FVRB, as of December 31, 1996, is \$2,436,942.

18 7. Based upon the agreement between Applicant and Staff, it is appropriate to increase
19 Applicant's authorized revenues by \$149,779, to be allocated among Applicant's customers in
20 accordance with the rate schedules set forth in Attachment B.

21 8. Applicant should be directed to file revised tariffs consistent with this Decision.

22 9. The rates and charges authorized herein are just and reasonable.

23 ORDER

24 IT IS THEREFORE ORDERED that Garkane Power Association, Inc. shall increase its rates and
25 charges in accordance with the rate schedules set forth in Attachment B, consistent with the Findings of
26 Fact and Conclusions of Law contained herein so as to result in an annual increase in its revenue
27 requirement of \$149,779, to be allocated among its customers in accordance with the rate schedules set
28 forth in Attachment B.

1 IT IS FURTHER ORDERED that Garkane Power Association, Inc., shall be, and is hereby,
2 authorized and directed to file on or before August 31, 1998, revised rate schedules setting forth rates and
3 charges as proposed by Staff in Attachment B.

4 IT IS FURTHER ORDERED that the revised rates and charges will be effective for all services
5 provided on and after September 1, 1998.

6 IT IS FURTHER ORDERED that Garkane Power Association, Inc. shall notify its customers of
7 the rates and charges authorized above and the effective date of same by means of a notice mailed to its
8 customers with its next billing statement.

9 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

10 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

11 
12 COMMISSIONER - CHAIRMAN  COMMISSIONER 
13 COMMISSIONER COMMISSIONER COMMISSIONER

14 IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona
15 Corporation Commission, have hereunto set my hand and caused the official seal
16 of the Commission to be affixed at the Capitol, in the City of Phoenix, this
20th day of August, 1998.

17 
18 JACK ROSE
EXECUTIVE SECRETARY

19
20 DISSENT _____
BMB:bbs

1 SERVICE LIST FOR: GARKANE POWER ASSOCIATION, INC.

2 DOCKET NO.: E-01891A-98-0021

3
4 Michael M. Grant
5 GALLGHER & KENNEDY
6 2600 North Central Avenue
7 Phoenix, Arizona 85004-3020

8
9 Joy Iris Staveley
10 Canyoneers, Inc.
11 P.O. Box 2997
12 Flagstaff, Arizona 86003

13
14 Paul Bullis, Chief Counsel
15 Legal Division
16 ARIZONA CORPORATION COMMISSION
17 1200 West Washington Street
18 Phoenix, Arizona 85007

19
20 Director Utilities Division
21 ARIZONA CORPORATION COMMISSION
22 1200 West Washington
23 Phoenix, Arizona 85007

24

25

26

27

28

29

30

31

32

33

34

35

36

37

38

GARKANE POWER ASSOCIATION

DOCKET NO. E-01891A-98-0021
Test Year Ended December 31, 1996

DOCKET NO. E-01891A-98-0021
Schedule 1

Page 1 of 1

ATTACHMENT A

ADJUSTMENT SUMMARY

Line No.	Description	COMPANY PROPOSED Without PFA	STAFF PROPOSED Without PFA
1.	Total Revenue Requirement	\$750,563	\$730,993
2.	Operating Expense & Interest	\$579,290	\$584,035
3.	Operating Margins	\$73,403	\$47,140
4.	Net Margins	\$114,803	\$88,540
5.	DSC*	1.47	1.35
6.	Proposed Revenue Increase	\$169,349	\$149,779
7.	% Increase	29.14%	25.77%

* Staff calculated the Company proposed DSC using information provided by Company.

GarSch

DOCKET NO. E-01891A-98-0021

GARKANE POWER ASSOCIATION

KET NO. E-01891A-98-0021

Fiscal Year Ended December 31, 1996

Schedule 5

Page 1 of 2

RATE DESIGN

MONTHLY USAGE CHARGE	Present	-Proposed Rates-	
	Rates	Company	Staff
Residential - Rate Sch. #1	\$7.25	\$12.50	\$12.50
Irrigation -Rate Sch. #4	N/A	(a) \$20.00	N/A
Single-Phase	\$75.00	(b) N/A	\$75.00
Three-Phase	\$125.00	(b) N/A	\$125.00
General Service No.1- Rate Sch. #5	\$10.00	\$12.50	\$12.50
Public Authorities - Rate Sch. #6	\$10.00	N/A	N/A
Street and Yard Lighting (100 Watt) - Rate Sch. #7	\$7.50	\$7.50	\$8.12
Street and Yard Lighting (400 Watt) - Rate Sch. #7	N/A	\$8.85	\$17.00
General Service No.2 - Rate Sch. #8	\$50.00	\$20.00	\$20.00
Large General Service - Rate Sch. #9	\$50.00	N/A	N/A
<u>ENERGY (COMMODITY) RATE - PER Kwh</u>			
Residential - Rate Sch. #1	\$0.05613	\$0.09030	\$0.06907
Irrigation -Rate Sch. #4			
Single-Phase	\$0.53328	\$0.07202	\$0.05723
Three-Phase	\$0.53328	\$0.07202	\$0.05723
General Service No.1- Rate Sch. #5	\$0.54886	\$0.07202	\$0.05845
Public Authorities - Rate Sch. #6	\$0.05466	N/A	N/A
Street and Yard Lighting (100 Watt) - Rate Sch. #7	N/A	N/A	N/A
Street and Yard Lighting (400 Watt) - Rate Sch. #7	N/A	N/A	N/A
General Service No.2 - Rate Sch. #8	\$0.05606	\$0.06495	\$0.06115
Large General Service - Rate Sch. #9	\$0.03750	N/A	N/A
<u>DEMAND CHARGE - PER Kw</u>			
Residential - Rate Sch. #1	N/A	N/A	N/A
Irrigation -Rate Sch. #4			
Single-Phase	\$1.50	\$4.35	\$5.31
Three-Phase	\$1.50	\$4.35	\$5.31
General Service No.1- Rate Sch. #5	\$2.25	\$4.35	\$6.37
Public Authorities - Rate Sch. #6	\$2.25	N/A	N/A
Street and Yard Lighting (100 Watt) - Rate Sch. #7	N/A	N/A	N/A
Street and Yard Lighting (400 Watt) - Rate Sch. #7	N/A	N/A	N/A
General Service No.2 - Rate Sch. #8	\$2.25	\$4.35	\$6.37
Large General Service - Rate Sch. #9	\$6.50	N/A	N/A

(a) The Company had no monthly customer charge for the Irrigation class.

(b) These charges are annual charges.

ARKANE POWER ASSOCIATION

DOCKET NO. E-01891A-98-0021

Fiscal Year Ended December 31, 1996

Schedule 5

Page 2 of 2

RATE DESIGN CONT.

	Present	-Proposed Rates-	
	Rates	Company	Staff
<u>PURCHASED FUEL ADJUSTOR *- PER Kwh</u>			
All Customer Classes	(\$0.003643)	(\$0.003643)	(\$0.003643)

	Present	-Proposed Rates-	
	Rates	Company	Staff
<u>SERVICE RELATED CHARGES</u>			
New Service - Standard	\$30.00	\$30.00	\$30.00
New Service - Non-Standard	\$30.00+ (d)	\$30.00+	\$30.00+
Additional Service	\$30.00	\$30.00	\$30.00
Service Connection Callbacks	\$30.00	\$30.00	\$30.00
Service Calls During Regular Working Hours	\$30.00	\$30.00	\$30.00
Service Calls After Regular Working Hours	\$30.00+	\$30.00+	\$30.00+
Meter Test	\$20.00	\$20.00	\$20.00
Meter Rereads	\$15.00	\$15.00	\$15.00
Returned Check Charge	\$15.00	\$20.00	\$20.00
Late Payment Charge	1.50%	1.50%	1.50%
Field Collection Charge	\$15.00	\$15.00	\$15.00
Deferred Payment Plan Finance Charge	1.50%	1.50%	1.50%
Temporary Test Provision	\$50.00	\$50.00	\$50.00

(d) A customer who requests that service connections be provided in a non-standard manner will be required to pay, in addition to the service connection charge, any additional costs for such service connection in excess of the service connection charge.

* The Negative Fuel Adjustor authorized in Commission Letter, dated May 15, 1997, will expire when the overcollected bank balance is fully refunded.

GarSch: Rate Design

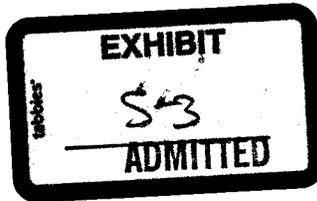
DECISION NO. 61105

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

SEP 21 1990

MARCIA WEEKS
CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
DALE H. MORGAN
COMMISSIONER



IN THE MATTER OF THE APPLICATION OF)
GARKANE POWER ASSOCIATION, INC., A)
UTAH NON-PROFIT RURAL ELECTRIC)
COOPERATIVE, FOR A HEARING TO DETERMINE)
THE FAIR VALUE OF ITS PROPERTIES, A JUST)
AND REASONABLE RETURN THEREON, AND)
ESTABLISH RATES.)

DOCKET NO. U-1891-89-245

DECISION NO. 57106

OPINION AND ORDER

DATE OF HEARING: April 26, 1990

PLACE OF HEARING: Phoenix, Arizona

PRESIDING OFFICER: Jerry L. Rudibaugh

APPEARANCES: JENNINGS, STROUSS & SALMON, by Mr. Glenn J. Carter,
on behalf of Kaibab Industries, Inc.;

MARTINEZ & CURTIS, P.C., by Mr. James M. Flenner, on
behalf of Garkane Power Association;

Mr. Kelley Justin Reidhead, Staff Attorney, on behalf
of the Residential Utility Consumer Office; and

Mr. Steven J. Glaser, Staff Attorney, Legal Division,
Arizona Corporation Commission, on behalf of the
Utilities Division of the Arizona Corporation
Commission.

BY THE COMMISSION:

On October 4, 1989, the Garkane Power Association, Inc. ("Applicant",
"Garkane" or "Company") filed an application with the Arizona Corporation
Commission ("Commission") requesting that the Commission fix the fair value of
the Applicant's utility properties for ratemaking purposes, determine a just
and reasonable rate of return thereon, and approve rate schedules designed to
develop such return. The Arizona Residential Utility Consumer Office ("RUCO")
and Kaibab Industries, Inc. ("Kaibab") requested and were granted permission to

1 intervene.

2 Pursuant to our January 22, 1990 Procedural Order, the Company notified
3 its customers by mail of the scheduled hearing. The hearing commenced as
4 scheduled on April 26, 1990. Applicant, RUCO, Kaibab, and the Commission's
5 Utilities Division Staff ("Staff") appeared through counsel. Evidence was
6 presented concerning the application and after a public hearing this matter was
7 adjourned pending submission of a Recommended Opinion and Order by the
8 Presiding Officer to the Commission.

9 DISCUSSION

10 Applicant is a non-profit membership corporation whose offices are located
11 in Richfield, Utah, but serves customers in both southern Utah and northern
12 Arizona. The majority of Applicant's customers are located in Utah (6,064)
13 however, approximately 688 are located in Arizona. The Company's last rate
14 increase occurred in Decision No. 51469, dated October 14, 1980. However,
15 subsequent to that Decision customers have paid higher rates via the Company's
16 purchased power adjustment mechanism ("PPAM").

17 The Company's Arizona revenues for the test year ("TY") ended December 31,
18 1988 were \$1,727,785. Applicant is requesting a revenue level of \$2,005,187
19 which would be an increase of \$277,402 or 16% over actual TY revenues.
20 However, the adjusted TY revenues were \$2,125,889 when two post-TY increases
21 from the PPAM are taken into consideration. Based on the adjusted TY revenues,
22 the Company is requesting a decrease in revenues of \$120,702.

23 Applicant currently generates approximately 20% of its own power at the
24 Boulder Generating Plant ("Boulder"). Boulder is a 4.2 megawatt hydroelectric
25 generating plant located in Boulder Creek in south-central Utah. Garkane's
26 remaining power needs for the TY were purchased primarily from the following
27 three sources: (a) Western Area Power Authority ("WAPA") (approximately 56%
28 of power needs); (b) Deseret Generation and Transmission Cooperative

1 ("Deseret") (approximately 11 % of power needs); and (c) a cogenerator called
2 Intermountain Refinery (approximately 13%). During the TY, there was a
3 reduction of water flow at the Boulder hydroelectric plant which increased the
4 amount of higher cost power purchased from Deseret.

5 Staff analyzed the times interest earned ratio ("TIER") and the debt
6 service coverage ratio ("DSC") of Applicant in order to determine the Company's
7 ability to pay interest and principal amounts on its debt. According to the
8 Company's adjusted TY data, its current TIER and DSC levels are 2.03 and 1.80,
9 respectively. Staff has recommended rates that reduce Applicant's TIER and DSC
10 to 1.75 and 1.62, respectively. These numbers are slightly above the minimum
11 required by the Company's major financial lenders, the Rural Electrification
12 Administration ("REA") and the National Rural Utilities Cooperative Finance
13 Corporation ("CFC"). REA and CFC require TIER and DSC levels of 1.50 and 1.25,
14 respectively. Although Staff's recommended rates will produce TIER and DSC
15 levels near the minimum, Staff believes they are sufficient because of
16 Applicant's PPAM. Over 65% of the Company's operating costs are covered by its
17 PPAM. In addition, Staff has already included in the Company's costs
18 approximately a 50% power increase proposed by WAPA to be effective in October
19 1990. As a result, Staff has concluded their recommended TIER and DSC levels
20 were appropriate in this case.

21 Staff proposed that Applicant implement a conservation program with the
22 goal to decrease demand on the system and to lower peak usage, thus reducing
23 the cost of purchased power. Staff estimated the cost of such a program to be
24 \$27,639 per year and further recommended that Applicant's customers should bear
25 the cost of such program for a two-year period.

26 Staff recommended that the Company prepare a conservation plan ("Plan") to
27 include all customer classes except large general service and street lighting.
28 The Plan would be submitted for approval of the Director of the Utilities

1 Division within 90 days of the date of this Order. The Plan would:

- 2 1. provide for audits for the Arizona customers to identify
individual improvements;
- 3 2. implement audit recommendations by providing incentives such
4 as rebates or low interest loans as appropriate;
- 5 3. last two years, after which the assessment would end; and,
- 6 4. refund any money left over from the fund to Garkane customers
7 on the basis of kWh sales during the last month of the two year
implementation period.

8 At the end of the two-year experiment, Staff recommends the
9 Company be ordered to submit a report in which the Company would describe its
10 conservation program, analyze its impacts, and recommend future conservation
11 actions.

12 Additional Staff recommendations are as follows:

- 13 1. Garkane's base rate be set at \$0.033385 per kWh, and that the
14 adjuster be set at zero;
- 15 2. that Garkane submit any special contracts for approval by the
Commission;
- 16 3. that Garkane collect HP and kW data for the irrigation
17 customer class for future rate cases;
- 18 4. that Garkane submit a proposal for implementation of the
conservation program;
- 19 5. that Garkane and Kaibab explore power caps and interruptible
20 rates to keep Deseret's demand charges as low as possible; and,
- 21 6. that Garkane submit an optional tariff for supplementary
standby and maintenance power sales to qualifying facilities.

22 The Company, RUCO and Kaibab generally agreed to the recommendations in
23 the Staff Report with the following modifications/clarifications:

- 24 1. the basic service charge for residential customers would be
25 set at \$7.25 instead of \$5.00 and the commodity charges would be
reduced in order to maintain the recommended revenue level;

26 . . .

27 . . .

28

1 2. the Company would file modified electric service regulations
2 for Staff's approval prior to the issuance of an order in this
case;¹

3 3. there is no demand ratchet that applies to Kaibab;

4 4. Staff's recommended conservation program would not apply
5 to Kaibab;

6 5. the Company would file standby maintenance and supplemental
power tariffs within 30 days of the date of this Order;

7 6. the Company would provide updated and more reliable load data
8 at its next rate case;

9 7. the Company would include the results of an average and peak
10 methodology for demand allocation in a cost-of-service study at
its next rate case;

11 8. the Company's base rate be set at \$0.033385 per kWh and the
fuel adjustor be set at zero;² and,

12 9. no parties will be bound by the terms of this agreement for
13 any future case for precedential purposes.

14 We will approve the agreement of Staff, Applicant, RUCO, and Kaibab.

15 On August 21, 1990, the Company filed a schedule setting forth its service
16 charges. (See Attachment A). Staff has reviewed those service charges and has
17 not filed any exceptions. We find the proposed service charges are reasonable
18 and will approve them, subject to the following clarifications: (1) the meter
19 tests and meter rereads are applicable only if the initial readings were
20 correct; and, (2) the late payment charge is 1.5% per month.

21 * * * * *

22 Having considered the entire record herein and being fully advised in the
23 premises, the Commission finds, concludes, and orders that:

- 24
- 25 _____
- 26 1. As set forth in a June 13, 1990 Staff memorandum filed with
27 Docket Control, the Company complied with Staff's recommended
28 modifications.
2. The base rate only included purchased power costs and as a
result the parties agreed that the Company's hydro generating
plant costs should not be included as part of the fuel adjustor.

FINDINGS OF FACT

1 Applicant is a not-for-profit Utah corporation authorized to do
2 business in both Utah and Arizona.

3 2. On October 4, 1989, Applicant filed an application with the
4 Commission for a hearing to determine the "fair value" of its property for
5 ratemaking purposes, to fix a just and reasonable rate of return, and
6 thereafter to approve rate schedules designed to produce said return.

7 3. During the TY ended December 31, 1988, Applicant averaged 688
8 Arizona customers and 6,064 Utah customers.

9 4. The present rates and charges of Applicant produced adjusted
10 revenues of \$2,125,889 and adjusted operating expenses of \$1,736,300, resulting
11 in a net operating income of \$389,589 during the TY.

12 5. Applicant's fair value rate base ("FVRB"), as indicated by the Staff
13 Report, is determined to be \$3,896,027, which is the same as its original cost
14 rate base ("OCRB").

15 6. The present and proposed rates and charges are as follows:

	<u>Current*</u>	<u>Garkane Proposed</u>	<u>Staff Proposed**</u>
<u>Residential All Electric</u>			
<u>Residential (Residential)***</u>			
Minimum Bill (Proposed First 100 kWh)	\$ 5.00	\$ 15.00	\$ 7.25
First 600 kWh over Minimum	\$ 0.067250	\$ 0.078100	\$ 0.057449
Remaining kWh	\$ 0.067250	\$ 0.062100	\$ 0.057449
<u>Irrigation</u>			
Demand Per hp/mth	\$ 1.50		\$ 1.50
Minimum Annual Charge:			
Single Phase	\$ 75.00		\$ 75.00
Three Phase	\$125.00		\$125.00
Service Charge		\$ 10.00	
Demand Per KW		\$ 6.50	
First 240 kWh per KW	\$ 0.062250	\$ 0.061500	\$ 0.054648
Over	\$ 0.062250	\$ 0.047500	\$ 0.054648
Minimum Annual Charge: Greater of \$300 or \$30 x High KW		\$300.00/\$30.00	

1	<u>Small Commercial</u>			
	Service Charge	\$ 10.00	\$ 10.00	\$ 10.00
2	Demand Per KW	\$ 2.25		\$ 2.25
	Demand Per KW over 10		\$ 6.50	
3	First 2400+240 kWh/KW			
	>10 KW	\$ 0.064750	\$ 0.072500	\$ 0.056206
4	Remaining kWh	\$ 0.064750	\$ 0.057500	\$ 0.056206
5	<u>Public Buildings</u>			
	(Commercial)			
6	Service Charge	\$ 10.00	\$ 15.00	\$ 10.00
	Demand Per KW	\$ 2.25	\$ 6.50	\$ 2.25
7	First 240 kWh/KW	\$ 0.064750	\$ 0.056000	\$ 0.055980
	Remaining kWh	\$ 0.064750	\$ 0.041000	\$ 0.055980
8				
	<u>Large Power Service****</u>			
9	(General Service)			
	Service Charge	\$ 50.00	\$100.00	\$ 50.00
10	Demand Per KW	\$ 2.25	\$ 6.50	\$ 2.25
	First 240 kWh/KW	\$ 0.064750	\$ 0.045000	\$ 0.057383
11	Remaining kWh	\$ 0.064750	\$ 0.033475	\$ 0.057383
12	<u>Special Contract</u>			
	(Large General Service)			
13	Service Charge		\$100.00	\$ 50.00
	Demand Per KW	\$ 2.25	\$ 6.50	\$ 6.50
14	First 50 kWh per KW	\$ 0.064750		
	Next 100 kWh per KW	\$ 0.057750		
15	Remaining kWh	\$ 0.054750		
	First 240 kWh/KW		\$ 0.041000	\$ 0.037500
16	Remaining kWh		\$ 0.030285	\$ 0.037500
17	<u>Street and Yard</u>			
	<u>Security Lighting</u>			
18	Monthly Bill Per Unit	\$ 7.50		

- 19 * Current rates column represents all energy (kWh) charges in the
 20 current rate schedules plus the current fuel adjustor of \$0.02225.
 21 ** Staff proposed rates reflect the conservation fund surcharge of
 22 \$0.00132.
 23 *** The proposed changes in customer classifications are in
 24 parenthesis.
 25 **** See Staff Report for current special contract rates for Grand
 26 Canyon Lodge.

27 7. The rates and charges recommended by Staff will produce revenues of
 28 \$1,849,500 and operating expenses of \$1,552,005, resulting in an operating
 income of \$297,495 and a 7.64% rate of return on FVRB.

8. The REA and CFC require Applicant to maintain a TIER of 1.50 and a
 DSC of 1.25.

9. Staff's proposed rates and charges will result in a TIER OF 1.75 and

1 a DSC of 1.62.

2 10. Approximately 65% of Applicant's TY operating expenses were for the
3 cost of purchased power.

4 11. Applicant has a PPAM approved by this Commission.

5 CONCLUSIONS OF LAW

6 1. Applicant is a public service corporation within the meaning of
7 Article XV of the Arizona Constitution and A.R.S. §§40-250 and 40-251.

8 2. The Commission has jurisdiction over Applicant and of the subject
9 matter of the application.

10 3. Notice of the application was given in accordance with the law.

11 4. The rates for electric service proposed by Applicant are not just and
12 reasonable.

13 5. The rates and charges for electric service established hereinafter
14 are just and reasonable.

15 ORDER

16 IT IS THEREFORE ORDERED that Garkane Power Association, Inc., be, and the
17 same is, hereby authorized and directed to file with the Commission on or
18 before September 30, 1990, a new schedule of rates and charges consistent with
19 the Discussion herein and as set forth as Staff proposed rates and charges in
20 Finding of Fact No. 6 and as set forth in Attachment No. A.

21 IT IS FURTHER ORDERED that said amended schedule of rates and charges
22 shall be effective for all service rendered on or after October 1, 1990.

23 IT IS FURTHER ORDERED that Garkane Power Association, Inc., shall notify
24 each of its customers of the rates and charges authorized herein and the
25 effective date as part of its regular monthly billing.

26 IT IS FURTHER ORDERED that Garkane Power Association, Inc., be, and the
27 same is, hereby authorized and directed to implement a new base fuel charge of
28 \$0.033385/kWh effective for all usage on and after October 1, 1990.

1 IT IS FURTHER ORDERED that the purchased power fuel adjustor charge be,
2 and the same is, hereby established at zero effective for all usage on and
3 after October 1, 1990 until changed by Garkane Power Association, Inc.,
4 pursuant to Decision No. 50266.

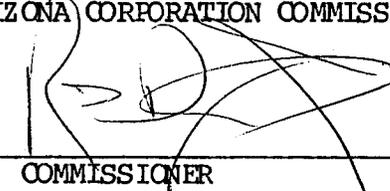
5 IT IS FURTHER ORDERED that Garkane Power Association, Inc., shall file
6 within 90 days of the date of this Order, a conservation plan consistent with
7 the Discussion contained herein.

8 IT IS FURTHER ORDERED that the approved conservation fund surcharge of
9 \$0.00132 will be authorized through September 30, 1992.

10 IT IS FURTHER ORDERED that Garkane Power Association, Inc., shall comply
11 with the remaining Staff recommendations as set forth in the Discussion herein
12 as well as the nine listed items contained on pages 4 and 5 of the Discussion.

13 IT IS FURTHER ORDERED that this Decision shall become effective
14 immediately.

15 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

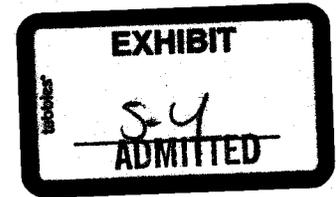
16
17   
18 CHAIRMAN COMMISSIONER COMMISSIONER

19 IN WITNESS WHEREOF, I, JAMES MATHEWS, Executive
20 Secretary of the Arizona Corporation Commission,
21 have hereunto set my hand and caused the
22 official seal of this Commission to be affixed
23 at the Capitol, in the City of Phoenix, this 21
24 day of SEPTEMBER, 1990.

25 
26 JAMES MATHEWS
27 Executive Secretary

28 DISSENT _____
JLR/djp

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**



CA 1-1 Please provide a map of the requested service area. Please include the location of the Applicant's existing facilities and the proposed route of any potential transmission and distribution facilities that may be needed to serve the area.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: A map of the area is attached which shows the existing Garkane service area boundaries, the Twin Cities Municipal Utility boundaries, the existing Garkane facilities in the area and the existing Twin Cities facilities. No new facilities are necessary or will be built in order for Garkane to assume service to the area. The Twin Cities area will continue to be served over the existing transmission and distribution systems. As explained further in the response to CA 1-2, Garkane will acquire an existing 69 kV transmission line as part of the transaction.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009

CA 1-2 Please identify the location of the current provider's facilities. In addition, please identify any and all other electric providers with facilities in equal distance of the proposed extension area as the Applicant.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: The existing electrical distribution facilities of Twin Cities Municipal Utility are located within the corporate boundaries of Hildale, Utah and Colorado City, Arizona as shown on the map which is attached to CA 1-1. Garkane has existing distribution facilities within the corporate boundaries of both towns which are used to connect its facilities which serve surrounding areas. No other electric providers have any facilities in the immediate area. Twin Cities has a 69 kV transmission line which extends from the Twin Cities Substation to the Cliff Wilson Substation located in Hurricane, Utah. The transmission line passes through the service areas of Garkane, Rocky Mountain Power and Hurricane City. As part of the transaction, Garkane will acquire the 69 kV transmission line. The portion of the line west of Garkane's service area boundary will be traded to Rocky Mountain Power in exchange for a delivery point at the RMP/Garkane service area boundary. The location of the transmission line, service area boundary and new meter point are shown on the map attached to the response to CA 1-1.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**

CA 1-3 Were there any economic studies performed by the Applicant in conjunction with extending service to the proposed area? If so, please provide copies of such studies performed.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: A financial model concerning the transaction has been prepared and is attached.

Garkane projected Incremental Acquisition cost for Twin Cities
Dec 2008 update

Straight Buy out with loan
Power delivered by DGT through RMP under new TSDA delivery at Hurricane under RSA plus FAC
Assume GKE AZ Rates with Acq FAC to equal 2003 TC Rates (by Rate)

\$100,000/year plant additions financed from margins (no additional debt considered)
\$25,000 billing data conversion cost
\$500,000 one time cost for bucket, digger, backhoe (amortize at 40% in O&M Expense)
Eliminate Prepay meters by moving accounts to Residential rate

Transmission O&M Expense assumed to be \$10k + 5%/yr
Ord Dist O&M Expense = 75% Cost of 2 linemen at \$28/hr w/ 10% of, 36% benefits, 40% equipment, \$100k/mo
Deferred Dist Maint included - \$50,000/yr for 5 years (pole testing/insulation, changeouts, conductor upgrade, etc)
Additional meter testing/replacement cost - 1/2 time meter tech plus \$50k Mats, escalate at 5% for 2 years
2007 Cust Acct Exp. Assumed to be \$50/cust (2006 GKE Avg) w/ 3%/yr increase
Full time billing clerk - \$16/hr, 36% benefits, \$20K supplies, escalate at 5%/yr
Additional collection expense of \$25k per year for 5 years
Admin & General Expense \$54k + 3%/yr
Office/Warehouse Expense - \$500/mo operations, escalate at 5%/yr
Tax Expense 0.58% of plant
Depreciation Expense 2.65% of plant
Deferred Trans & Substation Maint - \$100,000/yr for 3 years (Cap Switch, Recloser Controls, Circuit Metering, etc)

Cumulative Margins	4,206,217	Repayment	25	Interest	7.50%	NPV	859,734
Cumulative Debt Principal Payment	3,125,000						
Cumulative Cash-Debt Principal	5,218,592						919,737

	BUY YEAR											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PLANT												
Beginning Plant		3,125,000	3,225,000	3,325,000	3,425,000	3,525,000	3,625,000	3,725,000	3,825,000	3,925,000	4,025,000	4,125,000
Net Additions during year		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Ending Plant	0	3,225,000	3,325,000	3,425,000	3,525,000	3,625,000	3,725,000	3,825,000	3,925,000	4,025,000	4,125,000	4,225,000
Acquisition Debt Beginning Balance		3,125,000	3,000,000	2,875,000	2,750,000	2,625,000	2,500,000	2,375,000	2,250,000	2,125,000	2,000,000	1,875,000
Acquisition Debt Principal Payment	0	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Acquisition Debt Ending Balance	0	3,000,000	2,875,000	2,750,000	2,625,000	2,500,000	2,375,000	2,250,000	2,125,000	2,000,000	1,875,000	1,750,000
Cash Available for Debt Service		79,851	90,664	75,397	156,994	141,412	197,582	177,448	155,948	133,014	106,579	82,570
Net Cash		-45,149	-34,336	-49,803	33,998	16,412	72,582	52,448	30,948	8,014	-16,421	-42,430

KWH SOLD and REVENUE												
Hildale kWh Sold	10,266,329	10,266,329	10,266,329	10,266,329	10,266,329	10,266,329	10,266,329	10,266,329	10,266,329	10,266,329	10,266,329	10,266,329
Hildale Avg No Customers	338	338	338	338	338	338	338	338	338	338	338	338
Colorado City kWh Sold	16,955,575	16,955,575	16,955,575	16,955,575	16,955,575	16,955,575	16,955,575	16,955,575	16,955,575	16,955,575	16,955,575	16,955,575
Colorado City Avg No Customers	703	703	703	703	703	703	703	703	703	703	703	703
KWh Sold	27,221,904	27,221,904	27,221,904	27,221,904	27,221,904	27,221,904	27,221,904	27,221,904	27,221,904	27,221,904	27,221,904	27,221,904
Avg Number of Customers	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041
BASE REVENUE @ GKE AZ Rates												
Total Res Revenue	1,047,185	1,047,185	1,047,185	1,047,185	1,047,185	1,047,185	1,047,185	1,047,185	1,047,185	1,047,185	1,047,185	1,047,185
Total Res Prepay Revenue	218,772	218,772	218,772	218,772	218,772	218,772	218,772	218,772	218,772	218,772	218,772	218,772
Total Large Comm Revenue	339,640	339,640	339,640	339,640	339,640	339,640	339,640	339,640	339,640	339,640	339,640	339,640
Total Small Comm Revenue	253,551	253,551	253,551	253,551	253,551	253,551	253,551	253,551	253,551	253,551	253,551	253,551
Total Small Public Buildings Revenue	104,845	104,845	104,845	104,845	104,845	104,845	104,845	104,845	104,845	104,845	104,845	104,845
Total Large Public Buildings Revenue	206,805	206,805	206,805	206,805	206,805	206,805	206,805	206,805	206,805	206,805	206,805	206,805
Total Small Industrial Revenue	23,514	23,514	23,514	23,514	23,514	23,514	23,514	23,514	23,514	23,514	23,514	23,514
Total Interruptible Revenue	265	265	265	265	265	265	265	265	265	265	265	265
Projected Total BASE Revenue @ GKE AZ Rates	2,194,577	2,194,577	2,194,577	2,194,577	2,194,577	2,194,577	2,194,577	2,194,577	2,194,577	2,194,577	2,194,577	2,194,577
Avg Revenue/kWh Sold	0.0808	0.0808	0.0808	0.0808	0.0808	0.0808	0.0808	0.0808	0.0808	0.0808	0.0808	0.0808
Acq FAC Revenue necessary to match 2003 TC Rates	690,540	690,540	690,540	690,540	690,540	690,540	690,540	690,540	690,540	690,540	690,540	690,540
Average Acq FAC \$/kWh Sold	0.025357	0.025357	0.025357	0.025357	0.025357	0.025357	0.025357	0.025357	0.025357	0.025357	0.025357	0.025357
Residential Acq Rev req to match TC 2003 Rev	510,054	510,054	510,054	510,054	510,054	510,054	510,054	510,054	510,054	510,054	510,054	510,054
Res Prepay Acq Rev req to match TC 2003 Rev	107,009	107,009	107,009	107,009	107,009	107,009	107,009	107,009	107,009	107,009	107,009	107,009
Large Comm Acq rev req to match TC 2003 Rev	32,722	32,722	32,722	32,722	32,722	32,722	32,722	32,722	32,722	32,722	32,722	32,722
Small Comm Acq rev req to match TC 2003 Rev	16,845	16,845	16,845	16,845	16,845	16,845	16,845	16,845	16,845	16,845	16,845	16,845
Small Public Building Acq rev req to match TC 2003 Rev	8,357	8,357	8,357	8,357	8,357	8,357	8,357	8,357	8,357	8,357	8,357	8,357
Large Public Building Acq rev req to match TC 2003 Rev	10,058	10,058	10,058	10,058	10,058	10,058	10,058	10,058	10,058	10,058	10,058	10,058
Small Industrial Acq rev req to match TC 2003 Rev	5,033	5,033	5,033	5,033	5,033	5,033	5,033	5,033	5,033	5,033	5,033	5,033
Interruptible Acq rev req to match TC 2003 Rev	187	187	187	187	187	187	187	187	187	187	187	187
TOTAL Acq FAC Revenue	690,265	690,265	690,265	690,265	690,265	690,265	690,265	690,265	690,265	690,265	690,265	690,265
TOTAL REVENUE at Proposed Rates	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117
Avg \$/kWh at Proposed Rates	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599
Revenue generated from TC 2003 Rates	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117	2,885,117
Revenue generated from TC 2008 Rates	3,223,517	3,223,517	3,223,517	3,223,517	3,223,517	3,223,517	3,223,517	3,223,517	3,223,517	3,223,517	3,223,517	3,223,517
Average \$/kWh Sold from TC 2003 Rates	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599
Average \$/kWh Sold from TC 2008 Rates	0.11842	0.11842	0.11842	0.11842	0.11842	0.11842	0.11842	0.11842	0.11842	0.11842	0.11842	0.11842
Revenue at Proposed Rates/TC 2003 Rates	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue at Proposed Rates/TC 2008 Rates	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%	89.5%

Purchase Power												
kWh Purchased	29,488,540	29,944,094	29,944,094	29,944,094	29,944,094	29,944,094	29,944,094	29,944,094	29,944,094	29,944,094	29,944,094	29,944,094
kWh-Non Purchased	58,977	58,988	58,988	58,988	58,988	58,988	58,988	58,988	58,988	58,988	58,988	58,988
DGT RSA - Energy Rate	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150
DGT RSA - Capacity Rate	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518
DGT RSA - Meter Point Expense	7.200	7.200	7.200	7.200	7.200	7.200	7.200	7.200	7.200	7.200	7.200	7.200
DGT RSA - Family Charge	900.000	900.000	900.000	900.000	900.000	900.000	900.000	900.000	900.000	900.000	900.000	900.000
DGT RSA - Energy Cost	442,328	448,161	448,161	448,161	448,161	448,161	448,161	448,161	448,161	448,161	448,161	448,161
DGT RSA - Capacity Cost	384,413	390,351	390,351	390,351	390,351	390,351	390,351	390,351	390,351	390,351	390,351	390,351
DGT RSA - Total Cost	1,733,941	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713
Avg RSA Power Cost	0.05880	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833
Wheeling Rate												
Wheeling Cost	0	0	0	0	0	0	0	0	0	0	0	0
Total Power Cost	1,733,941	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713	1,746,713
Avg Cost/kWh	0.05880	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833	0.05833

OPERATING EXPENSES												
Transmission O&M Expense	10,000	10,500	11,025	11,576	12,155	12,763	13,401	14,071	14,775	15,513	16,289	17,103
Deferred Transmission Expense		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Transmission Expense	10,000	110,500	111,025	111,576	12,155	12,763	13,401	14,071	14,775	15,513	16,289	17,103
Ordinary Dist O&M Expense	291,283	305,848	321,140	337,197	354,057	371,760	390,348	409,865	430,358	451,876	474,470	498,194
Deferred Maintenance		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Meter Testing & Replacement Cost		89,774	91,133	91,133	91,133	91,133	91,133	91,133	91,133	91,133	91,133	91,133
Dist O & M Expense	291,283	355,848	371,140	387,197	404,057	421,760	440,348	460,865	482,358	504,876	528,470	553,194
Cust Acct Exp / Customer	55.00	58.65	58.35	60.10	61.90	63.78	65.67	67.64	69.67	71.78	73.92	76.1

Garkane projected Incremental Acquisition cost for Twin City
Dec 2008 update

Straight Buy out with loan
Power delivered by DGT through RMP under new TSOA (decommissioning improvements)
Assume GKE AZ Rates with Acq FAC to equal 2003 TC Rat

\$100,000 / year plant additions financed from margins (no a
\$25,000 billing data conversion cost
\$500,000 one time cost for bucket, digger, backhoe (amort
Eliminate Prepay meters by moving accounts to Residential

Cumulative Margins	(KADA expansion)
Cumulative Debt Principal Payment	
Cumulative Cash-Debit Principal	

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PLANT												
Beginning Plant	4,225,000	4,325,000	4,425,000	4,525,000	4,625,000	4,725,000	4,825,000	4,925,000	5,025,000	5,125,000	5,225,000	5,325,000
Net Additions during year	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Ending Plant	4,325,000	4,425,000	4,525,000	4,625,000	4,725,000	4,825,000	4,925,000	5,025,000	5,125,000	5,225,000	5,325,000	5,425,000
Acquisition Debt Beginning Balance	1,750,000	1,825,000	1,900,000	1,975,000	2,050,000	2,125,000	2,200,000	2,275,000	2,350,000	2,425,000	2,500,000	2,575,000
Acquisition Debt Principal Payment	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Acquisition Debt Ending Balance	1,625,000	1,700,000	1,775,000	1,850,000	1,925,000	2,000,000	2,075,000	2,150,000	2,225,000	2,300,000	2,375,000	2,450,000
Cash Available for Debt Service	113,829	144,978	175,897	206,753	243,614	281,994	321,356	361,356	401,356	441,356	481,356	521,356
Net Cash	-11,171	19,978	80,897	181,753	282,614	383,475	484,336	585,197	686,058	786,919	887,780	988,641
KWH SOLD and REVENUE												
Hildale kWh Sold	10,574,319	10,891,548	11,218,285	11,554,844	11,901,489	12,268,534	12,656,290	13,065,078	13,495,231	13,947,088	14,421,000	14,917,330
Hildale Avg No Customers	348	359	370	381	392	404	416	428	441	455	469	482
Colorado City kWh Sold	17,484,242	17,888,170	18,527,815	19,083,649	19,656,159	20,245,843	20,852,319	21,478,815	22,123,180	22,786,875	23,470,481	24,174,596
Colorado City Avg No Customers	724	746	768	791	815	839	864	890	917	945	973	1,002
kWh Sold	28,058,561	28,779,718	29,746,100	30,638,493	31,557,648	32,504,377	33,479,508	34,483,894	35,518,411	36,583,963	37,681,482	38,817,926
Avg Number of Customers	1,072	1,105	1,138	1,172	1,207	1,243	1,281	1,319	1,358	1,399	1,441	1,484
BASE REVENUE @ GKE AZ Rates												
Total Res Revenue	1,078,580	1,110,937	1,144,265	1,178,569	1,213,851	1,250,109	1,287,343	1,325,553	1,364,737	1,404,895	1,446,027	1,488,134
Total Res Prepay Revenue	225,335	232,095	239,056	246,229	253,615	261,225	269,061	277,133	285,447	294,011	302,831	311,916
Total Large Comm Revenue	349,829	363,324	371,134	382,268	393,736	405,548	417,715	430,246	443,153	456,448	470,141	484,246
Total Small Comm Revenue	261,158	268,992	277,062	285,374	293,935	302,732	311,858	321,319	331,127	341,291	351,814	362,703
Total Small Public Buildings Revenue	107,890	111,230	114,988	118,003	121,544	125,190	128,948	132,814	136,798	140,920	145,199	149,645
Total Large Public Buildings Revenue	213,009	219,400	225,962	232,711	239,744	246,936	254,344	261,975	269,834	277,920	286,247	294,855
Total Small Industrial Revenue	24,220	24,948	25,695	26,461	27,246	28,057	28,892	29,751	30,634	31,541	32,473	33,430
Total Interruptible Revenue	560	590	617	642	665	687	708	729	749	769	789	809
Projected Total BASE REVENUE @ GKE AZ Rates	2,280,881	2,326,484	2,398,339	2,470,289	2,544,306	2,619,709	2,703,307	2,783,332	2,863,742	2,944,716	3,026,144	3,108,126
Avg Revenue/kWh Sold	0.0806	0.0806	0.0806	0.0806	0.0806	0.0806	0.0806	0.0806	0.0806	0.0806	0.0806	0.0806
Acq FAC Revenue necessary to match 2003 TC Rates	710,990	732,396	754,306	776,935	800,573	825,761	845,022	874,448	900,881	928,801	955,333	984,198
Average Acq FAC \$/kWh Sold	0.025358	0.025358	0.025358	0.025358	0.025358	0.025358	0.025358	0.025358	0.025358	0.025358	0.025358	0.025358
Residential Acq Rev req to match TC 2003 Rev	525,355	541,116	557,349	574,070	591,292	609,031	627,302	646,121	665,504	685,498	706,033	727,214
Res Prepay Acq Rev req to match TC 2003 Rev	110,220	113,526	116,932	120,440	124,053	127,775	131,608	135,558	139,623	143,812	148,126	152,570
Large Comm Acq Rev req to match TC 2003 Rev	33,704	34,715	35,758	36,829	37,934	39,072	40,244	41,452	42,695	43,974	45,289	46,644
Small Comm Acq Rev req to match TC 2003 Rev	17,350	17,871	18,407	18,959	19,528	20,114	20,717	21,339	21,979	22,638	23,317	24,017
Small Public Building Acq Rev req to match TC 2003 Rev	8,607	8,886	9,132	9,408	9,688	9,978	10,278	10,596	10,934	11,291	11,668	12,066
Large Public Building Acq Rev req to match TC 2003 Rev	10,380	10,671	10,981	11,300	11,630	11,980	12,340	12,711	13,093	13,487	13,893	14,310
Small Industrial Acq Rev req to match TC 2003 Rev	5,184	5,339	5,499	5,664	5,834	6,009	6,189	6,375	6,568	6,768	6,974	7,186
Interruptible Acq Rev req to match TC 2003 Rev	193	199	205	211	217	224	231	237	244	251	258	267
TOTAL Acq FAC Revenue	710,973	732,302	754,271	776,899	800,580	825,722	848,939	874,407	900,639	928,758	955,488	984,153
TOTAL REVENUE at Proposed Rates												
	2,971,870	3,060,820	3,152,645	3,247,224	3,350,971	3,439,468	3,548,330	3,654,780	3,764,423	3,878,977	3,993,676	4,113,487
Avg \$/kWh at Proposed Rates	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599
Revenue generated from TC 2003 Rates												
	2,971,870	3,060,820	3,152,645	3,247,224	3,350,971	3,439,468	3,548,330	3,654,780	3,764,423	3,878,977	3,993,676	4,113,487
Revenue generated from TC 2008 Rates	3,327,787	3,427,621	3,530,449	3,636,363	3,751,783	3,863,308	3,973,552	4,092,758	4,215,541	4,339,642	4,472,268	4,608,436
Average \$/kWh Sold from TC 2003 Rates	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599	0.10599
Average \$/kWh Sold from TC 2008 Rates	0.11869	0.11869	0.11869	0.11869	0.11869	0.11869	0.11869	0.11869	0.11869	0.11869	0.11869	0.11869
Revenue at Proposed Rates/TC 2003 Rates	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue at Proposed Rates/TC 2008 Rates	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%

Purchase Power												
kWh Purchased	30,842,417	31,767,860	32,720,720	33,702,342	34,713,412	35,754,815	36,827,459	37,932,283	39,070,251	40,242,359	41,449,630	42,693,119
kWh-Mon Purchased	61,685	63,535	65,441	67,405	69,427	71,510	73,655	75,865	78,141	80,485	82,899	85,386
DGT RSA - Energy Rate	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150
DGT RSA - Capacity Rate	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518	6.518
DGT RSA - Meter Point Expense	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
DGT RSA - Facility Charge	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
DGT RSA - Energy Cost	462,836	476,515	490,811	505,335	520,701	536,322	552,412	568,984	586,054	603,635	621,744	640,397
DGT RSA - Capacity Cost	402,082	414,124	426,547	439,344	452,524	466,100	480,083	494,485	509,320	524,599	540,337	556,547
DGT RSA - Total Cost	1,771,898	1,797,839	1,824,558	1,852,079	1,880,425	1,909,622	1,939,695	1,970,669	2,002,574	2,035,435	2,069,282	2,104,144
Avg RSA Power Cost	0.05745	0.05659	0.05578	0.05495	0.05417	0.05341	0.05267	0.05195	0.05126	0.05058	0.04992	0.04929
Wheeling Rate												
Wheeling Cost	0	0	0	0	0	0	0	0	0	0	0	0
Total Power Cost	1,771,898	1,797,839	1,824,558	1,852,079	1,880,425	1,909,622	1,939,695	1,970,669	2,002,574	2,035,435	2,069,282	2,104,144
Avg Cost/kWh	0.05745	0.05659	0.05578	0.05495	0.05417	0.05341	0.05267	0.05195	0.05126	0.05058	0.04992	0.04929

OPERATING EXPENSES												
Transmission O&M Expense	17,959	18,856	19,799	20,789	21,829	22,920	24,069	25,270	26,533	27,860	29,253	30,715
Deferred Transmission Expense												
Transmission Expense	17,959	18,856	19,799	20,789	21,829	22,920	24,069	25,270	26,533	27,860	29,253	30,715
Ordinary Dist O&M Expense	523,103	549,258	576,721	605,557	635,835	667,627	701,008	736,059	772,862	811,505	852,080	894,684
Deferred Maintenance	0	0	0	0	0	0	0	0	0	0	0	0
Meter Testing & Replacement Cost												
Dist O & M Expense	523,103	549,258	576,721	605,557	635,835	667,627	701,008	736,059	772,862	811,505	852,080	894,684
Cust Acct Exp / Customer	78.42	80.77	83.19	85.69	88.26	90.91	93.63	96.44	99.34	102.32	105.39	108.55
Number of Customers	1,072	1,105	1,138	1,172	1,207	1,243	1,281	1,319	1,358	1,399	1,441	1,484
Billing Clerk	117,199	123,059	129,212	135,673	142,456	149,579	157,058	164,911	173,156	181,814	190,905	200,450
Billing Data Conversion Cost												
Additional Collection Expense												
Customer Accounting Expense	201,293	212,275	223,861	236,086	248,984	262,595	276,956	292,111	308,103	324,979	342,789	361,584
Admin & Gen Exp	78,991	79,301										

Garkane projected Incremental Acquisition cost for Twin City
Dec 2008 update

Straight Buy out with loan
Power delivered by DGT through RMP under new TSOA del
Assume GKE AZ Rates with Acq FAC to equal 2003 TC Rat

\$100,000 / year; plant additions financed from margins (no a
\$25,000 billing data conversion cost
\$500,000 one time cost for bucket, digger, backhoe (amoral
Eliminate Prepay meters by moving accounts to Residential

Cumulative Margins
Cumulative Debt Principal Payment
Cumulative Cash-Debit Principal

	2032	2033	2034	2035	2036	2037	2038
PLANT							
Beginning Plant	5,425,000	5,525,000	5,625,000	5,725,000	5,825,000	5,925,000	6,025,000
Net Additions during year	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Ending Plant	5,525,000	5,625,000	5,725,000	5,825,000	5,925,000	6,025,000	6,125,000
Acquisition Debt Beginning Balance	250,000	125,000	0	0	0	0	0
Acquisition Debt Principal Payment	125,000	125,000	0	0	0	0	0
Acquisition Debt Ending Balance	125,000	0	0	0	0	0	0
Cash Available for Debt Service	484,755	489,939	514,062	527,729	534,932	528,903	520,843
Net Cash	339,755	364,939	514,062	527,729	534,932	528,903	520,843

KWH SOLD and REVENUE							
Hildale kWh Sold	15,076,450	15,528,744	15,994,608	16,474,444	16,968,678	17,477,738	18,002,070
Hildale Avg No Customers	497	512	527	543	559	576	593
Colorado City kWh Sold	24,899,834	25,646,629	26,416,233	27,208,720	28,024,982	28,865,731	29,731,703
Colorado City Avg No Customers	1,032	1,063	1,095	1,128	1,162	1,197	1,233

kWh Sold	39,976,284	41,175,572	42,410,839	43,683,165	44,993,660	46,343,469	47,733,773
Avg Number of Customers	1,529	1,575	1,622	1,671	1,721	1,773	1,826

BASE REVENUE @ GKE AZ Rates							
Total Res Revenue	1,537,795	1,583,930	1,631,446	1,680,382	1,730,803	1,782,728	1,836,209
Total Res Prepay Revenue	321,273	330,812	340,839	351,064	361,566	372,444	383,617
Total Large Comm Revenue	486,773	513,738	529,148	545,023	561,373	578,669	596,333
Total Small Comm Revenue	372,348	383,519	395,024	407,875	419,081	427,867	436,511
Total Small Public Buildings Revenue	153,868	158,587	163,344	168,245	172,048	175,996	180,001
Total Large Public Buildings Revenue	303,701	312,812	322,198	331,882	339,589	347,548	355,745
Total Small Industrial Revenue	34,532	35,568	36,635	37,734	38,866	39,796	40,754
Total Interruptible Revenue	776	799	823	848	875	896	926

Projected Total BASE Revenue @ GKE AZ Rates	3,223,187	3,319,862	3,419,458	3,522,041	3,628,230	3,727,717	3,820,088
Avg Revenue/kWh Sold	0.0806	0.0806	0.0806	0.0806	0.0805	0.0803	0.0800

Acq FAC Revenue necessary to match 2003 TC Rates	1,013,724	1,044,136	1,075,480	1,107,724	1,139,253	1,168,804	1,199,241
Average Acq FAC \$/kWh Sold	0.025358	0.025358	0.025358	0.025358	0.025320	0.025220	0.025124
Residential Acq Rev req to match TC 2003 Rev	749,031	771,502	794,647	818,486	843,041	868,332	894,382
Res Prepay Acq Rev req to match TC 2003 Rev	157,147	161,861	166,717	171,719	176,870	182,176	187,642
Large Comm Acq rev req to match TC 2003 Rev	48,054	49,495	50,880	52,510	54,085	51,690	49,223
Small Comm Acq rev req to match TC 2003 Rev	24,738	25,480	26,244	27,031	27,842	28,535	31,278
Small Public Building Acq rev req to match TC 2003 Rev	12,272	12,640	13,019	13,410	14,089	14,770	15,480
Large Public Building Acq rev req to match TC 2003 Rev	14,770	15,214	15,670	16,140	16,654	13,124	11,545
Small Industrial Acq rev req to match TC 2003 Rev	7,390	7,612	7,841	8,076	8,318	8,603	9,303
Interruptible Acq rev req to match TC 2003 Rev	275	283	292	301	310	327	345
TOTAL Acq FAC Revenue	1,013,677	1,044,088	1,075,410	1,107,672	1,139,200	1,168,757	1,199,201

TOTAL REVENUE at Proposed Rates	4,236,891	4,363,998	4,494,918	4,629,765	4,763,483	4,896,521	5,019,339
Avg \$/kWh at Proposed Rates	0.10598	0.10598	0.10598	0.10598	0.10587	0.10551	0.10515

Revenue generated from TC 2008 Rates	4,236,891	4,363,998	4,494,918	4,629,765	4,763,483	4,896,521	5,019,339
Revenue generated from TC 2003 Rates	4,744,629	4,886,968	5,033,577	5,180,385	5,330,622	5,477,664	5,204,588
Average \$/kWh Sold from TC 2008 Rates	0.10598	0.10598	0.10598	0.10598	0.10587	0.10551	0.10515
Average \$/kWh Sold from TC 2003 Rates	0.11869	0.11869	0.11869	0.11869	0.11847	0.11832	0.10932
Revenue at Proposed Rates/TC 2008 Rates	100%	100%	100%	100%	100%	100%	100%
Revenue at Proposed Rates/TC 2003 Rates	89.3%	89.3%	89.3%	89.4%	89.4%	89.3%	96.4%

Purchase Power							
kWh Purchased	43,973,912	45,269,130	46,651,623	48,051,481	49,493,028	50,977,818	52,507,151
kWh-Mon Purchased	87,948	90,586	93,304	96,103	98,986	101,956	105,014
DGT RSA - Energy Rate	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150
DGT RSA - Capacity Rate	6.518	6.518	6.518	6.518	6.518	6.518	6.518
DGT RSA - Meter Point Expense	7,200	7,200	7,200	7,200	7,200	7,200	7,200
DGT RSA - Facility Charge	900,000	900,000	900,000	900,000	900,000	900,000	900,000
DGT RSA - Energy Cost	659,809	679,397	699,779	720,772	742,395	764,667	787,607
DGT RSA - Capacity Cost	573,244	590,441	608,154	626,399	645,191	664,547	684,483
DGT RSA - Total Cost	2,140,053	2,177,038	2,215,133	2,254,371	2,294,788	2,336,414	2,379,290
Avg RSA Power Cost	0.04867	0.04807	0.04748	0.04692	0.04637	0.04583	0.04531
Wheeling Rate							
Wheeling Cost	0	0	0	0	0	0	0
Total Power Cost	2,140,053	2,177,038	2,215,133	2,254,371	2,294,788	2,336,414	2,379,290
Avg Cost/kWh	0.04867	0.04807	0.04748	0.04692	0.04637	0.04583	0.04531

OPERATING EXPENSES							
Transmission O&M Expense	32,251	33,864	35,557	37,335	39,201	41,161	43,219
Deferred Transmission Expense							
Transmission Expense	32,251	33,864	35,557	37,335	39,201	41,161	43,219
Ordinary Dist O&M Expense	939,418	986,369	1,035,709	1,087,484	1,141,869	1,198,982	1,258,910
Deferred Maintenance	0	0	0	0	0	0	0
Meter Testing & Replacement Cost							
Dist O & M Expense	939,418	986,369	1,035,709	1,087,484	1,141,869	1,198,982	1,258,910
Cust Acct Exp / Customer	111.80	115.16	118.61	122.17	125.64	129.61	133.50
Number of Customers	1,529	1,575	1,622	1,671	1,721	1,773	1,826
Billing Clerk	216,473	220,996	232,046	243,848	255,831	268,622	282,063
Billing Data Conversion Cost							
Additional Collection Expense							
Customer Accounting Expense	381,419	402,353	424,448	447,787	472,381	498,360	525,782
Admin & Gen Exp	109,771	113,064	116,456	119,950	123,548	127,255	131,072
Office/Warehouse Expense	18,429	19,351	20,318	21,334	22,401	23,521	24,697
Additional A&G Expense							
Admin & General Expense	128,200	132,415	136,774	141,284	145,949	150,775	155,769
TOTAL OPERATING EXPENSE	1,481,289	1,555,021	1,632,487	1,713,680	1,799,400	1,889,259	1,983,681

NON-OPERATING EXPENSES							
Property Tax Expense	32,045	32,625	33,205	33,785	34,365	34,945	35,525
Interest Expense on Acquisition Debt	18,750	9,375	0	0	0	0	0
Depreciation Expense	162,988	165,938	168,888	171,838	174,788	177,738	180,688
New Plant Expense	100,000	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL NON-OPERATING EXPENSE	313,783	307,938	302,093	305,623	309,153	312,683	316,213

TOTAL EXPENSES	3,935,124	4,039,898	4,149,713	4,273,674	4,403,338	4,538,356	4,679,184
NET MARGINS	301,768	324,002	345,205	365,882	380,145	351,185	340,155

Comparison of Rates

RESIDENTIAL 2008 average kWh/Customer/Month 1,657

2008 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
-	-	20.00	0.1220	-	-	-	-
50	20.00	20.00	6.10	-	20.00	20.00	0.4000
100	20.00	20.00	12.20	-	20.00	20.00	0.2000
200	20.00	20.00	24.40	-	20.00	20.00	0.1000
300	20.00	20.00	36.60	-	20.00	20.00	0.0667
400	20.00	20.00	48.80	-	20.00	20.00	0.0500
500	20.00	20.00	61.00	-	20.00	20.00	0.0400
1,000	20.00	20.00	122.00	-	20.00	20.00	0.0200
1,500	20.00	20.00	183.00	-	20.00	20.00	0.1333
2,000	20.00	20.00	244.00	-	20.00	20.00	0.1200
3,000	20.00	20.00	366.00	-	20.00	20.00	0.1267
4,000	20.00	20.00	488.00	-	20.00	20.00	0.1270
5,000	20.00	20.00	610.00	-	20.00	20.00	0.1280
10,000	20.00	20.00	1,220.00	-	20.00	20.00	0.1240

RESIDENTIAL PREPAY 2008 average kWh/Customer/Month 1,665

2008 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
-	-	20.00	0.1220	-	-	-	-
50	20.00	20.00	6.10	-	20.00	20.00	0.4000
100	20.00	20.00	12.20	-	20.00	20.00	0.2000
200	20.00	20.00	24.40	-	20.00	20.00	0.1000
300	20.00	20.00	36.60	-	20.00	20.00	0.0667
400	20.00	20.00	48.80	-	20.00	20.00	0.0500
500	20.00	20.00	61.00	-	20.00	20.00	0.0400
1,000	20.00	20.00	122.00	-	20.00	20.00	0.0200
1,500	20.00	20.00	183.00	-	20.00	20.00	0.1333
2,000	20.00	20.00	244.00	-	20.00	20.00	0.1200
3,000	20.00	20.00	366.00	-	20.00	20.00	0.1267
4,000	20.00	20.00	488.00	-	20.00	20.00	0.1270
5,000	20.00	20.00	610.00	-	20.00	20.00	0.1280
10,000	20.00	20.00	1,220.00	-	20.00	20.00	0.1240

LARGE COMMERCIAL 2008 average kWh/Customer/Month = 8,017

2008 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
-	-	20.00	0.0600	12.00	-	-	-
50	20.00	20.00	3.00	12.00	-	20.00	0.4000
100	20.00	20.00	6.00	12.00	-	20.00	0.2000
200	20.00	20.00	12.00	12.00	-	20.00	0.1000
300	20.00	20.00	18.00	12.00	-	20.00	0.0667
400	20.00	20.00	24.00	12.00	-	20.00	0.0500
500	20.00	20.00	30.00	12.00	-	20.00	0.0400
1,000	20.00	20.00	60.00	12.00	-	20.00	0.0200
1,500	20.00	20.00	90.00	12.00	-	20.00	0.1333
2,000	20.00	20.00	120.00	12.00	-	20.00	0.1200
3,000	20.00	20.00	180.00	12.00	-	20.00	0.1267
4,000	20.00	20.00	240.00	12.00	-	20.00	0.1270
5,000	20.00	20.00	300.00	12.00	-	20.00	0.1280
10,000	20.00	20.00	600.00	12.00	-	20.00	0.1240

RESIDENTIAL 2003 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
-	-	20.00	0.1120	-	-	-	-
50	20.00	20.00	5.60	-	20.00	20.00	0.4000
100	20.00	20.00	11.20	-	20.00	20.00	0.2000
200	20.00	20.00	22.40	-	20.00	20.00	0.1000
300	20.00	20.00	33.60	-	20.00	20.00	0.0667
400	20.00	20.00	44.80	-	20.00	20.00	0.0500
500	20.00	20.00	56.00	-	20.00	20.00	0.0400
1,000	20.00	20.00	112.00	-	20.00	20.00	0.0200
1,500	20.00	20.00	168.00	-	20.00	20.00	0.1333
2,000	20.00	20.00	224.00	-	20.00	20.00	0.1200
3,000	20.00	20.00	336.00	-	20.00	20.00	0.1267
4,000	20.00	20.00	448.00	-	20.00	20.00	0.1270
5,000	20.00	20.00	560.00	-	20.00	20.00	0.1280
10,000	20.00	20.00	1,120.00	-	20.00	20.00	0.1120

RESIDENTIAL PREPAY 2003 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
-	-	20.00	0.1120	-	-	-	-
50	20.00	20.00	5.60	-	20.00	20.00	0.4000
100	20.00	20.00	11.20	-	20.00	20.00	0.2000
200	20.00	20.00	22.40	-	20.00	20.00	0.1000
300	20.00	20.00	33.60	-	20.00	20.00	0.0667
400	20.00	20.00	44.80	-	20.00	20.00	0.0500
500	20.00	20.00	56.00	-	20.00	20.00	0.0400
1,000	20.00	20.00	112.00	-	20.00	20.00	0.0200
1,500	20.00	20.00	168.00	-	20.00	20.00	0.1333
2,000	20.00	20.00	224.00	-	20.00	20.00	0.1200
3,000	20.00	20.00	336.00	-	20.00	20.00	0.1267
4,000	20.00	20.00	448.00	-	20.00	20.00	0.1270
5,000	20.00	20.00	560.00	-	20.00	20.00	0.1280
10,000	20.00	20.00	1,120.00	-	20.00	20.00	0.1120

LARGE COMMERCIAL 2003 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
-	-	20.00	0.0500	12.00	-	-	-
50	20.00	20.00	2.50	12.00	-	20.00	0.4000
100	20.00	20.00	5.00	12.00	-	20.00	0.2000
200	20.00	20.00	10.00	12.00	-	20.00	0.1000
300	20.00	20.00	15.00	12.00	-	20.00	0.0667
400	20.00	20.00	20.00	12.00	-	20.00	0.0500
500	20.00	20.00	25.00	12.00	-	20.00	0.0400
1,000	20.00	20.00	50.00	12.00	-	20.00	0.0200
1,500	20.00	20.00	75.00	12.00	-	20.00	0.1333
2,000	20.00	20.00	100.00	12.00	-	20.00	0.1200
3,000	20.00	20.00	150.00	12.00	-	20.00	0.1267
4,000	20.00	20.00	200.00	12.00	-	20.00	0.1270
5,000	20.00	20.00	250.00	12.00	-	20.00	0.1280
10,000	20.00	20.00	500.00	12.00	-	20.00	0.1120

RESIDENTIAL 2003 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh	% of TC 2003 Rates
-	-	12.50	0.06907	-	-	-	-	-
50	12.50	12.50	3.45	-	12.50	12.50	0.2500	65%
100	12.50	12.50	6.91	-	12.50	12.50	0.1250	89%
200	12.50	12.50	13.81	-	12.50	12.50	0.0625	116%
300	12.50	12.50	20.72	-	12.50	12.50	0.0417	132%
400	12.50	12.50	27.63	-	12.50	12.50	0.0313	121%
500	12.50	12.50	34.54	-	12.50	12.50	0.0250	115%
1,000	12.50	12.50	69.07	-	12.50	12.50	0.0125	103%
1,500	12.50	12.50	103.61	-	12.50	12.50	0.0083	101%
2,000	12.50	12.50	138.14	-	12.50	12.50	0.0063	99%
3,000	12.50	12.50	207.21	-	12.50	12.50	0.0042	98%
4,000	12.50	12.50	276.28	-	12.50	12.50	0.0031	97%
5,000	12.50	12.50	345.35	-	12.50	12.50	0.0025	97%
10,000	12.50	12.50	690.70	-	12.50	12.50	0.0013	96%

RESIDENTIAL PREPAY 2003 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh	% of TC 2003 Rates
-	-	12.50	0.06907	-	-	-	-	-
50	12.50	12.50	3.45	-	12.50	12.50	0.2500	65%
100	12.50	12.50	6.91	-	12.50	12.50	0.1250	89%
200	12.50	12.50	13.81	-	12.50	12.50	0.0625	116%
300	12.50	12.50	20.72	-	12.50	12.50	0.0417	132%
400	12.50	12.50	27.63	-	12.50	12.50	0.0313	121%
500	12.50	12.50	34.54	-	12.50	12.50	0.0250	115%
1,000	12.50	12.50	69.07	-	12.50	12.50	0.0125	103%
1,500	12.50	12.50	103.61	-	12.50	12.50	0.0083	101%
2,000	12.50	12.50	138.14	-	12.50	12.50	0.0063	99%
3,000	12.50	12.50	207.21	-	12.50	12.50	0.0042	98%
4,000	12.50	12.50	276.28	-	12.50	12.50	0.0031	97%
5,000	12.50	12.50	345.35	-	12.50	12.50	0.0025	97%
10,000	12.50	12.50	690.70	-	12.50	12.50	0.0013	96%

LARGE COMMERCIAL 2003 TC RATES

kWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh	% of TC 2003 Rates
-	-	20.00	0.06115	6.3700	-	-	-	-
50	20.00	20.00	3.0675	6.3700	-	20.00	0.4000	65%
100	20.00	20.00	6.1350	6.3700	-	20.00	0.2000	89%
200	20.00	20.00	12.2700	6.3700	-	20.00	0.1000	116%
300	20							

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	Act FAC	Total	Total/kWh	% of TC Rates
100	0.4	20.00	6.12	2.35	-	20.00	#DIV/0!	100%
200	0.7	20.00	12.23	4.71	3.01	29.97	0.2997	98%
300	1.1	20.00	18.35	7.06	4.51	39.94	0.1987	98%
400	1.8	20.00	24.46	11.76	7.52	49.81	0.1664	97%
500	3.0	20.00	30.58	18.35	11.91	69.86	0.1397	97%
1,000	5.5	20.00	61.15	36.70	23.82	118.91	0.1187	96%
1,500	7.4	20.00	91.73	55.05	35.73	168.51	0.1119	96%
2,000	9.2	20.00	122.30	73.39	47.64	219.43	0.1091	96%
3,000	11.1	20.00	183.45	109.82	61.50	353.77	0.1177	96%
4,000	14.8	20.00	244.60	151.72	81.14	476.44	0.1064	96%
5,000	18.5	20.00	305.75	211.65	107.65	624.15	0.1047	96%
10,000	36.9	20.00	611.50	423.30	215.30	1,250.10	0.1037	96%
20,000	73.9	20.00	1,223.00	846.60	430.60	2,500.20	0.1007	96%

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh	% of TC Rates
100	0.4	10.00	5.00	4.43	-	10.00	#DIV/0!	100%
200	0.7	10.00	10.00	8.87	-	19.43	0.1943	154%
300	1.1	10.00	15.00	13.30	-	28.87	0.1443	138%
400	1.8	10.00	20.00	17.74	-	37.74	0.1143	120%
500	3.0	10.00	25.00	22.16	-	47.16	0.1143	120%
1,000	5.5	10.00	50.00	44.33	-	104.33	0.1043	115%
1,500	7.4	10.00	75.00	66.49	-	151.49	0.1010	112%
2,000	9.2	10.00	100.00	98.65	-	198.65	0.0993	110%
3,000	11.1	10.00	150.00	147.98	-	297.98	0.0993	110%
4,000	14.8	10.00	200.00	197.30	-	397.30	0.0968	109%
5,000	18.5	10.00	250.00	246.63	-	496.63	0.0963	108%
10,000	36.9	10.00	500.00	493.26	-	993.26	0.0953	107%
20,000	73.9	10.00	1,000.00	986.51	-	1,996.51	0.0943	106%

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh	% of TC Rates
100	0.4	20.00	6.00	4.43	-	20.00	#DIV/0!	100%
200	0.7	20.00	12.00	8.87	-	30.43	0.3043	154%
300	1.1	20.00	18.00	13.30	-	40.87	0.2843	138%
400	1.8	20.00	24.00	17.74	-	51.30	0.1774	120%
500	3.0	20.00	30.00	22.16	-	72.16	0.1443	120%
1,000	5.5	20.00	60.00	44.33	-	124.33	0.1243	115%
1,500	7.4	20.00	90.00	66.49	-	176.49	0.1177	112%
2,000	9.2	20.00	120.00	98.65	-	228.65	0.1143	110%
3,000	11.1	20.00	180.00	147.98	-	347.98	0.1110	110%
4,000	14.8	20.00	240.00	197.30	-	437.30	0.1083	109%
5,000	18.5	20.00	300.00	246.63	-	541.63	0.1083	108%
10,000	36.9	20.00	600.00	493.26	-	1,093.26	0.1083	108%
20,000	73.9	20.00	1,200.00	986.51	-	2,106.51	0.1083	108%

SMALL COMMERCIAL

2008 average kWh/Customer/Month = 2,479

2008 Average Load Factor = 0.296

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.5	10.00	7.00	2.31	-	10.00	#DIV/0!
200	0.9	10.00	14.00	4.63	-	28.63	0.1431
300	1.4	10.00	21.00	6.94	-	37.94	0.1265
400	2.3	10.00	28.00	11.57	-	56.57	0.1131
500	4.6	10.00	35.00	23.14	-	103.14	0.1031
1,000	6.9	10.00	70.00	34.71	-	149.71	0.0998
1,500	9.3	10.00	105.00	46.28	-	196.28	0.0981
2,000	11.6	10.00	140.00	57.85	-	242.85	0.0971
3,000	13.9	10.00	210.00	69.42	-	289.42	0.0963
4,000	18.5	10.00	280.00	92.55	-	382.55	0.0956
5,000	23.1	10.00	350.00	115.68	-	475.68	0.0944
10,000	46.3	10.00	700.00	231.36	-	941.36	0.0944
20,000	92.6	10.00	1,400.00	462.72	-	1,872.72	0.0936

SMALL COMMERCIAL

2008 average kWh/Customer/Month = 2,479

2008 Average Load Factor = 0.296

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.5	10.00	7.00	2.31	-	10.00	#DIV/0!
200	0.9	10.00	14.00	4.63	-	28.63	0.1431
300	1.4	10.00	21.00	6.94	-	37.94	0.1265
400	2.3	10.00	28.00	11.57	-	56.57	0.1131
500	4.6	10.00	35.00	23.14	-	103.14	0.1031
1,000	6.9	10.00	70.00	34.71	-	149.71	0.0998
1,500	9.3	10.00	105.00	46.28	-	196.28	0.0981
2,000	11.6	10.00	140.00	57.85	-	242.85	0.0971
3,000	13.9	10.00	210.00	69.42	-	289.42	0.0963
4,000	18.5	10.00	280.00	92.55	-	382.55	0.0956
5,000	23.1	10.00	350.00	115.68	-	475.68	0.0944
10,000	46.3	10.00	700.00	231.36	-	941.36	0.0944
20,000	92.6	10.00	1,400.00	462.72	-	1,872.72	0.0936

SMALL COMMERCIAL

2008 average kWh/Customer/Month = 2,479

2008 Average Load Factor = 0.296

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.5	20.00	8.26	3.17	-	20.00	#DIV/0!
200	0.9	20.00	16.52	6.34	-	30.57	0.3057
300	1.4	20.00	24.78	9.51	-	41.15	0.2057
400	2.3	20.00	33.04	13.67	-	51.72	0.1724
500	4.6	20.00	41.30	20.50	-	72.87	0.1457
1,000	6.9	20.00	82.60	37.14	-	125.74	0.1257
1,500	9.3	20.00	123.90	50.71	-	174.61	0.1181
2,000	11.6	20.00	165.20	64.28	-	231.48	0.1157
3,000	13.9	20.00	247.80	96.42	-	344.22	0.1124
4,000	18.5	20.00	330.40	128.55	-	458.95	0.1097
5,000	23.1	20.00	413.00	160.68	-	573.68	0.1097
10,000	46.3	20.00	826.00	321.36	-	1,077.36	0.1077
20,000	92.6	20.00	1,652.00	642.72	-	2,134.72	0.1067

SMALL PUBLIC BUILDINGS

2008 average kWh/Customer/Month = 3,739

2008 Average Load Factor = 0.432

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.3	10.00	7.00	1.59	-	10.00	#DIV/0!
200	0.6	10.00	14.00	3.17	-	18.59	0.1859
300	1.0	10.00	21.00	4.76	-	27.17	0.1359
400	1.6	10.00	28.00	7.14	-	35.76	0.1192
500	3.2	10.00	35.00	10.71	-	52.83	0.1059
1,000	4.8	10.00	70.00	15.86	-	95.86	0.0959
1,500	6.3	10.00	105.00	23.79	-	138.79	0.0925
2,000	7.9	10.00	140.00	31.72	-	181.72	0.0909
3,000	9.5	10.00	210.00	47.58	-	267.58	0.0892
4,000	12.7	10.00	280.00	63.44	-	353.44	0.0884
5,000	15.9	10.00	350.00	79.30	-	439.30	0.0878
10,000	31.7	10.00	700.00	158.60	-	888.60	0.0878

SMALL PUBLIC BUILDINGS

2008 average kWh/Customer/Month = 3,739

2008 Average Load Factor = 0.432

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.3	10.00	7.00	1.59	-	10.00	#DIV/0!
200	0.6	10.00	14.00	3.17	-	18.59	0.1859
300	1.0	10.00	21.00	4.76	-	27.17	0.1359
400	1.6	10.00	28.00	7.14	-	35.76	0.1192
500	3.2	10.00	35.00	10.71	-	52.83	0.1059
1,000	4.8	10.00	70.00	15.86	-	95.86	0.0959
1,500	6.3	10.00	105.00	23.79	-	138.79	0.0925
2,000	7.9	10.00	140.00	31.72	-	181.72	0.0909
3,000	9.5	10.00	210.00	47.58	-	267.58	0.0892
4,000	12.7	10.00	280.00	63.44	-	353.44	0.0884
5,000	15.9	10.00	350.00	79.30	-	439.30	0.0878
10,000	31.7	10.00	700.00	158.60	-	888.60	0.0878

SMALL PUBLIC BUILDINGS

2008 average kWh/Customer/Month = 3,739

2008 Average Load Factor = 0.432

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.3	20.00	8.26	3.17	-	20.00	#DIV/0!
200	0.6	20.00	16.52	6.34	-	29.85	0.2985
300	1.0	20.00	24.78	9.51	-	39.69	0.1985
400	1.6	20.00	33.04	13.67	-	49.54	0.1651
500	3.2	20.00	41.30	20.50	-	69.23	0.1385
1,000	4.8	20.00	82.60	37.14	-	118.46	0.1185
1,500	6.3	20.00	123.90	50.71	-	167.69	0.1118
2,000	7.9	20.00	165.20	64.28	-	216.92	0.1085
3,000	9.5	20.00	247.80	96.42	-	266.15	0.1065
4,000	12.7	20.00	330.40	128.55	-	315.38	0.1051
5,000	15.9	20.00	413.00	160.68	-	364.61	0.1038
10,000	31.7	20.00	826.00	321.36	-	727.36	0.1025
20,000	63.4	20.00	1,652.00	642.72	-	1,404.80	0.1025

SMALL COMMERCIAL

2008 average kWh/Customer/Month = 2,479

2008 Average Load Factor = 0.296

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.5	10.00	7.00	2.31	-	10.00	#DIV/0!
200	0.9	10.00	14.00	4.63	-	28.63	0.1431
300	1.4	10.00	21.00	6.94	-	37.94	0.1265
400	2.3	10.00	28.00	11.57	-	56.57	0.1131
500	4.6	10.00	35.00	23.14	-	103.14	0.1031
1,000	6.9	10.00	70.00	34.71	-	149.71	0.0998
1,500	9.3	10.00	105.00	46.28	-	196.28	0.0981
2,000	11.6	10.00	140.00	57.85	-	242.85	0.0971
3,000	13.9	10.00	210.00	69.42	-	289.42	0.0963
4,000	18.5	10.00	280.00	92.55	-	382.55	0.0956
5,000	23.1	10.00	350.00	115.68	-	475.68	0.0944
10,000	46.3	10.00	700.00	231.36	-	941.36	0.0944
20,000	92.6	10.00	1,400.00	462.72	-	1,872.72	0.0936

SMALL PUBLIC BUILDINGS

2008 average kWh/Customer/Month = 3,739

2008 Average Load Factor =

20,000	63.4	12.50	1,169.00	404.10	79.11	1,664.72	0.0832	84%	96%
--------	------	-------	----------	--------	-------	----------	--------	-----	-----

LARGE PUBLIC BUILDINGS
 2008 average kWh/Customer/Month = 10,130

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	Acq FAC	Total	Total/kWh	% of TC 2008 Rates	% of TC 2003 Rates
100	0.3	20.00	6.00	3.81	-	29.81	0.2981	100%	100%
200	0.6	20.00	12.00	7.61	-	39.61	0.1981	96%	152%
300	1.0	20.00	18.00	11.42	-	49.42	0.1647	94%	134%
500	1.6	20.00	30.00	19.03	-	69.03	0.1381	92%	125%
1,000	3.2	20.00	60.00	38.06	-	118.06	0.1181	91%	116%
1,500	4.8	20.00	90.00	57.09	-	167.09	0.1114	89%	107%
2,000	6.3	20.00	120.00	76.13	-	216.13	0.1081	89%	104%
2,500	7.9	20.00	150.00	95.16	-	265.16	0.1061	88%	101%
3,000	9.5	20.00	180.00	114.19	-	314.19	0.1047	88%	101%
4,000	12.7	20.00	240.00	152.25	-	412.25	0.1031	88%	100%
5,000	15.9	20.00	300.00	190.32	-	510.32	0.1021	88%	99%
10,000	31.7	20.00	600.00	380.63	-	1,000.63	0.1001	87%	98%
20,000	63.4	20.00	1,200.00	761.26	-	1,981.26	0.0981	87%	97%

2008 Average Load Factor = 0.479

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.3	10.00	5.00	3.31	-	18.81	0.1881
200	0.6	10.00	10.00	7.61	-	27.61	0.1381
300	1.0	10.00	15.00	11.42	-	36.42	0.1214
500	1.6	10.00	25.00	19.03	-	54.03	0.1081
1,000	3.2	10.00	50.00	38.06	-	98.06	0.0981
1,500	4.8	10.00	75.00	57.09	-	142.09	0.0947
2,000	6.3	10.00	100.00	76.13	-	186.13	0.0931
2,500	7.9	10.00	125.00	95.16	-	230.16	0.0914
3,000	9.5	10.00	150.00	114.19	-	274.19	0.0914
4,000	12.7	10.00	200.00	152.25	-	362.25	0.0906
5,000	15.9	10.00	250.00	190.32	-	450.32	0.0901
10,000	31.7	10.00	500.00	380.63	-	890.63	0.0891
20,000	63.4	10.00	1,000.00	761.26	-	1,771.26	0.0886

20,000	63.4	20.00	1,652.00	317.19	-	1,989.19	0.0985
--------	------	-------	----------	--------	---	----------	--------

LARGE PUBLIC BUILDINGS
 2008 average kWh/Customer/Month = 10,130

2008 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.3	20.00	6.00	3.81	-	29.81	0.2981
200	0.6	20.00	12.00	7.61	-	39.61	0.1981
300	1.0	20.00	18.00	11.42	-	49.42	0.1647
500	1.6	20.00	30.00	19.03	-	69.03	0.1381
1,000	3.2	20.00	60.00	38.06	-	118.06	0.1181
1,500	4.8	20.00	90.00	57.09	-	167.09	0.1114
2,000	6.3	20.00	120.00	76.13	-	216.13	0.1081
2,500	7.9	20.00	150.00	95.16	-	265.16	0.1061
3,000	9.5	20.00	180.00	114.19	-	314.19	0.1047
4,000	12.7	20.00	240.00	152.25	-	412.25	0.1031
5,000	15.9	20.00	300.00	190.32	-	510.32	0.1021
10,000	31.7	20.00	600.00	380.63	-	1,000.63	0.1001
20,000	63.4	20.00	1,200.00	761.26	-	1,981.26	0.0981

SMALL INDUSTRIAL AND RETAIL
 2008 average kWh/Customer/Month = 685

2008 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
50	0.2	20.00	6.10	-	-	26.10	0.5220
100	0.3	20.00	12.20	-	-	32.20	0.3220
200	0.6	20.00	24.40	-	-	44.40	0.2220
300	1.0	20.00	36.60	-	-	56.60	0.1887
400	1.3	20.00	48.80	-	-	68.80	0.1720
500	1.6	20.00	61.00	-	-	81.00	0.1620
1,000	3.2	20.00	122.00	-	-	142.00	0.1420
1,500	4.8	20.00	183.00	-	-	203.00	0.1353
2,000	6.3	20.00	244.00	-	-	264.00	0.1320
3,000	9.5	20.00	366.00	-	-	386.00	0.1287
4,000	12.7	20.00	488.00	-	-	508.00	0.1270
5,000	15.9	20.00	610.00	-	-	630.00	0.1260
10,000	31.7	20.00	1,220.00	-	-	1,240.00	0.1240

20,000	63.4	10.00	1,400.00	317.19	-	1,727.19	0.0864
--------	------	-------	----------	--------	---	----------	--------

2008 Average Load Factor = 0.479

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
100	0.3	10.00	5.00	3.31	-	18.81	0.1881
200	0.6	10.00	10.00	7.61	-	27.61	0.1381
300	1.0	10.00	15.00	11.42	-	36.42	0.1214
500	1.6	10.00	25.00	19.03	-	54.03	0.1081
1,000	3.2	10.00	50.00	38.06	-	98.06	0.0981
1,500	4.8	10.00	75.00	57.09	-	142.09	0.0947
2,000	6.3	10.00	100.00	76.13	-	186.13	0.0931
2,500	7.9	10.00	125.00	95.16	-	230.16	0.0914
3,000	9.5	10.00	150.00	114.19	-	274.19	0.0914
4,000	12.7	10.00	200.00	152.25	-	362.25	0.0906
5,000	15.9	10.00	250.00	190.32	-	450.32	0.0901
10,000	31.7	10.00	500.00	380.63	-	890.63	0.0891
20,000	63.4	10.00	1,000.00	761.26	-	1,771.26	0.0886

2008 Average Load Factor = 0.449

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	FAC	Total	Total/kWh
50	0.2	20.00	5.60	-	-	25.60	0.5120
100	0.3	20.00	11.20	-	-	31.20	0.3120
200	0.6	20.00	22.40	-	-	42.40	0.2120
300	1.0	20.00	33.60	-	-	53.60	0.1787
400	1.3	20.00	44.80	-	-	64.80	0.1620
500	1.6	20.00	56.00	-	-	76.00	0.1520
1,000	3.2	20.00	112.00	-	-	132.00	0.1320
1,500	4.8	20.00	168.00	-	-	188.00	0.1253
2,000	6.3	20.00	224.00	-	-	244.00	0.1220
3,000	9.5	20.00	336.00	-	-	356.00	0.1187
4,000	12.7	20.00	448.00	-	-	468.00	0.1170
5,000	15.9	20.00	560.00	-	-	580.00	0.1160
10,000	31.7	20.00	1,120.00	-	-	1,140.00	0.1140

20,000	63.4	12.50	1,169.00	404.10	79.11	1,664.72	0.0832	84%	96%
--------	------	-------	----------	--------	-------	----------	--------	-----	-----

LARGE PUBLIC BUILDINGS
 Garkane AZ08 Rates w/ FAC to equal TC2003 Revenue

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	Acq FAC	Total	Total/kWh	% of TC 2008 Rates	% of TC 2003 Rates
100	0.3	20.00	6.12	2.02	0.40	28.53	0.2853	100%	200%
200	0.6	20.00	12.23	4.04	0.79	37.06	0.1853	96%	152%
300	1.0	20.00	18.35	6.05	1.19	45.59	0.1520	94%	134%
500	1.6	20.00	30.48	10.10	1.98	62.66	0.1253	92%	125%
1,000	3.2	20.00	61.15	20.21	3.96	105.31	0.1053	91%	116%
1,500	4.8	20.00	91.73	30.31	5.93	147.97	0.0986	89%	107%
2,000	6.3	20.00	122.30	40.41	7.91	190.62	0.0953	89%	104%
2,500	7.9	20.00	152.88	50.51	9.89	233.28	0.0933	88%	101%
3,000	9.5	20.00	183.45	60.62	11.87	275.93	0.0920	88%	101%
4,000	12.7	20.00	244.60	80.82	15.82	361.24	0.0903	88%	100%
5,000	15.9	20.00	305.75	101.03	19.78	446.55	0.0893	88%	99%
10,000	31.7	20.00	611.50	202.05	39.56	890.63	0.0873	87%	98%
20,000	63.4	20.00	1,223.00	404.10	79.11	1,726.22	0.0863	87%	97%

SMALL INDUSTRIAL AND RETAIL
 Garkane AZ08 Rates w/ FAC to equal TC2003 Revenue

2003 TC RATES

KWh Usage	kW Demand	Customer Charge	Energy Charge	Demand Charge	Acq FAC	Total	Total/kWh	% of TC 2008 Rates	% of TC 2003 Rates
50	0.2	20.00	3.06	1.01	1.03	25.10	0.5019	100%	100%
100	0.3	20.00	6.12	2.02	2.06	30.19	0.3019	96%	96%
200	0.6	20.00	12.23	4.04	4.11	40.38	0.2019	94%	97%
300	1.0	20.00	18.35	6.06	6.17	50.58	0.1686	89%	94%
400	1.3	20.00	24.46	8.08	8.23	60.77	0.1519	88%	94%
500	1.6	20.00	30.58	10.10	10.28	70.96	0.1419	88%	93%
1,000	3.2	20.00	61.15	20.21	20.57	121.92	0.1219	86%	92%
1,500	4.8	20.00	91.73	30.31	30.85	172.88	0.1153	85%	92%
2,000	6.3	20.00	122.30	40.41	41.14	223.85	0.1119	85%	92%
3,000	9.5	20.00	183.45	60.62	61.70	325.77	0.1086	84%	92%
4,000	12.7	20.00	244.60	80.82	82.27	427.69	0.1069	84%	91%
5,000	15.9	20.00	305.75	101.03	102.84	509.61	0.1059	84%	91%
10,000	31.7	20.00	611.50	202.05	205.68	1,039.23	0.1039</		

Twin Cities Customer - Month Number by Class

Monthly history numbers from Twin Cities 3 Year History Spreadsheet
 Apr 06 - Dec 06 data copied from 05 Data
 Projection 2009 - 2019 flat, then increase at 3% per year

Res Numbr	Rcs Prpary Numbr	Hidale Town			Colorado City			Total Twin Cities				
		Lg Comm Numbr	Sm Comm Numbr	Sm Pub Bid Numbr	Lg Pub Bid Numbr	Sm Comm Numbr	Sm Pub Bid Numbr	Sm Includ Inter Comm Numbr	Inter Comm Numbr	Total Numbr		
244		26	35	1	2	27	69	2		643		
246		26	35	1	2	26	69	2		637		
252		27	36	1	3	2	71	5		519		
252		27	36	1	2	30	71	3		684		
271		28	37	2	2	32	75	3		683		
284		28	40	1	2	32	79	4		684		
285		28	39	1	2	32	76	3		693		
289		28	41	1	2	32	76	3		693		
295		28	40	1	2	31	77	2		700		
293		30	41	1	2	29	76	2		703		
297		29	40	1	2	26	73	2		704		
294		29	42	1	2	29	76	4		714		
292		30	38	1	2	24	75	2		705		
297		29	41	1	2	30	74	2		722		
290		28	39	1	2	32	76	1		705		
295		28	40	1	2	31	77	2		729		
294		29	42	1	2	31	76	3		725		
292		30	38	1	2	33	78	3		746		
297		29	41	1	2	32	76	1		721		
290		28	39	1	2	31	77	2		717		
295		28	40	1	2	31	77	2		721		
294		29	42	1	2	31	76	3		721		
292		30	38	1	2	33	78	2		728		
295		28	40	1	2	28	73	1		705		
294		29	42	1	2	49	26	68	1	707		
292		30	38	1	2	45	26	69	1	705		
297		29	41	1	2	47	26	68	1	699		
295		28	40	1	2	49	27	65	1	705		
294		29	42	1	2	51	27	65	2	717		
292		30	38	1	2	66	28	66	3	702		
295		28	40	1	2	70	28	61	2	692		
294		29	42	1	2	88	29	65	2	701		
292		30	38	1	2	78	28	63	2	696		
295		28	40	1	2	77	27	65	2	692		
294		29	42	1	2	76	26	62	3	696		
292		30	38	1	2	78	26	65	2	695		
295		28	40	1	2	78	24	59	3	683		
294		29	42	1	2	81	25	61	3	702		
292		30	38	1	2	81	10	45	15	21	689	
295		28	40	1	2	85	15	53	20	15	23	722
294		29	42	1	2	79	10	45	20	15	20	680
292		30	38	1	2	82	9	45	22	17	21	685
295		28	40	1	2	85	9	44	21	17	21	673
294		29	42	1	2	85	12	45	21	16	22	685

Res Numbr	Rcs Prpary Numbr	Colorado City			Total Twin Cities					
		Lg Comm Numbr	Sm Comm Numbr	Sm Pub Bid Numbr	Lg Pub Bid Numbr	Sm Comm Numbr	Inter Comm Numbr	Total Numbr		
544		27	69	2						643
538		26	69	2						637
538		2	71	5						519
559		30	71	3						684
572		32	75	3						683
569		32	79	4						684
571		32	79	3						693
532		32	76	3						693
587		32	76	3						693
589		31	77	2						700
585		29	76	2						703
603		26	73	2						704
604		29	76	4						714
608		24	75	2						705
615		30	74	2						722
594		32	76	1						705
623		31	81	3						729
610		33	78	3						725
607		32	76	3						746
602		31	79	2						717
603		5	31	79	2					721
619		8	33	76	2					728
602		28	73	1						705
595		49	26	68	1					707
593		45	26	69	1					705
598		47	26	68	1					699
582		49	27	65	1					705
571		51	27	65	2					717
585		66	28	66	3					702
596		70	28	61	2					692
598		88	29	65	2					701
524		78	28	63	2					696
521		76	27	65	2					692
517		77	26	62	3					696
515		78	26	65	2					695
528		78	24	59	3					683
531		81	25	61	3					702
498		81	10	45	19	15	21			689
513		85	15	53	20	15	23			722
491		79	10	45	20	15	20			680
489		82	9	45	22	17	21			685
481		85	9	44	21	17	21			673
484		85	12	45	21	16	22			685

Res Numbr	Rcs Prpary Numbr	Total Twin Cities			Total Twin Cities				
		Lg Comm Numbr	Sm Comm Numbr	Sm Pub Bid Numbr	Lg Pub Bid Numbr	Sm Comm Numbr	Inter Comm Numbr	Total Numbr	
791		0	29	107	6	3	0	1	897
811		0	57	107	4	2	0	1	892
843		0	60	112	5	2	0	1	1,023
823		0	60	118	5	2	0	1	1,069
826		0	60	117	4	2	0	1	1,010
841		0	60	118	4	2	0	1	1,024
842		0	60	115	4	3	0	1	1,025
842		0	61	118	3	2	0	1	1,027
851		0	57	116	3	2	0	1	1,000
860		0	54	113	3	2	0	1	1,033
868		0	58	118	5	2	0	1	1,042
860		0	54	111	3	2	0	1	1,031
872		0	59	115	3	2	0	1	1,052
844		0	61	117	2	2	0	1	1,027
898		0	59	121	3	2	0	1	1,074
894		0	62	121	4	2	0	1	1,054
886		48	59	118	4	2	0	1	1,092
850		7	59	122	3	2	0	1	1,044
872		10	59	122	3	2	0	1	1,069
881		8	63	118	3	2	0	1	1,078
857		2	57	114	3	2	0	1	1,035
791		81	54	109	3	2	0	1	1,041
790		82	52	110	3	2	0	1	1,040
788		84	53	108	3	2	0	1	1,039
787		82	55	104	3	2	0	1	1,034
789		89	55	106	4	2	0	1	1,056
748		119	57	108	5	2	0	1	1,040
750		120	57	108	5	2	0	1	1,043
750		118	57	112	4	2	0	1	1,044
734		131	54	109	4	2	0	1	1,035
725		128	53	111	4	2	0	1	1,022
723		128	51	109	6	2	0	1	1,020
720		128	51	108	5	2	0	1	1,014
733		130	50	105	5	2	0	1	1,026
743		133	50	105	4	2	0	1	1,038
704		133	31	81	24	19	28	0	1,020
723		137	38	92	26	19	31	0	1,066
695		126	32	81	25	19	26	0	1,004
693		129	31	83	27	21	27	0	1,011
688		132	31	82	26	21	27	0	1,005
688		133	35	83	26	20	28	0	1,013

Twin Cities Customer - Month Number by Class

Monthly history numbers from Twin Cities 3 Year History Spreadsheet
 Apr 06 - Dec 08 data copied from 05 Data
 Projection 2009 - 2019 flat, then increase at 3% per year

Month	Hixdale Town									
	Res Numb	Res Prop	Lq Comm	Sm Comm	Sm Pub	Lg Pub Bid	Sm Indust	Inter Comm	Total Comm	Total Numb
Aug-06	200	51	23	38	5	4	6	6	327	327
Sep-06	198	53	22	38	5	4	6	6	328	328
Oct-06	197	54	21	36	5	4	6	6	324	324
Nov-06	196	54	23	36	5	4	6	6	325	325
Dec-06	184	54	22	35	5	4	6	6	320	320
Jan-07	202	54	21	38	7	4	6	6	332	332
Feb-07	207	56	24	38	6	4	6	6	340	340
Mar-07	207	55	23	39	6	4	6	6	340	340
Apr-07	207	56	23	39	6	4	6	6	341	341
May-07	207	56	22	38	6	4	6	6	339	339
Jun-07	205	56	23	38	6	4	6	6	337	337
Jul-07	204	56	23	38	6	4	6	6	338	338
Aug-07	207	56	23	38	6	4	6	6	341	341
Sep-07	209	53	23	39	6	4	6	6	338	338
Oct-07	205	55	23	39	6	4	6	6	338	338
Nov-07	206	55	23	38	6	4	6	6	334	334
Dec-07	203	54	23	38	6	4	6	6	337	337
Jan-08	204	54	23	38	6	4	6	6	340	340
Feb-08	208	54	23	38	6	4	6	6	342	342
Mar-08	208	55	23	39	6	4	6	6	339	339
Apr-08	206	55	23	38	6	4	6	6	335	335
May-08	203	54	23	38	6	4	6	6	336	336
Jun-08	205	53	23	38	6	4	6	6	338	338
Jul-08	204	56	23	39	6	4	6	6	341	341
Aug-08	207	56	23	39	6	4	6	6	341	341
Sep-08	205	55	23	38	6	4	6	6	338	338
Oct-08	206	55	23	38	6	4	6	6	338	338
Nov-08	206	55	23	38	6	4	6	6	338	338
Dec-08	203	54	23	38	6	4	6	6	334	334

Month	Colorado City									
	Res Numb	Res Prop	Lq Comm	Sm Comm	Sm Pub	Lg Pub Bid	Sm Indust	Inter Comm	Total Comm	Total Numb
Aug-06	479	85	11	44	21	16	21	21	677	677
Sep-06	482	85	12	46	21	16	22	22	684	684
Oct-06	483	87	12	48	21	14	22	22	685	685
Nov-06	480	85	12	45	21	14	21	21	675	675
Dec-06	478	83	12	45	19	13	21	21	670	670
Jan-07	484	88	17	51	21	14	24	24	688	688
Feb-07	496	88	19	58	23	18	25	25	728	728
Mar-07	496	86	19	57	23	18	25	25	725	725
Apr-07	492	84	18	56	23	18	25	25	718	718
May-07	488	85	18	55	23	18	25	25	715	715
Jun-07	487	85	18	55	23	18	25	25	712	712
Jul-07	482	86	17	53	22	18	24	24	701	701
Aug-07	483	88	18	53	23	17	25	25	709	709
Sep-07	484	89	18	54	23	17	25	25	711	711
Oct-07	485	88	18	53	22	16	24	24	703	703
Nov-07	483	88	17	52	22	16	23	23	699	699
Dec-07	481	88	17	52	22	16	23	23	699	699
Jan-08	481	87	18	52	22	16	22	22	699	699
Feb-08	481	87	18	52	22	16	22	22	699	699
Mar-08	486	87	18	55	22	16	24	24	709	709
Apr-08	482	86	15	51	22	16	25	25	700	700
May-08	478	85	19	54	24	18	24	24	703	703
Jun-08	475	84	18	54	23	16	24	24	698	698
Jul-08	482	86	17	53	22	16	24	24	701	701
Aug-08	483	88	18	55	23	16	25	25	709	709
Sep-08	484	89	18	54	23	17	25	25	711	711
Oct-08	485	88	17	52	22	16	24	24	705	705
Nov-08	483	88	17	52	22	16	23	23	703	703
Dec-08	481	88	17	52	22	16	22	22	698	698

Month	Total Twin Cities									
	Res Numb	Res Prop	Lq Comm	Sm Comm	Sm Pub	Lg Pub Bid	Sm Indust	Inter Comm	Total Comm	Total Numb
Aug-06	679	138	34	82	26	20	27	27	1,034	1,034
Sep-06	680	138	34	84	26	20	28	28	1,010	1,010
Oct-06	681	141	33	82	26	18	28	28	1,010	1,010
Nov-06	677	138	35	81	26	18	27	27	1,004	1,004
Dec-06	670	137	34	80	24	17	27	27	980	980
Jan-07	686	140	38	89	28	18	30	30	1,030	1,030
Feb-07	703	144	43	97	28	22	31	31	1,070	1,070
Mar-07	703	141	42	98	28	22	31	31	1,065	1,065
Apr-07	696	140	42	95	29	22	31	31	1,058	1,058
May-07	695	141	40	94	29	22	32	32	1,054	1,054
Jun-07	690	141	41	94	29	22	31	31	1,048	1,048
Jul-07	686	142	40	92	28	20	30	30	1,039	1,039
Aug-07	680	144	41	94	29	20	31	31	1,052	1,052
Sep-07	693	142	41	94	29	20	30	30	1,043	1,043
Oct-07	690	143	39	92	28	20	29	29	1,041	1,041
Nov-07	689	143	40	90	28	20	28	28	1,033	1,033
Dec-07	684	142	40	90	28	20	28	28	1,028	1,028
Jan-08	685	141	41	90	28	21	29	29	1,038	1,038
Feb-08	689	141	41	90	28	21	29	29	1,039	1,039
Mar-08	684	142	41	94	28	21	30	30	1,051	1,051
Apr-08	688	141	38	89	28	20	31	31	1,028	1,028
May-08	681	139	42	92	30	23	30	30	1,038	1,038
Jun-08	680	137	41	92	29	21	30	30	1,031	1,031
Jul-08	686	142	40	92	28	20	30	30	1,038	1,038
Aug-08	690	144	41	94	29	20	31	31	1,050	1,050
Sep-08	693	142	41	94	29	21	31	31	1,052	1,052
Oct-08	690	143	39	92	28	20	29	29	1,043	1,043
Nov-08	689	143	40	90	28	20	29	29	1,041	1,041
Dec-08	684	142	40	90	28	20	28	28	1,033	1,033

Year	2003	2004	2005	2006	2007	2008	2009 Proj	
2003 Totals	3,054	0	353	486	19	25	0	3,885
2004 Totals	3,045	65	347	497	13	24	0	3,891
2005 Totals	2,893	591	322	327	27	24	0	4,024
2006 Totals	2,432	613	268	462	57	46	0	3,938
2007 Totals	2,487	682	274	485	73	48	0	4,061
2008 Totals	2,468	654	276	463	72	54	0	4,059
2009 Proj	2,468	654	276	463	72	54	0	4,059

Year	2003	2004	2005	2006	2007	2008	2009	
2003 Totals	6,849	0	330	887	34	1	0	8,113
2004 Totals	7,262	91	357	909	28	0	0	8,647
2005 Totals	6,664	784	323	772	24	0	0	8,372
2006 Totals	5,887	1,001	149	654	169	205	4	8,237
2007 Totals	5,844	1,041	213	652	271	201	12	8,524
2008 Totals	5,781	1,043	210	637	270	197	285	8,435
2009 Proj	5,781	1,043	210	637	270	197	285	8,435

Year	2003	2004	2005	2006	2007	2008	2009	
2003 Totals	9,903	0	683	1,547	47	26	0	12,119
2004 Totals	10,297	156	704	1,406	39	24	0	12,839
2005 Totals	9,047	1,335	645	1,296	51	24	0	12,413
2006 Totals	8,318	1,614	418	1,010	286	214	304	12,175
2007 Totals	8,308	1,703	487	1,117	344	249	385	12,885
2008 Totals	8,249	1,697	486	1,100	342	251	357	12,484
2009 Proj	8,249	1,697	486	1,100	342	251	357	12,484

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009

CA 1-4 Please provide further explanation of paragraph 8 on page 3 (lines 11 through 16) of the application.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Paragraph 8 of the Application states "Garkane will use its current Commission-approved tariffs and regulations to provide service to the residents of Colorado City. Garkane estimates that the rates it will charge in Colorado City will be approximately five percent (5%) lower than current rates. The power supply and transmission arrangements for the Twin Cities, however, are approximately \$900,000 higher per year than the power costs attributable to the balance of the Cooperative's customers in Arizona and Utah. Garkane will use the tariffs' wholesale power cost adjustment provision authorized by the Commission to adjust the Colorado City tariff rates to account for this cost differential."

In other words, Garkane will use the same tariffs which have been approved by the Commission for service to its other Arizona customers to deliver electric service to residents and businesses in Colorado City. For illustrative purposes, a copy of Garkane's ACC-approved Residential Service Schedule No. 01 is attached. It will be used to provide residential service in Colorado City. However, the wholesale power cost arrangements which Garkane has made with Deseret Power Electric Cooperative for electricity to be supplied to Colorado City are about \$900,000 more expensive each year to Garkane than the wholesale power costs charged for and attributable to its other Arizona customers. (See the Board minutes attached to the response to CA 1-5.) Therefore, Garkane will use the "WHOLESALE POWER COST ADJUSTMENT" provision of the tariffs (i.e., page 2 of attached tariff) to recover these additional costs from Colorado City customers and hold other Arizona customers harmless.

GARKANE POWER ASSOCIATION, INC.

ELECTRIC SERVICE

SCHEDULE NO. 01

STATE OF ARIZONA

RESIDENTIAL SERVICE

AVAILABILITY: At any point on the Association's interconnected system where there are facilities of adequate capacity subject to the Association's established rules and regulations. The capacity of individual motors served under this Schedule will not exceed ten (10) H.P. This rate is not for resale.

APPLICATION: This Schedule is for alternating current electric service supplied at approximately 120 or 240 volts through one kilowatt-hour meter at a single point of delivery for all service required on the premises for residential purposes.

When a portion of a dwelling is used regularly for business, professional or other gainful purposes, the premises will be classified non-residential and the appropriate schedule applied. However, if the wiring is so arranged that the service for residential purposes can be metered separately, the Schedule will be applied to such service.

MONTHLY BILL:

Base Rate:	\$12.50 per month
Energy Charge:	\$0.06907 per kWh

MINIMUM MONTHLY CHARGE: The minimum monthly charge shall be the monthly Base Rate or as provided by contract. Payment of the minimum monthly charge does not entitle the consumer to the use of any kWh's of electricity.

TEMPORARY DISCONTINUANCE OF SERVICE: If a customer requests connection or reconnection of service at the same location within a twelve (12) month period, he shall be required to pay the monthly base charge for each of the intervening months.

ELECTRIC SERVICE REGULATIONS: Service under this Schedule will be in accordance with the terms of the Electric Service Agreement between the customer and the Association. The Electric Service Regulations of the Association on file with and approved by the Arizona Corporation Commission, including future applicable amendments, will be considered a part of and incorporated in said Agreement.

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The Association's base cost of power is \$0.02558. Rates are subject to the imposition of any purchased power adjustment reflecting changes in this cost either upward or downward which may be established for billing from time to time.¹

TERMS OF PAYMENT: Bills based on the rates stated above are NET and are DUE and PAYABLE within twenty (20) days from the date of the bill.

TAX ADJUSTMENTS AND REGULATORY ASSESSMENTS: Total monthly sales for electric service are subject to adjustment for all federal, state and local government taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on utility gross revenues.

EFFECTIVE: September 1, 1998

0354893

¹ As of September 1, 1998, a negative Purchased Power Adjustor of \$0.003643 is in effect and will expire when the overcollected bank balance is fully refunded.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**

CA 1-5 Please provide any other information which will allow the Commission to analyze and conclude that the Applicant has sufficient capacity or can develop enough capacity to serve the existing and future demands of the proposed extension area.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Garkane has an all-requirements contract to obtain needed power from Deseret Power Cooperative. Deseret has agreed to provide the power needed to supply Colorado City to Garkane under the existing contract. A copy of the Board minutes from Deseret concerning the power is attached. See page 4 of the August 21, 2008 minutes. Please note that the commitment from Deseret is only binding if delivery of the power begins no later than June 30, 2009.

**MEETING OF THE BOARD OF TRUSTEES
OF
DESERET GENERATION & TRANSMISSION CO-OPERATIVE**

AUGUST 21, 2008

The Board of Trustees of Deseret Generation & Transmission Co-operative held a regularly scheduled board meeting at Daniel's Summit, Utah, on Thursday, August 21, 2008. Chairman Brown called the meeting to order at 8:00 a.m. Those in attendance were:

TRUSTEES

Kim Charles, Jud Redden - Bridger Valley Electric Association
Mike Brown, LaDel Laub - Dixie Escalante REA
Mark Anderson, Durand Robison - Flowell Electric Association
Terry Griffiths, Boudicca Joseph - Garkane Energy
Doug Holgate, Larry Nielsen - Moon Lake Electric Association
Jerald Anderson, Randy Ewell - Mt. Wheeler Power, Inc.

OTHERS

Pat Corun, Danny Eyre - Bridger Valley Electric
Carl Albrecht - Garkane Energy
Grant Earl - Moon Lake Electric
Kevin Robison - Mt. Wheeler Power, Inc.
Kimball Rasmussen, Ed Thatcher, David Crabtree, Curt Winterfeld, Bob Dalley,
Al Hillard, Stan Gordon, Greg Humphreys, Dave Carroll, Brent Taylor, and
Debra Horrocks - Deseret

******ACTION ITEMS******

APPROVAL OF BOARD AGENDA

Chairman Brown presented the proposed agenda to the Trustees for approval. An additional action items was added, "Garkane's Consideration of Acquiring the Twin Cities Load." A motion was duly made and seconded that the agenda be approved, as amended. The motion carried.

MINUTES OF BOARD MEETING HELD JULY 17, 2008

The minutes of the Board Meeting held July 17, 2008, were presented to the Trustees for approval. After discussion, a motion was duly made and seconded that the Minutes of the Board Meeting held July 17, 2008, be approved. The motion carried.

MINUTES OF TELEPHONIC BOARD MEETING HELD JULY 28, 2008

The minutes of the telephonic Board Meeting held July 28, 2008, were presented to the Trustees for approval. After discussion, a motion was duly made and seconded that the Minutes of the telephonic Board Meeting held July 28, 2008, be approved. The motion carried.

FINANCIAL REPORT

The Board reviewed the RUS Form 12 for the month ending June 30, 2008, the monthly cash flow report for the month ending July 31, 2008, and the check register for the month ending July 31, 2008. Following review and upon motion duly made and seconded, the RUS Form 12 for the month ending June 30, 2008, the monthly cash flow report for the month ending July 31, 2008, and the check register for the month ending July 31, 2008, were approved. The motion carried.

OPERATIONS REPORT

Stan Gordon, Plant Manager, presented the Operations Report to the Board. An overview of ongoing operations, including scheduled maintenance work, was presented to the Board.

**CONTINUING RESOLUTION CONCERNING DEFERRED COMPENSATION
ACCOUNT FOR LEON BOWLER**

The Trustees were presented with a resolution to authorize transactions and periodic transfers from a Zions Bank cash account for administering the Deferred Compensation Plan. Following review, a motion was duly made and seconded to adopt the following resolution:

WHEREAS: The Corporation is duly authorized and permitted by its Charter and Bylaws to:

- (1) Engage in cash and margin transactions in any and all forms of securities including, but not limited to, stocks, options, stock options, stock index options, foreign currency options and debt instrument options, bond debentures, notes, scrips, participation certificates, rights to subscribe, warrants, certificates of deposit, mortgages, chooses in action, evidences of indebtedness, commercial paper certificates or indebtedness, and certificates of interest of any and every kind and nature whatsoever, secured or unsecured, whether represented by trust, participating and/or other certificates or otherwise and margin transactions, including short sales.
- (2) Receive on behalf of the Corporation, or deliver to the Corporation or third parties monies, stocks, bonds, and other securities. To sell, assign, and endorse for transfer, certificates representing stocks, bonds, or other securities not registered or hereafter registered in the name of the Corporation.

- (3) Establish and maintain an asset management account with debit card, check writing, and margin privileges, from which account funds are directly spent, the responsibility for which is entirely that of the Corporation, such that check writing and debit card privileges will be limited to the following persons designated by the Corporation: Kimball R. Rasmussen, its President and CEO, David F. Crabtree, its Vice President and General Counsel, Curtis K. Winterfeld, its Vice President of Power Marketing, J. Edward Thatcher, its Vice President and Chief Engineer, and Robert R. Dalley, its Vice President and CFO.

NOW, THEREFORE, BE IT RESOLVED THAT:

This Corporation open an account or accounts in its name with Zions Bank and that Kimball R. Rasmussen, its President and CEO, David F. Crabtree, its Vice President and General Counsel, Curtis K. Winterfeld, its Vice President of Power Marketing, J. Edward Thatcher, its Vice President and Chief Engineer, and Robert R. Dalley, its Vice President and CFO, or any one of them or their successors in office, may, on behalf of this Corporation or any one of them acting individually, but and they are hereby authorized to (1) give orders in the said account or accounts for the purchase, sale, or other disposition of stocks, bonds, and other securities, (2) deliver to and receive from Pershing LLC (Pershing), on behalf of this Corporation monies, stocks, bonds, and other securities, (3) sign acknowledgments of the correctness of all statements of accounts, and (4) make, execute, and deliver under the corporate seal any and all written endorsements and documents necessary or proper to effectuate the authority hereby conferred; the within authorization to each of said officers to remain in full force and effect until written notice of the revocation thereof shall have been received by Zions Bank.

The motion was seconded and Resolution No. 08-02, as stated above, was adopted by the Board of Trustees of Deseret Generation & Transmission Co-operative.

APPOINTMENT OF WREA REPRESENTATIVE

A motion was duly made and seconded appointing Jud Redden as Deseret's representative to the Wyoming Rural Electric Association board. The motion carried.

WREA DUES

Management reviewed with the Board the dues structure of Wyoming Rural Electric Association.

GARKANE'S CONSIDERATION OF ACQUIRING THE TWIN CITIES POWER REQUIREMENTS LOAD

Management explained that Garkane has been in negotiations with Colorado City and Hilldale ("the Twin Cities") to supply the power needs of residents and customers within those two cities. The power requirement to the Cities would be approximately 30,000 MWh per year. Garkane and the Twin Cities are currently negotiating under a tentative offer which will expire June 30, 2009. Deseret's Management provided an indicative price to Garkane for wholesale power and energy to serve the acquired area. Under the indicative pricing, Deseret would charge Garkane \$75,000 per billing month as an additional facilities charge, which would not be subject to rebate. Beyond that, Garkane would pay the then effective Rate Schedule "A." If the Board approves a Growth Rate, the service for loads within the acquired areas would not initially come under the Growth Rate, unless Twin Cities were to grow beyond the initial aggregate load level, then the growth rate would apply to future load growth in the acquired areas. The indicative pricing is valid only if the acquisition is closed before June 30, 2009, and is also subject to Deseret's ability to have the point of delivery added under the PacifiCorp TSOA without additional expenses. Discussion ensued. Following discussion, a motion was duly made and seconded, authorizing Deseret to offer the indicated price/rates to Garkane as described above. The motion carried.

******REPORT ITEMS******

Legal Report - The Legal Report will be presented to the Board during Executive Session.

Marketing Report - The Marketing Report was presented to the Board.

Chief Engineer's Report - An update of Hunter II activities was presented to the Trustees. An update of the proposed waste-coal-fired unit was also presented.

UREA Report - Doug Holgate presented the UREA report was presented.

President and CEO's Report - Mr. Rasmussen explained that he met with Jim Guthrie who is developing a coal to liquids facility in Garkane's area. He has build a test facility in a lab at the University of California of Riverside. They are in the process of seeking funds to build a larger test facility. Deseret's management told Mr. Guthrie that Deseret might be interested in discussing the possibility of having the facility located near the Bonanza Power Plant and use coal from the Deserado Mine if Mr. Guthrie can get the funds to build the facility. No formal offer has been extended and Management would seek approval from the Board before committing any of Deseret's property or assets to a potential project.

Board of Trustees' Meeting
August 21, 2008
Page 5

******NEXT MEETING, DATE AND TIME******

The Board of Trustees will hold its next Board Meeting immediately following the Blue Mountain Energy meeting at the offices of Dixie Escalante in St. George, Utah, on Thursday, September 18, 2008.

The meeting adjourned at 11:05 p.m.

CERTIFICATE

I, Mark Anderson, certify that I am the Secretary of Deseret Generation & Transmission Co-operative, and that the foregoing is a true and correct copy of the minutes of a regular board meeting of the Board of Trustees of Deseret Generation & Transmission Co-operative which was held August 21, 2008. A motion to approve these minutes was passed at a regular meeting of the Board of Trustees of said Company held the 18th day of September, 2008.

IN WITNESS WHEREOF, I hereunto set my hand and affixed the Seal of the Company this 18th day of September, 2008.


Mark Anderson, Secretary

(Seal)

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009

CA 1-6 If applicable, please provide copies of any city, county, or other state agency approvals required.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: The voters in the town of Colorado City, Arizona approved the issuance of the 25-year utility franchise to Garkane to supply power to the town on a vote of 578-33 in the general election on November 4, 2008. A copy of the franchise ordinance is attached. The Town Council of Colorado City has approved the Memorandum of Understanding for the sale which was attached to the Application as Exhibit A and will also approve final sales documents. This Application seeks Commission approval for expansion of the CC&N. Garkane is not aware of any other Arizona city, county or state agency approvals required for the transaction.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**

CA 1-7 If any additional transmission and distribution facilities will need to be constructed in order to serve the extension area please provide responses to the following questions:

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: No additional facilities will be needed to provide service to the area.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**

CA 1-8 If additional electric transmission facilities must be constructed, please provide an estimate of the any and all transmission facilities required to extend service to the proposed extension area. The costs should include a description of the major components of the facilities.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: No additional transmission facilities will be needed.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**

CA 1-9 Please provide a description of the method the Applicant will use to finance the additional transmission facilities if facilities are needed to extend service to the proposed extension area.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: No additional transmission facilities will be needed.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**

CA 1-10 If additional electric distribution facilities must be constructed, please provide an estimate of the any and all distribution facilities required to extend service to the proposed extension area. The costs should include a description of the major components of the facilities. In addition, if facilities are needed, please provide a detailed on-line diagram of the proposed distribution facilities to be constructed by Garkane.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: No additional distribution facilities will be needed to provide service to the area.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**

CA 1-11 Please provide a description of the method the Applicant will use to finance the additional distribution facilities if facilities are needed to extend service to the proposed extension area.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: No additional distribution facilities will be needed.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIRST SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 5, 2009**

CA 1-12 If a transmission line is needed, please provide a description of the right of way process for the proposed transmission line. In addition, please include a timeline, the estimated costs, and the method of finance.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: No new transmission line will be needed.

GALLAGHER & KENNEDY

P.A.

LAW OFFICES

MICHAEL M. GRANT
DIRECT DIAL: (602) 530-8291
E-MAIL: MMG@GKNET.COM

2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

February 10, 2009

VIA E-MAIL AND U.S. MAIL

Robin Mitchell
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

RECEIVED

FEB 11 2009

AZ CORP COMM
Director Utilities

Re: *Garkane's Responses to Staff's Second Set of Data Requests;*
Docket No. E-01891A-08-0598

Dear Robin:

Attached are Garkane's responses to Staff's Second Set of Data Requests in the Colorado City CC&N expansion matter. A copy is also being e-mailed and mailed to Ms. Allen.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

Mike

By:

Michael M. Grant

MMG/plp
10703-3/2026205

Attachments

cc (w/attachments): Candrea Allen, Utilities Division (e-mailed and mailed) ✓
Mike Avant (e-mailed and mailed)

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO SECOND SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 10, 2009

CA 2-1 Please provide copies of Colorado City's rate schedules that are currently being used to serve the requested extension area.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: The Resolution (2008-17) of the Colorado City Council is attached. Colorado City increased the rates effective June 1, 2008 to the levels shown in the Resolution and those rate levels are presently in effect. The resolution also shows the previous rates which were in effect from 2003 to June 2008. Referring to the Rate Comparison sheets which are part of the financial model which was attached to the response to CA 1-3, bills will be lower under the Garkane rates after acquisition. For example, a residential customer's bill who uses the system average kWh will be about 15% lower than his/her bill under current Colorado City rates. A large commercial customer at average usage and load factor would see about a 4% lower bill and a small commercial customer at average usage and load factor would see about a 13% bill decrease.

RESOLUTION NO. 2008-17

A RESOLUTION APPROVING AN INCREASED RATE STRUCTURE FOR THE COLORADO CITY, ARIZONA, ELECTRIC DEPARTMENT, FINDING THAT IT IS IN THE BEST INTERESTS OF THE MUNICIPALITY TO ADOPT SAID RATE STRUCTURE.

WHEREAS, the Project and Distribution System shall be operated to furnish electric power and energy to the inhabitants of Colorado City and shall at all times cause the Project and Distribution System to be maintained, preserved and kept in good repair, working order and condition, and in such manner that the operating efficiency thereof will be of a high character and consistent with prudent management; and

WHEREAS, the Town Council of Colorado City, Arizona, has determined that it should adopt a Rate Structure to govern the cost of supplying and utilization of Electric Service consistent with prudent utility practice and with safety to Customers and to the Colorado City Electric Department; and

WHEREAS, the Twin City Power Board has reviewed the terms, conditions, and provisions of the Rate Structure and recommends the following rate to the Town,

BE IT RESOLVED, by the Mayor and Town Council of Colorado City, Arizona, that the Town hereby adopts a Rate Increase in the price of power to be in effect as of June 1, 2008 as follows:

	<u>Current kWh Rates</u>	<u>kWh Rates after June 1, 2008</u>
Residential:	\$0.112 per kWh \$20.00 Monthly Customer Charge 150 kWh's included	\$0.122 per kWh \$20.00 Monthly Customer Charge 0 kWh's included
Commercial: Less than 30kW	\$0.070 per kWh \$5.00 per kW \$10.00 Monthly Customer Charge 0 kWh's included	\$0.0826 per kWh \$5.00 per kW \$20.00 Monthly Customer Charge 0 kWh's included
Govt/Utili/Schl: Less than 30kW	\$0.070 per kWh \$5.00 per kW \$10.00 Monthly Customer Charge 0 kWh's included	\$0.0826 per kWh \$5.00 per kW \$20.00 Monthly Customer Charge 0 kWh's included
Large Commercial: More than 30kW	\$0.050 per kWh \$12.00 per kW \$10.00 Monthly Customer Charge 0 kWh's included	\$0.060 per kWh \$12.00 per kW \$20.00 Monthly Customer Charge 0 kWh's included

Lrg Govt/Utili/Schl:	\$0.050 per kWh	\$0.060 per kWh
More than 30kW	\$12.00 per kW	\$12.00 per kW
	\$10.00 Monthly Customer Charge 0 kWh's included	\$20.00 Monthly Customer Charge 0 kWh's included
Small Ind. /Retail:	\$0.112 per kWh	\$0.122 per kWh
	\$20.00 Monthly Customer Charge 150 kWh's included	\$20.00 Monthly Customer Charge 0 kWh's included

ADOPTED AND APPROVED this 12th day of May 2008.

TOWN OF COLORADO CITY, ARIZONA

BY: Terrill Johnson
Terrill Johnson, Mayor

Attest:

BY: [Signature]
Town Clerk



GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO SECOND SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 10, 2009

CA 2-2 Please provide financial information that indicates Garkane has the financial capabilities to provide service to the requested extension area.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Garkane has already been approved by the National Rural Utilities Cooperative Finance Corporation for loan funds in excess of the \$3,000,000 amount needed to close this acquisition. The financial model provided in the response to CA 1-3 shows that system revenues will be positive over system expenses at the Garkane proposed rate levels, which include the wholesale power cost adjustor. Finally, Garkane is a financially sound cooperative with a current margins and equity to total assets level of approximately 36%.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009

PKB-3.1 Please provide a geographical and one-line diagram of the distribution substations in service as of December 31, 2008, including the supplying transmission or sub-transmission circuits. For each substation, please indicate the number of feeders supplied, the transformer rated capacity, and the annual peak load in KVA and KW for 2006, 2007, and 2008. Please include the system that would be serving the Colorado City area.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: A one-line diagram of the Garkane Energy Transmission and Major Distribution Lines and a one-line diagram of the Twin Cities Transmission System will be provided as Confidential Information as soon as a Protective Agreement is executed. A geographical map of the Garkane system is attached.

The Garkane System and the Twin Cities System are not currently electrically interconnected. The primary source for the Garkane Southern Transmission System is from Glen Canyon Dam. The Twin Cities System ("TC") currently feeds from the UAMPS System with delivery being made at the Hurricane City Cliff Wilson Substation. When the TC is acquired by Garkane, the delivery will be from the RMP System. The existing RMP 69 kV Transmission line will be interconnected by RMP with the TC 69 kV transmission line just outside of the Cliff Wilson Substation. This interconnection will allow Garkane to acquire the needed power for Colorado City from Deseret Power under our existing wholesale power contract and delivery under the existing Deseret-RMP TSOA agreement.

Garkane has two 69 kV substations (Fredonia and Ryan) and one 34.5 kV mini-substation (Colorado City) which serve the existing Arizona Customers. Attached is a spreadsheet which gives historical kW and kVA information for these substations.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009**

PKB-3.2 Please provide in a tabular form Garkane's loads, showing annual peak loads for 1999-2008, along with percent annual load growth. Please include similar information on Colorado City. Please provide details of system additions and/or upgrades to serve the Colorado City.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Attached are a table and spreadsheet showing Garkane's Total System Peak kW for each year, 1999-2008, along with % annual load growth. The spreadsheet also provides available data for Twin Cities. I do not have data broken out by each state for Colorado City and Hildale, Utah.

The Twin Cities System is an existing operating utility and as such will not require additions or upgrades in order for Garkane to take over service to the area. The primary change will be in the power delivery as stated in the response to PKB-3.1. RMP will install a switch where its existing 69 kV line crosses the Twin Cities 69 kV line and will install a meter set at the delivery point.

Garkane System Peak Historical Loads

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Garkane Total System Peak kW	33,789	33,699	30,980	32,559	36,646	34,154	34,555	34,618	30,627	31,562	32,363
% Growth from Prior Year		99.73%	91.93%	105.10%	112.55%	93.20%	101.17%	100.18%	88.47%	103.05%	102.54%

Colorado City Annual Peak kW

% Growth from Prior Year

2001	2002	2003	2004	2005	2006	2007	2008
33,214	33,127	32,294	35,548	36,219	41,043	41,686	47,164
102.63%	99.74%	97.49%	110.08%	101.89%	113.32%	101.57%	113.14%

7004	6606	6253	6376
------	------	------	------

94.3%	94.7%	102.0%
-------	-------	--------

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009**

PKB-3.3 Please provide a copy of Garkane's latest two- to four-year Construction Work Plan available, or a draft Plan if not yet finalized.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Attached is a copy of the Near Term Upgrade Projects Report of January 2008.

Garkane Energy

NEAR TERM UPGRADE PROJECTS

Updated 29 Jan 08

We need to complete the Buckskin to Henrieville 138 kV Upgrade Project. The completion of this project will reduce transformer loading concerns at the Buckskin Substation and will improve the voltage at Boulder (when plant is off line) and at Hatch.

This project is 75% completed. We need to move a 138/69 kV transformer from Buckskin to Henrieville and install a 138 OCB with associated relaying at Buckskin. It is scheduled to be completed in 2008 with a remaining cost of about \$100k.

Hatch – Cedar Mountain Circuit

Load on the Hatch South Circuit has grown 135 % in last 5 years. Potential for continued growth in Mammoth, Todds, and Cedar Mountain Area is very good. In Cedar Mtn Area approximately ½ of existing lots have been developed. Approximately 2000 additional acres of private land are available for development. In Todds Junct Area approximately ¼ of existing lots are developed. Mark Jacobs has approx 1000 acres of additional developable land. He is just opening Unit 4 with 120 new lots. Approximately 1000 acres of private land is south and west of junction.

We need to build 1) a second 34.5 kV circuit from Todds to Strawberry, 2) a new 3 phase 12.5 kV circuit to feed the Elk Ridge Area, 3) a new 138/69 kV line from Tropic to Todds, and 4) a new sub at Todds Junction.

The second 34.5 kV circuit from Todds to Strawberry, the 12.5 kV 3 phase feeder to serve Elk Ridge and Phase 1 of a new substation at Todds has been completed (Fall 2007).

A new 13.6 mile long 69 kV transmission line from Hatch to Todds needs to be constructed in 2008-2009 at an estimated cost of \$2.1M. When the new 69 line is completed a 69/34.5 kV transformer needs to be installed in the Todds Substation (Phase 2)

A Switching Station will need to be constructed north of the existing Hatch Substation to tie the new transmission line to Todds, the Hatch Substation, the existing transmission line to Hatch Mountain and Spry, and the new 138 kV line from Tropic together. Initially this will be a sub with three 69 kV OCBs with future provisions for a 138/69 kV transformer. This station needs to be constructed in 2008-2009 in conjunction with the Hatch to Todds 69 line at an estimated cost of \$600k.

A new 138 kV transmission line needs to be constructed from Tropic to Hatch. The line will initially be operated at 69 kV with future operation at 138kV. Depending upon the route used the line will be about 30 miles in length. We are currently working on right of way acquisition. The line will probably be constructed in the 2010 – 2011 time frame at an estimated cost of \$6M.

A new switching station will be required at Tropic to tie the 138 kV line from Henrieville, the new 138 kV line to Hatch, and the existing 69 kV line to Tropic Sub and Bryce Sub together. The sub will initially contain a 69 kV OCB and a 138 kV Circuit Switcher with provisions for a future 138 to 69 kV transformer, The station needs to be completed in 2011 (along with the line) with an estimated cost of \$400k.

Johnson Sub

Substation loading has reached the loading limit of 1000 kVA, will need to replace transformers with larger size in next 1-2 years. Most of load in the subdivisions along the highway, all are feed from a single URD feeder which is mainly single phase. We need to install a second three phase feeder into the subdivisions.

Replacement of the transformers is scheduled for 2008 at a budget cost of \$75k

The second feeder should be done in 2008-09 at an estimated cost of \$450k.

Fredonia Substation

The substation has exceeded the 12.5 MVA transformer loading rating. Loads out of the Fredonia Substation have increased 71% in the past 5 years. Approximately ½ of the total Fredonia Sub load is on the KCR/Valley Circuit. This load has increased 62% in the past 5 years. Approximately ½ of the feeder load is in KCR. The load at the KCR sub has increased 43% in the past 5 years. There are plans to develop 500-700 new lots north of the substation and 2000 new lots west of the airport. Approximately 1/5 of the load is in the Orderville area. Remainder of the load is in the Mt Carmel Jct and East Zion area with a small amount in the Glendale area. The East Zion area has rapidly grown from about 100 kW 5 years ago to just under 1000 kW presently. There are currently in the works (Split Rock Development) plans to develop about 2500 new lots in the East Zion area. There are also many undeveloped lots in Zion Ponderosa area. This area has a very high potential for growth and will probably become the next "Cedar Mtn". A coal gasification project near Alton has the potential to add about 1000 kW (not including any potential mine loads) of new load in the Alton Area.

The KCR sub is at the transformer loading limit. The Substation also has serious clearance issues. We need to build new 69 line from the Fredonia Sub or Kanab City Sub to the KCR Sub and build a new 69/12.5 kV substation at KCR. This will remove KCR loads from Fredonia Substation Transformer and reduce the loading issues with the Fredonia Sub transformer.

The 69 kV line from the Fredonia Substation to the KCR Substation will be about 8 miles in length and estimated to cost \$2M. The Substation will cost about \$600k. This project needs to be completed in the 2008-2009 time frame.

We also need to look at construction of a new feeder south out of the Kanab City Substation to serve the area along 1100 South which is beginning to develop.

This change will remove an additional 2,500 kW of load from the Fredonia Transformer. The combination of the KCR Sub change and the 1100 South Feeder will leave the Fredonia Transformer approximately 60% loaded.

The Orderville sub transformer has reached it's loading limit of 1000 kVA. The transformer from the KCR sub can be moved to Orderville once the new KCR sub is energized at 69 kV.

The 34.5 kV porcelain post insulators between Fredonia Sub, Todds, Hatch Sub and Red Canyon are experiencing a high rate of mechanical failure. They need to be replaced.

#6 copper conductor along 200 West in Kanab City needs to be replaced with 4/0 ACSR. This line section feeds about ½ of the downtown area and is badly overloaded.

GROWTH DEPENDANT AREAS OF CONCERN

Escalante Substation Loading

The existing transformer limit is 3750 kVA. Existing load is 2853 kW. We can add about 1000 kW of additional load to max out the transformer. Normal load growth is about 75 kW/year. The Escalante Sawmill says they will add 500 – 600 kW this summer. This is about ½ of the existing margin. The Escalante Sub transformer will need to be replaced with a larger transformer in the future.

This will likely take place in the 2011-12 time frame at an estimated cost of \$450k

East Zion Area

Development of 1000 to 2000 lots at 7 kW / lot will require 7000 – 14000 kW of additional power. 7 kW per lot may be very conservative based upon new home loads being seen in Todds and Cedar Mtn Areas (many homes in these areas are 50 kW per home). The existing 34.5 kV line from Fredonia has a limit of 7000 kW, with an existing load of approximately 5000 kW. Development of this magnitude will require a new 69 kV line from Kanab/Fredonia Area and a new substation in the area.

The timing of this project will be driven by the rate of load growth in the East Zion Area (Maybe in the 2011-2012 time frame). This will require approximately 17 miles of new 69 kV line from KCR to Mount Carmel Jct area with a 69/34.5 kV substation at Mt Carmel Jct. The transmission is estimated to cost about \$4.1M and the substation about \$1.2M.

Big Water Area

The existing line from the Paria Sub to Big Water has a load limit of about 3000 kW of load at Big Water. This is limited by voltage drop from the Sub to Big Water with 3 sets of Voltage Regulators in service. The existing load is about 1000 – 1200 kW. The Canyon Lands development at Section 32 will add 1000 to 4000 kW of load. The State Trust Lands is also looking at building a number of condominiums and other subdivision developments in the area. If this load develops as large as has been proposed we will need to upgrade the capacity in the Big Water area. This will probably entail tapping the 138 kV line south of Big Water with a new feeder into town.

The Canyon Country Lodge will use the remainder of the existing capacity in the Big Water Area. Development of the town homes by State Trust Lands and Stantec will require additional capacity to the area. A switching station on the 138 kV line south of Big Water, approximately 8 miles of 138 kV line and a 138/25 kV substation near Big Water will be required. The estimated cost of this project is \$3.8M. The timing is dependant upon the rate of growth but may be required as soon as 2009.

Tropic Substation

While this substation still has adequate capacity, the structure is an all wood structure and is in need of replacement.

I did not include any thing for this because of more pressing needs. I maybe should be budgeted in the 2015 time frame with a cost of \$300k

Uranium Mining

There is a renewed interest in mining Uranium. The best/most recoverable deposits in the US are on the Arizona Strip. It is reported that four different

companies are current doing exploration work in the area. This could result in 1000 to 4000 kW of load being served from the Fredonia and/or Ryan substations. International Uranium has recently announced intentions to reopen the AZ1 mine in the fall of 2007. This mine had a load of approximately 1.7 MW when it ran in the late 1980s. They also plan to reopen the Pienut mine in 2008 with a load of about 2 MW.

This development will either speed up the need for the KCR project, a 69 to 34.5 kV tie at Hildale and or a transformer replacement/expansion of the Fredonia Substation. We probably should budget \$1M - \$3M in 2008-10 for this issue.

Lake Powell Pipeline

This project will involve two new water pumping stations of about 20 MW each. One station will be located in the Waweep area and one will be located in the Paria Sub Area. According to the Washington County Water Board construction should begin in 2010. This will require a new 138 or 230 kV line from Glen Canyon to Paria.

It is unknown what to budget for this project at this time.

Twin Cities

There is a good possibility that the Twin Cities power system could be reacquired. This system has about 1100 customers with an annual peak of about 5500 kW.

We have agreed upon a purchase price of \$3M. The transaction will probably take place in late 2008 or early 2009. We will have approximately \$300k in improvements we will need to do to the system in the 2008 m- 2010 time frame.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009

PKB-3.4 Please provide in a tabular form all the 69 kV substation transformers showing voltage, capacity in MVA, and percent loading as of December 31, 2008. Please indicate specific action taken in 2007-2008 or to be taken in 2009 to replace the overloaded transformers, if any.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Garkane has two 69 kV transformers which serve Arizona Customers. The Fredonia 69/34.5 kV transformer serves a mixture of Utah and Arizona customers. This transformer is rated 10/14 MVA. In January 2008, the peak load was 13.96 MW at 100.0 PF. Garkane is currently working to upgrade the KCR Substation from a 34.5 kV delivery to a 69 kV delivery. This will remove approximately 3 MW of load from this transformer. We are also planning in the future to move approximately 3 MW of existing Garkane load in the Centennial Park and Cane Beds areas to the new delivery point. This will further reduce the loading on the Fredonia Transformer.

The Ryan Substation is a 69/24.9 kV transformer with 2500 kVA rating. The historical peak load on this transformer has been 1,338 kVA at a 100.0 PF.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009

PKB-3.5 Please provide information on Garkane's wooden pole replacement program. What percentage of all such poles were replaced in 2007 and 2008 (to date) and where? Please specifically indicate the lines where wooden poles would be replaced during 2009-2010.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Garkane has been annually inspecting and retreating approximately 1,000 poles for the total system—Utah and Arizona. This inspection involves excavation to approximately two feet around the pole, core drilling the pole to check for internal decay, applying internal biocide treatment and applying an external preservative wrap. Of the 422 poles in Arizona inspected during 2008, two were found to have internal decay and were replaced.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009

PKB-3.6 Please provide information on Garkane's distribution system losses for 2000-2008, both in MW and in percentage of peak load for each year.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Garkane tracks losses on a kWh basis rather than on the MW basis requested.

<u>Year</u>	<u>kWh Sold</u>	<u>Losses</u>
2000	120,767,183	8.05%
2001	120,218,068	7.47%
2002	122,216,068	8.11%
2003	124,230,840	8.46%
2004	138,135,498	8.81%
2005	157,639,943	8.90%
2006	171,081,272	9.31%
2007	182,796,623	9.51%
2008	194,055,818	9.40%

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009

PKB-3.7 For the years 2007 and 2008, please provide a listing of all distribution service interruptions with duration of two hours or more and which affected 50 or more consumers in Garkane Energy Cooperative's ("Garkane") service territory. Please include for each outage the ascribed cause, the duration in minutes, the number of consumers affected, and the remedial efforts, including equipment replaced, required to restore service. Please separately list the 5 worst performing feeders (circuits) in each year, the reasons for such performance, and what corrective actions were taken or are planned to improve their performance and reliability.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Garkane has three feeders which serve Arizona Customers. The majority of the customers are on the Colorado City Feeder out of the Fredonia Substation. The Colorado City Feeder experienced one outage of more than two hours which affected more than 50 customers. The feeder was off for 260 minutes on 20 December 2008, affecting 542 customers, due to a failed interrupter on the Pipe Valley OCR. The OCR was replaced and the failed unit was returned to ABB for failure analysis.

The feeder with the worst reliability record is the Big Springs Feeder out of the Ryan Substation. This feeder serves the area between Ryan and the North Rim of the Grand Canyon. The line is approximately 42 miles in length, serves fewer than 20 customers, has a peak load of approximately 1 MW during the summer and less than 300 kW during the winter. Winter storms ravage this line due to the high elevations which it traverses. The line is entirely on USFS- and NPS-controlled land. The USFS has been very restrictive on when, how and what trees Garkane is permitted to trim or remove. This line has seen numerous tree- and storm-related outages during the past two years. To improve the situation, we have been working with APS and other Arizona utilities in their Programmatic EA on Forest Service Lands in Arizona seeking to obtain permission from the Forest Service to clear this right-of-way. This study and planning effort has been under way for the past three years.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009

PKB-3.8 Please provide a listing of all complaints, either formal or informal, made to Garkane by customers that involve claims of poor power quality, including but not limited to, voltage levels, harmonics, "flicker", etc. and a description of Garkane's response. Please include details of all resulting investigations performed by Garkane, including what equipment was modified or newly installed as a result of the investigations and if such resolved the complaint.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: During 2008, Garkane received two power quality complaints from Arizona customers. One was found to be caused by corroded aluminum URD conductors. The home owner had installed a fence several years prior to the problem being reported. Linemen found that the homeowner had nicked the insulation on the service wires while installing a fence post. The nicked wire was never reported to Garkane. Time and moisture had finally caused the aluminum conductor to oxidize resulting in high voltage drop under load. The service conductor was replaced.

The second power quality problem reported was due to burned lugs in the meter base. The meter base was replaced.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009

PKB-3.9 Please state the number of new capacitor banks installed on the distribution system for the years 2007-2008. What was the system power factor for the same period?

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: The Garkane system had a peak power factor of 99% at the Glen Canyon Delivery point in 2008. The power factor at Glen Canyon is leading under light load conditions. Because of the leading power factor at various points on the system, we have no capacitor banks installed on the distribution system.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO THIRD SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
February 17, 2009**

PKB-3.10 Please list the number and size of distribution transformers that failed for each of the years 2006-2008, and the cause of their failure.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Review of outage reports for the years 2006 through 2008 show that 30 outages were attributed to transformers. Ten of the outages were due to blown high-side fuses and the lineman was able to replace the fuses and return the transformer to service. These were primarily overhead transformers. Two of the outages were due to transformers being physically damaged by vehicles or heavy equipment hitting them. These were both pad mount transformers. Fifteen of the outages were attributed to tripped secondary breakers or changed out due to overloads. Two were due to internal faults. One was due to an external fire damaging the transformer.

Arizona Substations Peak Loads

Substation	Annual kW Peak			Annual kVA Peak		
	2006	2007	2008	2006	2007	2008
Fredonia	11377	12835	13961	11377	12835	13961
Ryan	1094	1094	1338	1094	1094	1338
Twin Cities	6606	6253	6376	6740	6380	6714

GALLAGHER & KENNEDY

P.A.

LAW OFFICES

MICHAEL M. GRANT
DIRECT DIAL: (602) 530-8291
E-MAIL: MMG@GKNET.COM

2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

March 3, 2009

VIA E-MAIL AND U.S. MAIL

Robin Mitchell
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Garkane's Responses to Staff's Fourth Set of Data Requests;*
Docket No. E-01891A-08-0598

Dear Robin:

Enclosed are Garkane's responses to Staff's Fourth Set on the Colorado City CC&N Application. A copy is also being mailed and e-mailed to Ms. Wallace.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:

Michael M. Grant

MMG/plp
10703-3/2048819

Enclosures

cc (w/enclosures): Vicki Wallace, Utilities Division
Mike Avant

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FOURTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
March 3, 2009

VW 4.1 Garkane Energy Cooperative, Inc. ("Garkane") indicated in its application that it was in the public interest to approve the expansion request for basically four reasons. One of those reasons was there would be "some operational efficiencies associated with the acquisition of the Twin Cities operation which would redound to the benefit of all of Garkane's members." Please describe those operational efficiencies.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: One of the efficiencies of the acquisition has to do with maintenance/repair personnel being located more closely to Garkane's current service territory. Of the approximately 700 customers that Garkane serves in Arizona, over 500 of them are located within a 15-minute drive of Colorado City. Garkane currently serves this area with line crews out of the Kanab Office which is approximately 45 minutes to one hour away. Crews from Kanab travel to the area around Colorado City two to three times per week. With the acquisition, Garkane will acquire two journeyman linemen and an office/warehouse building. By having them service both the Twin Cities area and the Arizona Garkane customers in the surrounding area, this will reduce the travel time for and expense of Garkane crews to Arizona customers as well as improving response time to the area.

Also, under the MOU, in 2011 Garkane will be able to move the existing Garkane Arizona loads in the area onto the new delivery point. This change in delivery point feed will reduce the current loading on the Fredonia Sub transformer by approximately twenty percent (20%), which is currently near its top rating. This will save customers money by eliminating or, at least, postponing the need to replace this transformer with a larger size.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FOURTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
March 3, 2009

VW 4.2 Garkane entered into a Memorandum of Understanding to serve Colorado City, Arizona, and the City of Hildale, Utah. The Hildale transaction will be subject to the jurisdiction of the Utah Public Service Commission. Has Garkane filed for approval of the Hildale transaction with the Utah Commission and what is the status of that application? Also, does Garkane plan to proceed with the Colorado City sale even if for any reason the sale to Hildale fails to close?

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Under Utah Commission Rule R746-401, Garkane is only required to report the transaction to the Utah Commission. Because the transaction involves less than five percent (5%) of Garkane's gross utility plant, no approval from the Utah Commission is required. Garkane must submit the report to the Utah Commission at least 30 days prior to the closing. This report will be made before the end of March.

The transaction will not be closed unless Garkane acquires the Hildale System, the Colorado City System, the Transmission System, the TSOA Delivery Point from Rocky Mountain Power and commences the power purchase from DGT prior to June 30. If any one of these items does not occur, the transaction will not be closed.

GALLAGHER & KENNEDY

P.A.

LAW OFFICES

MICHAEL M. GRANT
DIRECT DIAL: (602) 530-8291
E-MAIL: MMG@GKNET.COM

2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

March 10, 2009

VIA E-MAIL AND U.S. MAIL

Robin Mitchell
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Garkane's Responses to Staff's Fifth Set of Data Requests; Colorado City CC&N
Application Matter, Docket No. E-01891A-08-0598*

Dear Robin:

Garkane's responses to Staff's Fifth Set of Data Requests are enclosed. A copy has also been mailed and e-mailed to Ms. Allen.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:

Michael M. Grant

MMG/plp
10703-3/2055545

Enclosures

cc (w/enclosures): Candrea Allen, Utilities Division
Mike Avant

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIFTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
March 10, 2009**

CA 5-1 Will Garkane charge the Colorado City customers an adjustor rate greater than the \$0.00 rate currently charged to Garkane's other customers?

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Yes. As explained in paragraph 8 of the Application and in response to CA 1-4, the adjustor will be higher for Colorado City customers in order to recover the approximately \$900,000 in annual higher power supply and transmission costs which are attributable to serving Colorado City customers and to hold other Arizona Garkane customers harmless from those higher costs.

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO FIFTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
March 10, 2009

CA 5-2 If your response to 5.1 above is in the affirmative, please provide the following information:

- A. The adjustor rate to be charged.
- B. An explanation of how the adjustor will be calculated.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: In relation to the adjustor rate to be charged, Garkane provided pages from the financial model in its response to CA 1-3. Included were three pages entitled Comparison of Rates. The adjustor for each rate class is shown under "Acq FAC" (or Acquisition Fuel Adjustment Charge) in the far right-hand block of calculations for each class. So, for example, the Residential "Acq FAC" is \$0.037317; the Residential Prepay "Acq FAC" is \$0.037412; and so on. Attached are pages from the model with handwritten notes which show how these adjustors were calculated by class. These adjustors are fixed based upon the \$900,000 in higher annual costs as explained in the responses to CA 5-1 and 1-4. They will not be recalculated. Should wholesale power costs change generally for Garkane's system—up or down—in the future, those adjustors will affect all Garkane customers and will be added to (or subtracted from) these fixed adjustors in Colorado City. Please call me at the number above if you would like further explanation.

Twin Cities Residential Revenue

2003 Twin Cities Rates
First 150 kWh at no charge

2008

Hidale Res No Customers-Mon	2,468
Hidale Res kWh Sold	5,027,025

Hidale Res Cust Chg	20.00
Hidale Res Energy Chg	0.1120

Hidale Res Cust Chg Rev	49,300
Hidale Res Energy Chg Rev	521,584
Hidale Res Total Rev	570,884

Colorado City Res No Cust-Mo	5,781
Colorado City Res kWh Sold	8,841,023

Colorado City Res Cust Chg	20.00
Colorado City Res Energy Chg	0.1120

Colorado City Res Cust Chg Rev	115,620
Colorado City Res Energy Chg Rev	870,874
Colorado City Res Total Rev	986,494

Total Res Revenue	1,557,218
-------------------	-----------

Average Rev/kWh 0.1138

Average kWh/Customer/Month 1857

2008 Twin Cities Rates

2008

Hidale Res No Customers-Mon	2,468
Hidale Res kWh Sold	5,027,023

Hidale Res Cust Chg	20.00
Hidale Res Energy Chg	0.122

Hidale Res Cust Chg Rev	49,300
Hidale Res Energy Chg Rev	613,287
Hidale Res Total Rev	662,587

Colorado City Res No Cust-Mo	5,781
Colorado City Res kWh Sold	8,841,023

Colorado City Res Cust Chg	20.00
Colorado City Res Energy Chg	0.122

Colorado City Res Cust Chg Rev	115,620
Colorado City Res Energy Chg Rev	1,054,205
Colorado City Res Total Rev	1,169,825

Total Res Revenue	1,832,482
-------------------	-----------

Average Rev/kWh 0.1341

Existing GKE AZ Rates
w/ no FAC

2008

Hidale Res No Customers-Mon	2,468
Hidale Res kWh Sold	5,027,023

Hidale Res Cust Chg	12.50
Hidale Res Energy Chg	0.06907

Hidale Res Cust Chg Rev	30,850
Hidale Res Energy Chg Rev	347,217
Hidale Res Total Rev	378,067

Colorado City Res No Cust-Mo	5,781
Colorado City Res kWh Sold	8,841,023

Colorado City Res Cust Chg	12.50
Colorado City Res Energy Chg	0.06907

Colorado City Res Cust Chg Rev	72,263
Colorado City Res Energy Chg Rev	598,835
Colorado City Res Total Rev	669,098

Total Res Revenue	1,047,165
-------------------	-----------

Average Rev/kWh 0.0768

Res Req to Match 2003 TC Rev	510,054
Res Acquisition FAC	0.0373172

$$510,054 = 1,557,218 - 1,047,165$$

$$0.0373172 = \frac{510,054}{5027025 + 8841023}$$

Twin Cities Residential PrePay Revenue

2003 Twin Cities Rates

2008

Hildale Res Prepay No Customer	654
Hildale Res Prepay kWh Sold	1,274,589

Hildale Res Prepay Cust Chg	20.00
Hildale Res Prepay Energy Chg	0.1120

Hildale Res Prepay Cust Chg Re	13080
Hildale Res Prepay Energy Chg R	131,787
Hildale Res Prepay Total Rev	144,847

Colorado City Res Prepay No Cu	1,043
Colorado City Res Prepay kWh E	1,585,684

Colorado City Res Prepay Cust C	20.00
Colorado City Res Prepay Energy	0.1120

Colorado City Res Prepay Cust C	20860
Colorado City Res Prepay Energy	160,074
Colorado City Res Prepay Total R	180,934

Total Res Prepay Revenue	325,781
--------------------------	---------

Average Rev/kWh	0.1139
Average kWh/Customer/Month	1,585

2006 Twin Cities Rates

2006

Hildale Res Prepay No Customer	654
Hildale Res Prepay kWh Sold	1,274,589

Hildale Res Prepay Cust Chg	20.00
Hildale Res Prepay Energy Chg	0.122

Hildale Res Prepay Cust Chg Re	13,080
Hildale Res Prepay Energy Chg R	155,500
Hildale Res Prepay Total Rev	168,580

Colorado City Res Prepay No Cu	1,043
Colorado City Res Prepay kWh S	1,585,684

Colorado City Res Prepay Cust C	20.00
Colorado City Res Prepay Energy	0.122

Colorado City Res Prepay Cust C	20,860
Colorado City Res Prepay Energy	193,453
Colorado City Res Prepay Total R	214,313

Total Res Prepay Revenue	382,893
--------------------------	---------

Average Rev/kWh	0.13387
-----------------	---------

$$107009 = 325781 - 218772$$

$$0.0374123 = \frac{107009}{1274589 + 1585684}$$

Existing O&E AZ Rates

Eliminate prepay and move accounts to Residential

2006

Hildale Res Prepay No Customer	654
Hildale Res Prepay kWh Sold	1,274,589

Hildale Res Prepay Cust Chg	12.50
Hildale Res Prepay Energy Chg	0.06907

Hildale Res Prepay Cust Chg Re	8,175
Hildale Res Prepay Energy Chg R	88,036
Hildale Res Prepay Total Rev	96,211

Colorado City Res Prepay No Cu	1,043
Colorado City Res Prepay kWh E	1,585,684

Colorado City Res Prepay Cust C	12.50
Colorado City Res Prepay Energy	0.06907

Colorado City Res Prepay Cust C	13,036
Colorado City Res Prepay Energy	109,523
Colorado City Res Prepay Total R	122,561

Total Res Prepay Revenue	218,772
--------------------------	---------

Average Rev/kWh	0.07649
-----------------	---------

Prepay Res Req to Match 2003 T	107,009
Prepay Res Acquisition FAC	0.0374123

Twin Cities Large Commercial Revenue

2003 Twin Cities Rates

2008

Hidale Large Comm No Customers-Mon	276
Hidale Large Comm kWh Sold	2,167,905
Hidale Large Comm kW-Mon Sold	6,547
Hidale Large Comm Cust Chg	10.00
Hidale Large Comm Energy Chg	0.0509
Hidale Large Comm Capacity Chg	12.0000

Hidale Large Comm Cust Chg Rev	2760
Hidale Large Comm Energy Chg Rev	106,395
Hidale Large Comm Capacity Chg Rev	102,662
Hidale Large Comm Total Rev	213,717

Colorado City Large Comm No Cust-Mo	210
Colorado City Large Comm kWh Sold	1,728,198
Colorado City Large Comm kW-Mon Sold	5,845

Colorado City Large Comm Cust Chg	10.00
Colorado City Large Comm Energy Chg	0.0500
Colorado City Large Comm Capacity Chg	12.0000

Colorado City Large Comm Chg Rev	2100
Colorado City Large Comm Energy Chg Rev	85,410
Colorado City Large Comm Capacity Chg Rev	70,135
Colorado City Large Comm Total Rev	158,645

Total Large Comm Revenue	372,362
--------------------------	---------

Average Rev/kWh	0.0696
Average kWh/Customer/Month	4.017
Average Load Factor	0.371

2006 Twin Cities Rates

2008

Hidale Large Comm No Customers-Mon	276
Hidale Large Comm kWh Sold	2,167,905
Hidale Large Comm kW-Mon Sold	6,547
Hidale Large Comm Cust Chg	20.00
Hidale Large Comm Energy Chg	0.060
Hidale Large Comm Capacity Chg	12.00

Hidale Large Comm Cust Chg Rev	5,520
Hidale Large Comm Energy Chg Rev	130,074
Hidale Large Comm Capacity Chg Rev	102,662
Hidale Large Comm Total Rev	238,196

Colorado City Large Comm No Cust-Mo	210
Colorado City Large Comm kWh Sold	1,728,198
Colorado City Large Comm kW-Mon Sold	5,845

Colorado City Large Comm Cust Chg	20.00
Colorado City Large Comm Energy Chg	0.06
Colorado City Large Comm Capacity Chg	12.00

Colorado City Large Comm Chg Rev	4,200
Colorado City Large Comm Energy Chg Rev	102,662
Colorado City Large Comm Capacity Chg Rev	70,135
Colorado City Large Comm Total Rev	178,027

Total Large Comm Revenue	416,163
--------------------------	---------

Average Rev/kWh	0.10682
-----------------	---------

Existing GKE AZ Rates w/ no FAC

2008

Hidale Large Comm No Customers-Mon	276
Hidale Large Comm kWh Sold	2,167,905
Hidale Large Comm kW-Mon Sold	6,547
Hidale Large Comm Cust Chg	20.00
Hidale Large Comm Energy Chg	0.09115
Hidale Large Comm Capacity Chg	6.37

Hidale Large Comm Cust Chg Rev	5,520
Hidale Large Comm Energy Chg Rev	132,367
Hidale Large Comm Capacity Chg Rev	54,443
Hidale Large Comm Total Rev	192,631

Colorado City Large Comm No Cust-Mo	210
Colorado City Large Comm kWh Sold	1,728,198
Colorado City Large Comm kW-Mon Sold	5,845

Colorado City Large Comm Cust Chg	20.00
Colorado City Large Comm Energy Chg	0.09115
Colorado City Large Comm Capacity Chg	6.37

Colorado City Large Comm Chg Rev	4,200
Colorado City Large Comm Energy Chg Rev	105,678
Colorado City Large Comm Capacity Chg Rev	37,233
Colorado City Large Comm Total Rev	147,110

Total Large Comm Revenue	339,640
--------------------------	---------

Average Rev/kWh	0.08717
-----------------	---------

Large Comm Req to Match 2003 TC Rev	32,722
Large Comm Acquisition FAC	0.01503

$$32722 = 372362 - 339640$$

$$0.01503 = \frac{32722}{2167905 + 1728198}$$

Twin Cities Small Commercial Revenue

2003 Twin Cities Rates

2008

Hikdale Small Comm No Customers-Mon	463
Hikdale Small Comm kWh Sold	1,380,721
Hikdale Small Comm kW-Mon Sold	6,853
Hikdale Small Comm Cust Chg	40.00
Hikdale Small Comm Energy Chg	0.0700
Hikdale Small Comm Capacity Chg	6.0000
Hikdale Small Comm Cust Chg Rev	4930
Hikdale Small Comm Energy Chg Rev	96,650
Hikdale Small Comm Capacity Chg Rev	25,266
Hikdale Small Comm Total Rev	130,546

Colorado City Small Comm No Cust-Mo	637
Colorado City Small Comm kWh Sold	1,346,508
Colorado City Small Comm kW-Mon Sold	6,768

Colorado City Small Comm Cust Chg	16.00
Colorado City Small Comm Energy Chg	0.0740
Colorado City Small Comm Capacity Chg	6.0000

Colorado City Small Comm Chg Rev	6370
Colorado City Small Comm Energy Chg Rev	98,642
Colorado City Small Comm Capacity Chg Rev	33,838
Colorado City Small Comm Total Rev	129,860

Total Small Comm Revenue	270,396
--------------------------	---------

Average Rev/kWh	0.0961
Average kWh/Customer/Month	2.478
Average Load Factor	0.296

2008 Twin Cities Rates

2008

Hikdale Small Comm No Customers-Mon	463
Hikdale Small Comm kWh Sold	1,380,721
Hikdale Small Comm kW-Mon Sold	6,853

Hikdale Small Comm Cust Chg	20.00
Hikdale Small Comm Energy Chg	0.0683
Hikdale Small Comm Capacity Chg	6.00

Hikdale Small Comm Cust Chg Rev	9,260
Hikdale Small Comm Energy Chg Rev	114,048
Hikdale Small Comm Capacity Chg Rev	26,264
Hikdale Small Comm Total Rev	152,673

Colorado City Small Comm No Cust-Mo	637
Colorado City Small Comm kWh Sold	1,346,508
Colorado City Small Comm kW-Mon Sold	6,768

Colorado City Small Comm Cust Chg	20.00
Colorado City Small Comm Energy Chg	0.0683
Colorado City Small Comm Capacity Chg	6.00

Colorado City Small Comm Chg Rev	12,740
Colorado City Small Comm Energy Chg Rev	111,222
Colorado City Small Comm Capacity Chg Rev	33,838
Colorado City Small Comm Total Rev	157,800

Total Small Comm Revenue	310,373
--------------------------	---------

Average Rev/kWh	0.11393
-----------------	---------

Editing GRCE AZ Rates
w/ no FAC

2008

Hikdale Small Comm No Customers-Mon	463
Hikdale Small Comm kWh Sold	1,380,721
Hikdale Small Comm kW-Mon Sold	6,853

Hikdale Small Comm Cust Chg	12.60
Hikdale Small Comm Energy Chg	0.05845
Hikdale Small Comm Capacity Chg	6.37

Hikdale Small Comm Cust Chg Rev	5,788
Hikdale Small Comm Energy Chg Rev	80,703
Hikdale Small Comm Capacity Chg Rev	37,284
Hikdale Small Comm Total Rev	123,775

Colorado City Small Comm No Cust-Mo	637
Colorado City Small Comm kWh Sold	1,346,508
Colorado City Small Comm kW-Mon Sold	6,768

Colorado City Small Comm Cust Chg	12.50
Colorado City Small Comm Energy Chg	0.05845
Colorado City Small Comm Capacity Chg	6.37

Colorado City Small Comm Chg Rev	7,963
Colorado City Small Comm Energy Chg Rev	78,703
Colorado City Small Comm Capacity Chg Rev	43,110
Colorado City Small Comm Total Rev	129,776

Total Small Comm Revenue	253,551
--------------------------	---------

Average Rev/kWh	0.09287
-----------------	---------

Small Comm Req to Match 2003 TC Rev	16,845
Small Comm Acquisition FAC	0.00618

$$16845 = 270396 - 253551$$

$$0.00618 = \frac{16845}{270396 - 253551}$$

Twin Cities Small Public Buildings Revenue

2003 Twin Cities Rates

2008

Hidale Sm Pub Bld No Customers-Mon	72
Hidale Sm Pub Bld kWh Sold	184,127
Hidale Sm Pub Bld kW-Mon Sold	698
Hidale Sm Pub Bld Cust Chg	10.00
Hidale Sm Pub Bld Energy Chg	0.0700
Hidale Sm Pub Bld Capacity Chg	5.0000
Hidale Sm Pub Bld Cust Chg Rev	720
Hidale Sm Pub Bld Energy Chg Rev	13,688
Hidale Sm Pub Bld Capacity Chg Rev	3,488
Hidale Sm Pub Bld Total Rev	17,796

Colorado City Sm Pub Bld No Cust-Mo	270
Colorado City Sm Pub Bld kWh Sold	1,084,498
Colorado City Sm Pub Bld kW-Mon Sold	3,358
Colorado City Sm Pub Bld Cust Chg	10.00
Colorado City Sm Pub Bld Energy Chg	0.0700
Colorado City Sm Pub Bld Capacity Chg	5.0000

Colorado City Sm Pub Bld Cust Chg Rev	2700
Colorado City Sm Pub Bld Energy Chg Rev	76,614
Colorado City Sm Pub Bld Capacity Chg Rev	16,789
Colorado City Sm Pub Bld Total Rev	95,403

Total Small Public Buildings Revenue	113,201
--------------------------------------	---------

Average Rev/kWh	0.0865
Average kWh/Customer/Month	3,736
Average Load Factor	8.432

2006 Twin Cities Rates

2008

Hidale Sm Pub Bld No Customers-Mon	72
Hidale Sm Pub Bld kWh Sold	184,127
Hidale Sm Pub Bld kW-Mon Sold	698
Hidale Sm Pub Bld Cust Chg	20.00
Hidale Sm Pub Bld Energy Chg	0.0828
Hidale Sm Pub Bld Capacity Chg	5.00
Hidale Sm Pub Bld Cust Chg Rev	1,440
Hidale Sm Pub Bld Energy Chg Rev	16,035
Hidale Sm Pub Bld Capacity Chg Rev	3,488
Hidale Sm Pub Bld Total Rev	20,964

Colorado City Sm Pub Bld No Cust-Mo	270
Colorado City Sm Pub Bld kWh Sold	1,084,498
Colorado City Sm Pub Bld kW-Mon Sold	3,358
Colorado City Sm Pub Bld Cust Chg	20.00
Colorado City Sm Pub Bld Energy Chg	0.0828
Colorado City Sm Pub Bld Capacity Chg	5.00

Colorado City Sm Pub Bld Cust Chg Rev	5,400
Colorado City Sm Pub Bld Energy Chg Rev	89,579
Colorado City Sm Pub Bld Capacity Chg Rev	16,789
Colorado City Sm Pub Bld Total Rev	111,768

Total Small Public Buildings Revenue	132,732
--------------------------------------	---------

Average Rev/kWh	0.10361
-----------------	---------

$$8357 = 113201 - 104845$$

$$.00654 = \frac{8357}{194127 + 1084486}$$

Estimate GKE AZ Rates w/ no FAC

2008

Hidale Sm Pub Bld No Customers-Mon	72
Hidale Sm Pub Bld kWh Sold	184,127
Hidale Sm Pub Bld kW-Mon Sold	698
Hidale Sm Pub Bld Cust Chg	12.50
Hidale Sm Pub Bld Energy Chg	0.05845
Hidale Sm Pub Bld Capacity Chg	6.37
Hidale Sm Pub Bld Cust Chg Rev	900
Hidale Sm Pub Bld Energy Chg Rev	11,347
Hidale Sm Pub Bld Capacity Chg Rev	4,445
Hidale Sm Pub Bld Total Rev	16,692

Colorado City Sm Pub Bld No Cust-Mo	270
Colorado City Sm Pub Bld kWh Sold	1,084,498
Colorado City Sm Pub Bld kW-Mon Sold	3,358

Colorado City Sm Pub Bld Cust Chg	12.50
Colorado City Sm Pub Bld Energy Chg	0.05845
Colorado City Sm Pub Bld Capacity Chg	6.37

Colorado City Sm Pub Bld Cust Chg Rev	3,375
Colorado City Sm Pub Bld Energy Chg Rev	63,358
Colorado City Sm Pub Bld Capacity Chg Rev	21,360
Colorado City Sm Pub Bld Total Rev	88,153

Total Small Public Buildings Revenue	104,845
--------------------------------------	---------

Average Rev/kWh	0.08200
-----------------	---------

Small Pub Bld Req to Match 2003 TC Rev	8,357
Small Pub Bld Acquisition FAC	0.00654

Twin Cities Large Public Buildings Revenue

2003 Twin Cities Rates

2003	
Hidale La Pub Bid No Customers-Mon	54
Hidale La Pub Bid kWh Sold	158,714
Hidale La Pub Bid kW-Mon Sold	538
Hidale La Pub Bid Cust Chg	10.00
Hidale La Pub Bid Energy Chg	0.0500
Hidale La Pub Bid Capacity Chg	12.0000
Hidale La Pub Bid Cust Chg Rev	540
Hidale La Pub Bid Energy Chg Rev	7,936
Hidale La Pub Bid Capacity Chg Rev	6,453
Hidale La Pub Bid Total Rev	14,929

Colorado City La Pub Bid No Cust-Mo	197
Colorado City La Pub Bid kWh Sold	2,384,010
Colorado City La Pub Bid kW-Mon Sold	6,730
Colorado City La Pub Bid Cust Chg	10.00
Colorado City La Pub Bid Energy Chg	0.0500
Colorado City La Pub Bid Capacity Chg	12.0000

Colorado City La Pub Bid Cust Chg Rev	1,970
Colorado City La Pub Bid Energy Chg Rev	119,201
Colorado City La Pub Bid Capacity Chg Rev	80,764
Colorado City La Pub Bid Total Rev	201,934

Total Large Public Buildings Revenue	216,863
---	----------------

Average Rev/kWh	0.0853
Average kWh/Customer/Month	10,130
Average Load Factor	0.479

2008 Twin Cities Rates

2008	
Hidale La Pub Bid No Customers-Mon	54
Hidale La Pub Bid kWh Sold	158,714
Hidale La Pub Bid kW-Mon Sold	538
Hidale La Pub Bid Cust Chg	20.00
Hidale La Pub Bid Energy Chg	0.0500
Hidale La Pub Bid Capacity Chg	12.00
Hidale La Pub Bid Cust Chg Rev	1,080
Hidale La Pub Bid Energy Chg Rev	9,523
Hidale La Pub Bid Capacity Chg Rev	6,453
Hidale La Pub Bid Total Rev	17,056

Colorado City La Pub Bid No Cust-Mo	197
Colorado City La Pub Bid kWh Sold	2,384,010
Colorado City La Pub Bid kW-Mon Sold	6,730
Colorado City La Pub Bid Cust Chg	20.00
Colorado City La Pub Bid Energy Chg	0.0500
Colorado City La Pub Bid Capacity Chg	12.00

Colorado City La Pub Bid Cust Chg Rev	3,940
Colorado City La Pub Bid Energy Chg Rev	143,041
Colorado City La Pub Bid Capacity Chg Rev	80,764
Colorado City La Pub Bid Total Rev	227,744

Total Large Public Buildings Revenue	244,801
---	----------------

Average Rev/kWh	0.08627
-----------------	---------

Existing GKE-AZ Rates w/ no FAC

2008	
Hidale La Pub Bid No Customers-Mon	54
Hidale La Pub Bid kWh Sold	158,714
Hidale La Pub Bid kW-Mon Sold	538
Hidale La Pub Bid Cust Chg	20.00
Hidale La Pub Bid Energy Chg	0.08115
Hidale La Pub Bid Capacity Chg	6.37
Hidale La Pub Bid Cust Chg Rev	1,080
Hidale La Pub Bid Energy Chg Rev	9,705
Hidale La Pub Bid Capacity Chg Rev	3,428
Hidale La Pub Bid Total Rev	14,211

Colorado City La Pub Bid No Cust-Mo	197
Colorado City La Pub Bid kWh Sold	2,384,010
Colorado City La Pub Bid kW-Mon Sold	6,730
Colorado City La Pub Bid Cust Chg	20.00
Colorado City La Pub Bid Energy Chg	0.08115
Colorado City La Pub Bid Capacity Chg	6.37

Colorado City La Pub Bid Cust Chg Rev	3,940
Colorado City La Pub Bid Energy Chg Rev	145,752
Colorado City La Pub Bid Capacity Chg Rev	42,872
Colorado City La Pub Bid Total Rev	192,564

Total Large Public Buildings Revenue	206,806
---	----------------

Average Rev/kWh	0.08133
-----------------	---------

Large Pub Bid Rev to Match 2003 TC Rev	10,056
Large Pub Bid Acquisition FAC	0.00366

$$10058 = 216863 - 206805$$

$$.00396 = \frac{10058}{158714 + 2384010}$$

Twin Cities Small Industrial Revenue

2003 Twin Cities Rates
First 100 kWh at no charge

2008	
Hickate Small Industrial No Customers-Mon	72
Hickate Small Industrial kWh Sold	83,248
Hickate Small Industrial kW-Mon Sold	318
Hickate Small Industrial Cust Chg	20.00
Hickate Small Industrial Energy Chg	0.1720
Hickate Small Industrial Capacity Chg	0.0000
Hickate Small Industrial Cust Chg Rev	1,440
Hickate Small Industrial Energy Chg Rev	5,874
Hickate Small Industrial Capacity Chg Rev	-
Hickate Small Industrial Total Rev	7,314

Colorado City Small Industrial No Cust-Mo	285
Colorado City Small Industrial kWh Sold	181,438
Colorado City Small Industrial kW-Mon Sold	430
Colorado City Small Industrial Cust Chg	20.00
Colorado City Small Industrial Energy Chg	0.1720
Colorado City Small Industrial Capacity Chg	0.0000
Colorado City Small Industrial Cust Rev	5,700
Colorado City Small Industrial Energy Chg Rev	15,333
Colorado City Small Industrial Capacity Chg Rev	-
Colorado City Small Industrial Total Rev	21,033

Total Small Industrial Revenue	28,547
Average Rev/kWh	0.1167
Average kWh/Customer/Month	865
Average Load Factor	0.448

2008 Twin Cities Rates

2008	
Hickate Small Industrial No Customers-Mon	72
Hickate Small Industrial kWh Sold	83,248
Hickate Small Industrial kW-Mon Sold	318
Hickate Small Industrial Cust Chg	20.00
Hickate Small Industrial Energy Chg	0.1722
Hickate Small Industrial Capacity Chg	0.00
Hickate Small Industrial Cust Chg Rev	1,440
Hickate Small Industrial Energy Chg Rev	7,718
Hickate Small Industrial Capacity Chg Rev	0
Hickate Small Industrial Total Rev	9,158

Colorado City Small Industrial No Cust-Mo	285
Colorado City Small Industrial kWh Sold	181,438
Colorado City Small Industrial kW-Mon Sold	430
Colorado City Small Industrial Cust Chg	20.00
Colorado City Small Industrial Energy Chg	0.1722
Colorado City Small Industrial Capacity Chg	0.00
Colorado City Small Industrial Cust Rev	5,700
Colorado City Small Industrial Energy Chg Rev	22,138
Colorado City Small Industrial Capacity Chg Rev	0
Colorado City Small Industrial Total Rev	27,838

Total Small Industrial Revenue	38,991
Average Rev/kWh	0.15116

Edging OKI AZ Rates
w/ no FAC

2008	
Hickate Small Industrial No Customers-Mon	72
Hickate Small Industrial kWh Sold	83,248
Hickate Small Industrial kW-Mon Sold	318
Hickate Small Industrial Cust Chg	12.50
Hickate Small Industrial Energy Chg	0.05945
Hickate Small Industrial Capacity Chg	0.37
Hickate Small Industrial Cust Chg Rev	900
Hickate Small Industrial Energy Chg Rev	3,697
Hickate Small Industrial Capacity Chg Rev	2,006
Hickate Small Industrial Total Rev	6,603

Colorado City Small Industrial No Cust-Mo	285
Colorado City Small Industrial kWh Sold	181,438
Colorado City Small Industrial kW-Mon Sold	430
Colorado City Small Industrial Cust Chg	12.50
Colorado City Small Industrial Energy Chg	0.05945
Colorado City Small Industrial Capacity Chg	0.37
Colorado City Small Industrial Cust Rev	3,563
Colorado City Small Industrial Energy Chg Rev	10,605
Colorado City Small Industrial Capacity Chg Rev	2,741
Colorado City Small Industrial Total Rev	16,909

Total Small Industrial Revenue	23,314
Average Rev/kWh	0.09810

Small Industrial Reg by March 2003 TO Rev	5,633
Small Industrial Acquisition FAC	0.02067

$$5033 = 28547 - 23514$$

$$0.02057 = \frac{5033}{63288 + 181435}$$

Twin Cities Interruptible Revenue

2003 Twin Cities Rates

2003	
Hikale Interruptible No Customers-Mon	0
Hikale Interruptible kWh Sold	0
Hikale Interruptible kW-Mon Sold	0
Hikale Interruptible Cust Chg	20.00
Hikale Interruptible Energy Chg	0.1200
Hikale Interruptible Capacity Chg	0.0000
Hikale Interruptible Cust Chg Rev	0
Hikale Interruptible Energy Chg Rev	-
Hikale Interruptible Capacity Chg Rev	-
Hikale Interruptible Total Rev	-
Colorado City Interruptible No Cust-Mo	12
Colorado City Interruptible kWh Sold	4,230
Colorado City Interruptible kW-Mon Sold	28
Colorado City Interruptible Cust Chg	20.00
Colorado City Interruptible Energy Chg	0.1200
Colorado City Interruptible Capacity Chg	0.0000
Colorado City Interruptible Chg Rev	240
Colorado City Interruptible Energy Chg Rev	508
Colorado City Interruptible Capacity Chg Rev	-
Colorado City Interruptible Total Rev	748
Total Interruptible Revenue	748
Average Rev/kWh	0.1767
Average kWh/Customer/Month	353
Average Load Factor	0.228

2008 Twin Cities Rates

Interruptible Rate Eliminated - News to SH Commercial

2008	
Hikale Interruptible No Customers-Mon	0
Hikale Interruptible kWh Sold	0
Hikale Interruptible kW-Mon Sold	0
Hikale Interruptible Cust Chg	20.00
Hikale Interruptible Energy Chg	0.0628
Hikale Interruptible Capacity Chg	5.00
Hikale Interruptible Cust Chg Rev	-
Hikale Interruptible Energy Chg Rev	0
Hikale Interruptible Capacity Chg Rev	-
Hikale Interruptible Total Rev	-
Colorado City Interruptible No Cust-Mo	12
Colorado City Interruptible kWh Sold	4,230
Colorado City Interruptible kW-Mon Sold	28
Colorado City Interruptible Cust Chg	20.00
Colorado City Interruptible Energy Chg	0.0628
Colorado City Interruptible Capacity Chg	5.00
Colorado City Interruptible Chg Rev	240
Colorado City Interruptible Energy Chg Rev	349
Colorado City Interruptible Capacity Chg Rev	128
Colorado City Interruptible Total Rev	717
Total Interruptible Revenue	717
Average Rev/kWh	0.16990

Existing GKE A2 Rates w/ no FAC

2008	
Hikale Interruptible No Customers-Mon	0
Hikale Interruptible kWh Sold	0
Hikale Interruptible kW-Mon Sold	0
Hikale Interruptible Cust Chg	12.50
Hikale Interruptible Energy Chg	0.05845
Hikale Interruptible Capacity Chg	6.37
Hikale Interruptible Cust Chg Rev	-
Hikale Interruptible Energy Chg Rev	0
Hikale Interruptible Capacity Chg Rev	-
Hikale Interruptible Total Rev	-
Colorado City Interruptible No Cust-Mo	12
Colorado City Interruptible kWh Sold	4,230
Colorado City Interruptible kW-Mon Sold	28
Colorado City Interruptible Cust Chg	12.50
Colorado City Interruptible Energy Chg	0.05845
Colorado City Interruptible Capacity Chg	6.37
Colorado City Interruptible Chg Rev	150
Colorado City Interruptible Energy Chg Rev	247
Colorado City Interruptible Capacity Chg Rev	163
Colorado City Interruptible Total Rev	560
Total Interruptible Revenue	560
Average Rev/kWh	0.13249
Interruptible Req to Match 2003 TC Rev	187
Interruptible Acquisition FAC	0.04428

$$187 = 748 - 560 \times 10$$

$$.04428 = \frac{187}{0 + 4230}$$

GALLAGHER & KENNEDY

P.A.

LAW OFFICES

MICHAEL M. GRANT
DIRECT DIAL: (602) 530-8291
E-MAIL: MMG@GKNET.COM

2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

March 31, 2009

VIA E-MAIL AND U.S. MAIL

Robin Mitchell
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

RECEIVED

APR 02 2009

AZ CORP COMM
Director Utilities

Re: *Garkane's Responses to Staff's Sixth Set of Data Requests;*
Docket No. E-01891A-08-0598

Dear Robin:

Attached are Garkane's Responses to Staff's Sixth Set of Data Requests in the Colorado City CC&N matter. A copy is also being mailed and e-mailed to Ms. Allen. Also, please give me a call to discuss the hearing Friday, the Staff Report and Garkane's response.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:

Michael M. Grant

MMG/plp
10703-3/2071904

Attachments

cc (w/attachments): Candrea Allen, Utilities Division ✓
Mike Avant

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO SIXTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
March 31, 2009

CA 6-1 According to the application, Garkane states that the wholesale power cost is \$900,000 more to provide service to Colorado City. Please explain why the cost to provide service to Colorado City is greater than the cost to provide service to Garkane's other customers. Please provide any calculations necessary.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Paragraph G of Rate Schedule A (Attachment A to the Wholesale Power Contract between Deseret and Garkane) requires that "any new load with a demand of more than 2.5 MW shall be served under a Negotiated Contract." Deseret applies this clause to include any newly-acquired loads like Colorado City which, in the aggregate, are a demand in excess of 2.5 MW. The negotiated contracts are based upon market rates. Market rates, at the time Garkane negotiated with Deseret for power needed to serve the Twin Cities' load, were in the \$60 to \$61 per MWh range for firm load shaped products. The 2005 historical Twin Cities loads were 29,274 MWh and 61,500 kW-months. At the Rate Schedule A energy and demand rates of \$15/MWh and \$6.518/kW-month, a Facilities charge of \$931,110 was necessary to meet this market average cost of \$60.50/MWh. This Negotiated Facilities Charge has, since those initial negotiations, been rounded down to \$900,000.

$$29,274 * 60.5 = (29,274 * 15) + 6.618 * 61,500 + \text{FAC}$$

$$\text{FAC} = 931,110$$

The \$900,000 FAC equates to an average cost of \$59.44/MWh.

$$59.44 = (900,000 + (29,274 * 15) + (61,500 * 6.518)) / 29,274$$

GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO SIXTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
March 31, 2009

CA 6-2 Prior to the Twin Cities municipal utilities providing service to Colorado City, what was the wholesale power cost to Garkane to provide service to the area? At that time, was Garkane's wholesale power cost to serve Colorado City greater than the wholesale power cost to serve its other customers?

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: Prior to the sale of the Colorado City system to the Twin Cities municipal authority in May 1994, Garkane was purchasing power from Deseret at the rate of \$32.20/kw-month and \$24.05/MWh. This rate included the power necessary to serve Colorado City. In October 1996, Deseret completed a major restructuring and significantly changed its rate structure. Garkane has purchased power from Deseret under the existing Rate Schedule A since the 1996 restructuring. Because the Colorado City area was not part of Garkane's loads or service territory at the time of the restructuring and adoption of Rate Schedule A, it is a "new load over 2.5 MW" under Rate Schedule A as explained in the response to CA 6-1.

**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO SIXTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
March 31, 2009**

CA 6-3 Prior to the Twin Cities municipal utilities serving Colorado City, did Garkane obtain power from Deseret Power Electric Cooperative or from another company?

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: See the response to CA 6-2 above.

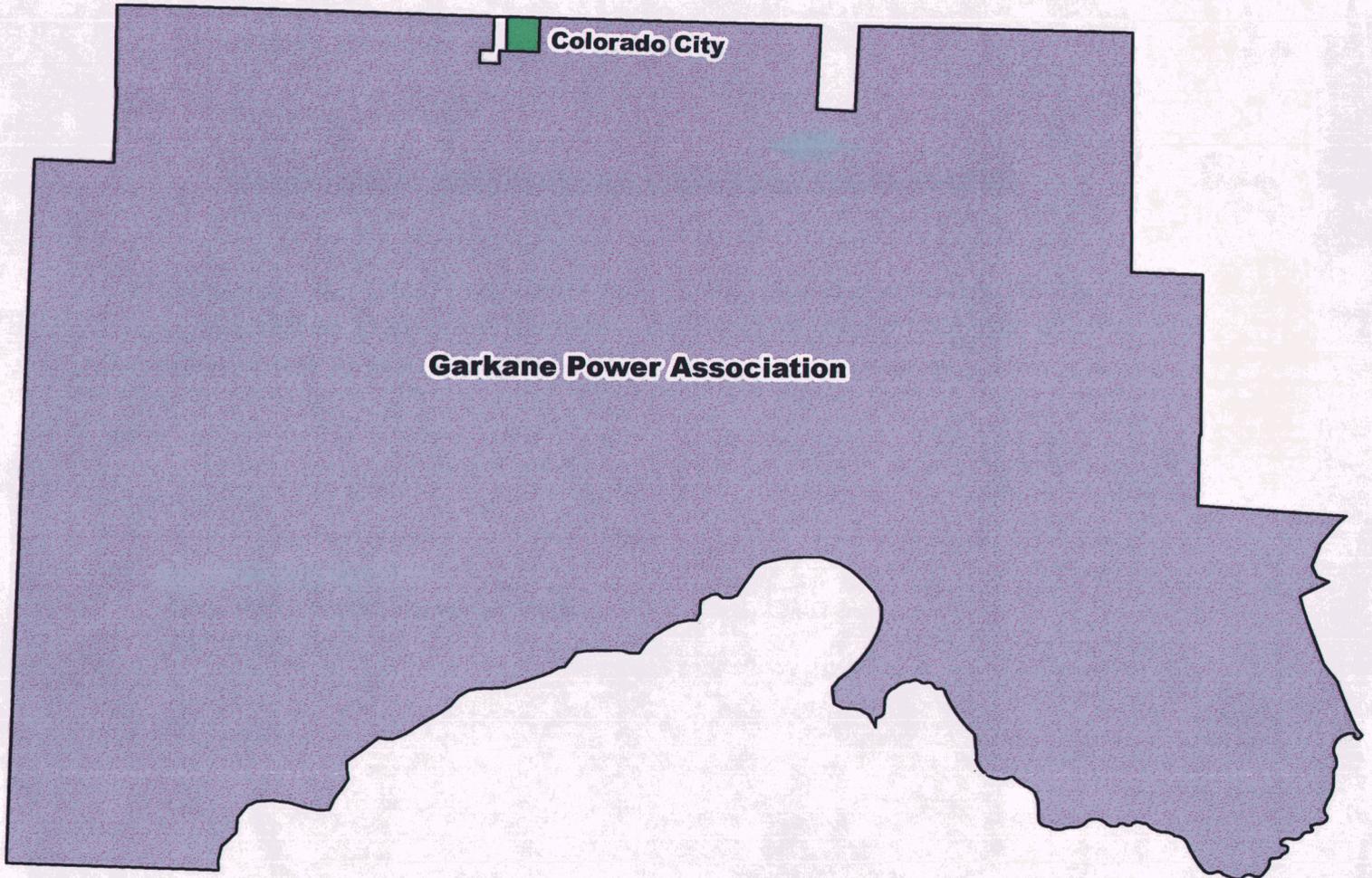
**GARKANE ENERGY COOPERATIVE, INC.
RESPONSES TO SIXTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-01891A-08-0598
March 31, 2009**

CA 6-4 Please explain why there is a difference between the wholesale power cost Garkane paid prior to the Twin Cities municipal utilities providing service and the wholesale power cost of \$900,000 Garkane will pay once granted a CC&N extension.

Respondent: Mike Avant, Engineering Manager, Garkane Energy, 1802 South Highway 89A, Kanab, Utah, 84741, 435-644-5026, mavant@garkaneenergy.com

Response: See the responses to CA 6-2 and CA 6-1 above.

Garkane Energy Cooperative, Inc.
Docket No. E-01891A-08-0598
Application for Extension



 Extension Area