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**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE COMPLAINT OF  
BUREAU OF INDIAN AFFAIRS, UNITED  
STATES OF AMERICA, AGAINST  
MOHAVE ELECTRIC COOPERATIVE,  
INC. AS TO SERVICES TO THE  
HAVASUPAI AND HUALAPAI INDIAN  
RESERVATIONS.

DOCKET NO. E-01750A-05-0579

**JOINT NOTICE OF FILING  
PARTIES' MEMORANDUM OF  
SETTLEMENT POINTS**

Pursuant to the Procedural Order in this docket dated June 21, 2011, the Bureau of Indian Affairs ("BIA") and Mohave Electric Cooperative, Inc. ("MEC"), by and through their counsel undersigned, hereby give notice of filing their Memorandum of Settlement Points, a copy of which is attached as Exhibit A.

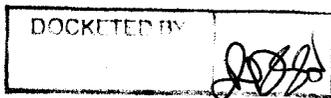
RESPECTFULLY SUBMITTED this 14th day of July, 2011.

Arizona Corporation Commission

**DOCKETED**

**JUL 14 2011**

DENNIS K. BURKE  
United States Attorney  
District of Arizona



By Mark J. Wenker

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**ORIGINAL and 13 COPIES** of the foregoing were hand-delivered for filing this 14th day of July, 2011, to:

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

**COPY** of the foregoing hand-delivered this 14th day of July, 2011, to:

Hearing Division  
Arizona Corporation Commission  
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## MEMORANDUM OF SETTLEMENT POINTS

The Bureau of Indian Affairs ("BIA") and Mohave Electric Cooperative, Inc. ("MEC"), by and through their undersigned counsel, hereby memorialize the following agreement points the parties have reached as of July 8, 2011, following negotiations concerning the issues in Arizona Corporation Commission ("ACC" or "Commission") Docket No. E-01750A-05-0579 (the "Complaint Proceeding") currently pending on rehearing before the Commission. The parties agree that this Memorandum of Settlement Points shall form the basis for the drafting and execution of more formal agreements. This memorandum also serves as the basis for informing the Commission that the issues pending in the Complaint Proceeding have been resolved between the parties, pending more formal documentation.

1. Ownership of the 70-mile and spur lines: MEC shall reassume ownership of the 70-mile Line, and treat the 12 "original" customers as members of MEC. MEC will not own the Bar 4 or the "1-mile" line; the connection of these two spur lines to the 70-mile Line will be subject to an interconnection agreement, and no further load will be added to either spur line until an interconnection agreement is in place, with the parties treating each line in accordance with the terms of the interconnection agreement negotiated as to that line. BIA agrees to be the customer for the interconnection meters at the beginning of the two spur lines. A meter will be installed at the point of interconnection of each line to monitor use. MEC will respond to service calls on either spur line on a fee-for-service basis under the present operations protocol until interconnection agreements are in place. MEC will provide BIA with a copy of the current MEC interconnection policy and standards, as well as copies of its basic form member service agreements and interconnection agreements.

2. Rate: MEC's ACC-approved Large Commercial and Industrial Service Rate will apply to the power delivered to the BIA on the 70-mile Line. The individual retail customers will continue to be charged the applicable ACC-approved rates for such service.

3. Service to "Original" Accounts and New Users: MEC will reassume its customer relationship with the original 12 accounts. Any new users tapping into the 70-mile Line (including those new users in addition to the original 12) shall be dealt with pursuant to either a service agreement (which will not be a member agreement, but will provide for "member-like" utility services) or an interconnection agreement, in the discretion of MEC, including as to metering and meter reading. BIA agrees to assist MEC in negotiation and entering into appropriate agreements with the new user, if the new user is the Hualapai Tribe, the Havasupai Tribe, or a member of either Tribe, and such new agreements shall be subject to the terms and conditions as set forth further below.

4. OM & R: BIA will pay all reasonable overhead, maintenance and repair ("OM&R") costs on the 70-mile Line per its pro rata share of its load vs. MEC's customers' load, as measured by the new equipment BIA is installing on the Line (until the new TWAC system is operation, the pro rata shares will be established by actual meter readings); the parties' actual load will also provide the basis for apportioning load loss among them. The parties will work together to assess the status of the 70-mile Line and will use that information to develop an initial and ongoing OM&R plan and budget so that the BIA can plan to budget for such expenses. MEC will complete the OM&R plan for the 70-mile Line within a reasonable timeframe from the execution of the agreements contemplated in this Memorandum of Settlement Points, and this plan will serve as the basis for

OM&R of the 70-mile Line. BIA agrees to plan its future budgets for anticipated OM&R costs based on the OM&R plan as amended periodically by the parties. MEC will establish a designated contact person or persons for OM&R issues and budgeting, and such person or persons will meet regularly with the BIA as reasonably necessary to allow BIA sufficient time to plan its budget (not less than annually) and to review the annual OM&R plan with BIA to take into account the federal budget and appropriations process required of BIA. The objective of this element is to replace and supersede the "Operations Protocol".

5. Renewable Energy: MEC will work with BIA on an interconnection agreement for BIA's solar generation facilities attached to the 70-mile Line, and such agreed facilities may supplement BIA's power usage from the line in a way that reduces the load provided to BIA by MEC on a "net metering, demand side management" basis as has been established in MEC's ACC-approved net metering tariff.

6. Increased Loads: MEC agrees that BIA has 2000 kW of capacity on the Line and 1500 kW of transformer capacity at Nelson substation to serve all BIA's existing and future connected loads. Any unused capacity in either the Line or transformer connected at Nelson may be used by the other party at no additional cost, subject to the terms of this Memorandum of Settlement Points. In determining existing loads, MEC will be responsible for the ACC-ordered 12 services (2 within MEC's certificated area ("CCN") and 10 outside MEC's CCN), plus the additional new customers that MEC agrees to serve directly under a service agreement or an interconnection agreement, and the capacity required to serve those loads. The cost of any increased loads from the existing capacity of the 70-mile Line shall be proportionally borne by the parties using such increased loads, as shall be determined by joint studies demonstrating the costs of such increased loads. If the Hualapai or Havasupai Tribe seeks to increase the load on the 70-mile Line, BIA shall facilitate discussions between the Tribe and MEC in order to serve the new/additional loads and apportion costs to the responsible party other than MEC.

7. Tribal Governmental Taxes, Fees and Assessments: Any tribal governmental taxes, fees and assessments assessed related to the 70-mile Line within MEC's CCN shall be the responsibility of MEC to the extent that MEC has customers served from the 70-mile Line within the CCN. Such tribal governmental taxes, fees and assessments may be passed on to MEC's customers connected to the 70-mile Line within the CCN. Any tribal governmental taxes, fees and assessments that are assessed related to the 70-mile Line outside MEC's CCN will be apportioned between MEC and BIA pro rata by usage and shall be passed on to MEC's customers connected to the 70-mile Line outside MEC's CCN or BIA's accounts as appropriate.

8. Rights-of-way and Easements: BIA will use its best reasonable efforts to work with MEC in applying to the Tribes for renewal of the Hualapai, Havasupai and Boquillas Ranch (Navajo) rights-of-way and grants of easement along the 70-mile Line, which will include reasonable rights of access across tribal lands to facilities and customers.

9. Payments: The parties are "square" as to payments and MEC shall either continue to credit BIA for the historic monthly usage as found in the Decision, or by the results of actual meter reading (or as measured by the new equipment).

10. Separate line to two CCN accounts: BIA understands that MEC intends to construct, at its expense, a separate line to serve the two original accounts within its CCN area, and will comply with applicable Federal and tribal permitting and approval requirements.

11. Status of Meters at Nelson and Long Mesa and Line Loss: MEC shall continue at its expense to maintain and read the meter at the Nelson substation in order to provide a measure of the load being delivered at the front end of the 70-mile Line. BIA will, at its expense, install a meter at Long Mesa in order to measure the load at the end of the 70-mile Line for purposes of billing and calculating and apportioning line loss between the parties, in conjunction with readings from the service meters either by manual reading or through the TWAC system. Once net line loss is calculated, and adjustments are made for the amount of loss built into MEC's standard rate (actual losses net the embedded loss in the rate), the parties shall share the expense of such additional losses in proportion to their use in the same manner as OM&R costs are being apportioned.

12. Approval of Final Agreements: BIA shall present the final agreements documenting the agreements set forth in this Memorandum of Settlement Points to the two Tribes and use its best reasonable efforts to seek their written concurrence with the Agreement. The parties understand that such agreements are subject to additional approval and consultation requirements.

IN WITNESS WHEREOF, the parties have executed this MEMORANDUM OF SETTLEMENT POINTS effective as of the day and year first written above.

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District of Arizona

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