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Transcript Exhibit(s)

Docket #(s): E-01851A-09-0305

Exhibit # : A1, S1, S2

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AZ CORP COMMISSION
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Arizona Corporation Commission
DOCKETED
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HEARING

BEFORE THE ARIZONA CORPORATE COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

EXHIBIT
A-1
ADMITTED

KRISTIN K. MAYES
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Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF COLUMBUS ELECTRIC COOPERATIVE, INC., FOR APPROVAL OF A RATE INCREASE	))))	DOCKET NO. E-01851A-09-0305

RECEIVED
JAN 29 2010
ARIZONA CORPORATION COMMISSION
HEARING DIVISION

REBUTTAL

TESTIMONY

OF

E. L. MOSS

Bolinger, Segars, Gilbert & Moss, L.L.P.

Certified Public Accountants

February 3, 2010

A-1

1 **Q Please state your name and address.**

2 A E.L. Moss, my business address is 8215 Nashville Avenue, Lubbock, Texas, 79423.

3 **Q By whom are you employed and what is your position?**

4 A I am a partner in the certified public accounting firm of Bolinger, Segars, Gilbert & Moss, L.L.P. I
5 am one of the parties in our firm responsible for the firm's activities before State Regulatory
6 Agencies. My primary areas of activity include financial and rate analysis, long range system
7 planning and various system studies.

8 **Q Please briefly summarize your educational and professional background.**

9 A I graduated from McMurry University, Abilene, Texas, with a Bachelor of Science Degree, with a
10 specialization in accounting. In January 1959, I was employed with the same accounting firm
11 with which I am presently associated; I have been a Certified Public Accountant since July 1961,
12 and have been a partner in the firm since April 1963. I am registered as a Certified Public
13 Accountant in Texas, New Mexico, and Nevada. I am a member of the State Societies of
14 Certified Public Accountants in Texas, New Mexico, and Nevada, and of the American Institute
15 of Certified Public Accountants. I have also served on the Public Utility Accounting Committee
16 of the American Institute of Certified Public Accountants.

17 **Q Please describe the involvement of your firm in the utility industry.**

18 A Our firm is engaged as independent auditor by approximately 75 electric cooperatives located in
19 Texas, New Mexico, Arizona, Nevada, Oklahoma, Florida, North Dakota, Hawaii, and California.
20 We have prepared several Rate Studies and Cost of Service Studies and have appeared in rate
21 matters before State Regulatory Commissions in the States of Arizona, Texas, New Mexico, and
22 Oklahoma.

23 **Q Have you and your firm prepared the APPLICATION OF COLUMBUS ELECTRIC**
24 **COOPERATIVE, INC. FOR APPROVAL OF A RATE INCREASE filed with this Commission**

1 **under Docket No. E-0185-A-09-0305?**

2 A Yes, we prepared the filing of the application by Columbus in both New Mexico and Arizona.

3 **Q What is the status of the filing in New Mexico?**

4 A The requested rates, identical to the rates proposed in this filing, were approved and effective in

5 New Mexico on May 20, 2009.

6 **Q Have you reviewed the staff testimony of Crystal S. Brown, Candrea Allen, and Prem K.**

7 **Bahl in this case?**

8 A Yes, I have.

9 **Q Do you have any comments?**

10 A My only comment relates to the testimony of Crystal Brown, and her computation of Operating

11 TIER (Time Interest Earned Ratio) as reflected on her schedule CSB – 1. .

12 **Q Please Continue.**

13 A The accepted formula for the computation of Operating TIER is the sum of (a) Net Operating

14 Margins (after deducting Interest on Long-Term Debt), plus Interest on Long-Term Debt, divided

15 by (b) Interest on Long-Term Debt.

16 Ms. Brown's computation of Operating TIER on her schedule CSB – 1 included (a) the sum of

17 Operating Margins before Interest on Long-Term Debt, plus Interest on Long-Term Debt, divided

18 by (b) Interest on Long-Term Debt.

19 **Q What is the difference in the above computation?**

20 A Ms. Brown's computation results in an Operating TIER of 2.41, as opposed to a TIER of 1.41, as

21 reflected by Schedule ELM – 1 included in this testimony.

22 **Q Have you discussed this matter with Ms. Brown?**

23 A Yes, and she has agreed that the computation as presented on Schedule ELM – 1 is the correct

24 computation of Operating TIER of Columbus as proposed in this case.

Q Has Operating TIER been calculated under the method which you propose in other cases before the Commission?

A Yes, specifically in Decision No. 70289 – Graham County Electric Cooperative, Inc. dated April 24, 2008.

Q Do you stipulate to all of the adjustments proposed in Ms. Brown's testimony?

A Yes, I do. I agree to all of her testimony with the exception of the Operating TIER Computation described earlier.

Q Does this conclude your testimony in this case?

A Yes.

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule ELM - 1

Operating TIER (Times Interest Earned) Computation

		PER STAFF	PER COOP
Proposed Operating Margins Before Interest on LT Debt		$ 869,371	$ 869,371
Interest on LT Debt			618,238
Net Margins After LTD Interest - Net Operating Margins			$ 251,133
Operating TIER Computation:			
Net Operating Margins			$ 251,133
Interest on LT Debt		$ 618,238	618,238
Total Operating Margins + Interest on LT Debt	(a)	$ 1,487,609	$ 869,371
Interest on LT Debt	(b)	$ 618,238	$ 618,238
TIER (c) = (a) / (b)	(c)	2.41	1.41

AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF LUBBOCK

Before me, the undersigned notary public, personally appeared E.L. MOSS, who being by me first duly sworn on oath deposes and says that the foregoing Rebuttal Testimony and statement of fact contained therein are true and correct to the best of his knowledge and belief.

E. L. Moss

E.L. MOSS

Subscribed and sworn before me this 22nd day of January, 2010.

to certify which witness my hand and official seal of office.

Norma J. Foster

NORMA J. FOSTER
Notary Public, State of Texas
My Commission Expires
JUNE 27, 2012

Notary Public – Lubbock County, Texas

My Commission expires June 27, 2012

ORIGINAL

BEFORE THE ARIZONA CORPORATION

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

IN THE MATTER OF THE APPLICATION OF COLUMBUS ELECTRIC COOPERATIVE INC. FOR APPROVAL OF A RATE INCREASE.	DOCKET NO. E-01851A-09-0305

STAFF'S NOTICE OF FILING DIRECT TESTIMONY

The Utilities Division of the Arizona Corporation Commission ("Staff") hereby provides notice of filing of the Direct Testimony of Crystal S. Brown, Candrea Allen and Prem K. Bahl in the above-referenced matter.

RESPECTFULLY SUBMITTED this 14th day of January, 2010.

Ayesha Vohra

Ayesha Vohra
Attorney, Legal Division
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies of the foregoing were filed this 14th day of January, 2010 with:

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

Arizona Corporation Commission
DOCKETED
JAN 14 2010
DOCKETED BY

Copy of the foregoing mailed this 14th day of January, 2010 to:

E. L. Moss
BOLINGER, SEGARS, GILBERT & MOSS, LLP
Certified Public Accountants
8215 Nashville Avenue
Lubbock, Texas 79423-1954

Michael D. Fletcher
General Manager
Columbus Electric Cooperative, Inc.
P.O. Box 631
Deming, New Mexico 88031

Ashley Hodge

DIRECT

TESTIMONY

OF

CRYSTAL BROWN

CANDREA ALLEN

PREM K. BAHL

DOCKET NO. E-01851A-09-0305

IN THE MATTER OF THE APPLICATION
OF COLUMBUS ELECTRIC COOPERATIVE
FOR APPROVAL OF A RATE INCREASE

JANUARY 14, 2010

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF COLUMBUS ELECTRIC COOPERATIVE, INC., FOR APPROVAL OF A RATE INCREASE	))))	DOCKET NO. E-01851A-09-0305

DIRECT

TESTIMONY

OF

CRYSTAL S. BROWN

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JANUARY 14, 2010

TABLE OF CONTENTS

SCHEDULES

EXECUTIVE SUMMARY
COLUMBUS ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01851A-09-0305

Columbus Electric Cooperative, Inc. ("Columbus Electric" or "Cooperative") is a non-profit rural electric cooperative located in Deming, New Mexico. The Cooperative provides electric service to a total of 5,095 consumers, 4,633 in New Mexico and 462 in Cochise County, Arizona.

On June 8, 2009, Columbus Electric filed an application for a permanent rate increase. The Cooperative states that it incurred an adjusted test year operating loss of $76,573 in Arizona resulting in no rate of return.

The Cooperative proposes total annual operating revenue of $671,833 in Arizona. This represents an increase of $18,466, or 2.83 percent, over test year revenue of $653,367 in Arizona. The proposed revenue increase would produce an operating loss of $58,107 for no rate of return on an original cost rate base ("OCRB") of $1,781,611 in Arizona.

Staff is recommending the same revenue requirement proposed by Columbus Electric. Staff recommends an $18,466, or 2.83 percent, revenue increase from $653,367 to $671,833. Staff's recommended revenue increase would produce an operating loss of $55,772 for no rate of return on a Staff adjusted OCRB of $1,699,565. Although the rates recommended by Staff and the Cooperative provide an operating loss for the Arizona jurisdiction, on a consolidated basis with New Mexico, Columbus Electric would experience an adequate operating Time Interest Earned Ratio ("TIER") of 2.41.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Crystal S. Brown. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst V.

A. I am responsible for the examination and verification of financial and statistical information included in utility rate applications. In addition, I develop revenue requirements, prepare written reports, testimonies, and schedules that include Staff recommendations to the Commission. I am also responsible for testifying at formal hearings on these matters.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science Degree in Business Administration from the University of Arizona and a Bachelor of Science Degree in Accounting from Arizona State University.

Since joining the Commission in August 1996, I have participated in numerous rate cases and other regulatory proceedings involving electric, gas, water, and wastewater utilities. I have testified on matters involving regulatory accounting and auditing. Additionally, I have attended utility-related seminars sponsored by the National Association of Regulatory Utility Commissioners ("NARUC") on ratemaking and accounting designed to provide continuing and updated education in these areas.

Q. What is the scope of your testimony in this case?

A. I am presenting Staff's analysis and recommendations in the areas of rate base, operating revenues and expenses, and revenue requirement regarding Columbus Electric Cooperative Inc.'s ("Columbus Electric" or "Cooperative") application for a permanent rate increase. Staff witness Prem Bahl is presenting Staff's engineering analysis and recommendations. Staff witness Candrea Allen is presenting Staff's rate design.

Q. What is the basis of your recommendations?

A. I performed a regulatory audit of Columbus Electric's application to determine whether sufficient, relevant, and reliable evidence exists to support the Cooperative's requested rate increase. The regulatory audit consisted of examining and testing the financial information, accounting records, and other supporting documentation and verifying that the accounting principles applied were in accordance with the United States Department of Agriculture Rural Utilities Service's ("RUS") Uniform System of Accounts - Electric ("USOA").

BACKGROUND

Q. Please review the background of this Applicant.

A. Columbus Electric is a non-profit rural electric cooperative located in Deming, New Mexico. The Cooperative provides electric service to a total of 5,095 consumers, 4,633 in New Mexico and 462 in Cochise County, Arizona. The Cooperative claims that all consumers by class have the same characteristics and are considered to be identical with equal rights, irrespective of jurisdiction. Consequently, Columbus Electric provides service to each account class under the same tariff regardless of jurisdiction. In addition, the Cooperative maintains a common financial record for all consumers, for ease of administration.

Columbus Electric's current rates were authorized in Decision No. 63986, dated August 30, 2001. That Decision authorized a $23,169 revenue decrease that provided a 0.50 percent rate of return on a $675,481 fair value rate base.

Q. What are the primary reasons for the Cooperative's requested permanent rate increase?

A. According to the Cooperative, the primary reason is to recover increased operating expenses.

CONSUMER SERVICE

Q. Please provide a brief history of customer complaints received by the Commission regarding Columbus Electric.

A. Staff reviewed the Commission's records for the period of January 1, 2006, through December 21, 2009, and found two complaints and one opinion as follows:

2006 – One Complaint – Quality of Service
One Inquiry – Billing

2007 – One Complaint – Billing

2008 – Zero Complaints

2009 – One Opinion – Pending Case – Opposed

All complaints have been resolved and closed.

PUBLIC NOTICE

Q. Has the Company filed certification of its public notification?

A. Yes, the Cooperative filed its certification of public notification on January 12, 2010.

COMPLIANCE

Q. Please provide a summary of the ACC compliance status of Columbus Electric.

A. A check of the ACC compliance database indicates that there are currently no delinquencies for Columbus Electric.

SUMMARY OF PROPOSED REVENUES

Q. Please summarize the Cooperative's filing.

A. The Cooperative proposes total annual operating revenue of $671,833. This represents an increase of $18,466, or 2.83 percent, over test year revenue of $653,367. The proposed revenue increase would produce an operating loss of $58,107 for no rate of return on an OCRB of $1,781,611.

Q. Please summarize Staff's recommended revenue.

A. Staff is recommending the same revenue requirement proposed by Columbus Electric. Staff recommends an $18,466, or 2.83 percent, revenue increase from $653,367 to $671,833. Staff's recommended revenue increase would produce an operating loss of $55,772 for no rate of return on a Staff adjusted OCRB of $1,699,565.

Q. Does Staff's recommended revenue provide adequate coverage of operating expenses and debt service?

A. Yes. Although the rates recommended by Staff and the Cooperative provide an operating loss for the Arizona jurisdiction, on a consolidated basis with New Mexico, Columbus

Electric would experience an adequate operating TIER of 2.41 as shown on schedule CSB-1. Since the recommended rates for Arizona are identical to the rates adopted in New Mexico, the earnings by customer class are the same in both states. Maintaining uniform rates by customer class for both states is desirable and equitable.

Q. What test year did Columbus Electric use in this filing?

A. Columbus Electric's rate filing is based on the twelve months ended December 31, 2008 ("test year").

Q. Please summarize the rate base and operating income adjustments addressed in your testimony for Columbus Electric.

A. My testimony addresses the following issues:

Construction Work in Progress ("CWIP") – This adjustment decreases Plant in Service by $2,500 to remove plant that was not in service at the end of the test year.

Working Capital – This adjustment decreases rate base by $82,545 to eliminate the Cooperative's selective recognition of working capital components that only increase rate base.

Base Cost of Power and Power Cost Adjustor ("PCA") – This adjustment matches the Base Cost of Power Revenue to the Staff recommended Base Cost of Power Expense and eliminates the PCA revenues from operating revenues. The net result of these adjustments is zero.

Dues, Sponsorships, Food, and Scholarships – This adjustment decreases operating expenses by $2,334 to remove expenses that are voluntary and not needed for the provision of service.

RATE BASE

Fair Value Rate Base

Q. Did the Cooperative prepare a schedule showing the elements of Reconstruction Cost New Rate Base?

A. No, the Cooperative did not. The Cooperative requested that its OCRB be treated as its fair value rate base.

Rate Base Summary – Arizona Jurisdiction

Q. Please summarize Staff's adjustments to Columbus Electric's rate base shown on Schedules CSB-3 and CSB-4.

A. Staff's adjustments to Columbus Electric's rate base resulted in a net decrease of $85,045, from $1,784,610 to $1,699,565 in Arizona. This decrease was primarily due to Staff removing plant that was not in service during the test year and Staff's adjustments to the Cooperative's proposed working capital.

Rate Base Adjustment No. 1 – CWIP

Q. Did the Cooperative's plant in service balance include CWIP?

A. Yes, the Cooperative included $2,500 as shown on Schedule CSB-4.

Q. Was the CWIP used and useful at the end of the test year?

A. No, it was not.

Q. Should plant that is not used and useful during the test year be recovered through rates?

A. No, with the exception of extraordinary circumstances, it should not be recovered through rates.

Q. Was CWIP plant removed in the Cooperative's last rate case?

A. Yes. Decision No. 63986 disallowed CWIP from rate base.

Q. What is Staff's recommendation?

A. Staff recommends decreasing plant in service by $2,500 to remove CWIP plant as shown on Schedules CSB-2 and CSB-3.

Rate Base Adjustment No. 2 – Working Capital

Q. What are the components of working capital?

A. The components of working capital as prescribed by the Arizona Administrative Code are cash working capital, materials and supplies, and prepaid expenses.

Q. Can total working capital be a negative amount that is deducted from rate base?

A. Yes, this can happen when cash working capital ("CWC") is negative and is larger than the sum of the materials, supplies, and prepayments.

Q. Does the Cooperative's proposal to include materials, supplies, and prepayments in working capital represent an inequitable adjustment to increase rate base?

A. Yes. The Cooperative chose not to conduct a lead-lag study, and accordingly, failed to reflect any customer-provided capital in its working capital requirement.

It is inequitable for a utility the size of Columbus Electric to calculate working capital by using a method that ignores customer-provided capital while guaranteeing a positive working capital result for Columbus Electric. Had a lead-lag study been conducted, it might have shown that working capital is a negative component of rate base.

Q. What is Staff's recommendation?

A. Staff recommends removing $82,545 as shown on Schedules CSB-3 and CSB-5.

OPERATING MARGIN – ARIZONA JURISDICTION

Operating Margin Summary

Q. What are the results of Staff's analysis of test year revenues, expenses and operating margin?

A. As shown on Schedules CSB-6 and CSB-7 Staff's analysis resulted in test year revenues of $653,367, expenses of $727,605 and operating loss of $74,238.

Operating Margin Adjustment 1 – Base Cost of Power Revenue and Wholesale Power Cost Adjustor

Q. Explain the purpose of the break-out of the total revenue from sales of electricity into components as shown on Schedules CSB-7 and -8.

A. The purpose is to show the portion of revenue that is generated from base rates separately from revenue that is generated from margin revenue and the power cost adjustor.

Q. What amount is Columbus Electric proposing for Base Cost of Power Revenue and for its power cost adjustor ("PCA")?

A. The Cooperative proposes $222,626 and $168,754 for its base cost of power revenue and PCA respectively as shown on Schedules CSB-7 and CSB-8.

Q. Is it appropriate to include monies from the Cooperative's power cost adjustor in operating revenues?

A. No, it is not appropriate. The PCA revenues are set using a mechanism that is different from that used to set base rates. Further, the PCA can change outside of a rate case based on over- or under-collections in the Cooperative's fuel bank.

Q. Does Columbus Electric's base cost of power revenue match its purchased power expense?

A. No. The Cooperative's filing reflects a $222,626 test year base cost of power revenue and a $391,381 test year purchased power expense.

Q. What is the cause of the mismatch?

A. The Cooperative's base cost of power was less than its purchased power expense by $168,755.

Q. Should Columbus Electric's test year base cost of power revenue equal purchased power expense?

A. Yes. The Cooperative has a purchased power adjustor mechanism that facilitates full recovery of all purchased power costs. The adjustor mechanism ensures that the Cooperative neither over- nor under- recovers purchased power cost. This means that changes in the cost of purchased power do not affect income. The difference between the amount collected from customers and the amount paid to power suppliers for purchased power in any year due to timing differences is reflected on the balance sheet as an asset or liability, rather than on the income statement.

Failure to recognize equal amounts for the revenue and expense associated with purchased power when an adjustor mechanism is in effect is inconsistent with the USOA. This

mismatch results in a misstatement of income. Therefore, any pro forma adjustment to purchased power expense must be offset by an equal adjustment to base cost of power revenue.

Q. What is Staff's recommendation?

A. Staff recommends increasing base cost of power revenue by $168,755 to match the Cooperative's $391,381 purchased power expense and eliminating the $168,755 PCA as shown on Schedules CSB-7 and CSB-8.

Operating Margin Adjustment No. 2 – Dues, Sponsorships, Food, and Scholarships

Q. What is Columbus Electric proposing for dues, sponsorships, food, and scholarships?

A. Columbus Electric is proposing $2,334 for dues, sponsorships, food, and scholarships as shown on Schedule CSB-9.

Q. What ratemaking treatment does Staff recommend for these expenses?

A. Since charitable contributions, sponsorships, food, entertainment, and similar expenses are voluntary costs, the $2,334 expense is not necessary to provide service. Consequently, Staff recommends that it be recognized as non-operating expenses and excluded from the revenue requirement.

Q. What is Staff's recommendation?

A. Staff recommends decreasing operating expense by $2,334 as shown on Schedules CSB-6 and CSB-9.

Q. Does this conclude your Direct Testimony?

A. Yes, it does.

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule CSB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE Total System	(B) COMPANY FAIR VALUE New Mexico	(C) COMPANY FAIR VALUE Arizona	(D) STAFF FAIR VALUE Arizona
1	Adjusted Rate Base	$ 22,851,724	$21,067,114	$ 1,781,611	$ 1,699,565
2	Adjusted Operating Margins (Loss) Before Interest on L.T. Debt	$ 642,462	$ 719,035	$ (76,573)	$ (74,238)
3	Current Rate of Return (L2 / L1)	2.81%	3.41%	Not Meaningful	Not Meaningful
4	Proposed Operating Margins Before Interest on L.T. Debt	$ 869,371	$ 927,478	$ (58,107)	$ (55,772)
5	Proposed Rate of Return (L1 / L4)	3.80%	4.40%	Not Meaningful	Not Meaningful
6	Operating Income Deficiency (L4 - L2)	$ 226,909	$ 208,443	$ 18,466	$ 18,466
7	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	1.0000
8	**Required Revenue Increase (L7 * L6)**	$ 226,909	$ 208,443	$ 18,466	**$ 18,466**
9	Adjusted Test Year Revenue	$ 10,753,611	$10,100,244	$ 653,367	$ 653,367
10	Proposed Annual Revenue (L8 + L9)	$ 10,980,520	$10,308,687	$ 671,833	$ 671,833
11	Required Increase in Revenue (%)	2.11%	2.06%	2.83%	2.83%
12	Interest Expense on Long-term Debt	$ 618,238	$ 566,244	$ 51,994	$ 51,994
13	Operating TIER (L4+L12)/L12	2.41	2.64	Not Meaningful	Not Meaningful

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule CSB-2

LINE NO.		RATE BASE - ORIGINAL COST					
		[A] Total New Mexico and Arizona AS FILED	[B] New Mexico AS FILED	[C] Arizona AS FILED	[D] STAFF ADJUSTMENTS	REF SCH CSB-3	[E] STAFF AS ADJUSTED
1	Plant in Service	$ 33,143,455	$ 30,332,536	$ 2,810,919	$ -		$ 2,810,919
2	Less: Acc Depreciation & Amortization	(12,845,544)	(11,748,308)	(1,097,236)	-		(1,097,236)
3	Net Plant in Service	$ 20,297,911	$ 18,584,228	$ 1,713,683	$ -		$ 1,713,683
4	Construction Work In Progress (CWIP)	1,749,733	1,747,233	2,500	(2,500)	1	-
5	Net Plant in Service and CWIP	$ 22,047,644	$ 20,331,461	$ 1,716,183	$ (2,500)		$ 1,713,683
6							
7	*LESS:*						
8	Deferred Credits	$ -	$ -	$ -	$ -		$ -
9	Consumer Deposits	(232,584)	(218,466)	(14,118)	-		(14,118)
10	Total	(232,584)	(218,466)	(14,118)	-		(14,118)
11							
12	*ADD:*						
13	Cash Working Capital Allowance	$ 562,020	$ 517,745	$ 44,275	$ (44,275)	2	$ -
14	Materials and Supplies	431,531	396,737	34,794	(34,794)	2	-
15	Prepayments	43,113	39,637	3,476	(3,476)	2	-
16	Total	$ 1,036,664	$ 954,119	$ 82,545	$ (82,545)		$ -
17							
18	**Total Rate Base**	$ 22,851,724	$ 21,067,114	$ 1,784,610	$ (85,045)		$ 1,699,565

References:
Column A, Cooperative Corrected Schedule B-1
Columns B & C: Cooperative Schedule B-1.1
Column D: Schedule CSB-3
Column E: Column C + Column D

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule CSB-3

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	Acct. No.	DESCRIPTION	[A] Total New Mexico and Arizona AS FILED REF: Cooperative Schedule E-5	[B] New Mexico AS FILED REF: Cooperative Corrected Sch E-5.1	[C] Arizona AS FILED REF: Cooperative Schedule E-5.2	[D] Construction Work In Progress ("CWIP") ADJ No.1 Ref: Sch CSB-4	[E] Working Capital ADJ No. 2 Ref: Sch CSB-5	[F] STAFF ADJUSTED
1		*PLANT IN SERVICE:*						
		Intangible Plant						
2	301	Organization	$ 411	$ 374	$ 37	$ -	$ -	$ 37
3		*Transmission Plant*						
4	350	Right of Way	$ 13,557	$ 12,325	$ 1,232	$ -	$ -	$ 1,232
5	355	Poles and Fixtures	830,361	754,918	75,443	-	-	75,443
6	356	OH Conductors	561,524	510,506	51,018	-	-	51,018
7	359	Roads and Trails	19,200	17,456	1,744			1,744
8		Subtotal	$ 1,424,642	$ 1,295,205	$ 129,437	$ -	$ -	$ 129,437
9		*Distribution Plant*						
10	360	Land and Land Rights	$ 38,317	$ 35,296	$ 3,021	$ -	$ -	$ 3,021
11	362	Station Equipment	2,655,298	2,390,514	264,784	-	-	264,784
12	364	Poles, Towers, and Fixtures	8,969,920	8,355,245	614,675	-	-	614,675
13	365	OH Conductors	6,024,737	5,604,496	420,241	-	-	420,241
14	367	Distribution URD Plant	915,448	788,661	126,787	-	-	126,787
15	368	Line Transformers	5,751,301	5,209,872	541,429	-	-	541,429
16	369	Services	2,079,349	1,911,907	167,442	-	-	167,442
17	370	Meters	1,656,595	1,428,205	228,390	-	-	228,390
18	371	Installation On Consumer's Premises	325,236	310,543	14,693	-	-	14,693
19		Subtotal	$ 28,416,201	$ 26,034,739	$ 2,381,462	$ -	$ -	$ 2,381,462
20								
21		*General Plant*						
22	389	Land and Land Rights	$ 21,947	$ 19,953	$ 1,994	$ -	$ -	$ 1,994
23	390	Structures and Improvements	976,577	887,850	88,727	-	-	88,727
24	391	Office Furniture and Equipment	445,285	404,828	40,457	-	-	40,457
25	392	Transportation Equipment	1,341,943	1,220,020	121,923	-	-	121,923
26	393	Stores Equipment	14,831	13,484	1,347	-	-	1,347
27	394	Shop & Garage Equipment	107,483	97,718	9,765	-	-	9,765
28	395	Laboratory Equipment	169,652	154,238	15,414	-	-	15,414
29	396	Power Operated Equipment	154,214	140,230	13,984	-	-	13,984
30	397	Communications Equipment	70,269	63,897	6,372	-	-	6,372
31		Subtotal	$ 3,302,201	$ 3,002,218	$ 299,983	$ -	$ -	$ 299,983
32								
33		Total Plant in Service	$ 33,143,455	$ 30,332,538	$ 2,810,919	$ -	$ -	$ 2,810,919
34		Construction Work In Progress (CWIP)	1,749,733	1,747,233	2,500	(2,500)	-	-
35		***Total Plant in Service and CWIP***	**$ 34,893,188**	**$ 32,079,769**	**$ 2,813,419**	**$ (2,500)**	**$ -**	**$ 2,810,919**
36								
37		**Accumulated Depreciation**						
38		Accumulated Depr-Transmission Plant	$ (1,100,444)	$ (1,001,363)	$ (99,081)	$ -	$ -	$ (99,081)
39		Accumulated Depr-Distribution Plant	(9,813,171)	(8,990,487)	(822,684)	-	-	(822,684)
40		Accumulated Depr-General Plant	(1,931,929)	(1,756,458)	(175,471)	-	-	(175,471)
41		Total Accumulated Depreciation & Amortization	$ (12,845,544)	$ (11,748,308)	$ (1,097,236)	$ -	$ -	$ (1,097,236)
42								
43		Net Plant in Service	$ 22,047,644	$ 20,331,461	$ 1,716,183	$ (2,500)	$ -	$ 1,713,683
44								
45		*LESS:*						
46		Deferred Credits	$ -	$ -	$ -	$ -	$ -	$ -
47		Consumer Deposits	(232,584)	(218,466)	(14,118)	-	-	(14,118)
48		Total	$ (232,584)	$ (218,466)	$ (14,118)	$ -	$ -	$ (14,118)
49								
50		*ADD:*						
51		Cash Working Capital Allowance	$ 562,020	$ 517,745	$ 44,275	$ -	$ (44,275)	$ -
52		Materials and Supplies	431,531	396,737	34,794	-	(34,794)	-
53		Prepayments	43,113	39,637	3,476	-	(3,476)	-
54		Total	$ 1,036,664	$ 954,119	$ 82,545	$ -	$ (82,545)	$ -
55								
56		Rounding	$ -	$ -	$ 1	$ -	$ -	$ -
57								
58		**Total Rate Base**	$ 22,851,724	$ 21,067,114	$ 1,784,611	$ (2,500)	$ (82,545)	$ 1,699,565

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule CSB-4

RATE BASE ADJUSTMENT NO. 2 - CONSTRUCTION WORK IN PROGRESS ("CWIP")

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Arizona Plant in Service	$ 2,810,919	$ -	$ 2,810,919
2	Arizona Construction Work In Progress	2,500	(2,500)	-
3	Total Plant	$ 2,813,419	$ (2,500)	$ 2,810,919

References:
Column A: Cooperative Schedule E-5.2; Schedule CSB-3
Column B: Testimony, CSB; Schedule CSB-3
Column C: Column A + Column B

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule CSB-5

RATE BASE ADJUSTMENT NO. 2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Arizona Cash Working Capital	$ 44,275	$ (44,275)	$ -
2	Arizona Materials and Supplies	$ 34,794	$ (34,794)	$ -
3	Arizona Prepayments	$ 3,476	$ (3,476)	$ -
4	**Total Working Capital**	**$ 82,545**	**$ (82,545)**	**$ -**

	Cooperative Sch B-1.1
Cash Working Capital - Power	$ 12,867
Cash Working Capital - Other Expenses	$ 31,408
Arizona Cash Working Capital	$ 44,275

References:
Column A: Cooperative Schedules B-1.1
Column B: Testimony, CSB
Column C: Column A + Column B

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule CSB-6

OPERATING MARGIN - TEST YEAR AND STAFF RECOMMENDED

Line No.	DESCRIPTION	[A] COOPERATIVE - TEST YEAR AS FILED TOTAL	[B] NEW MEXICO	[C] ARIZONA	[D] STAFF TEST YEAR ADJUSTMENTS	[E] REF SCH CSB-7	[F] STAFF TEST YEAR AS ADJUSTED	[G] STAFF RECOMMENDED CHANGES	[H] STAFF RECOMMENDED
	REVENUES:								
1	Margin Revenue (Non-Power)	$ 4,507,859	$ 4,247,327	$ 260,532	$ -		$ 260,532	$ 18,466	$ 278,998
2									
3	Base Cost of Power Revenue	$ 3,564,366	$ 3,341,740	$ 222,626	$ 168,755	1	$ 391,381	$ -	$ 391,381
4	Power Cost Adjustor (PCA)	$ 2,657,437	$ 2,488,683	$ 168,754	$ (168,754)	1	$ -	$ -	$ -
5	Rounding	$ 1	0	$ 1	$ (1)	1	$ -	$ -	$ -
6	Base Cost of Power and Adjustor Revenue	$ 6,221,804	$ 5,830,423	$ 391,381	$ -		$ 391,381	$ -	$ 391,381
7									
8	Total Revenue from Sales of Electricity	$ 10,729,663	$ 10,077,750	$ 651,913	$ -		$ 651,913	$ 18,466	$ 670,379
9									
10	Other Revenues	$ 23,948	$ 22,494	$ 1,454	$ -		$ 1,454	$ -	$ 1,454
11	**Total Revenues**	**$ 10,753,611**	**$ 10,100,244**	**$ 653,367**	**$ -**		**$ 653,367**	**$ 18,466**	**$ 671,833**
12									
13	*EXPENSES:*								
14	Cost of Power	$ 6,137,571	$ 5,746,190	$ 391,381	$ -		$ 391,381	$ -	$ 391,381
15	Transmission Expense	17,258	15,867	1,391	$ -		$ 1,391	$ -	$ 1,391
16	Distribution - Operations	688,200	632,731	55,469	$ -		$ 55,469	$ -	$ 55,469
17	Distribution - Maintenance	310,584	285,551	25,033	$ -		$ 25,033	$ -	$ 25,033
18	Customer Accounts	501,958	456,430	45,528	$ -		$ 45,528	$ -	$ 45,528
19	Customer Accounts & Information	150,772	137,097	13,675	$ -		$ 13,675	$ -	$ 13,675
20	Administrative & General	1,253,151	1,139,490	113,661	$ (2,334)	2	$ 111,326	$ -	$ 111,326
21	Depreciation	1,003,366	922,495	80,871	$ -		$ 80,871	$ -	$ 80,871
22	Other Deductions	48,289	45,358	2,931	$ -		$ 2,931	$ -	$ 2,931
23				0	$ -		$ -	$ -	$ -
24	**Total Operating Expenses**	**$ 10,111,149**	**$ 9,381,209**	**$ 729,940**	**$ (2,334)**		**$ 727,605**	**$ -**	**$ 727,605**
25									
26	**Operating Margin Before Interest on L.T.- Debt**	**$ 642,462**	**$ 719,035**	**$ (76,573)**	**$ 2,334**		**$ (74,238)**	**$ -**	**$ (55,772)**
27									
28	***INTEREST ON LONG-TERM DEBT & OTHER DEDUCTIONS***								
29	Interest on Long-term Debt	$ 618,238	$ 566,244	$ 51,994	$ -		$ 51,994	$ -	$ 51,994
30	Interest - Other	$ -	$ -	$ -	$ -		$ -	$ -	$ -
31	Other Dedcutions	$ -	$ -	$ -	$ -		$ -	$ -	$ -
32	**Total Interest & Other Deductions**	$ 618,238	$ 566,244	$ 51,994	$ -		$ 51,994	$ -	$ 51,994
33									
34	***MARGINS (LOSS) AFTER INTEREST EXPENSE***	$ 24,224	$ 152,791	$ (128,567)	$ 2,334		$ (126,232)	$ -	$ (107,766)
35									
36	***NON-OPERATING MARGINS***								
37	Interest Income	$ 22,134	$ 20,126	$ 2,008	$ -		$ 2,008	$ -	$ 2,008
38	Other Margins	$ 7,647	$ 6,953	$ 694	$ -		$ 694	$ -	$ 694
39	G&T Capital Credits	$ 750,995	$ 682,880	$ 68,115	$ -		$ 68,115	$ -	$ 68,115
40	Other Capital Credits	$ 28,538	$ 25,950	$ 2,588	$ -		$ 2,588	$ -	$ 2,588
41	**Total Non-Operating Margins**	$ 809,314	$ 735,909	$ 73,405	$ -		$ 73,405	$ -	$ 73,405
42									
43	***NET MARGINS (LOSS)***	$ 833,538	$ 888,700	$ (55,162)	$ 2,334		$ (52,827)	$ -	$ (34,361)

References:
Columns A: Column B + Column C
Columns B and C: Cooperative Schedule C-1.1 and C-1.2
Column D: Schedule CSB-7
Column E: Schedule CSB-7
Column F: Column C + Column D
Column G: Schedule CSB-1
Column H: Column F + Column G

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule CSB-7

SUMMARY OF OPERATING MARGIN ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] ARIZONA COMPANY AS FILED	[B] ADJ #1 Base Cost of Power and Pwr Cost Adjustor Ref: Sch CSB-8	[C] ADJ #2 Dues, Sponsorships, Food, and Scholarships Ref: Sch CSB-9	[D] STAFF ADJUSTED
	REVENUES:				
1	Margin Revenue (Non-Power)	$ 260,532	$ -	$ -	$ 260,532
2					$ -
3	Base Cost of Power Revenue	$ 222,626	$ 168,755	$ -	$ 391,381
5	Power Cost Adjustor (PCA)	168,754	(168,754)	-	-
6	Rounding	1	(1)	-	-
7	Base Cost of Power and Adjustor Revenue	$ 391,381	$ -	$ -	$ 391,381
8					
9	Total Revenue from Sales of Electricity	$ 651,913	$ -	$ -	$ 651,913
10					
12	Other Revenues	$ 1,454	-	-	1,454
13	**Total Revenues**	**$ 653,367**	**$ -**	**$ -**	**$ 653,367**
14					
15	***OPERATING EXPENSES:***				
16	Cost of Power	$ 391,381	$ -	$ -	$ 391,381
17	Transmission Expense	1,391	-	-	1,391
18	Distribution - Operations	55,469	-	-	55,469
19	Distribution - Maintenance	25,033	-	-	25,033
20	Customer Accounts	45,528	-	-	45,528
21	Customer Accounts & Information	13,675	-	-	13,675
22	Administrative & General	113,661	-	(2,334)	111,326
23	Depreciation	80,871	-	-	80,871
24	Other Deductions	2,931	-	-	2,931
25		-	-	-	-
26	**Total Operating Expenses**	**$ 729,940**	**$ -**	**$ (2,334)**	**$ 727,605**
27					
28	**Operating Margin Before Interest on L.T.- Debt**	**$ (76,573)**	**$ -**	**$ 2,334**	**$ (74,238)**
29					
30	***INTEREST ON LONG-TERM DEBT & OTHER DEDUCTIONS***				
31	Interest on Long-term Debt	$ 51,994	$ -	$ -	$ 51,994
32	Interest - Other	$ -	-	-	-
33	Other Dedcutions	-	-	-	-
34	**Total Interest & Other Deductions**	$ 51,994	$ -	$ -	$ 51,994
35					
36	***MARGINS (LOSS) AFTER INTEREST EXPENSE***	**$ (128,567)**	**$ -**	**$ 2,334**	**$ (126,232)**
37					
38	***NON-OPERATING MARGINS***				
39	Interest Income	$ 2,008	$ -	$ -	$ 2,008
40	Other Margins	694	-	-	694
41	G&T Capital Credits	68,115	-	-	68,115
42	Other Capital Credits	2,588	-	-	2,588
43	**Total Non-Operating Margins**	$ 73,405	$ -	$ -	$ 73,405
44					
45	***EXTRAORDINARY ITEMS***	$ -	-	-	-
46					
47	***NET MARGINS (LOSS)***	$ (55,162)	$ -	$ 2,334	$ (52,827)

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Schedule CSB-8

OPERATING MARGIN ADJUSTMENT NO. 1 - POWER REVENUE AND POWER COST ADJUSTOR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	***Revenues***			
2	Base Cost of Power Revenue ("BCOP")	$ 222,626	$ -	$ 222,626
3	To Match Coop Power Rev to Coop Proposed Power Exp	-	168,755	168,755
4	Total Power Revenue	$ 222,626	$ 168,755	$ 391,381
5	To Increase Power Rev to Staff's Recommended Pur Pwr	-	-	-
6		$ 222,626	$ 168,755	$ 391,381
7	To Eliminate Power Cost Adjustor ("PCA")	168,754	(168,754)	-
8	Rounding	1	(1)	-
9	**Total Base Cost of Power and PCA Revenue**	**$ 391,381**	**$ -**	**$ 391,381**
10	***Expenses***			
11	**Total Purchased Power Expense**	**$ 391,381**	**$ -**	**$ 391,381**
12	**Operating Margin (Line 11 - Line 13)**	**$ 0**	**$ -**	**$ 0**
13				
14				
15				
16		Current Base Cost of Power Revenue		
17	Test Year Sales (In kWhs)	5,336,201	-	5,336,201
18	Multiplied by: Base Cost of Power per kWh	0.04172	-	0.04172
19	Total Base Cost of Power	$ 222,626	$ -	$ 222,626

References:
- Column A: Cooperative Schedules C-1.2 and F-4
- Column B: Testimony, CSB
- Column C: Column A + Column B

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

OPERATING MARGIN ADJUSTMENT NO. 2 - DUES, SPONSORSHIPS, FOOD AND SCHOLARSHIPS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED CSB 5-2	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Administrative & General Expense	$ 113,661	(2,334)	$ 111,326

		From Data Request Response CSB 1-8
Total Dues, Sponsorships, Food, &Scholarships	$	25,738
Multiplied by Arizona Allocation Rate	x	9.07%
	$	2,334

Dues		
Deming Chamber of Commerce	$	750
Deming Rotary Club	$	660
Silver Spikes	$	325
	$	1,735

Sponsorships		
Citizens for DPS	$	1,200
Friends of Pancho Villa	$	100
Deming T-Ball	$	300
Deming Chamber of Commerce	$	200
Cancer Support of Deming	$	1,000
Deming Rotary Club	$	100
Class Act	$	500
Omega Alpha	$	200
Rodeo Community Association	$	200
Wildcat Baseball	$	250
Wildcat Football	$	400
DHS Athletic Program	$	250
Hidalgo County Fair Board	$	35
Deming Band Boosters	$	30
Wildcat Basketball	$	300
Rio Mimbres Ladies Golf	$	250
Hidalgo County Fair	$	200
Hidalgo County Fair Association	$	565
Rio Mimbres Pro Golf Shop	$	600
Wildcat Football	$	300
Great American Outhouse Race	$	200
Rio Mimbres Pro Shop	$	175
Deming Rotary Club	$	100
Community Health Foundation	$	500
Shop with a Cop	$	200
VFW Ladies Auxiliary	$	8,155
Total Sponsorships		16,310.00

References:
Column A: Cooperative Schedule C-1.2
Column B: Test., CSB; Data Requ. Resp CSB 1-8
Column C: Column [A] + Column [B]

OPERATING MARGIN ADJUSTMENT NO. 2 - DUES, SPONSORSHIPS, FOOD AND SCHOLARSHIPS CONTINUED

Luncheons & Dinners		
Cotton City 4-H	$	500
Employees Parties, Picnics, Etc.		
Rio Mimbres Pro Country Club	$	50
Old Glory Outpost	$	404
George Ortiz	$	350
Smrkovsky's Catering	$	1,809
First New Mexico Bank - prize money	$	330
	$	2,943
Scholarships	$	4,250
TOTAL	$	25,738

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF COLUMBUS ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF A RATE INCREASE	))))	DOCKET NO. E-01851A-09-0305

DIRECT

TESTIMONY

OF

CANDREA ALLEN

PUBLIC UTILITIES ANALYST

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JANUARY 14, 2010

TABLE OF CONTENTS

SCHEDULES

EXECUTIVE SUMMARY
COLUMBUS ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01851A-09-0305

Staff's testimony contains recommendations regarding the proposed changes to Columbus Electric Cooperative Inc.'s ("Columbus") Monthly Customer Charges. In addition, Staff's testimony includes recommendations regarding Columbus' base cost of purchased power and its fuel and purchased power cost adjustment mechanism. Further, Staff's testimony includes recommendations regarding various miscellaneous issues not specified in Columbus' application.

INTRODUCTION

Q. Please state your name and business address.

A. My name is Candrea Allen. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. By whom are you employed and in what capacity?

A. I am employed by the Arizona Corporation Commission ("Commission") Utilities Division ("Staff") as a Public Utilities Analyst. My duties include evaluation of various utility applications and review of utility tariff filings.

Q. Please describe your educational background and work experience.

A. I have a Bachelor of Arts from the University of Oklahoma. I have been employed by the Arizona Corporation Commission for approximately three years.

Q. As part of your employment responsibilities were you assigned to review matters contained in Docket No. E-01851A-09-0305?

A. Yes.

Q. What is the purpose of your testimony in this case?

A. My testimony provides Staff's recommendations regarding the proposed changes to Columbus Electric Cooperative Inc.'s ("Columbus") Monthly Customer Charges. In addition, my testimony includes Staff's recommendations regarding Columbus' base cost of purchased power and its Purchased Power Adjustment mechanism. Further, my testimony includes Staff's recommendations regarding various miscellaneous issues not specified in Columbus' application.

BASE COST OF PURCHASED POWER

Q. Is Columbus proposing to change its base cost of power?

A. No. Columbus is not proposing to change its base cost of power. Currently, Columbus has a base cost of power of $0.04172 per kilowatt hours ("kWh").

Q. What has Columbus' actual cost of power been since January 2009?

A. According to Columbus' fuel adjustor reports on file with the Commission, during the period from January 2009 through October 2009 the actual cost of power has ranged from a low of $0.068442 per kWh in April to a high of $0.080739 per kWh in July. See the table below:

Table 1: Unit cost of Purchased Power (2009)

Jan-09	$0.079123
Feb-09	$0.072023
Mar-09	$0.077357
Apr-09	$0.068442
May-09	$0.077050
Jun-09	$0.078961
Jul-09	$0.080739
Aug-09	$0.070566
Sept-09	$0.071797
Oct-09	$0.077256

Q. Did Staff calculate the average cost of power for Columbus?

A. Yes. Using the 2009 information provided in Columbus' fuel adjustor reports, Staff calculated Columbus' average cost of power from January 2009 through October 2009 to be 0.075108 per kWh.

Q. How did Staff arrive at this number?

A Staff calculated the average cost of power by totaling Columbus' monthly purchase power costs from its adjustor reports from January 2009 through October 2009 and then dividing the resulting number by the total number of kWh sold to customers during the January 2009 through October 2009 period. This number reflects more accurate and updated information by using post-Test Year increase in the cost of power.

Q. If power costs are in excess of the recommended base cost would Columbus still be able to recover its fuel and purchased power costs? In the alternative, if costs decrease, would Columbus be able to return over-collections to customers?

A. Yes. Columbus would be able to resolve any difference between its base cost of power and its actual purchased power costs through its Purchased Power Adjustment mechanism.

Q. What is Staff's recommendation regarding Columbus' base cost of power?

A. Staff recommends that Columbus' current base cost of power of $0.04172 remain unchanged. Staff believes that any difference between the base cost of power included in base rates and its actual purchased power costs can be recovered through the purchased power adjustment mechanism. In addition, the proposed rates in Arizona are identical to the rates approved by the New Mexico Public Regulation Commission. Staff believes that maintaining the same rates for each customer class in both states is just and reasonable.

FUEL AND PURCHASED POWER COST ADJUSTMENT MECHANISM AND BANK BALANCE

Q. Please describe Columbus' fuel and purchased power cost adjustment ("FPPCA") mechanism.

A. The FPPCA mechanism identified in Columbus' tariffs allows Columbus to recover or refund its power cost to customers when the actual cost of purchased power rises above or falls below the base cost of power built into the rates. The bank balance simply reflects the accrual of these revenues over time. The FPPCA mechanism is adjusted periodically to reduce large over collected or under collected bank balances.

Q. What is Columbus' current FPPCA rate and bank balance?

A. As of October 31, 2009, Columbus' FPPCA was $0.0295558. As of October 31, 2009, the bank balance was under collected by $26,189.

An under-collected balance indicates that Columbus collected less than its actual cost of power. In 2008, the bank balance was under-collected by varying amounts throughout the year. In 2008, the bank balance fluctuated from a low of $6,526 in April to a high of $24,127 in June. From January 2009 through October 2009, the bank balance fluctuated from a low of $5,586 to a high of $26,189 in October.

Q. Does Columbus have the authority to manage its bank balance by changing its FPPCA rate?

A. Yes. Columbus currently has the authority to change its FPPCA rate without Commission approval. With the exception of Sulphur Springs Valley Electric Cooperative, Inc. (Decision No. 71274), electric cooperatives in Arizona do not require Commission approval to change this rate.

Q. Is Staff proposing any changes to the way in which Columbus manages its fuel and Purchased Power Cost Adjustment mechanism?

A. No. At this time, Staff does not believe that there has been substantial under-collected bank balances to warrant a change in the way Columbus manages its FPPCA. In addition, Staff notes that during the test year and during the period from January 2009 through October 2009, Columbus did not have any over-collected bank balances.

MONTHLY CUSTOMER CHARGES

Q. Has Columbus proposed any changes to the rates and charges for other services?

A. Yes. Columbus is proposing to make the following changes to its monthly customer charges:

Monthly Customer Charge by Customer Class	Current Rate	Proposed Rate	Difference
Schedule A-Residential	$9.50	$12.35	$2.85
Schedule A-Residential (TOU)*	$12.00	$15.60	$3.60
Schedule B-Small Commercial	$12.50	$16.25	$3.75
Schedule B-Small Commercial (TOU)*	$15.00	$19.50	$4.50
Schedule I-Electric Irrigation	$25.00	$32.50	$7.50
Schedule I-Electric Irrigation (TOU)*	$35.00	$45.50	$10.50
Schedule AS-Agricultural**	$50.00	$65.50	$15.50

*TOU=Time of Use
**Schedule AS does not have an associated TOU rate

Columbus has indicated that the monthly customer charges listed in the above table are being increased to reflect the increased costs in its operating expenses as well as labor and material costs. The proposed increase would apply to all Columbus' customer classes except its Lighting Service customers.

Q. Is Staff making any changes to Columbus' proposed Monthly Customer Charges?

A. No. Staff is not making any changes to Columbus' proposed Monthly Customer Charges. Staff believes that the proposed charges will help cover the increased costs incurred by Columbus. Historically, Columbus' Arizona and New Mexico customers have been subject to the same rates and charges. The Monthly Customer Charges proposed by Columbus are equal to the Monthly Customer Charges that have already been approved by the New Mexico Public Regulation Commission. In its application, Columbus states that its customers in Arizona and New Mexico are identical in characteristic as well as the geographic area. Therefore, the service requirements of its Arizona and New Mexico customers are provided in the same manner, irrespective of jurisdiction.

Q. Is Columbus proposing any changes to other rates or charges?

A. No. Columbus is only proposing changes to its Monthly Customer Charges.

RATE DESIGN

Q. Has Staff prepared a schedule showing the existing, Company-proposed, and Staff recommended rates and service charges?

A. Yes. Schedule CLA-1 shows existing rates, the Company-proposed rates and Staff's recommended rates.

Q. Please describe Staff's proposed rate design.

A. As shown in Schedule CLA-1, Staff's recommended rates are the same as Columbus' proposed rates. As shown in CLA-3, under the proposed rates at the Test Year consumption level, revenue from the residential customers in Arizona would increase by 4.38 percent.

Q. Please describe Columbus' proposed and Staff's recommended rate design and its effect on Columbus' various customer classes.

A. A typical bill analysis reflecting the effect of Columbus' proposed and Staff's recommended rate increases on customers with various kWh usage levels is provided on Schedule CLA-2. For each rate class specified, Staff believes that Columbus' proposed monthly customer charges are reasonable.

MISCELLANEOUS ISSUES

Line and Service Extensions

Q. Has Columbus proposed to modify the rules and regulations of its Line and Service Extensions?

A. No. Columbus has not proposed to modify any portion of the rules and regulations of its Line and Service Extensions.

Q. Does Staff wish to address any issues regarding Columbus' current Line and Service Extensions?

A. Yes. Currently, the rules and regulations of Columbus' Line and Service Extensions include a section that describes the instances where the Company would provide line and service extensions without charge to the customer.

Currently, in order to determine if a customer will be charged for a line and service extension, Columbus performs an economic feasibility study. If the investment is not more than five times the estimated annual revenue less fuel and purchased power, Columbus will construct with no charge to the customer. Staff believes that Columbus should revise its rules and regulations for line and service extensions to remove the language referring to an economic feasibility study. This will ensure that Columbus' rules

and regulations for line and service extensions are consistent with recent Commission decisions issued for other electric utilities which have eliminated free line extensions.

Staff notes that elimination of free line extensions has been granted by the Commission for Arizona Public Service Company (Decision No. 70185), Graham County Electric Cooperative, Inc. (Decision No. 70289), Trico Electric Cooperative, Inc. (Decision No. 71230), and UNS Electric, Inc. (Decision No. 70360). In addition, Staff notes that according to Columbus, there were no customers who were given free line extensions during the test year.

Tariff Matter-Bill Estimation Tariff

Q. Does Staff wish to address any additional issues related to this rate case proceeding?

A. Yes. Currently, Columbus' rules and regulations do not include detailed and specific bill estimation procedures that would be implemented in cases where Columbus is unable to obtain actual meter reads. In recent Commission rate case Decisions, applicants have been ordered to file separate tariffs describing their bill estimation methodologies.

Q. What are Staff's recommendations regarding Columbus' bill estimation procedures?

A. Staff recommends that Columbus submit through Docket Control a separate tariff describing its bill estimation methodologies for Commission consideration within thirty days of a Decision in this matter. The tariff should address, but not be limited to, the following terms and conditions:

1. Conditions under which estimated bills will be billed to customers.

2. Notice of estimation clearly noted on estimated bills that are rendered to customers.

3. Estimation procedures that explicitly address the conditions and procedures for estimated bills such as kWh estimates where: a) at least one year of premise history exists for the same customer at the same premise or a new customer with at least one year of premise history; b) less than one year of premise history for the same customer at the same premise exists; c) less than one year of premise history exists for a new customer but some premise history exists for a new customer; and d) no prior consumption history exists.

4. Variations in estimation methods for differing conditions such as cases involving meter tampering or damaged meters.

5. Conditions where bill estimations will be developed automatically or manually.

6. Conditions where special procedures may be required such as the installation of meters with automatic reading capabilities, the need to estimate first and final bills, and the requirement to use customer specific data to complete an estimate.

7. Where applicable, clearly indicate that estimation procedures will be in accordance with Arizona Administrative Code R14-2-210 and any other applicable section.

Demand-Side Management ("DSM") Adjustor

Q. Does Columbus currently have Commission-approved DSM programs?

A. No. Currently, Columbus does not have any Commission-approved DSM programs. However, Columbus does have an Energy Management and Conservation Plan that has been filed in compliance with the New Mexico Administrative Code. Columbus has indicated that this plan is available to all its customers in Arizona and New Mexico.

Q. Does Staff recommend that a DSM adjustor be established for Columbus?

A. Yes.

Q. What is the purpose of establishing a DSM adjustor for Columbus if it does not currently have any Commission-approved DSM programs?

A. Should Columbus have a Commission-approved program, or programs, at some future date, it will be necessary to recover the associated costs. In order to recover the costs, it is necessary to have a DSM adjustor mechanism in place. A rate case is the most appropriate forum in which to establish a DSM adjustor.

Q. Will Columbus be required to begin utilizing the DSM adjustor, without further Commission action, if one is established in this rate case?

A. No. The DSM adjustor being recommended by Staff in this rate case could only be used to recover potential DSM costs. Such costs can not be recovered unless and until the Commission approves DSM programs and DSM cost recovery for Columbus.

Q. Please describe how the DSM adjustor should operate for Columbus.

A. If Columbus is granted Commission approval of DSM programs and begins recovering the costs of said Commission-approved DSM programs, Staff recommends that the associated

costs be assessed to all of Columbus' Arizona electric customers, unless specifically exempted by the Commission. The DSM surcharge once established, should be based on a per kWh charge and appear as a single line item, clearly marked, on customers' bills. This will ensure that customers are provided with the maximum level of transparency when reviewing their bills. Only DSM costs should be recovered through the DSM adjustor. Any recovery for the first year of activity should be based on projections reviewed and approved by the Commission. Any over-collections or under-collections for DSM costs in subsequent years should be monitored in a DSM bank balance and any balance should be trued up annually, when the DSM adjustor rate is recalculated. The DSM adjustor rate should be reset annually on a date set by the Commission, and the new adjustor rate must be approved by the Commission.

Q. Is Staff recommending that Columbus file DSM programs for Commission Approval?

A. Yes. Staff recommends that within six months of the effective date of a Decision in this matter, Columbus file a DSM program(s) for Commission approval.

Other

Q. Has Columbus proposed additional revisions to any of its tariffs?

A. Yes. On October 13, 2009, Columbus filed a revised version of its Agricultural Service (Schedule AS) tariff. Columbus is proposing to change the current language in the Availability and Monthly Rate sections of the tariff. Columbus states that the changes more clearly define the customers eligible for this rate and make the rate more readily available to customers. Staff has no objection to Columbus' additional proposed revisions to its Agricultural Service tariff.

In addition, Columbus filed a revised Irrigation Service (Schedule I) tariff. Columbus is proposing to transfer two hours per day usage from the On Peak rate to the Off Peak rate. Columbus states that this revision is to the advantage of the customers serviced under this rate schedule and allows the customers more flexibility in the use of this rate. Staff has no objection to Columbus' additional proposed revisions to its Irrigation Service Tariff.

SUMMARY OF STAFF RECOMMENDATIONS

Q. Please summarize Staff's recommendations.

A. Staff recommends the following:

1. Staff recommends that its proposed modifications to Columbus' rules and regulations for line and service extensions be adopted, as specified in this testimony.

2. Staff recommends that any potential customer who has been given a free line and service extension estimate or quote by Columbus up to one year prior to an Order in this matter should be given the free line and service extensions as specified in Columbus' current rules and regulations for line and service extensions.

3. Staff recommends that within thirty days of a decision in this matter, Columbus file with Docket Control, in a separate docket, for Commission consideration, a tariff describing its bill estimation procedures.

4. Staff recommends that Columbus file a DSM program(s) for Commission consideration within six months of the effective date of a Decision in this matter.

5. Staff recommends that a DSM adjustor mechanism be established for Columbus to allow recovery of DSM costs in the event that the Commission approves one or more DSM programs for Columbus.

6. Staff recommends that the following proposed Monthly Customer Charges approved:

Monthly Customer Charge by Customer Class	**Proposed Rate**
Schedule A-Residential	$12.35
Schedule A-Residential (TOU)*	$15.60
Schedule B-Small Commercial	$16.25
Schedule B-Small Commercial (TOU)*	$19.50
Schedule I-Electric Irrigation	$32.50
Schedule I-Electric Irrigation (TOU)*	$45.50
Schedule AS-Agricultural**	$65.50

Q. Does this conclude your Direct Testimony?

A. Yes it does.

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

RATE DESIGN

	A	B	C
	Company		Staff
Residential	Current	Proposed	Proposed
Regular Rate			
Monthly Customer Charge	$ 9.50	$ 12.35	$ 12.35
Energy Charge (kWh)	$ 0.08640	$ 0.08640	$ 0.08640
FPPCA*	$ 0.03162	$ 0.03162	$ 0.03162
Time of Use (TOU) Rate			
Monthly Customer Charge	$ 12.00	$ 15.60	$ 15.60
Energy Charge (kWh)			
On Peak	$ 0.09750	$ 0.09750	$ 0.09750
Off Peak	$ 0.06000	$ 0.06000	$ 0.06000
FPPCA	$ 0.03162	$ 0.03162	$ 0.03162

*Annual (Test Year) Average Fuel and Purchased Power Cost Adjustment Factor

	A	B	C
	Company		Staff
Small Commercial	Current	Proposed	Proposed
Regular Rate			
Monthly Customer Charge	$ 12.50	$ 16.25	$ 16.25
Energy Charge (kWh)	$ 0.08220	$ 0.08220	$ 0.08220
FPPCA	$ 0.03162	$ 0.03162	$ 0.03162
Time of Use (TOU) Rate*			
Monthly Customer Charge	$ 15.00	$ 19.50	$ 19.50
Energy Charge (kWh)			
On Peak	$ 0.09220	$ 0.09220	$ 0.09220
Off Peak	$ 0.05900	$ 0.05900	$ 0.05900
FPPCA	$ 0.03162	$ 0.03162	$ 0.03162

*Staff notes that there are no Arizona customers in this class using time of use rates.

	A	B	C
	Company		Staff
Irrigation	Current	Proposed	Proposed
Regular Rate			
Monthly Customer Charge	$ 25.00	$ 32.50	$ 32.50
Energy Charge (kWh)	$ 0.92000	$ 0.92000	$ 0.92000
FPPCA	$ 0.03162	$ 0.03162	$ 0.03162
Time of Use (TOU) Rate			

Monthly Customer Charge	$ 35.00	$ 45.50	$ 45.50
Energy Charge (kWh)			
On Peak	$ 0.10300	$ 0.10300	$ 0.10300
Off Peak	$ 0.06000	$ 0.06000	$ 0.06000
FPPCA	$ 0.03162	$ 0.03162	$ 0.03162

	A	B	C
	Company		Staff
Lighting Service	**Current**	**Proposed**	**Proposed**
Regular Rate			
Monthly Customer Charge			
175 Watt Mercury Vapor Lamps	$ 11.75	$ 11.75	$ 11.75
400 Watt Mercury Vapor Lamps	$ 23.50	$ 23.50	$ 23.50
100 Watt high Pressure Sodium	$ 13.50	$ 13.50	$ 13.50
FPPCA	$ 0.03162	$ 0.03162	$ 0.03162

	A	B	C
	Company		Staff
Agriculture	**Current**	**Proposed**	**Proposed**
Regular Rate			
Monthly Customer Charge	$ 50.00	$ 65.00	$ 65.00
Energy Charge (kWh)	$ 0.06950	$ 0.06950	$ 0.06950
FPPCA	$ 0.03162	$ 0.03162	$ 0.03162

References:
Column A, Company Schedule H-1
Column B, Company Schedule H-1
Column C, Staff

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Bill Analysis

		A	B	C	D	E	F	G
		Company				Staff		
Residential	kWh	Present Bill	Proposed Bill	Difference	Difference %	Proposed Bill	Difference	Difference %
	0	$ 9.50	$ 12.35	$ 2.85	30.00%	$ 12.35	$ 2.85	30.00%
	50	$ 15.40	$ 18.25	$ 2.85	18.51%	$ 18.25	$ 2.85	18.51%
	250	$ 39.01	$ 41.86	$ 2.85	7.31%	$ 41.86	$ 2.85	7.31%
	500	$ 68.51	$ 71.36	$ 2.85	4.16%	$ 71.36	$ 2.85	4.16%
	750	$ 98.02	$ 100.87	$ 2.85	2.91%	$ 100.87	$ 2.85	2.91%
	1000	$ 127.52	$ 130.37	$ 2.85	2.23%	$ 130.37	$ 2.85	2.23%
	1500	$ 186.53	$ 189.38	$ 2.85	1.53%	$ 189.38	$ 2.85	1.53%
Rate:								
Customer Charge		$ 9.50	$ 12.35			$12.35		
Energy Charge		$ 0.08640	$ 0.08640			$0.08640		
FPPCA*		$ 0.03162	$ 0.03162			$0.03162		

*Annual (Test Year) Average Fuel and Purchased Power Cost Adjustment Factor

		Company				Staff		
Residential TOU	kWh	Present Bill	Proposed Bill	Difference	Difference %	Proposed Bill	Difference	Difference %
	500	$ 65.31	$ 68.91	$ 3.60	5.51%	$ 68.91	$ 3.60	5.51%
	750	$ 91.97	$ 95.57	$ 3.60	3.91%	$ 95.57	$ 3.60	3.91%
	1000	$ 118.62	$ 122.22	$ 3.60	3.03%	$ 122.22	$ 3.60	3.03%
	1500	$ 171.93	$ 175.53	$ 3.60	2.09%	$ 175.53	$ 3.60	2.09%
Rate:								
Customer Charge		$ 12.00	$ 15.60			$15.60		
Energy Charge-On Peak		$ 0.09750	$ 0.09750			$0.09750		
Energy Charge-Off Peak		$ 0.06000	$ 0.06000			$0.06000		
FPPCA		$ 0.03162	$ 0.03162			$0.03162		

		Company				Staff		
Small Commercial	kWh	Present Bill	Proposed Bill	Difference	Difference %	Proposed Bill	Difference	Difference %
	750	$ 97.87	$ 101.62	$ 3.75	3.83%	$ 100.87	$ 3.75	3.83%
	1000	$ 126.32	$ 130.07	$ 3.75	2.97%	$ 130.37	$ 3.75	2.97%
	2000	$ 240.14	$ 243.89	$ 3.75	1.56%	$ 248.39	$ 3.75	1.56%
	3000	$ 353.96	$ 357.71	$ 3.75	1.06%	$ 357.71	$ 3.75	1.06%
Rate:								
Customer Charge		$ 12.50	$ 16.25			$16.25		

Energy Charge	$ 0.08220	$ 0.08220		$0.08220
FPPCA	$ 0.03162	$ 0.03162		$0.03162

Irrigation		Company				Staff		
		Present Bill	Proposed Bill	Difference	Difference %	Proposed Bill	Difference	Difference %
	kWh							
	200	$ 49.72	$ 57.22	$ 7.50	15.08%	$ 57.22	$ 7.50	15.08%
	500	$ 86.81	$ 94.31	$ 7.50	8.64%	$ 94.31	$ 7.50	8.64%
	750	$ 117.72	$ 125.22	$ 7.50	6.37%	$ 125.22	$ 7.50	6.37%
	1500	$ 210.43	$ 217.93	$ 7.50	3.56%	$ 217.93	$ 7.50	3.56%
	2500	$ 334.05	$ 341.55	$ 7.50	2.25%	$ 341.55	$ 7.50	2.25%
	5000	$ 643.10	$ 650.60	$ 7.50	1.17%	$ 650.60	$ 7.50	1.17%
	10000	$ 1,261.20	$ 1,268.70	$ 7.50	0.59%	$ 1,268.70	$ 7.50	0.59%
Rate:								
Customer Charge		$ 25.00	$ 32.50			$32.50		
Energy Charge		$ 0.09200	$ 0.09200			$0.09200		
FPPCA		$ 0.03162	$ 0.03162			$0.03162		

Irrigation TOU		Company				Staff		
		Present Bill	Proposed Bill	Difference	Difference %	Proposed Bill	Difference	Difference %
	kWh							
	1500	$ 198.23	$ 208.73	$ 10.50	5.30%	$ 208.73	$ 10.50	5.30%
	2500	$ 307.05	$ 317.55	$ 10.50	3.42%	$ 317.55	$ 10.50	3.42%
	5000	$ 579.10	$ 589.60	$ 10.50	1.81%	$ 589.60	$ 10.50	1.81%
	10000	$ 1,123.20	$ 1,133.70	$ 10.50	0.93%	$ 1,133.70	$ 10.50	0.93%
Rate:								
Customer Charge		$ 35.00	$ 45.50			$45.50		
Energy Charge-On Peak		$ 0.10300	$ 0.10300			$0.10300		
Energy Charge-Off Peak		$ 0.06000	$ 0.06000			$0.06000		
FPPCA		$ 0.03162	$ 0.03162			$0.03162		

Agricultural		Company				Staff		
		Present Bill	Proposed Bill	Difference	Difference %	Proposed Bill	Difference	Difference %
	kWh							
	200	$ 70.22	$ 85.22	$ 15.00	21.36%	$ 85.22	$ 15.00	21.36%
	350	$ 85.39	$ 100.39	$ 15.00	17.57%	$ 100.39	$ 15.00	17.57%
	500	$ 100.56	$ 115.56	$ 15.00	14.92%	$ 115.56	$ 15.00	14.92%
	750	$ 125.84	$ 140.84	$ 15.00	11.92%	$ 140.84	$ 15.00	11.92%
	1000	$ 151.12	$ 166.12	$ 15.00	9.93%	$ 166.12	$ 15.00	9.93%
	1500	$ 201.68	$ 216.68	$ 15.00	7.44%	$ 216.68	$ 15.00	7.44%
	2000	$ 252.24	$ 267.24	$ 15.00	5.95%	$ 267.24	$ 15.00	5.95%
Rate:								
Customer Charge		$ 50.00	$ 65.00			$65.00		
Energy Charge		$ 0.06950	$ 0.06950			$0.06950		
FPPCA		$ 0.03162	$ 0.03162			$0.03162		

Area and Street Lighting

**Columbus is not proposing any changes to this customer class.

References:
Column A, Company Schedule H--4-1
Column B, Company Schedule H-4-1
Column C, Column (B)-Column (A)
Column D, Column (C)/Column (A)
Column E, Company Schedule H-4-1
Column F, Column (E)-Column (A)
Column G, Column (F)/Column (A)

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Summary of Electric Revenue Per Customer Class

	A	B	C	D	E	F
	Present Rates			Proposed Rates		
	Total System	New Mexico	Arizona	Total System	New Mexico	Arizona
Residential	$ 3,364,337	$ 3,040,946	$ 323,391	$ 3,498,928	$ 3,161,385	$ 337,543
Small Commercial	$ 1,229,396	$ 1,180,451	$ 48,945	$ 1,265,282	$ 1,214,852	$ 50,430
Irrigation	$ 384,802	$ 353,250	$ 31,552	$ 398,112	$ 365,201	$ 32,911
Agricultural	$ 4,119,615	$ 3,873,904	$ 245,711	$ 4,146,480	$ 3,899,299	$ 247,181
Large Commercial	$ 1,040,379	$ 1,040,379	$ -	$ 1,055,702	$ 1,055,702	$ -
Industrial	$ 436,450	$ 436,450	$ -	$ 437,384	$ 437,384	$ -
Lighting	$ 154,684	$ 152,370	$ 2,314	$ 154,684	$ 152,370	$ 2,314
Total	$ 10,729,663	$ 10,077,750	$ 651,913	$ 10,956,572	$ 10,286,193	$ 670,379

Percentage Change in Revenue per Customer Class

	Proposed Rates		
	Total System	New Mexico	Arizona
Residential	4.00%	3.96%	4.38%
Small Commercial	2.92%	2.91%	3.03%
Irrigation	3.46%	3.38%	4.31%
Agricultural	0.65%	0.66%	0.60%
Large Commercial	1.47%	1.47%	0.00%
Industrial	0.21%	0.21%	0.00%
Lighting	0.00%	0.00%	0.00%
Total	2.11%	2.07%	2.83%

References:
Column A, Company Schedule H-1
Column B, Company Schedule H-1
Column C, Column (A)-Column (B)
Column D, Company Schedule H-1
Column E, Company Schedule H-1
column F, Column (D)-Column (E)

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION) OF COLUMBUS ELECTRIC COOPERATIVE) FOR APPROVAL OF A RATE INCREASE))	DOCKET NO. E-01851A-09-0305

DIRECT

TESTIMONY

OF

PREM K. BAHL

ELECTRIC UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JANUARY 14, 2010

EXECUTIVE SUMMARY
COLUMBUS ELECTRIC COOPERATIVE
DOCKET NO. E-01851A-09-0305

Prem Bahl's testimony discusses Utilities Division Staff's ("Staff") review of the rate case application ("Application") of Columbus Electric Cooperative ("Columbus Electric" or "Cooperative" or "CEC") filed with the Arizona Corporation Commission ("Commission") on August 20, 2009, and presents the results of Staff's engineering evaluation of the Cooperative's electric distribution system in Arizona.

Based on its review of Columbus Electric' Application and 2008-2011 Construction Work Plan ("Work Plan" or "CWIP"), inspection of the Cooperative's electric system and discussions with the Cooperative's Operation Manager Robert Offutt, Staff's conclusions are as follows:

a. Columbus Electric is operating and maintaining its electrical system properly,

b. Columbus Electric is carrying out system improvements, upgrades and new additions to meet the current and projected load of the Cooperative in an efficient and reliable manner. These improvements, system upgrades and new construction are reasonable and appropriate. The Cooperative's plant in service for the Arizona service territory is "used and useful."

c. The Cooperative has acceptable level of system losses, consistent with the industry guidelines, and

d. CEC has a satisfactory record of service interruptions in the historic period from 2004 thru 2008, reflecting satisfactory quality of service.

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Prem K. Bahl. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. By whom and in what capacity are you employed?

A. I am employed by the Arizona Corporation Commission ("Commission") as an Electric Utilities Engineer.

Q. Please describe your educational background.

A. I graduated from the South Dakota State University with a Masters degree in Electrical Engineering in May 1972. I received my Professional Engineering ("P.E.") License in the state of Arizona in 1978. My Bachelor of Science degree in Electrical Engineering was from the Agra University, India in 1957.

Q. Please describe your pertinent work experience.

A. I worked at the Arizona Corporation Commission from 1988 to 1998 as a Utilities Consultant, and have been re-employed at the Commission as an Electric Utilities Engineer since June 2002. During this time period of approximately seventeen years, I conducted engineering evaluations of electric utility rural electric cooperative rate cases and financing cases. I inspected the utility power plants including the Palo Verde Nuclear Generating Station, Four Corners and Cholla coal fired power plants. I was involved with the development of retail competition in Arizona and of Desert Star, an Independent System Operator for the southwest region. I was Chairman of the System Reliability Working Group, which evaluated the impact of competition on system reliability and

recommended the establishment of the Arizona Independent System Administrator ("AZ ISA") as an interim organization until commercial operation of Desert Star. Since rejoining the Commission, I have reviewed the utilities' load curtailment plans; coordinated with the Commission Consultant to conduct second through fifth Biennial Transmission Assessment ("BTA") 2002 through 2008, in the state of Arizona. I am involved with power plant and line siting Certificate of Environmental Compatibility ("CEC") cases, such as Harquahala, Panda Gila River and Red Hawk and Coolidge plants, and Tucson Electric Power Company's ("TEP") and Southwest Transmission Cooperative's ("SWTC") 138 kV and 115 kV circuits, respectively, from Tortolita to Northloop and from Saguaro to Tortolita to Northloop.

From July 2001 to June 2002, I had my own consulting engineering firm, named P. K. Bahl & Associates. During this time, I was involved with deregulation of the electric power industry, formation of Regional Transmission Organizations ("RTO"), (especially the planning), congestion management, business practices and market monitoring activities of the RTO West and the MidWest Independent System Operator ("ISO").

From July 1998 to August 2000, I worked as Chief Engineer at the Residential Utility Consumer Office. During this time period, I performed many of the duties I performed at the Commission. I was also involved with the Distributed Generation Work Group that looked at the impact of development of distributed generation in Arizona on system reliability modifications of interconnection standards currently specified by the jurisdictional utilities. I was a member of the AZ ISA Board of Directors from September 1999 until June 2000. I was involved in the deliberations of the Market Interface Committee of the North American Electric Reliability Council. I also published and

presented a number of technical papers at national and international conferences regarding transmission issues and distributed generation.

Prior to my employment with the Commission, I had worked as an electrical engineer with electric utilities and consulting firms in the transmission and generation planning areas for approximately thirty-two years, including ten years experience at the Punjab State Electricity Board ("PSEB") in India from 1960 to 1970. I worked as Executive Engineer at the PSEB from 1968 to 1970 prior to coming to the USA in 1970.

Q. As part of your assigned duties at the Commission, did you perform an analysis of the application that is the subject of this proceeding?

A. Yes, I did.

Q. Is your testimony herein based on that analysis?

A. Yes, it is.

Q. What is the purpose of your prefiled testimony?

A. The purpose of my testimony is to discuss Utilities Division Staff's ("Staff") review of Columbus Electric Cooperative's ("Columbus Electric" or "Cooperative" or "CEC") 2008-2011 Construction Work Plan, and present the results of Staff's engineering evaluation of the Cooperative's electric distribution system in the state of Arizona.

Q. Could you please provide a background of Columbus Electric in terms of its service to Arizona customers, customer and load growth in the last ten years?

A. Columbus Electric's service area is located in southwestern New Mexico and includes a small portion of southeastern Arizona. Headquartered in Deming, New Mexico, the

service area covers approximately 7,000 square miles and serves portions of Luna, Grant and Hidalgo counties in New Mexico, and Cochise County in Arizona. The Cooperative has a consumer density of approximately 2.5 accounts per mile of line. See attached Exhibit 1 for the physical location and composition of the CEC's service area.

The electric system within Arizona is comprised of approximately 110 miles of 14.4/24.9 kV distribution line of which the majority is single phase overhead construction and provides service to 462 consumers. There are no CEC substations or transmission lines located within the state of Arizona. The number of active accounts in Arizona grew from 282 to 462 during the 10 year period from 1999 to 2008, which is an average annual increase of approximately 6.4 percent.

Q. What were Columbus Electric's system losses in the 2004-2008 period?

A. Average system losses (total system), for the years 2004-2008 were 10.1 percent, which is close to the permissible limit of 10 percent according to Rural Utilities Service ("RUS") Bulletin 45-4, "Guidelines for Distribution System Energy Losses". CEC made significant system improvements in late August of 2007, energizing the new Camp Cody substation, which resulted in a reduction of losses in 2008 in comparison to 2006 and 2007. Losses in 2008 were 9.00 percent.

Q. What was CEC's wooden pole replacement plan in 2008?

A. CEC utilizes outside services for its wooden pole inspection in which 10 percent of its total system is reviewed on an annual basis. The area including the Arizona facilities was last inspected in 2007 by Power Pole Inspections. Dangerous poles are addressed immediately and noted deficiencies are prioritized and maintenance requirements scheduled accordingly. Most pole replacements are performed by CEC personnel but

during 2007, CEC contracted with Gila Cut-Out Construction for 110 additional pole replacements.

Q. Would you please describe your inspection and engineering evaluation of Columbus Electric's Distribution System?

A. On December 15, 2009, I met with Mr. Robert Offutt, CEC's Operations Manager, in Lordsburg, New Mexico, and discussed with him CEC's 2008-2011 Construction Work Plan. SGS Engineering, LLC of Lubbock, Texas, assisted CEC in preparation of its current, 2008-2011, Work Plan. The most significant modification in the Arizona side distribution system is the proposed conversion of 6.7 miles of single-phase to three-phase 1/0 Aluminum Conductor Steel Reinforced ("ACSR") line from the Rodeo substation into the Portal, Arizona area and is scheduled for completion in 2010.

I inspected CEC's Animas warehouse and substation facility, CEC's western area construction and maintenance headquarters, and selectively inspected the distribution system emanating from the Rodeo substation in New Mexico into the Portal area of Cochise County, Arizona. CEC's distribution system, as observed, seems to be well maintained and the electric facilities in the Arizona area are used and useful.

Q. What were CEC's outage hours for the 2004-2008 period?

A. According to RUS Form 7, pertaining to CEC's consolidated service area, the Cooperative's average outage hours for the 2004-2008 period were 4.48 consumer outage hours per year. These outage hours include those resulting from extreme storm and scheduled maintenance, and are within the RUS Guidelines of five outage hours per year per customer.

Q. What conclusions are derived based on Staff's engineering evaluation of CEC's electric distribution system in Arizona?

A. Staff's conclusions are as follows:

a. Columbus Electric is operating and maintaining its electrical system properly,

b. Columbus Electric is carrying out system improvements, upgrades and new additions to meet the current and projected load of the Cooperative in an efficient and reliable manner. These improvements, system upgrades and new construction are reasonable and appropriate. The Cooperative's plant in service is "used and useful,"

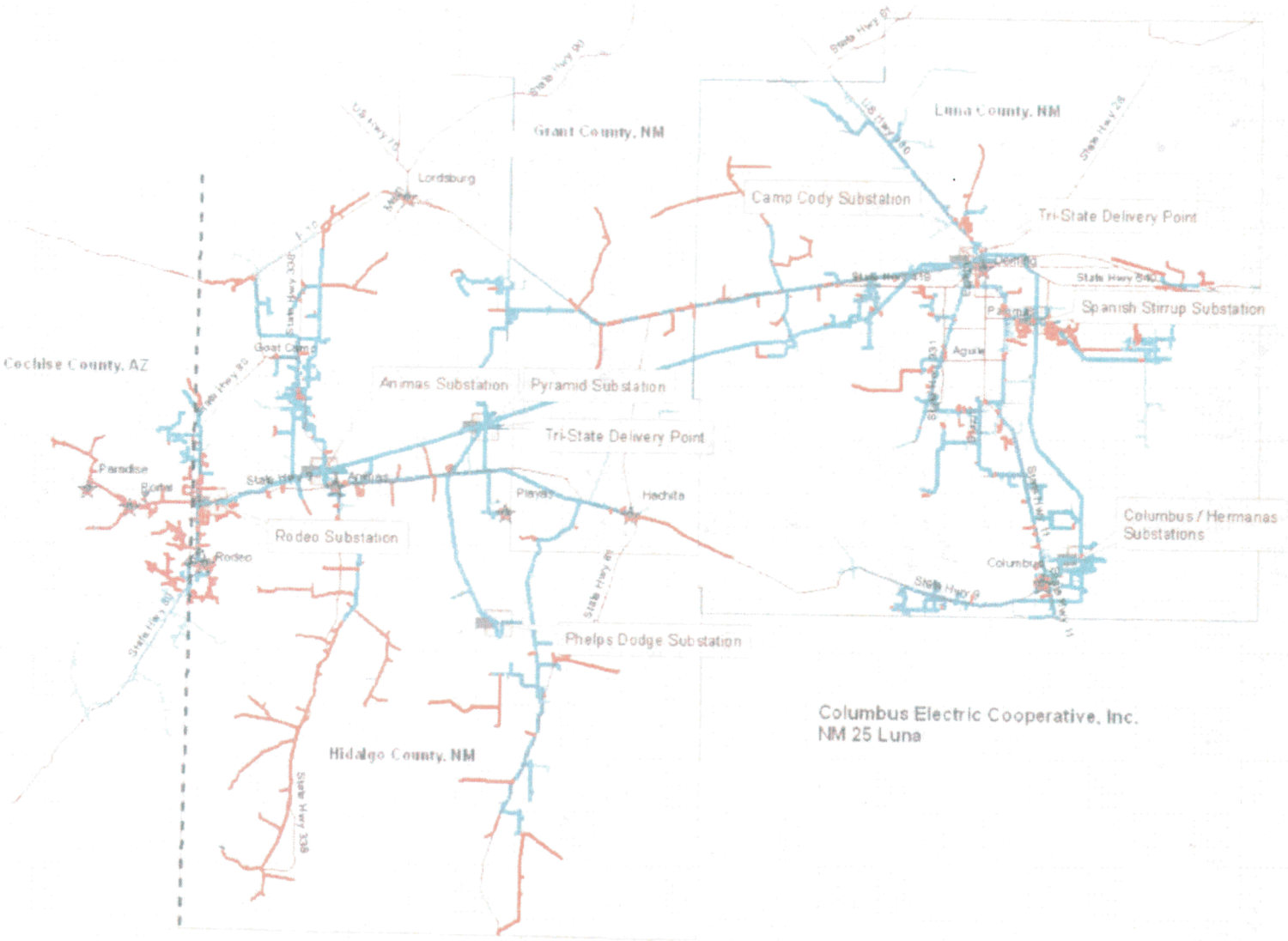
c. The Cooperative has acceptable level of system losses, consistent with the industry guidelines, and

d. The Cooperative has a satisfactory record of service interruptions in the historic period from 2004 thru 2008, reflecting satisfactory system reliability and quality of service.

Q. Does this conclude your testimony?

A. Yes, it does.

EXHIBIT 1


Grant County, NM
Luna County, NM
Cochise County, AZ
Hidalgo County, NM
Lordsburg
Camp Cody Substation
Tri-State Delivery Point
Spanish Stirrup Substation
Animas Substation
Pyramid Substation
Tri-State Delivery Point
Rodeo Substation
Phelps Dodge Substation
Columbus / Hermanas Substations
Paradise
Rodeo
Animas
Playas
Hachita
Deming
Columbus
Goat Camp
Columbus Electric Cooperative, Inc.
NM 25 Luna

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

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

EXHIBIT
S-2
ADMITTED
ALL-STATE LEGAL®

IN THE MATTER OF THE APPLICATION OF COLUMBUS ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF A RATE INCREASE.	DOCKET NO. E-01851A-09-0305 **STAFF'S NOTICE OF FILING SURREBUTTAL TESTIMONY**

The Utilities Division of the Arizona Corporation Commission ("Staff") hereby provides notice of filing of the Surrebuttal Testimony of Crystal S. Brown the above-referenced matter.

RESPECTFULLY SUBMITTED this 16th day of February, 2010.

Ayesha Vohra
Attorney, Legal Division
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies of the foregoing were filed this 16th day of February, 2010 with:

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

Arizona Corporation Commission
DOCKETED
FEB 16 2010
DOCKETED BY

Copy of the foregoing mailed this 16th day of February, 2010 to:

E. L. Moss
BOLINGER, SEGARS, GILBERT & MOSS, LLP
Certified Public Accountants
8215 Nashville Avenue
Lubbock, Texas 79423-1954

Michael D. Fletcher
General Manager
Columbus Electric Cooperative, Inc.
P.O. Box 631
Deming, New Mexico 88031

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF COLUMBUS ELECTRIC COOPERATIVE, INC., FOR APPROVAL OF A RATE INCREASE	))))	DOCKET NO. E-01851A-09-0305

SURREBUTTAL

TESTIMONY

OF

CRYSTAL S. BROWN

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 16, 2010

TABLE OF CONTENTS

SURREBUTTAL SCHEDULES

EXECUTIVE SUMMARY
COLUMBUS ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01851A-09-0305

Staff is recommending the same revenue requirement proposed by Columbus Electric Cooperative, Inc. ("Columbus Electric" or "Cooperative"). Staff recommends total annual revenues of $671,833. Staff's recommended revenue increase would produce an operating loss of $55,772 for no rate of return on a Staff adjusted original cost rate base of $1,699,565. Although the rates recommended by Staff and the Cooperative provide an operating loss for the Arizona jurisdiction, on a consolidated basis with New Mexico, Columbus Electric would experience an adequate operating Times Interest Earned Ratio ("TIER") of 1.41. Staff's Surrebuttal Testimony responds to Columbus Electric's Rebuttal Testimony regarding the TIER calculation.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Crystal S. Brown. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Crystal S. Brown who filed Direct Testimony in this case?

A. Yes.

PURPOSE OF SURREBUTTAL TESTIMONY

Q. What is the purpose of your Surrebuttal Testimony in this proceeding?

A. The purpose of my Surrebuttal Testimony in this proceeding is to respond, on behalf of Staff, to the Rebuttal Testimony of Mr. E. L. Moss who represents Columbus Electric Cooperative, Inc. ("Columbus Electric" or "Cooperative").

Q. What issues will you address?

A. I will address the issue of the Times Interest Earned Ratio ("TIER") calculation that is discussed in the Rebuttal Testimony of Columbus Electric's witness Mr. E. L. Moss.

Q. What is Staff's recommended revenue?

A. Staff is recommending the same revenue requirement proposed by Columbus Electric. Staff recommends an $18,466, or 2.83 percent revenue increase from $653,367 to $671,833. Staff's recommended revenue increase would produce an operating loss of $55,772 for no rate of return on a Staff adjusted original cost rate base of $1,699,565.

TIMES INTEREST EARNED RATIO ("TIER")

Q. Has Staff reviewed the Cooperative's rebuttal testimony concerning the operating TIER?

A. Yes, the Company indicated that Staff had an error in its calculation of the operating TIER.

Q. Does Staff agree?

A. Yes, Staff corrected the formula and recalculated the TIER.

Q. What is Staff's recommended TIER?

A. Staff's recommended operating TIER is 1.41, as opposed to a TIER of a 2.41 contained in Staff's Direct Testimony. Although the rates recommended by Staff and the Cooperative provide an operating loss for the Arizona jurisdiction, on a consolidated basis with New Mexico, Columbus Electric would experience an adequate operating TIER of 1.41 as shown on Surrebuttal Schedule CSB-1.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Surrebuttal Schedule CSB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE Total System	(B) COMPANY FAIR VALUE New Mexico	(C) COMPANY FAIR VALUE Arizona	(D) STAFF FAIR VALUE Arizona
1	Adjusted Rate Base	$ 22,851,724	$21,067,114	$ 1,781,611	$ 1,699,565
2	Adjusted Operating Margins (Loss) Before Interest on L.T. Debt	$ 642,462	$ 719,035	$ (76,573)	$ (74,238)
3	Current Rate of Return (L2 / L1)	2.81%	3.41%	Not Meaningful	Not Meaningful
4	Proposed Operating Margins Before Interest on L.T. Debt	$ 869,371	$ 927,478	$ (58,107)	$ (55,772)
5	Proposed Rate of Return (L1 / L4)	3.80%	4.40%	Not Meaningful	Not Meaningful
6	Operating Income Deficiency (L4 - L2)	$ 226,909	$ 208,443	$ 18,466	$ 18,466
7	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	1.0000
8	**Required Revenue Increase (L7 * L6)**	$ 226,909	$ 208,443	$ 18,466	**$ 18,466**
9	Adjusted Test Year Revenue	$ 10,753,611	$10,100,244	$ 653,367	$ 653,367
10	Proposed Annual Revenue (L8 + L9)	$ 10,980,520	$10,308,687	$ 671,833	$ 671,833
11	Required Increase in Revenue (%)	2.11%	2.06%	2.83%	2.83%
12	Interest Expense on Long-term Debt	$ 618,238	$ 566,244	$ 51,994	$ 51,994
13	Operating TIER (L4 / L12)	1.41	1.64	Not Meaningful	Not Meaningful

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Surrebuttal Schedule CSB-2

LINE NO.		RATE BASE - ORIGINAL COST					
		[A] Total New Mexico and Arizona AS FILED	[B] New Mexico AS FILED	[C] Arizona AS FILED	[D] STAFF ADJUSTMENTS	REF SCH CSB-3	[E] STAFF AS ADJUSTED
1	Plant in Service	$ 33,143,455	$ 30,332,536	$ 2,810,919	$ -		$ 2,810,919
2	Less: Acc Depreciation & Amortization	(12,845,544)	(11,748,308)	(1,097,236)	-		(1,097,236)
3	Net Plant in Service	$ 20,297,911	$ 18,584,228	$ 1,713,683	$ -		$ 1,713,683
4	Construction Work In Progress (CWIP)	1,749,733	1,747,233	2,500	(2,500)	1	-
5	Net Plant in Service and CWIP	$ 22,047,644	$ 20,331,461	$ 1,716,183	$ (2,500)		$ 1,713,683
6							
7	*LESS:*						
8	Deferred Credits	$ -	$ -	$ -	$ -		$ -
9	Consumer Deposits	(232,584)	(218,466)	(14,118)	-		(14,118)
10	Total	(232,584)	(218,466)	(14,118)	-		(14,118)
11							
12	*ADD:*						
13	Cash Working Capital Allowance	$ 562,020	$ 517,745	$ 44,275	$ (44,275)	2	$ -
14	Materials and Supplies	431,531	396,737	34,794	(34,794)	2	-
15	Prepayments	43,113	39,637	3,476	(3,476)	2	-
16	Total	$ 1,036,664	$ 954,119	$ 82,545	$ (82,545)		$ -
17							
18	**Total Rate Base**	$ 22,851,724	$ 21,067,114	$ 1,784,610	$ (85,045)		$ 1,699,565

References:
Column A, Cooperative Corrected Schedule B-1
Columns B & C: Cooperative Schedule B-1.1
Column D: Schedule CSB-3
Column E: Column C + Column D

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Surrebuttal Schedule CSB-3

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	Acct. No.	DESCRIPTION	[A] Total New Mexico and Arizona AS FILED REF: Cooperative Schedule E-5	[B] New Mexico AS FILED REF: Cooperative Corrected Sch E-5.1	[C] Arizona AS FILED REF: Cooperative Schedule E-5.2	[D] Construction Work In Progress ("CWIP") ADJ No.1 Ref: Sch CSB-4	[E] Working Capital ADJ No. 2 Ref: Sch CSB-5	[F] STAFF ADJUSTED
1		***PLANT IN SERVICE:***						
2		*Intangible Plant*						
3	301	Organization	$ 411	$ 374	$ 37	$ -	$ -	$ 37
4		*Transmission Plant*						
5	350	Right of Way	$ 13,557	$ 12,325	$ 1,232	$ -	$ -	$ 1,232
6	355	Poles and Fixtures	830,361	754,918	75,443	-	-	75,443
7	356	OH Conductors	561,524	510,506	51,018	-	-	51,018
8	359	Roads and Trails	19,200	17,456	1,744			1,744
9		Subtotal	$ 1,424,642	$ 1,295,205	$ 129,437	$ -	$ -	$ 129,437
10		*Distribution Plant*						
11	360	Land and Land Rights	$ 38,317	$ 35,296	$ 3,021	$ -	$ -	$ 3,021
12	362	Station Equipment	2,655,298	2,390,514	264,784	-	-	264,784
13	364	Poles, Towers, and Fixtures	8,969,920	8,355,245	614,675	-	-	614,675
14	365	OH Conductors	6,024,737	5,604,496	420,241	-	-	420,241
15	367	Distribution URD Plant	915,448	788,661	126,787	-	-	126,787
16	368	Line Transformers	5,751,301	5,209,872	541,429	-	-	541,429
17	369	Services	2,079,349	1,911,907	167,442	-	-	167,442
18	370	Meters	1,656,595	1,428,205	228,390	-	-	228,390
19	371	Installation On Consumer's Premises	325,236	310,543	14,693	-	-	14,693
20		Subtotal	$ 28,416,201	$ 26,034,739	$ 2,381,462	$ -	$ -	$ 2,381,462
21								
22		*General Plant*						
23	389	Land and Land Rights	$ 21,947	$ 19,953	$ 1,994	$ -	$ -	$ 1,994
24	390	Structures and Improvements	976,577	887,850	88,727	-	-	88,727
25	391	Office Furniture and Equipment	445,285	404,828	40,457	-	-	40,457
26	392	Transportation Equipment	1,341,943	1,220,020	121,923	-	-	121,923
27	393	Stores Equipment	14,831	13,484	1,347	-	-	1,347
28	394	Shop & Garage Equipment	107,483	97,718	9,765	-	-	9,765
29	395	Laboratory Equipment	169,652	154,238	15,414	-	-	15,414
30	396	Power Operated Equipment	154,214	140,230	13,984	-	-	13,984
31	397	Communications Equipment	70,269	63,897	6,372	-	-	6,372
32		Subtotal	$ 3,302,201	$ 3,002,218	$ 299,983	$ -	$ -	$ 299,983
33								
34		Total Plant in Service	$ 33,143,455	$ 30,332,536	$ 2,810,919	$ -	$ -	$ 2,810,919
35		Construction Work In Progress (CWIP)	1,749,733	1,747,233	2,500	(2,500)	-	-
36		**Total Plant in Service and CWIP**	**$ 34,893,188**	**$ 32,079,769**	**$ 2,813,419**	**$ (2,500)**	**$ -**	**$ 2,810,919**
37		**Accumulated Depreciation**						
38		Accumulated Depr-Transmission Plant	$ (1,100,444)	$ (1,001,363)	$ (99,081)	$ -	$ -	$ (99,081)
39		Accumulated Depr-Distribution Plant	(9,813,171)	(8,990,487)	(822,684)	-	-	(822,684)
40		Accumulated Depr-General Plant	(1,931,929)	(1,756,458)	(175,471)	-	-	(175,471)
41		Total Accumulated Depreciation & Amortization	$ (12,845,544)	$ (11,748,308)	$ (1,097,236)	$ -	$ -	$ (1,097,236)
42								
43		Net Plant in Service	$ 22,047,644	$ 20,331,461	$ 1,716,183	$ (2,500)	$ -	$ 1,713,683
44								
45		*LESS:*						
46		Deferred Credits	$ -	$ -	$ -	$ -	$ -	$ -
47		Consumer Deposits	(232,584)	(218,466)	(14,118)	-	-	(14,118)
48		Total	$ (232,584)	$ (218,466)	$ (14,118)	$ -	$ -	$ (14,118)
49								
50		*ADD:*						
51		Cash Working Capital Allowance	$ 562,020	$ 517,745	$ 44,275	$ -	$ (44,275)	$ -
52		Materials and Supplies	431,531	396,737	34,794	-	(34,794)	-
53		Prepayments	43,113	39,637	3,476	-	(3,476)	-
54		Total	$ 1,036,664	$ 954,119	$ 82,545	$ -	$ (82,545)	$ -
55								
56		Rounding	$ -	$ -	$ 1	$ -	$ -	$ -
57								
58		**Total Rate Base**	$ 22,851,724	$ 21,067,114	$ 1,784,611	$ (2,500)	$ (82,545)	$ 1,699,565

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Surreubttal Schedule CSB-4

RATE BASE ADJUSTMENT NO. 2 - CONSTRUCTION WORK IN PROGRESS ("CWIP")

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Arizona Plant in Service	$ 2,810,919	$ -	$ 2,810,919
2	Arizona Construction Work In Progress	2,500	(2,500)	-
3	Total Plant	$ 2,813,419	$ (2,500)	$ 2,810,919

References:
Column A: Cooperative Schedule E-5.2; Schedule CSB-3
Column B: Testimony, CSB; Schedule CSB-3
Column C: Column A + Column B

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
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Surrebuttal Schedule CSB-5

RATE BASE ADJUSTMENT NO. 2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Arizona Cash Working Capital	$ 44,275	$ (44,275)	$ -
2	Arizona Materials and Supplies	$ 34,794	$ (34,794)	$ -
3	Arizona Prepayments	$ 3,476	$ (3,476)	$ -
4	**Total Working Capital**	**$ 82,545**	**$ (82,545)**	**$ -**

	Cooperative Sch B-1.1
Cash Working Capital - Power	$ 12,867
Cash Working Capital - Other Expenses	$ 31,408
Arizona Cash Working Capital	$ 44,275

References:
Column A: Cooperative Schedules B-1.1
Column B: Testimony, CSB
Column C: Column A + Column B

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Surrebuttal Schedule CSB-6

OPERATING MARGIN - TEST YEAR AND STAFF RECOMMENDED

Line No.	DESCRIPTION	[A] COOPERATIVE - TEST YEAR AS FILED TOTAL	[B] NEW MEXICO	[C] ARIZONA	[D] STAFF TEST YEAR ADJUSTMENTS	[E] REF SCH CSB-7	[F] STAFF TEST YEAR AS ADJUSTED	[G] STAFF RECOMMENDED CHANGES	[H] STAFF RECOMMENDED
	REVENUES:								
1	Margin Revenue (Non-Power)	$ 4,507,859	$ 4,247,327	$ 260,532	$ -		$ 260,532	$ 18,466	$ 278,998
2									
3	Base Cost of Power Revenue	$ 3,564,366	$ 3,341,740	$ 222,626	$ 168,755	1	$ 391,381	$ -	$ 391,381
4	Power Cost Adjustor (PCA)	$ 2,657,437	$ 2,488,683	$ 168,754	$ (168,754)	1	$ -	$ -	$ -
5	Rounding	$ 1	0	$ 1	$ (1)	1	$ -	$ -	$ -
6	Base Cost of Power and Adjustor Revenue	$ 6,221,804	$ 5,830,423	$ 391,381	$ -		$ 391,381	$ -	$ 391,381
7									
8	Total Revenue from Sales of Electricity	$ 10,729,663	$ 10,077,750	$ 651,913	$ -		$ 651,913	$ 18,466	$ 670,379
9									
10	Other Revenues	$ 23,948	$ 22,494	$ 1,454	$ -		$ 1,454	$ -	$ 1,454
11	**Total Revenues**	**$ 10,753,611**	**$ 10,100,244**	**$ 653,367**	**$ -**		**$ 653,367**	**$ 18,466**	**$ 671,833**
12									
13	*EXPENSES:*								
14	Cost of Power	$ 6,137,571	$ 5,746,190	$ 391,381	$ -		$ 391,381	$ -	$ 391,381
15	Transmission Expense	17,258	15,867	1,391	$ -		$ 1,391	$ -	$ 1,391
16	Distribution - Operations	688,200	632,731	55,469	$ -		$ 55,469	$ -	$ 55,469
17	Distribution - Maintenance	310,584	285,551	25,033	$ -		$ 25,033	$ -	$ 25,033
18	Customer Accounts	501,958	456,430	45,528	$ -		$ 45,528	$ -	$ 45,528
19	Customer Accounts & Information	150,772	137,097	13,675	$ -		$ 13,675	$ -	$ 13,675
20	Administrative & General	1,253,151	1,139,490	113,661	$ (2,334)	2	$ 111,326	$ -	$ 111,326
21	Depreciation	1,003,366	922,495	80,871	$ -		$ 80,871	$ -	$ 80,871
22	Other Deductions	48,289	45,358	2,931	$ -		$ 2,931	$ -	$ 2,931
23				0	$ -		$ -	$ -	$ -
24	**Total Operating Expenses**	**$ 10,111,149**	**$ 9,381,209**	**$ 729,940**	**$ (2,334)**		**$ 727,605**	**$ -**	**$ 727,605**
25									
26	**Operating Margin Before Interest on L.T.- Debt**	**$ 642,462**	**$ 719,035**	**$ (76,573)**	**$ 2,334**		**$ (74,238)**	**$ -**	**$ (55,772)**
27									
28	***INTEREST ON LONG-TERM DEBT & OTHER DEDUCTIONS***								
29	Interest on Long-term Debt	$ 618,238	$ 566,244	$ 51,994	$ -		$ 51,994	$ -	$ 51,994
30	Interest - Other	$ -	$ -	$ -	$ -		$ -	$ -	$ -
31	Other Dedcutions	$ -	$ -	$ -	$ -		$ -	$ -	$ -
32	**Total Interest & Other Deductions**	$ 618,238	$ 566,244	$ 51,994	$ -		$ 51,994	$ -	$ 51,994
33									
34	***MARGINS (LOSS) AFTER INTEREST EXPENSE***	$ 24,224	$ 152,791	$ (128,567)	$ 2,334		$ (126,232)	$ -	$ (107,766)
35									
36	***NON-OPERATING MARGINS***								
37	Interest Income	$ 22,134	$ 20,126	$ 2,008	$ -		$ 2,008	$ -	$ 2,008
38	Other Margins	$ 7,647	$ 6,953	$ 694	$ -		$ 694	$ -	$ 694
39	G&T Capital Credits	$ 750,995	$ 682,880	$ 68,115	$ -		$ 68,115	$ -	$ 68,115
40	Other Capital Credits	$ 28,538	$ 25,950	$ 2,588	$ -		$ 2,588	$ -	$ 2,588
41	**Total Non-Operating Margins**	$ 809,314	$ 735,909	$ 73,405	$ -		$ 73,405	$ -	$ 73,405
42									
43	***NET MARGINS (LOSS)***	$ 833,538	$ 888,700	$ (55,162)	$ 2,334		$ (52,827)	$ -	$ (34,361)

References:
Columns A: Column B + Column C
Columns B and C: Cooperative Schedule C-1.1 and C-1.2
Column D: Schedule CSB-7
Column E: Schedule CSB-7
Column F: Column C + Column D
Column G: Schedule CSB-1
Column H: Column F + Column G

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Surrebuttal Schedule CSB-7

SUMMARY OF OPERATING MARGIN ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] ARIZONA COMPANY AS FILED	[B] ADJ #1 Base Cost of Power and Pwr Cost Adjustor Ref: Sch CSB-8	[C] ADJ #2 Dues, Sponsorships, Food, and Scholarships Ref: Sch CSB-9	[D] STAFF ADJUSTED
	REVENUES:				
1	Margin Revenue (Non-Power)	$ 260,532	$ -	$ -	$ 260,532
2					$ -
3	Base Cost of Power Revenue	$ 222,626	$ 168,755	$ -	$ 391,381
5	Power Cost Adjustor (PCA)	168,754	(168,754)	-	-
6	Rounding	1	(1)	-	-
7	Base Cost of Power and Adjustor Revenue	$ 391,381	$ -	$ -	$ 391,381
8					
9	Total Revenue from Sales of Electricity	$ 651,913	$ -	$ -	$ 651,913
10					
12	Other Revenues	$ 1,454	-	-	1,454
13	**Total Revenues**	**$ 653,367**	**$ -**	**$ -**	**$ 653,367**
14					
15	***OPERATING EXPENSES:***				
16	Cost of Power	$ 391,381	$ -	$ -	$ 391,381
17	Transmission Expense	1,391	-	-	1,391
18	Distribution - Operations	55,469	-	-	55,469
19	Distribution - Maintenance	25,033	-	-	25,033
20	Customer Accounts	45,528	-	-	45,528
21	Customer Accounts & Information	13,675	-	-	13,675
22	Administrative & General	113,661	-	(2,334)	111,326
23	Depreciation	80,871	-	-	80,871
24	Other Deductions	2,931	-	-	2,931
25		-	-	-	-
26	**Total Operating Expenses**	**$ 729,940**	**$ -**	**$ (2,334)**	**$ 727,605**
27					
28	**Operating Margin Before Interest on L.T.- Debt**	**$ (76,573)**	**$ -**	**$ 2,334**	**$ (74,238)**
29					
30	***INTEREST ON LONG-TERM DEBT & OTHER DEDUCTIONS***				
31	Interest on Long-term Debt	$ 51,994	$ -	$ -	$ 51,994
32	Interest - Other	$ -	-	-	-
33	Other Dedcutions	-	-	-	-
34	**Total Interest & Other Deductions**	$ 51,994	$ -	$ -	$ 51,994
35					
36	***MARGINS (LOSS) AFTER INTEREST EXPENSE***	**$ (128,567)**	**$ -**	**$ 2,334**	**$ (126,232)**
37					
38	***NON-OPERATING MARGINS***				
39	Interest Income	$ 2,008	$ -	$ -	$ 2,008
40	Other Margins	694	-	-	694
41	G&T Capital Credits	68,115	-	-	68,115
42	Other Capital Credits	2,588	-	-	2,588
43	**Total Non-Operating Margins**	$ 73,405	$ -	$ -	$ 73,405
44					
45	***EXTRAORDINARY ITEMS***	$ -	-	-	-
46					
47	***NET MARGINS (LOSS)***	$ (55,162)	$ -	$ 2,334	$ (52,827)

Columbus Electric Cooperative, Inc.
Docket No. E-01851A-09-0305
Test Year Ended December 31, 2008

Surrebuttal Schedule CSB-8

OPERATING MARGIN ADJUSTMENT NO. 1 - POWER REVENUE AND POWER COST ADJUSTOR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	***Revenues***			
2	Base Cost of Power Revenue ("BCOP")	$ 222,626	$ -	$ 222,626
3	To Match Coop Power Rev to Coop Proposed Power Exp	-	168,755	168,755
4	Total Power Revenue	$ 222,626	$ 168,755	$ 391,381
5	To Increase Power Rev to Staff's Recommended Pur Pwr	-	-	-
6		$ 222,626	$ 168,755	$ 391,381
7	To Eliminate Power Cost Adjustor ("PCA")	168,754	(168,754)	-
8	Rounding	1	(1)	-
9	**Total Base Cost of Power and PCA Revenue**	**$ 391,381**	**$ -**	**$ 391,381**
10	***Expenses***			
11	**Total Purchased Power Expense**	**$ 391,381**	**$ -**	**$ 391,381**
12	**Operating Margin (Line 11 - Line 13)**	**$ 0**	**$ -**	**$ 0**
13				
14				
15				
16		Current Base Cost of Power Revenue		
17	Test Year Sales (In kWhs)	5,336,201	-	5,336,201
18	Multiplied by: Base Cost of Power per kWh	0.04172	-	0.04172
19	Total Base Cost of Power	$ 222,626	$ -	$ 222,626

References:

Column A: Cooperative Schedules C-1.2 and F-4
Column B: Testimony, CSB
Column C: Column A + Column B

OPERATING MARGIN ADJUSTMENT NO. 2 - DUES, SPONSORSHIPS, FOOD AND SCHOLARSHIPS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED CSB 5-2	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Administrative & General Expense	$ 113,661	(2,334)	$ 111,326

		From Data Request Response CSB 1-8
Total Dues, Sponsorships, Food, &Scholarships	$	25,738
Multiplied by Arizona Allocation Rate	x	9.07%
	$	2,334

Dues		
Deming Chamber of Commerce	$	750
Deming Rotary Club	$	660
Silver Spikes	$	325
	$	1,735

Sponsorships		
Citizens for DPS	$	1,200
Friends of Pancho Villa	$	100
Deming T-Ball	$	300
Deming Chamber of Commerce	$	200
Cancer Support of Deming	$	1,000
Deming Rotary Club	$	100
Class Act	$	500
Omega Alpha	$	200
Rodeo Community Association	$	200
Wildcat Baseball	$	250
Wildcat Football	$	400
DHS Athletic Program	$	250
Hidalgo County Fair Board	$	35
Deming Band Boosters	$	30
Wildcat Basketball	$	300
Rio Mimbres Ladies Golf	$	250
Hidalgo County Fair	$	200
Hidalgo County Fair Association	$	565
Rio Mimbres Pro Golf Shop	$	600
Wildcat Football	$	300
Great American Outhouse Race	$	200
Rio Mimbres Pro Shop	$	175
Deming Rotary Club	$	100
Community Health Foundation	$	500
Shop with a Cop	$	200
VFW Ladies Auxiliary	$	8,155
Total Sponsorships		16,310.00

References:
Column A: Cooperative Schedule C-1.2
Column B: Test., CSB; Data Requ. Resp CSB 1-8
Column C: Column [A] + Column [B]

OPERATING MARGIN ADJUSTMENT NO. 2 - DUES, SPONSORSHIPS, FOOD AND SCHOLARSHIPS CONTINUED

Luncheons & Dinners		
Cotton City 4-H	$	500
Employees Parties, Picnics, Etc.		
Rio Mimbres Pro Country Club	$	50
Old Glory Outpost	$	404
George Ortiz	$	350
Smrkovsky's Catering	$	1,809
First New Mexico Bank - prize money	$	330
	$	2,943
Scholarships	$	4,250
TOTAL	$	25,738