

ORIGINAL



0000118067

BEFORE THE ARIZONA CORPORATION COMMISSION
RECEIVED

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

COMMISSIONERS

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

2010 SEP 10 P 4: 31
AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF SOUTHEAST TRANSMISSION
COOPERATIVE, INC. FOR A HEARING
TO DETERMINE THE FAIR VALUE OF
ITS PROPERTY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RETURN THEREON AND
TO APPROVE RATES DESIGNED TO
DEVELOP SUCH RETURN

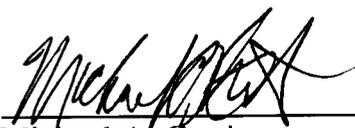
DOCKET NO. E-04100A-09-0496

**MOHAVE ELECTRIC
COOPERATIVE'S NOTICE OF
FILING TESTIMONY SUMMARY**

NOTICE IS GIVEN that, pursuant to the Procedural Order dated December 30, 2009 in this docket, Mohave Electric Cooperative, Inc. ("Mohave") files the testimony summary of Carl N. Stover, Jr.

DATED this 10th day of September, 2010.

CURTIS, GOODWIN, SULLIVAN,
UDALL & SCHWAB, P.L.C.

By: 
Michael A. Curtis
William P. Sullivan
501 East Thomas Road
Phoenix, Arizona 85012-3205
Attorneys for Mohave Electric
Cooperative, Inc.

Arizona Corporation Commission

DOCKETED

SEP 10 2010

DOCKETED BY 

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 10th day of September, 2010, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

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

Two copies of the foregoing delivered this 10th day of September, 2010 to:

The Office of Commissioner Kristin K. Mayes, Chairman
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

The Office of Commissioner Gary Pierce
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

The Office of Commissioner Paul Newman
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

The Office of Commissioner Sandra D. Kennedy
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

The Office of Commissioner Bob Stump
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

1 Copies of the foregoing delivered
2 this 10th day of September, 2010 to:

3 Janice Alward
4 Maureen Scott
5 Ayesha Vohra
6 Legal Division
7 Arizona Corporation Commission
8 1200 West Washington
9 Phoenix, Arizona 85007

10 Steve Olea, Director
11 Utilities Division
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Terri Ford
16 Barbara Keene
17 Utilities Division
18 Arizona Corporation Commission
19 1200 West Washington
20 Phoenix, Arizona 85007

21 COPY of the foregoing mailed
22 this 10th day of September, 2010 to:

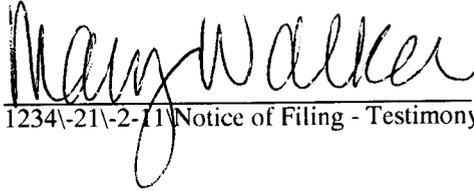
23 Jane L. Rodda
24 Administrative Law Judge
25 Arizona Corporation Commission
Hearing Division
400 West Congress
Tucson, Arizona 85701-1347

Michael Grant
Jennifer A. Ratcliff
Gallagher & Kennedy
2575 East Camelback Road
Phoenix, Arizona 85016 -9225
Attorneys for Southwest Transmission
Cooperative, Inc.

1 Michael W. Patten
2 Timothy J. Sabo
3 Roshka DeWulf & Patten PLC
4 One Arizona Center
5 400 East Van Buren Street, Suite 800
6 Phoenix, Arizona 85004-2262
7 Attorneys for Trico Electric Cooperative, Inc.

8 Christopher Hitchcock
9 Law Offices of Christopher Hitchcock, PLC
10 Post Office Box AT
11 Bisbee, Arizona 85603-0115
12 Attorney for Sulphur Springs
13 Valley Electric Cooperative, Inc.

14 Bradley S. Carroll
15 Snell & Wilmer L.L.P.
16 One Arizona Center
17 400 East Van Buren
18 Phoenix, Arizona 85004-2202
19 Attorney for Sulphur Springs
20 Valley Electric Cooperative, Inc.

21 

22 1234\21\2-11\ Notice of Filing - Testimony Summary 09-10-10

23
24
25

Testimony Summary of Carl N. Stover, Jr.
For Mohave Electric Cooperative, Inc.
SWTC Rate Case
Docket No. E-04100A-09-0496

Carl N. Stover, Jr. is the Chairman of the Board of C. H. Guernsey & Company, Engineers • Architects • Consultants. His consulting activities include rate and financial analysis, long-range system planning, power supply planning and development of power supply resources. Mr. Stover has a Bachelor of Science degree in Electrical Engineering and a Master of Science degree in Industrial Engineering. He is a Registered Professional Engineer in six States and has worked with Mohave Electric Cooperative, Inc. ("Mohave") since 2002.

Mr. Stover filed Surrebuttal Testimony in this Docket on behalf of Mohave in support of Southwest Transmission Cooperative, Inc.'s ("SWTC") proposed 26.43% increase in revenues of \$6,823,195 and a 1.35 Debt Service Coverage ("DSC"). He also explains why the Commission should reject Staff's recommendation of a 29.92% increase of \$7,722,123 in revenues or approximately \$900,000 above that requested by SWTC.

In particular Mr. Stover recommends that the operating expenses disallowed by Staff and accepted by SWTC should flow through to benefit SWTC's Members rather than to increase SWTC's net margins and DSC. He demonstrates that the performance of SWTC has been, and with SWTC's requested revenue levels should remain within acceptable levels and allow SWTC to increase both cash reserves and its equity. Mr. Stover explains that Mr. Vickroy's recommended net margins and cash flow after debt service will be achieved with SWTC's requested revenues and exceeded at the higher revenue levels recommended by Staff. In short, Mr. Vickroy's recommendation of a 1.45 DSC is inconsistent with his net margin and cash flow after debt service targets. In contrast, the 1.35 DSC achieved by SWTC's requested revenues is consistent with Mr. Vickroy's net margin and cash flow after debt service targets. The only other justification provided by Mr. Vickroy to support a 1.45 DSC is his desire to guard against possible unknown and speculative contingencies and economic uncertainties. Mr. Stover notes these are factors normally deemed inappropriate to set rates by jurisdictions that use historical test years such as Arizona.

Mr. Stover concludes that a 1.35 DSC and the net margins and cash flows after debt service maintained by SWTC at its requested revenue levels are appropriate while the additional revenue level recommended by Staff are unreasonable and inappropriate.

Mr. Stover also testifies against an adjustment for gain on the sale of utility property that Staff had originally recommended, but has subsequently withdrawn. Finally he was uncertain as to whether SWTC had justified the amendments to the MEC2 rate made in Dr. Zarnikau's rebuttal testimony. Mohave, for the purpose of this rate proceeding only, now accepts Dr. Zarnikau's adjusted MEC2 rate design.