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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS  
GARY PIERCE, CHAIRMAN  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

IN THE MATTER OF THE APPLICATION  
OF MOHAVE ELECTRIC COOPERATIVE,  
INCORPORATED, AN ELECTRIC  
COOPERATIVE NONPROFIT  
MEMBERSHIP CORPORATION, FOR A  
DETERMINATION OF 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-01750A-11-0136

NOTICE OF FILING  
OF REBUTTAL TESTIMONY

Mohave Electric Cooperative, Incorporated ("Mohave" or the "Cooperative")  
by and through undersigned counsel, gives notice of the filing of Rebuttal Testimony of J.  
Tyler Carlson.

RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of February, 2012.

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

Arizona Corporation Commission  
DOCKETED

FEB 24 2012

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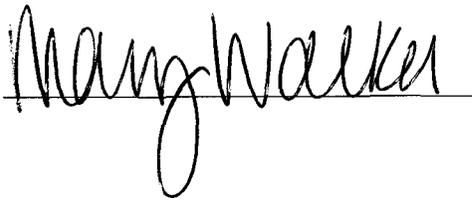
I hereby certify that on this 24<sup>th</sup> day of February, 2012, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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IN THE MATTER OF THE APPLICATION OF  
MOHAVE ELECTRIC COOPERATIVE,  
INCORPORATED 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-01750A-11-0136

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**REBUTTAL TESTIMONY OF**

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**J. TYLER CARLSON**

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**ON BEHALF OF**

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**MOHAVE ELECTRIC COOPERATIVE, INCORPORATED**

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**February 24, 2012**

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**REBUTTAL TESTIMONY OF  
J. TYLER CARLSON  
ON BEHALF OF  
MOHAVE ELECTRIC COOPERATIVE, INCORPORATED  
SUMMARY OF REBUTTAL TESTIMONY**

6 Mr. Carlson is the Chief Executive Officer of Mohave Electric Cooperative,  
7 Incorporated. In his rebuttal testimony Mr. Carlson discusses the fundamental differences  
8 between an electric distribution cooperative and an investor owned electric utility. As the  
9 elected representatives of the member-customer owners, a cooperative's Board of  
10 Directors is in a strong position to balance the needs of the Cooperative and the customers.  
11 In reality, the needs of the cooperative and its member-customers do not compete as both  
12 seek reliable energy at the lowest practicable cost consistent with prudent utility  
13 management.

14 Mr. Carlson discusses the members' desire to have prepaid service implemented  
15 immediately and explains why pursuit of prepaid service in a separate docket, as  
16 recommended by Staff, is contrary to the needs of Mohave's customers.

17 Additionally, Mr. Carlson discusses:

- 18 1) Customer support for the residential customer charge proposed by Mohave;  
19 2) The inappropriate rate design Staff proposes for large commercial and industrial  
20 time of use customers;  
21 3) The unjustified \$1.946 million prudence penalty recommended by Staff;  
22 4) Staff's erroneous recommendation to adjust Mohave's PPCA bank balance an  
23 additional \$594,737.45+;  
24 5) Detrimental impacts flowing from the change Staff recommends third party sales  
25 be booked; and  
26 6) Staff's unnecessary recommendation that the Commission mandate the timing  
27 and test year for Mohave's next rate filing.

28 Mr. Carlson concludes his rebuttal testimony by requesting the Commission  
29 expeditiously implement a streamlined rate making process for electric distribution  
30 cooperatives to avoid the unnecessary time and costs involved in the current ratemaking  
31 process.  
32

1 **1. INTRODUCTION**

2 **Q. Please state your name, your employer and your position.**

3 A. My name is J. Tyler Carlson. I am the Chief Executive Officer of Mohave Electric  
4 Cooperative, Incorporated (“Mohave” or “Cooperative”) and have served in that  
5 capacity since March of 2010.

6 **Q. Please briefly describe your background.**

7 A. I have a degree in electrical engineering and a PE. I started at Mohave in 2008 as the  
8 Chief Operating Officer, with primary responsibility for Engineering, Operations and  
9 Power Supply. From 1993 to 2008, I was the Regional Manager for the Western  
10 Area Power Administration. My responsibilities included power system operations,  
11 transmission operations, power marketing, rates and repayment, contracts and all  
12 other functions of a public power entity. I was also a Division Director for System  
13 Protection at an investor owned utility and began my career at a small distribution  
14 cooperative in Minnesota.

15 **2. PURPOSE OF REBUTTAL TESTIMONY**

16 **Q. What is the purpose of your rebuttal testimony?**

17 A. My rebuttal testimony provides Mohave’s management’s perspective on the  
18 following issues:

- 19 1. The fundamental differences between member owned electric cooperatives and  
20 for profit electric utilities.
- 21 2. The need for expedient implementation of a prepaid service option.
- 22 3. The need to, and customer support for recovering a greater portion of the base  
23 cost of providing service through the customer charge.
- 24 4. The unjustified, unfair, unjust and unreasonable 1.94 million dollar prudence  
25 penalty related to Mohave’s power purchase practices Staff is recommending.
- 26 5. The unnecessary and inappropriate power purchase bank adjustment Staff  
27 recommends relating to purchase power related legal, consulting and staff costs  
28 collected since 2010 under its power purchase clause adjustor (PPCA).

- 1 6. Why third party sales should remain outside the PPCA.
- 2 7. Why Mohave should not be ordered to make another rate filing in 2016.
- 3 8. The need to significantly streamline the current ratemaking process for
- 4 cooperatives.

5 **3. COOPERATIVE VS. IOU**

6 **Q. Would you discuss some of the fundamental differences between member**

7 **owned electric cooperatives and investor owned electric utilities?**

8 A. Two fundamental distinctions between an electric cooperative and an investor

9 owned cooperative are their form of ownership and the resulting fiduciary duties of

10 their Boards of Directors. An IOU is owned by shareholders who have invested in

11 the utility to make a return or profit. As a result, the Board of Directors and

12 management of an IOU have a fiduciary duty to operate the utility to provide a

13 return for its shareholders. Securing a reasonable return for their investors is a

14 fundamental aspect of their business.

15 In contrast, a cooperative is formed and owned by the customers its serves. The

16 primary purpose of the cooperative is to secure and distribute electricity reliably

17 and at a price that is consistent with good business practices and is fair and

18 equitable to its member-customers. A cooperative is incented to provide reliable

19 service while minimizing costs to its members regardless of regulatory oversight.

20 Members understand that positive margins will be retained by the cooperative for

21 15 to 25 years before being returned to members without interest, or, if distributed

22 early due to death of the member, at a discount.

23 Additionally, while an IOU's board of directors is elected by its shareholders, most of

24 whom are not its customers, a cooperative's board of directors is elected from and

25 by the customers the cooperative serves. Each Mohave director represents a

26 specific district and is elected by the customers of that district. In other words, in

27 contrast to directors of an IOU - or even Commissioners elected in 'statewide'

28 elections - the directors of a cooperative are the elected representatives of the very

29 customers served by the cooperative. A cooperative's board of directors has no

30 incentive or desire to increase its rates and charges, especially for its rank and file

31 members - the residential customers. Increases are sought only when they are

1 necessary to continue to provide reliable electric service, both in the short term and  
2 the long term, and/or in order to satisfy financial criteria established by their  
3 lenders.

4 **Q. Are there also differences in the character of the service area and customer**  
5 **base of an IOU and a cooperative?**

6 A. Yes. Most cooperatives were formed where IOUs were unwilling or at least  
7 reluctant to serve because the lack of density or load profile would not provide the  
8 IOU sufficient returns to satisfy their shareholders. The service areas of  
9 cooperatives are therefore predominately rural and with lower overall densities  
10 than those of IOUs.

11 **Q. Should the Commission consider the Cooperative as an entity separate and**  
12 **distinct from the customers they serve?**

13 A. Whereas the shareholders of an IOU and the corporation they formed may be seen  
14 as separate and distinct from the customers they serve, such is not the case with  
15 cooperatives. The cooperative's owners and customers are one and the same.

16 **Q. Should the Commission treat the request of a cooperative's board differently**  
17 **than it treats the request of an IOU?**

18 A. The fundamental distinctions between the two types of utilities, the fact that a  
19 cooperative's board is directly elected by the customers it serves and the members  
20 of its board are both directly impacted and representatives of the very customers  
21 their requests for action will affect collectively warrant the Commission giving  
22 greater weight and deference to requests of a cooperative than given to the requests  
23 of an IOU.

24 When a cooperative's board requests a rate increase, revised rate designs or  
25 initiation of a new service, they too will experience the impacts of the changes and  
26 will be subject to the will of the members if their member-customers' concerns have  
27 not been adequately considered and addressed. To my knowledge, not a single  
28 member of Staff or the Commission will be directly impacted by the rates that will  
29 be put into effect at the end of this proceeding.

30 During the entire process of developing this requested rate increase, the Mohave  
31 Board carefully deliberated, reached out to its customers in town halls and acted to

1 minimize both the overall increase and the adverse impacts on any particular class  
2 of customer. No rate consultant was hired before the Mohave Board was convinced  
3 a rate increase was necessary. As a result the feedback from customers has been  
4 positive. At the town halls, which I personally attended, everyone expressed  
5 support and agreed that two of the most important elements of this rate application  
6 were 1) securing a customer charge that recovered the basic costs of providing  
7 service and 2) implementing prepaid metering service.

8 A cooperative's board, or at least Mohave's Board, has a much greater relationship  
9 with its customers and is more directly impacted by their own decision to raise  
10 rates than shareholders or members of the board of an IOU, or even Staff and the  
11 Commissioners. Given all these factors, the requests of Mohave's Board should not  
12 be rejected without a strong evidentiary basis demonstrated on the record. And  
13 while the Cooperative's Board and I respect the Commission Staff, it is clear that  
14 they have not demonstrated that the Mohave's Board's requests should be rejected  
15 on any of the issues that remain in this matter.

#### 16 **4. PREPAID SERVICE**

17 **Q. Why is Mohave proposing prepaid service?**

18 A. Mohave's members are anxious for prepaid service to be implemented. Prepaid  
19 service is a way to secure electric service without putting down a deposit equivalent  
20 to 2 months of billing, having a good credit history or being a customer in good  
21 standing for 12 months. It provides customers the opportunity to pay as they go  
22 rather than in 30 day increments. It affords customers the opportunity to forego  
23 electricity for a day or two without incurring a minimum monthly bill and paying  
24 reconnection fees. These aspects of prepaid service will always be meaningful to  
25 customers in our service area, but are even more so while they are suffering from a  
26 depressed economy. Prepaid service is not being forced on Mohave's members. It is  
27 a service they are requesting and a service Mohave wants to provide.

28 **Q. What is the prepaid service concept that Mohave has proposed?**

29 A. As part of our rate application that was filed almost a year ago now, on March 30,  
30 2011, we filed updated and revised Service Rules and Regulations that added  
31 Prepaid Service under Section 102-I as an alternative to posting a deposit. A copy of  
32 the new Section 102-I is attached to my testimony as JTC-Rebuttal Exhibit 1. We

1 have also developed a Prepaid Service Agreement which is attached as JTC- Rebuttal  
2 Exhibit 2.

3 **Q. Is Staff supporting or opposing Mohave's concept for prepaid service?**

4 A. Mohave understands that Staff does not oppose the concept of prepaid service, but  
5 to date Staff has opposed prepaid service as an energy efficiency program. Mohave  
6 is not proposing prepaid service as an energy efficiency measure, but as an  
7 alternative to deposit requirements. Staff had more than 9 months between the  
8 filing of our application and the filing of its direct testimony to investigate and  
9 evaluate Mohave's proposal. All data requests and responses related to the proposal  
10 are attached as JTC-Rebuttal Exhibit 3. Yet, Staff witness Candrea Allen testified "If  
11 Mohave wishes to pursue a pre-pay option, Staff recommends that Mohave file, in a  
12 separate docket, an application for Commission approval of prepaid metering."  
13 Direct testimony of Candrea Allen, p. 5, lines 15-17.

14 **Q. Does Mohave support Staff's recommendation?**

15 A. No. We filed our proposal almost a year ago. There is no reason this service should  
16 not be approved with the rest of Mohave's Service Rules and Regulations as part of  
17 this docket.

18 **Q. Ms. Allen at page 5, lines 9-10 also suggests Mohave engage in discussions with**  
19 **stakeholders and other interested parties to further evaluate and assess its**  
20 **proposal. Does Mohave believe such action is necessary or appropriate?**

21 A. As I indicated earlier, we have already received significant input from our  
22 customers. It is our customers requesting the prepaid service. We believe Section  
23 102-I adequately explains the prepaid service program and does so in a fair and  
24 equitable manner. We are willing to consider specific recommendations of Staff, but  
25 the suggestion that it be handled in a separate docket is unacceptable to Mohave,  
26 unless Staff can ensure Mohave that such application would be approved before a  
27 decision is rendered in this matter.

28 **Q. At page 5, lines 4-5, Ms. Allen indicates Mohave did not provide any analysis**  
29 **relating to the implementation of prepaid metering. Do you know to what she**  
30 **is referring?**

1 A. It is unclear as to the type of analysis to which Staff refers. Since the service is  
2 totally optional, and a customer can leave at any time, Mohave does not understand  
3 what type of additional analysis is required or would be beneficial. Staff had over 9  
4 months to request any specific analysis it deemed was necessary, but did not do so.  
5 There is a desire and need for prepaid service now. Awaiting an unspecified  
6 analysis is unnecessary and does not support Staff's recommendation that prepaid  
7 service be addressed in a separate docket.

8 **Q. Do you have any comment on Ms. Allen's suggestion that Mohave would**  
9 **benefit from modeling its proposal after the Sulphur Springs Valley Electric**  
10 **Cooperative, Inc.'s ("SSVEC") application for its Experimental Pre-Paid**  
11 **Residential Tariff (docket E-01575A-11-0439)?**

12 A. We have closely examined SSVEC's application which was filed 8 months after we  
13 submitted our proposal. We have concluded that there are few substantive  
14 differences between the two proposals other than proposing the service as a tariff  
15 versus through a rule. Since the rate for customers using prepaid service is the  
16 same as that of a standard residential service, pro rata to the number of days of use,  
17 we do not believe a separate tariff is needed. However, we have contacted SSVEC  
18 and Staff in an effort to work together on a general form of Prepaid Service Tariff  
19 that can be used by both cooperatives, with appropriate modifications for their  
20 respective systems. Mohave encourages Staff to work expeditiously with SSVEC and  
21 Mohave to reach a consensus form of prepaid service tariff before rejoinder  
22 testimony is due in this matter at the end of March. In the event such a consensus  
23 tariff is timely developed, Mohave is willing to propose the consensus tariff in lieu of  
24 or in connection with its proposed Section 102-I, as appropriate based upon the  
25 tariff. However, Mohave is unwilling to abandon its Section 102-I before a  
26 consensus prepaid service tariff exists. Prepaid service is too important to our  
27 members to allow it to languish in a separate docket.

## 28 **5. RESIDENTIAL CUSTOMER CHARGE**

29 **Q. Do you have any comments regarding Staff's proposed residential customer**  
30 **charge?**

31 A. Mohave management proposed a \$16.50 residential customer charge only after  
32 carefully balancing the cost of providing service as demonstrated by the cost of

1 service study with the impacts on Mohave's member-customers. We considered the  
2 negative impacts to Mohave and its customers when 90% of its customers (i.e., its  
3 residential class) have a customer charge that does not come close to paying the  
4 fully allocated cost of merely accessing the system, without consuming a single kWh  
5 of energy. We addressed the impact of making a substantial move in the proper  
6 direction by keeping the overall rate increase to a minimum and moving from a  
7 single energy rate to a three tiered energy charge in such a way that customers  
8 using between 400 kWh to 1000 kWh will have minimum impact from the rate  
9 change. Yes, the percentage increase for those customers using 0 - 200 kWh per  
10 month will seem significant, but these energy use levels do not reflect residential  
11 dwelling units that are actually occupied for the full month, and the actual dollar  
12 increase for any customer using 400 kWh or less under Mohave's proposed rates  
13 will never be greater than \$7 per month.

14 **Q. Has the new rate structure Mohave is proposing been explained to its**  
15 **customers?**

16 A. After filing the application we held a series of town hall meetings throughout the  
17 service area to explain the filing. While customers, as well as the Mohave Board,  
18 would prefer no increase, the application and rationale for the new rate design were  
19 supported by those attending the town halls. In fact we have received no negative  
20 comments about the customer charge Mohave is proposing.

21 **Q. Does Mohave's elected board feel its determinations should be given**  
22 **substantial weight by the Commission?**

23 A. While the Mohave board respects the Commission's Staff, it does believe that, as the  
24 elected representatives of the customers they serve, the Board's decisions should be  
25 given substantial weight and deference by the Commission. In reviewing the  
26 testimony of Mr. Erdwurm, I find no justification for the Commission to accept the  
27 Staff's proposed residential customer charge over the one recommended by  
28 Mohave's Board.

29 **Q. Is Mohave willing to phase-in its proposed residential customer charge over a**  
30 **two year period?**

31 A. While Mohave does not feel a phase-in of the residential customer charge is  
32 necessary, should the Commission feel strongly that the move to \$16.50 in one step

1 is too significant, we would accept starting with the \$12.00 customer charge  
2 proposed by Staff on the effective date of the new rates, moving to \$14.25 with  
3 November 2013 usage and then to \$16.50 with November 2014 usage. As explained  
4 by Mr. Searcy, the energy charge for each tier would be proportionally reduced each  
5 step to achieve the approved revenues with test year billing determinants.

6 **Q. Do you have any comments on any of the other rates design issues?**

7 A. Again, the Commission should give substantial weight and deference to the rate  
8 designs proposed by the Mohave Board, as the elected representatives of the  
9 customers Mohave serves. Mr. Searcy sets forth Mohave's position on the various  
10 rates. Finally, the fact that the three existing customers on the large commercial &  
11 industrial time of use rates have taken advantage of a poor rate design, should not  
12 be construed as entitling them to perpetual subsidization from the rest of Mohave's  
13 customers. While Mohave feels the error should be corrected immediately, we again  
14 are willing to accept a phase-in of the appropriate rate design as more fully  
15 explained by Mr. Searcy.

16 **6. PROPOSED \$1.946 MILLION PRUDENCE PENALTY**

17 **Q. Do you have any comments on Staff's proposed \$1.946 million prudence**  
18 **penalty?**

19 A. The recommendation to charge Mohave a \$1.946 million penalty based upon an  
20 unsupported claim that Mohave has not properly maintained and produced  
21 documentation to support its purchase power costs is baseless and if accepted will  
22 have a severe impact on the financial health of Mohave. To impose a penalty of this  
23 magnitude to avoid the mere possibility of sending "a signal that a utility can avoid  
24 scrutiny by failing to maintain records and file requested information" is  
25 unthinkable.

26 First, I note that when we met with Staff to discuss our filing in April of 2011, no  
27 member of Staff suggested Mohave would be subject to a prudence review of its  
28 purchase power practices; and certainly we were not told it could extend back as far  
29 as July 2001. Staff acknowledges that, though our application had been pending for  
30 5 months and they were seeking proposals to perform a power purchase prudence  
31 review, we were first notified via electronic receipt of 76 multi-part data requests  
32 on September 1, 2011 (the Thursday before the Labor Day weekend). Under the

1 procedural order we had 7 days to object. Weighing what we could reasonably  
2 supply promptly, the burdens of the request, the substantial period outside the test  
3 year involved and the fact that Mohave had regularly filed monthly purchase power  
4 reports with supporting data with the Commission, we timely objected to all  
5 requests seeking information prior to January 1, 2007. At no time has Mohave  
6 simply refused to maintain or provide data. We assumed if Staff had a need for  
7 additional information it would seek an order from the Administrative Law Judge,  
8 and/or make additional informal attempts to request specific information not  
9 included with previously filed purchase power monthly reports. At no time, prior to  
10 its filing of direct testimony did Staff suggest that our objection would result in its  
11 recommending a penalty, let alone a \$1.946 million penalty.

12 Secondly, Mohave continues to purchase the bulk of its power from AEPCO at the  
13 rates approved by the Commission. Therefore, as Mr. Mendl recognizes, Mohave  
14 historically has acquired only about 7 to 10% of its power from sources other than  
15 AEPCO. The inequity of basing any penalty, assuming one was appropriate at all,  
16 upon power costs paid at Commission approved rates should be obvious.

17 Third, as Mr. Stover testifies, the penalty will have significant adverse impacts on  
18 the financial condition of the Cooperative.

19 We have advised Staff that if they will advise us of specific gaps in the data provided  
20 with our monthly purchase power filings, we will make a good faith effort to locate  
21 the missing data. We have not received such requests as of the filing of this rebuttal  
22 testimony. However, we are also deeply concerned the time necessary to locate  
23 data responsive to such requests at this late date in these proceedings will further  
24 delay resolution of our rate application, which is a result that will have its own  
25 adverse consequences on the Cooperative's financial condition. Mohave asks the  
26 Commission to summarily reject Mr. Mendl's recommendation.

## 27 7. LEGAL, CONSULTING AND STAFF PURCHASE POWER COSTS

28 **Q. Do you have any comments on Staff's proposed removal of \$594,737.45 from**  
29 **the fuel bank balance related to in-house labor, consulting, lobbying and legal**  
30 **purchase power costs?**

31 **A. The decision to charge these costs to the PPCA was made before I was CEO.**  
32 **However, I know that the expenses can be significant, are largely dictated by things**

1 beyond Mohave's control and therefore somewhat variable month to month. I also  
2 understand that had these costs not been collected through our PPCA, Mohave's  
3 financial performance would have been adversely affected. The way I analyze the  
4 issue is that these expenses are directly incurred in securing, scheduling,  
5 documenting and reporting purchase power. When we purchase power, I know  
6 these same costs are included in the cost we pay for the power we are purchasing.  
7 Therefore, to me these charges are properly charged to the members through the  
8 PPCA.

9 While Mohave prefers to continue collecting these costs through the PPCA, if the  
10 Commission orders that we cease doing so, and to recover them through base rates  
11 as Staff recommends, then the Commission should make the change effective with  
12 the new rates and without adjusting the bank balance for amounts previously  
13 charged to the PPCA. As Mr. Stover and Mr. Searcy explain, these costs were  
14 properly incurred and chargeable to the ratepayer. We know of no Commission rule  
15 or order that prohibited Mohave from booking these costs as purchase power  
16 related costs and collecting them through the PPCA. As Mr. Stover explains, having 2  
17 ½ years of these expenses hit the income statement in 2012 will severely  
18 undermine Mohave's financials and negate the positive impact of the rates the  
19 Commission will be approving. Finally, as a cooperative, the customer-owners will  
20 be adversely impacted by the negative financials and, as explained by Mr. Stover, the  
21 refunds will be disproportionately distributed to certain customers based upon off-  
22 peak usage.

## 23 **8. THIRD PARTY SALE**

24 **Q. Do you have any comments on Staff's proposed treatment of Mohave's third**  
25 **party sales?**

26 **A.** Mr. Stover explains this issue. I will add that the reasons Mohave management  
27 opposes Staff's recommendation is that it deprives the member-customers of the  
28 long term advantages of healthier margins and financials which will translate into  
29 lower rates and more capital patronage. These benefits are lost in order to secure  
30 short term reductions in the PPCA rate. Mohave believes that the existing treatment  
31 remains in the best interest of the Cooperative and its members.

1 **9. NEXT RATE FILING**

2 **Q. Do you have any comments on Staff's recommendation that the Commission**  
3 **order Mohave file its next rate case by April 1, 2016 using a 2015 test year?**

4 A. Compelling Mohave to file a rate case by any specific time or using a specific test  
5 year as part of this case unnecessarily and inappropriately removes the  
6 management prerogative to make these determinations from the duly elected  
7 representatives of Mohave's customers – the Mohave Board of Directors. The sole  
8 justification provided for Staff for requiring the filing by 2016 is to ensure a timely  
9 prudency review of Mohave's purchase power practices. A rate case is not needed  
10 for the Commission to conduct a prudency review of Mohave's purchase power  
11 practices. Moreover, Mohave respectfully requests the Commission significantly  
12 simplify the prudency review process for partial requirements distribution  
13 cooperatives under its jurisdiction. We would be glad to work with Staff and the  
14 other partial requirements distribution cooperatives to develop a streamlined  
15 reporting and review process.

16 **10. STREAMLINED RATE PROCESS**

17 **Q. Do you have any comments on the rate process that you would like to share**  
18 **with the Commission?**

19 A. This is the first time I, and most of Mohave's current staff, have been involved in a  
20 rate case before the Commission. I appreciate Staff's willingness to discuss and try  
21 to resolve contested issues in a fair and equitable manner. However, the process is  
22 unnecessarily cumbersome and costly for non-profit electric distribution  
23 cooperatives. While the Commission's existing rules envision a simplified rate  
24 application composed chiefly of a Form 7 and a current audited financial statement,  
25 it is unlikely such an application would ever be found to be sufficient. In addition  
26 Staff's insistence on a supplemental 2010 test year (versus relying on the 2009 test  
27 year selected by Mohave) and its decision to conduct a prudence review of purchase  
28 power costs back to July 2001 substantially complicated and increased the costs of  
29 this proceeding (increasing rate case expense from an anticipated \$150,000 to over  
30 \$400,000), not to mention delayed the needed rate relief.

1 Mohave asks the Commission to act swiftly on streamlining the rate case process for  
2 non-profit cooperatives so that a request for less than a 4% rate increase after 20  
3 years can be implemented at less cost and on a more timely basis.

4 **Q. Does this conclude your testimony?**

5 **A. Yes, it does.**

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5. Service establishment shall be made only by qualified Cooperative service personnel.
6. For the purposes of this rule, service establishments are where the Customer's facilities are ready and acceptable to the utility and the utility needs only to install or read a meter or turn the service on.
7. The Cooperative shall attempt to schedule all service establishments in accordance with the above provisions. However, service establishments for security and street lighting may be assigned a lower scheduling priority than other service requests.

**SUBSECTION 102 - H: NET METERING**

1. The Cooperative shall offer net metering to the Customer.
  - a. The net metering option shall be offered to the Customer based on the ACC approved net metering tariff.
  - b. The Cooperative will install the proper net metering equipment upon the completion and inspection of the Customer's generation system and the filing of all enrollment forms requested by the Cooperative based upon the approved net metering tariff.

**SUBSECTION 102 - I: PREPAID METERING**

1. Where the Cooperative has the capability of doing so, it shall offer prepaid metering to residential Customers receiving Permanent Service as an option to alleviate the financial impact of paying a cash deposit to the Cooperative or purchasing a surety bond for service. Prepaid Metering shall be offered under the following terms and conditions:
  - a. The residential Customer shall prepay an agreed amount upon subscribing to the prepaid metering option.
  - b. The residential Customer shall have the ability to access their current consumption and remaining prepaid balance by utilizing the Cooperative's website.
  - c. In lieu of written notice pursuant to Subsection 111-C, the Cooperative shall notify the Customer by electronic mail, where provided, and by interactive voice response phone call at the number provided by the Customer reminding the residential Customer that additional prepaid funds are necessary as the current prepaid amount becomes nearly consumed.
  - d. The residential Customer may make subsequent prepayments as often as desired by making payments in person at the Cooperative's office, or by mailed check; or at anytime, including after hours, by utilization of the Cooperative's electronic payment system found on the Cooperative's website, or by utilization of the Cooperative's voice-activated response telephone payment system at no cost in fees to the residential Customer.
  - e. Should the residential Customer neglect to make payment prior to the total of their prepaid balance and disconnection occurs, the residential Customer can make a payment, including the applicable Service Reconnect Charge, through any of the means

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described above in paragraph (d) in order to have their service reconnected. The Cooperative will endeavor to reconnect the service within two hours of the time the payment is made.

- f. Any residential Customer of the Cooperative may opt in or out of the prepaid metering option at any time; however the residential customer may change options no more than two (2) times in a calendar year including the initial election of the prepaid metering option.
- g. Any residential Customer who opts out of the prepaid metering program continuing service with the Cooperative will be required to reestablish credit with the Cooperative as set forth in Subsection 102-E; provided, however, utilization of the prepaid metering option for a period of twelve (12) consecutive months without disconnection of service shall have demonstrated the establishment, or re-establishment of satisfactory credit with the Cooperative and may elect to opt out of the prepaid option without obligation to post a deposit for continuing service.

**Mohave Electric Cooperative (MEC)  
Prepaid Metering Agreement**

The Prepaid Metering Program (the "Plan") is a program option to MEC customers who desire to alleviate the financial impact of posting a deposit or otherwise securing their service account. The Plan is designed to give the member more control over their electric usage and more opportunities to reduce their electricity costs.

Some of the plan's features that are designed to help members include:

- No requirement for a security deposit
- Smaller, more frequent payments can be made on the account
- Avoid late fees
- Monitor usage daily

Payments can be made on the Plan utilizing any of MEC's payment systems, including on line payments, electronic telephone payments (1-877-371-9379, select Option#1) and payments at our Customer Service office during normal MEC business hours. The Plan offers the members access to their current and historical consumption to assist them in managing their prepaid service. This history can be accessed with a secured member login at MEC's member website and is updated once each business day. At the MEC website the member can also update their contact information. The member will need to register online at the website in order to access their information.

Mohave's Prepaid Metering Program is available to standard residential customers where Mohave has installed the new AMI digital metering technology and can connect and disconnect your service remotely so no serviceman is needed to be dispatched.

- **Electric service is subject to immediate disconnection any time an account does not have a credit (prepaid) balance, even if the customer has submitted medical documentation that termination would be especially dangerous to a permanent resident of the premises or where life supporting equipment dependent on utility service is in use.**
- Members can access their balance on the MEC website or by calling MEC during normal business hours (1-877-371-9379).The information is updated each business day.
- The member will receive warning notices of low prepaid balances (\$50.00 or less) on their account by recorded voice messages to the member's designated contact phone number, and by email to the member's designated email address. These messages will be sent daily until the prepaid balance is exhausted.
- The prepaid account will be disconnected during MEC business hours on the first day that the account no longer has a prepaid balance. It will be the member's responsibility to make adequate payment to bring their account back to a prepaid balance of at least \$20.00. Upon payment of a new prepaid amount service will be restored no later than the following business day.

Prepaid accounts will be administered in accordance with MEC's Rules and Regulations, approved by the Arizona Corporation Commission, that apply to Prepaid Metering (Subsection 102-I), as amended from time to time.

- Member authorizes MEC to charge their prepaid account for electric services rendered in accordance with the Rules and Regulations of the Cooperative.
- Member has the ability to access to their consumption history as described above and it is their responsibility to utilize the balance information and their consumption in order to maintain a prepaid balance in their account at all times to avoid disconnection of service.
- Member is responsible for maintaining accurate contact information including telephone number, email address and mailing address at all times.
- Member  *Holds Harmless MEC, its directors, officers, employee and agents* for damages resulting from disconnecting service in accordance with approved tariffs and rules and regulations of the Cooperative.

I have carefully read and I understand the terms within the Mohave Prepaid Metering Agreement and understand the difference between prepaid service and standard residential (post paid) service. I am requesting that MEC establish prepaid electric service for my account.

Account Number \_\_\_\_\_

Member Signature \_\_\_\_\_ Date \_\_\_\_\_

Member Signature \_\_\_\_\_ Date \_\_\_\_\_

Contact Mailing Address \_\_\_\_\_

Contact Email Address \_\_\_\_\_ Contact Telephone Number \_\_\_\_\_

**ARIZONA CORPORATION COMMISSION  
STAFF'S FIFTH SET OF DATA REQUESTS TO  
MOHAVE ELECTRIC COOPERATIVE, INC.  
DOCKET NO. W-01750A-11-0136  
OCTOBER 3, 2011**

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**Subject:** All information responses should **ONLY** be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

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**The Following Questions Relate to the Proposed Rules and Regulations**

**Section 102-Establishing Electric Service**

- CA – 5.31** Please explain why Mohave is proposing the implementation of prepaid service. In addition, please provide the following information:
- A. Should a customer who has been a standard billing customer and has been required to post a deposit choose to elect prepaid service, would the deposit paid be refunded to the customer or applied to the prepaid service?
  - B. Would a customer be required to pay any additional fees for switching to prepaid service?
  - C. Would a customer be required to pay a reconnection, establishment, or reestablishment fee should the customer choose to change service methods? If so, would the fee be different than the proposed reconnection, establishment, or reestablishment fees included in the application?
  - D. Subsection 102-I(1)(g) of the proposed rules and regulations states that a customer who switches from prepaid service and has utilized the service for 12 consecutive months without disconnection would have demonstrated satisfactory credit. The customer would then be able to switch from prepaid service to standard billing service without being obligated to post a deposit for continuance of service. Please clarify the following:
    - 1. Would a customer who switched from prepaid service after less than 12 consecutive months without disconnection be required to post a deposit for continuance of service?
  - E. Would Mohave provide an in-home display unit that would allow the customer to track his/her usage on a daily basis? If so, please indicate what the cost to the customer would be for an in-home display unit.
  - F. Would a customer on prepaid service be able to pay for prepaid service using an automatic withdrawal method?

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- G. Should a prepay customer be disconnected, would the customer be required to pay a deposit or reconnection fee to reconnect to prepay service?

**Response:** Customers who are seeking to establish service, especially after being disconnected for nonpayment, often find it difficult to post the deposit. As Mohave's system and meters are enhanced, it will have the ability to log the customer's daily usage, as well as to establish and disconnect service remotely. Where such capability exists, Mohave desires to offer its members the option of prepaid service in lieu of requiring deposits.

The responses to the subparts are as follows:

- A. The Deposit would first be applied against any outstanding bill. Once the remaining deposit is subject to refund pursuant to 102-C.3.c., the customer would have the option to have it refunded or applied to their prepaid account.
- B. Yes. An Establishment Fee will be charged to recover time and materials related to setting up the prepaid metering service. The account and member information must be manually entered into the prepayment system which interfaces with the automated meter and disconnect collar that will communicate with the system. In cases where it a disconnect collar is not in place, it must be installed, which involves a physical visit to the customer's premises. No additional charge, above the Establishment Fee is made where installation of a disconnect collar is required.
- C. Same as response to B above.
- D. Yes. Subsection 102-I(1)(g) makes it clear that any customer opting out of the prepaid metering service must meet one of the establishment of credit criteria under Subsection 102-C. Subsection 102-I(1)(g) merely reflects that 12 months of uninterrupted prepaid meter service satisfies the criteria of Subsection 102-C(1)(a)(1)(a).
- E. No. Mohave's system will not have that capability. Usage information can be obtained by the customer by phone, the internet or directly from Mohave. It will not be instantaneous usage information but will be updated at least twice a day. The prepaid meter service customer will

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also receive notice pursuant to Subsection 102-I(1)(d) through email or phone to make another payment to avoid disconnection when the current prepaid amount becomes nearly consumed.

- F.** The proposed rule does not provide for automatic withdrawals. This may be possible, but would take some investigation and discussion with financial institutions to determine its availability and practicality. Mohave is uncertain whether those using prepaid metering service because of an inability to post a deposit would have both an account at a financial institution and have that account funded.
- G.** While a prepaid customer that is disconnected would be subject to the same charges as any other Mohave customer that is seeking service and could be charged the Establishment of Service Fee, Mohave does not intend to charge the Establishment of Service Fee where a prepaid customer is disconnected for less than thirty (30) consecutive days.

Prepared by: Mike Searcy

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**CA – 10.1** Will the proposed prepaid metering option be available to residential TOU customers?

**Response:** No. Mohave's prepaid metering option is available to standard Residential customers receiving permanent service, where the Cooperative has the capability of doing so, as an option to alleviate the financial impact of paying a cash deposit to the Cooperative or purchasing a surety bond for service. Mohave proposed Subsection 102-I(1). It was not intended for optional services, such as TOU, Demand or Net Metering. Currently there is no capability of providing the option to these classes of customers, so they are excluded.

**CA – 10.2** Please specify under what conditions Mohave would not disconnect a prepaid metering customer.

**Response:** All prepaid customers will be disconnected once prepaid balances are exhausted in accordance with the notice provided (See also Response to CA-10.16). Note, disconnections will occur only during Mohave's normal business hours and not on nights, weekends and holidays.

**CA – 10.3** Please clarify if the prepaid metering service would be available to both residential single phase and three phase customers.

**Response:** Mohave's prepaid metering service is available only at service locations where advanced metering infrastructure is operational and an AMI digital meter is installed. Due to the absence of automated three phase technology and remote disconnect capability, prepaid service currently will be unavailable to residential three phase customers. Mohave would entertain three phase customer service prepaid options in the future once reliable technology is proven.

**CA – 10.4** Will the proposed prepaid metering option be available to residential net-metering customers?

**Response:** Not at this time; again, for the same reason identified in Response to CA-10.3 (technology). Mohave currently only has 166 net metering customers.

**CA – 10.5** Does Mohave intend to propose a separate tariff available to potential prepaid metering customers? If so, please state if Mohave will include daily rates for the charges specified in the proposed Standard Offer Residential Service Tariff. In addition, please include an electronic spreadsheet with all calculations.

**Response:** Prepaid service is proposed to resolve the issue of requiring a deposit or surety for residential service. Mohave included the option in its Rules and Regulations just like other deposit provisions and does not intend to propose a separate tariff, as it will use the same billing components as Standard Residential Service.

Mohave is willing to consider a separate tariff for prepaid metering if Staff believes one is necessary.

**CA – 10.6** How would a prepaid metering customer be charged for the Commission approved REST adjustor rate or any other adjustor rate the Commission may approve? Would a daily rate for the surcharges be included in the respective tariffs?

**Response:** Any adjustor such as REST will be programmed into Mohave's billing system and be charged on a per kWh basis. Mohave's software has the capability to perform "micro billings" that accumulate over a normal billing period of time (month) that allow the adjustors to be charged until any cap is reached if a cap exists.

Mohave is not proposing a separate tariff at this time. (See Response to CA-10.5)

**CA – 10.7** Will a customer be required to sign an agreement with Mohave for prepaid metering service? If so, please provide Staff with a copy of the proposed agreement.

**Response:** Customers utilizing Mohave's prepaid metering option will be required to sign a prepaid metering agreement. A copy of Mohave's proposed Prepaid Metering Agreement is provided as Attachment CA-10.7.

**CA – 10.8** Will a customer have the ability to obtain an estimate of how long a prepaid credit amount would last based on the customer's current usage and/or up to the previous 30 days of consumption prior to activating a prepaid metering account?

**Response:** Mohave residential customers utilizing the prepaid option will have the ability to obtain an estimate of how long a prepaid credit amount would last based on their current usage. Customers can also obtain information on their usage over any period of time (day, week, month). The consumption information is updated daily. The information can be obtained by the customer not only during business hours at Mohave's business offices, but also online by accessing their account information on Mohave's website.

The customer will have the ability to obtain statistical information on their account at service locations where advance metering infrastructure is operational and an AMI digital meter is installed.

**CA – 10.9** **If a customer receiving standard service is disconnected for non-payment and has an outstanding balance and chose to re-establish service under prepaid metering would the customer be required to pay the full balance of the previous bill prior to obtaining prepaid service?**

**Response:** A customer re-establishing service under the prepaid metering option with an outstanding balance would be afforded the option of a payment agreement as outlined in Mohave's Rules and Regulations under Subsection 110-G. The concept of the prepaid metering option is to alleviate the financial impact of the deposit on the Customer, while at the same time avoiding financial loss to the Cooperative. If the customer declines a payment arrangement the total balance would be due prior to obtaining prepaid service.

**CA – 10.10** **Will a customer with an outstanding balance prior to obtaining prepaid service be eligible for a payment arrangement? If so, please indicate if the amount that would be required in excess of the actual payment would be a set dollar amount or a percentage of the unpaid balance. In addition, would the customer be required to pay the balance within a specific time frame?**

**Response:** Yes. See Response to CA-10.9. The amount required for a payment arrangement would be 50% of the outstanding balance, with the remainder of the balance being paid in up to six monthly installments thereafter. The amount of the installments thereafter would then establish the set dollar amount depending on the number of payments selected by the customer. The customer would be required to pay the entire outstanding balance within six months using the payment arrangement.

**CA – 10.11** **If the customer does not pay the outstanding balance (according to the payment arrangement) within the specified time frame, please describe the disconnection policies Mohave would follow.**

**Response:** If a prepaid customer does not pay the outstanding balance according to the payment arrangement within the specified time frame, but otherwise is maintaining a positive prepaid balance, Mohave would then follow the "Termination of Service With Notice" rules as outlined in Mohave's Rules and Regulations under Subsection 111-C. If service was disconnected any credit balance on the prepaid metering account would be credited against the defaulted payment arrangement.

**CA – 10.12 Will customers have the ability to combine multiple accounts into a single bill?**

**Response:** No. Customers who take the prepaid metering option will not be able to combine accounts.

**CA – 10.13 Will Mohave provide extensive explanation of the potential risks of prepaid metering for those customers specified under A.A.C. R14-2-211.A.5 and for those customers under appropriate circumstances but beyond the scope of A.A.C. R14-2-211.A.5?**

**Response:** Since the prepaid metering service is an option to standard service, Mohave's Prepaid Service Agreement will explain differences between the two services, including the potential risks of prepaid metering for those customers specified under A.A.C. R14-2-211.A.5 and for those customers under appropriate circumstances but beyond the scope of A.A.C. R14-2-211.A.5.

**CA – 10.14 Does Mohave have or use a definition for Extreme Weather Days (or Conditions)? If not, how does Mohave determine the weather conditions that would qualify as Extreme Weather Days (or Conditions)?**

**Response:** Mohave does not use or propose a definition of "Extreme Weather Days" but proposes a definition of "weather especially dangerous to health" substantially similar to A.C.C. R14-2-201.46. See subsection 101(58) of proposed Rules and Regulations. This term is used in subsection 111-A(1)(d)(3) of Mohave's Rules.

**CA – 10.15 Does Mohave intend to disconnect prepaid metering customers during Extreme Weather Days (or Conditions)?**

**Response:** No. Mohave does not intend to disconnect prepaid metering customers during weather occurrences that would fall within the definition given under A.C.C. R14-2-201.46 and Mohave's subsection 101(58). Such occurrences are highly unlikely in Mohave's service territory.

**CA – 10.16 If a customer's credit balance is less than the current daily average usage, would notice be given to the customer on a daily basis? If so, what would be the amount of the credit balance that would trigger the notices? In addition, please explain how the amount of the credit balance is determined.**

**Response:** A credit balance that falls below \$50.00 would activate the notification system to afford the customer with daily notices prior to their prepaid balance being exhausted. The notices would be sent via the Cooperative's Interactive Voice

Response System and by emails to the customer's email address of record. Mohave's software system performs daily "micro billings" which deduct daily consumption and adjusters that produce a "new" credit balance daily.

**CA – 10.17** If a customer converted from prepaid metering service, what is the minimum timeframe he/she must wait in order to be eligible to re-apply for prepaid metering service at the same location?

**Response:** There is no timeframe a customer must wait in order to be eligible to re-apply for prepaid metering service at the same location; however, Mohave's proposed Subsection 102-I.1.f., limits a customer opting in or out of the prepaid metering program to twice in any consecutive twelve month period of time.

**CA – 10.18** Does Mohave require its customers to pay a membership fee? If so, what is the amount of the fee charged to its customers (per customer class, if applicable)?

**Response:** Mohave requires its customers to pay a \$5.00 membership fee for standard residential service.

**CA – 10.19** Would Mohave require an additional membership fee be paid by a customer who converts to prepaid metering service?

**Response:** No. Each member pays only one membership fee.

**CA – 10.20** Would Mohave transfer the existing membership fee amount to a customer's prepaid metering account? If so, would Mohave require an additional membership fee be paid by customers who convert to prepaid metering service from standard service?

**Response:** Not Applicable. See Response to CA-10.19.

**CA – 10.21** If prepaid metering service is terminated at the request of the customer (who converts to standard service) and results in a refund, would the amount be credited to any deposits or fees required for standard service?

**Response:** Yes, any remaining balance would be credited to any deposit or fees required for standard service.