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# EXCEPTION

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BEFORE THE ARIZONA CORPORATION COMMISSION

DEC 29 10 35 AM '98

JIM IRVIN  
Commissioner--Chairman

Arizona Corporation Commission

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RENZ D. JENNINGS  
Commissioner

DEC 29 1998

CARL J. KUNASEK  
Commissioner

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IN THE MATTER OF THE FILING BY ) DOCKET NO. E-01750A-<sup>97</sup>~~98~~-0701  
 MOHAVE ELECTRIC COOPERATIVE, INC. )  
 - OF UNBUNDLED AND STANDARD OFFER ) EXCEPTIONS TO PROPOSED  
 SERVICE TARIFFS PURSUANT TO ) OPINION AND ORDER  
 A.A.C. R14-2-1606. )

Mohave Electric Cooperative, Inc. ("Mohave") respectfully files exceptions to Staff's Proposed Opinion and Order in the above-captioned proceeding. Specifically, Mohave takes exception to the proposed order as it applies to the provision of unbundled services for residential customers.

In the proposed Opinion and Order, Staff proposes a residential fixed rate component for distribution services of \$6.20 per month and a variable charge of \$0.0137 per kWh. Mohave takes exception to Staff's methodology because of the fact that Mohave's average energy usage for residential customers has been steadily increasing, resulting in the need for system reinforcements and upgrades.

Mohave believes that the customers who are causing this additional investment (larger residential users) should be the customers who bear the cost responsibility for the need for increased investment. Since all residential customers pay the

1 same fixed charge and since residential customers are not demand  
2 metered, the only way to send the correct price signals is to  
3 reflect the costs in the variable rate component. Mohave also  
4 believes that with the advent of competitive options, the larger  
5 users will be the most likely customers to utilize the unbundled  
6 rate option.

7 Accordingly, Mohave's proposal shifts \$0.50 per  
8 customer per month to the variable component resulting in a  
9 fixed component of \$5.70 per month and a variable component of  
10 \$0.0143 per kWh.

11 It should be noted that on a class basis, Mohave's  
12 proposal generates the same revenue as Staff's proposal.  
13 However, Mohave's proposal results in lower charges to small  
14 residential users. The two rates are equal at a usage level of  
15 833 kWhs.

16 In conclusion, Mohave requests that the Commission  
17 modify Findings of Fact No. 7 of the Proposed Opinion and Order  
18 to reflect Mohave's proposal for a fixed charge of \$5.70 per  
19 month per residential customer with a variable distribution  
20 charge of \$0.0143/kWh as filed. This rate design will benefit  
21 small energy consumers as compared with Staff's proposed rate  
22 design. Mohave accepts Staff's recommendations for unbundled  
23 rates for commercial and industrial customers.

24 Mohave also requests that Finding of Fact No. 6 of the  
25 Proposed Opinion and Order be deleted. As written, it implies  
26

1 that Mohave agreed to maintain the current level of fixed versus  
2 variable charges in its current tariff. This is simply not  
3 true. In the spirit of cooperation with Staff, Mohave agreed  
4 that it would consider Staff's concept. Mohave considered the  
5 concept and rejected it for the reasons explained in this  
6 filing.

7 RESPECTFULLY SUBMITTED this <sup>29<sup>th</sup></sup> day of December, 1998.

8 MARTINEZ & CURTIS, P.C.

9 By

Paul R. Michaud

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11 Paul R. Michaud, Esq.  
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16 Attorneys for Mohave  
17 Electric Cooperative, Inc.

18 The original and ten (10) copies of  
19 the foregoing filed this <sup>29<sup>th</sup></sup>  
20 day of December, 1998, with:

21 DOCKET CONTROL  
22 Arizona Corporation Commission  
23 1200 West Washington Street  
24 Phoenix, Arizona 85007

25 and

26 A copy of the foregoing hand delivered  
this <sup>29<sup>th</sup></sup> day of December, 1998 to:

Jerry Rudibaugh, Chief Hearing Officer  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

- 1 Jim Irvin  
Commissioner - Chairman
- 2 Arizona Corporation Commission  
1200 West Washington
- 3 Phoenix, Arizona 85007
  
- 4 Renz D. Jennings  
Commissioner
- 5 Arizona Corporation Commission  
1200 West Washington
- 6 Phoenix, Arizona 85007
  
- 7 Carl J. Kunasek  
Commissioner
- 8 Arizona Corporation Commission  
1200 West Washington
- 9 Phoenix, Arizona 85007
  
- 10 Ray Williamson, Acting Director  
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- 13 Paul Bullis, Chief Counsel  
Legal Division
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By *[Handwritten Signature]*