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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

2012 MAR 12 P 3:41  
AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF NAVOPACHE ELECTRIC COOPERATIVE, INC., 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-01787A-11-0186

NOTICE OF FILING REBUTTAL TESTIMONY

Navopache Electric Cooperative, Inc. ("NEC"), by and through undersigned counsel, gives notice of the filing of Rebuttal Testimony of Charles R. Moore and David W. Hedrick.

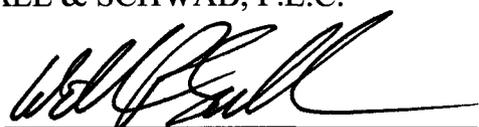
RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of March, 2012.

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

Arizona Corporation Commission  
DOCKETED

MAR 12 2012

DOCKETED BY *RSR*

By:   
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PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 12<sup>th</sup> day of March, 2012, I caused the foregoing document, with attachments, 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

With a copy of the foregoing e-mailed this 12<sup>th</sup> day of March, 2012 to:

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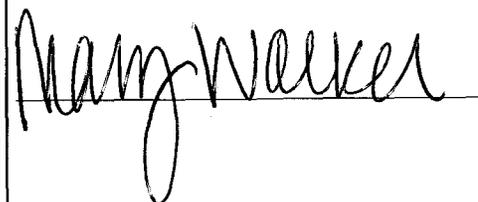
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- GARY PIERCE, Chairman
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IN THE MATTER OF THE  
APPLICATION OF NAVOPACHE  
ELECTRIC COOPERATIVE, INC. FOR A  
HEARING TO DETERMINE THE  
FAIR VALUE OF ITS PROPERTY  
FOR RATEMAKING PURPOSES,  
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SUCH RETURN AND FOR  
RELATED APPROVALS.

DOCKET NO. E-01787A-11-0186

REBUTTAL TESTIMONY OF CHARLES R. MOORE  
ON BEHALF OF NAVOPACHE ELECTRIC COOPERATIVE, INC.

March 12, 2012

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REBUTTAL TESTIMONY OF  
CHARLES R. MOORE  
ON BEHALF OF  
NAVOPACHE ELECTRIC COOPERATIVE, INC.

5

**SUMMARY OF TESTIMONY**

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Mr. Moore is the Chief Executive Officer and Manager of Engineering Services of Navopache Electric Cooperative, Inc. ("NEC"). Mr. Moore adopts the pre-filed direct testimony of Mr. David Plumb, NEC's past CEO. He highlights the many areas of agreement between Staff and NEC, including: use of a test year ending April 30, 2010, an adjusted test year rate base of \$75,213,519, an adjusted test year net margin of a negative \$174,608, NEC's use of a total system analysis versus an Arizona only analysis, the need for the total system revenue increase of \$3,413,663 or 7.16%, acceptance of NEC's cost of service study ("COSS") and general acceptance of NEC's proposed changes to service charges and service policies, including changes to its line extension policy. NEC appreciates Staff's efforts and agreement on these issues.

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Mr. Moore explains why NEC is proposing: higher customer charges, having new members pay for the pro rata cost of the transformer serving them, and rates that address the inequities demonstrated by the COSS. As a member/customer-owned cooperative, with a member/customer elected Board of Directors, NEC is operated on the principal of providing reliable electric service at rates that are both reasonable and equitable with no fiduciary obligation to provide a return to investors and no profit motive. NEC seeks rates that recover its actual operating costs and provide operating margins that will allow it to maintain, operate and improve its system in a manner consistent with: prudent utility practices, the provision of reliable electric service to its member customers, meeting the financial criteria of its creditors and complying with the requirements of federal, state and local laws, ordinances, rules, regulations and orders.

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25

Mr. Moore also encourages the Commission to proceed expeditiously to adopt a streamlined rate process for non-profit cooperatives.

1 **1. INTRODUCTION**

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

3 A. My name is Charles R. Moore. I am the Chief Executive Officer and Manager of Engineering  
4 Services of Navopache Electric Cooperative, Inc. ("NEC" or "Cooperative"). I have served as  
5 Manager of Engineering Services at NEC since July 31, 2006 and as CEO since March 2,  
6 2012.

7  
8 **Q. Please describe your background.**

9 A. I hold a Bachelor of Science in Electrical Engineering degree from Lamar University in  
10 Beaumont, Texas, awarded May 15, 1982. I am a registered Professional Engineer in the State  
11 of Arizona and in the states of Colorado, Nebraska, Nevada, New Mexico, Utah, Washington  
12 and Wyoming. Over the past 30 years I have been employed at an Investor Owned Utility, a  
13 municipal utility, a Public Utility District and a Cooperative with responsibility for  
14 engineering and operations of transmission, distribution, hydro generation, substations,  
15 protective relaying, metering, AMR/AMI, SCADA, and microwave communications. Fifteen  
16 years of my experience has been as a consultant to electric utilities for system voltage levels  
17 from 4.16 kV through 500 kV, in the areas of transmission and distribution system planning  
18 and studies, transmission and distribution line design, routing, permitting and construction,  
19 generation controls and relaying, and substation design and construction. I am experienced in  
20 and responsible for all corporate compliance of WECC, NERC and FERC Reliability  
21 Standards and renewable energy programs at NEC.

1 **2. PURPOSE OF REBUTTAL TESTIMONY**

2 **Q. What is the purpose of your testimony in this proceeding?**

3 A. I adopt the direct testimony of David Plumb and provide NEC's management's perspective on  
4 the following issues:

- 5 1. NEC's agreement with Staff on most issues presented by this case.  
6 2. The basic nature and character of an electric distribution cooperative.  
7 3. The need to incrementally improve the Cooperative's rate designs, including recovering a  
8 greater portion of the base cost of providing service from the residential class and through  
9 the customer charge.  
10 4. Support for the Commission's effort to streamline the current ratemaking process for  
11 nonprofit cooperatives.

12  
13 **3. AREAS OF AGREEMENT WITH STAFF**

14 **Q. Do NEC and Staff agree on many of the issues the Commission must decide in this rate  
15 case?**

16 A. Yes. NEC and Staff are in agreement on most of the issues raised by this rate application,  
17 including the following:

- 18 • Use of a test year ending April 30, 2010.  
19 • An adjusted test year rate base of \$75,213,519.  
20 • Adjusted test year revenues of \$47,661,234.  
21 • Adjusted test year operating expenses of \$5,466,598.  
22 • Adjusted test year operating income of \$2,194,636.  
23 • Adjusted test year net margins of (\$174,608).  
24 • An Adjusted test year return on rate base of 2.92%.

25

- 1 • Use of a total system analysis to develop a cost of service study (“COSS”), a  
2 recommended revenue level and rate designs and then breaking out Arizona jurisdictional  
3 information from the system wide results.
- 4 • A recommended revenue increase (total system) of \$3,413,663 or 7.16%.
- 5 • Approval of the COSS submitted by NEC because it uses: procedures and methodology  
6 that are generally accepted standards throughout the utility industry and previously  
7 approved by the Commission (e.g., the last Trico Electric Cooperative (Docket No. E-  
8 01461A-08-0430) and Sulphur Springs Valley Electric Cooperative (Docket No. E-  
9 01575A-08-0328) rate cases); appropriately functionalized, classified and allocated costs;  
10 reasonable weighting factors; and the “Sum of 12 Non-Coincident Peaks (“NCP”) to  
11 appropriately allocate demand charges.
- 12 • Approval of NEC proposed service charges.
- 13 • Approval of NEC proposed Service Policies, with two exceptions.

14 NEC appreciates Staff’s general support of its rate application.

15

16 **4. AREAS OF DISAGREEMENT WITH STAFF**

17 **Q. Are there some areas where Staff and NEC disagree?**

18 **A.** Yes, there are a few areas of disagreement between Staff and NEC, including:

- 19 • The formulas to calculate the times interest earning ratio (“TIER”) and debt service  
20 coverage (“DSC”).
- 21 • Recovery of transformer costs from individual members requesting new service.
- 22 • When to grandfather the existing line extension policy.
- 23 • The level of customer charges and other rate design issues.
- 24
- 25

1 The use of different formulas to calculate TIER and DSC does not result in either party  
2 recommending different revenue levels for NEC. Similarly, none of the other areas of  
3 disagreement impact the recommended level of revenues, but they will have long term impacts  
4 on NEC that can and should be avoided or minimized by adopting NEC's proposals.

## 5. THE COOPERATIVE PHILOSOPHY

7 **Q. What is the nature and character of NEC?**

8 A. NEC is a nonprofit cooperative formed in 1946 and is owned by the very 35,000 member/  
9 customers it serves throughout its 10,000 square mile, predominately rural, service territory in  
10 Arizona and Catron County, New Mexico with limited overall density. Thus, the  
11 Cooperative's owners and customers are one and the same. The Cooperative should not be  
12 considered as a separate and distinct entity from its customers when examining requests for  
13 rate adjustments.

14  
15 NEC's owner/customers also elect the eight members of the Board of Directors that set policy  
16 and direct the management of the Cooperative. Each NEC director represents a specific district  
17 and is elected by the owner/customers living in that district. In other words, NEC's directors  
18 are the directly elected representatives of the very customers served by the Cooperative.  
19 When the Board of Directors submits a rate application it does so as the elected  
20 representatives of the owner/customers that will be subject to the rates. Therefore, the Board  
21 carefully weighs both the level of increase and rate design to ensure the revenues are needed  
22 and will be recovered fairly among the owner/customers it represents before making the filing.

23  
24 As a nonprofit corporation, NEC and its Board of Directors have no profit incentive and have  
25 no fiduciary duty to provide a return to shareholders. In fact, NEC is obligated to annually

1 allocate patronage capital credits back to its owner/customers equal to the amount NEC  
2 receives from furnishing electric energy in excess of its operating costs and expenses  
3 (margins). In other words, the owner/customers are credited all margins earned by NEC as  
4 capital credits. The capital credits are retired, without interest, on a 25 year cycle, or upon  
5 death of a member, subject to NEC's financial ability to return them. In return for these  
6 ownership benefits, NEC's owner/customers are expected to provide patronage capital (i.e.,  
7 contribute to NEC's margins) fairly and equitably in relation to the costs imposed on the  
8 system. In other words, each owner/customer of a cooperative is expected to pay fair and  
9 equitable rates reflective of the cost of the service they receive.

10  
11 While held by NEC, the margins are used to provide reliable power at the lowest cost to  
12 NEC's owner/customers and protect the reliability and security of its electric distribution  
13 system consistent with good utility practices and the federal, state and local laws, rules,  
14 regulations, ordinances and orders governing its operations. NEC currently owns and operates  
15 approximately 250 miles of 69 kV sub-transmission lines and 3,200 miles of 14.4/24.9 kV  
16 distribution lines.

17  
18 System improvements are set forth in successive four-year construction work plans that must  
19 be submitted to and approved by the Rural Utilities Service ("RUS"), an agency of the United  
20 States Department of Agriculture. RUS is also the primary source of NEC's financing, other  
21 than patronage capital. The construction work plans are also submitted to the Commission in  
22 connection with financing applications to approve the loans secured to facilitate  
23 implementation of the construction work plan. NEC's current construction work plan and  
24 financing was approved by Commission Decision No. 72550, dated August 4, 2011. I note the  
25

1 Commission restricted the draws on the loan to \$28,000,000 until NEC secured new rates  
2 providing additional revenues sufficient to repay the additional draws.  
3

4 **6. RATE DESIGN ISSUES**

5 **Q. How should the Commission treat the request of NEC for a rate increase?**

6 A. Certainly NEC expects the Commission to carefully review its applications to ensure that  
7 NEC's test year expenditures and its operation, maintenance and improvements are consistent  
8 with good utility practices. However, once that threshold is demonstrated, given NEC Board's  
9 relationship with its customers (i.e., the duly elected representatives of those directly impacted  
10 from a decision to raise rates) and the customers ownership of NEC, the Commission should  
11 give substantial weight and deference to the requests of NEC's Board and should not reject or  
12 modify them without a strong evidentiary basis demonstrated on the record.  
13

14 **Q. Has Staff presented evidence demonstrating that NEC's proposed rate designs should be  
15 rejected or modified?**

16 A. No.  
17

18 **Q. What differences exist between Staff and NEC on rate design?**

19 A. As Mr. Hedrick explains in his rebuttal testimony, NEC and Staff disagree on the revenue  
20 responsibility of the residential class, and the level of customer charges, on-peak demand  
21 charges in the large commercial and industrial time-of-use and interruptible demand rates, and  
22 how demand should be billed for the irrigation class. NEC proposed rates that are designed to  
23 move each customer classification closer to the cost of serving that class. In contrast, Staff's  
24 rate design is close to an even distribution of the rate increase across the existing rates and  
25 fails to address inequities the COSS supported by both NEC and Staff.

1 **Q. Are Staff's proposed rate designs consistent with the 'cooperative' philosophy?**

2 A. Definitely not. As I have explained, a fundamental principal underlying the cooperative  
3 concept is that the cooperative's owner/customers should pay fair and equitable rates  
4 representative of the costs of providing service to them. Mr. Hedrick explains that Staff's rate  
5 design fail to properly address the inequities in the current rate designs identified in the COSS  
6 submitted by NEC and accepted by Staff.

7  
8 First, Staff does not allocate the residential class, especially those on the optional time-of-use  
9 rate, sufficient additional revenue responsibility. The standard and time-of-use residential  
10 classes currently have the greatest revenue deficiency, by far. NEC did not propose the  
11 revenue deficiency be completely corrected in this filing, but designed rates that would  
12 significantly reduce the deficiency. As explained by Mr. Hedrick, NEC's proposed rates  
13 would increase the relative rate of return of the standard residential class to 0.834 from 0.459  
14 and to 0.961 from a negative 0.114 for the time-of-use residential class. NEC continues to  
15 believe the increased revenue responsibility it proposes for these two rate classes is fair,  
16 equitable and in the best interest of the NEC owner/customers.

17  
18 Second, the Staff's rate design holds customer charges at current level and therefore totally  
19 ignores the inequalities identified by the COSS. Ensuring each customer class pays a  
20 sufficient customer charge to cover the basic costs of making service available to that class is  
21 compatible with the cooperative philosophy. It must be remembered that NEC predominantly  
22 provides residential service with low densities and a large portion of second/vacation homes  
23 occupied only during the summer months. Any portion of the base cost of service shifted to  
24 the energy rate results in full time residents subsidizing the true cost of providing service to  
25 those with vacation homes and/or choosing to build a home in a sparsely populated area. NEC

1 is also concerned that setting customer charges too low results in full time customers with  
2 lower incomes being forced to subsidize those more affluent customers that can take  
3 advantage of electric competition options, and/or the Commission's promotion (subsidization)  
4 of renewables in individual homes and energy efficiency programs – evaluated based upon  
5 overpriced energy costs due to improperly set customer charges. Thus, failing to establish  
6 customer charges that reflect the base cost of providing electric service shifts the cost of  
7 service from part time residents to full time residents, creates unnecessary and undue revenue  
8 instability, and encourages switches to energy resources based upon an improper energy price  
9 signal from NEC. These adverse consequences from improperly pricing the cost component  
10 parts of NEC service can and should be avoided by setting an appropriate customer charge.

11  
12 Third, as Mr. Hedrick explains, Staff's rate designs do not establish proper on-peak demand  
13 charges for the large commercial and industrial time-of-use and interruptible demand rates.  
14 These rates should properly reflect the wholesale purchased power demand costs incurred by  
15 NEC. Providing time-of-use customers' savings without providing the cooperative off-setting  
16 cost savings causes other customers to provide the lost revenue. Time-of-use and interruptible  
17 rates are not intended to cause such cross-subsidization and it is not fair to those customers  
18 required to provide the subsidization.

19  
20 Finally, Staff, without explanation, fails to accept NEC's proposal to include a billing demand  
21 charge for the irrigation class. A horsepower (HP) charge was historically used as proxy for  
22 demand charge in an era where the cost of installing, reading and maintaining demand meters  
23 in remote irrigation areas was not cost justified. NEC is shifting to AMI metering throughout  
24 its service area, so this reason for using the HP proxy no longer exists. As noted by Mr.  
25 Hedrick, if a member changes out a motor and installs a different HP without notifying NEC,

1 the billing will no longer even be a proxy for what is installed. Such change outs have  
2 certainly occurred. NEC believes the HP charge should be replaced with a demand charge.  
3

4 **Q. Is NEC changing the rates it is proposing in response to Staff's direct testimony?**

5 A. No, but we are providing alternative rates on rebuttal. These rates are provided as an  
6 alternative to Staff's proposal, if the Commission determines the cost based rates initially  
7 proposed by NEC represent too much of a shift at this time. NEC believes its original  
8 proposed rates are still appropriate as they reflect the COSS and achieve all the tasks  
9 enumerated by Mr. Pasquinelli at page 3 of his direct testimony. As Mr. Hedrick explains, the  
10 alternative rebuttal rates we are providing are sensitive to the points raised by Staff and  
11 therefore would represent a compromise between the rates NEC truly desires and those  
12 recommended by Staff.  
13

#### 14 **7. POLICY ISSUES**

15 **Q. Does Staff oppose any of the changes NEC proposes in its policy manual?**

16 A. Staff supports all changes NEC has proposed with the exception of the inclusion of meter and  
17 transformer costs as an individual prospective customer's responsibility when requesting a line  
18 extension. NEC is willing to exclude meter costs, but in so doing emphasizes that this only  
19 serves to further justify NEC's proposed customer charge on a going forward basis. As to the  
20 transformer cost, as explained by Mr. Hedrick, NEC is willing to cap a new individual  
21 customer's responsibility at 50% of the total cost of the transformer.  
22

23 **Q. Does Staff propose some retroactive treatment of the existing line extension policy?**

24 A. Yes. As Mr. Hedrick discusses, Staff proposes that any potential customer that received a line  
25 extension quote within one year of a decision in this case be treated under the existing line

1 extension policy. NEC supports ensuring those that have secured line extension quotes are  
2 afforded a reasonable time to proceed with the line extension. NEC currently provides a  
3 prospective customer six months to start construction or else the quote automatically becomes  
4 void. This limit is clearly set forth in the Engineering Survey Contract, a copy of which  
5 accompanies my rebuttal testimony as CRM- Rebuttal Exhibit 1. We further support extending  
6 the time up to 90 days following the entry of a decision in this case.

7  
8 Therefore, NEC supports the following being included in the decision: NEC shall apply the  
9 line extension policy in effect at the time of the prospective customer received a written  
10 formal line extension where the prospective customer proceeds with construction of the line  
11 extension within 90 days of the date of a decision in this case or six months of the date of the  
12 estimate, whichever is longer.

13 The foregoing is consistent with NEC's existing practice, but gives a party at least 90 days  
14 following the changes in the line extension policy to proceed under the old policy and  
15 estimate.

## 16 17 **8. STREAMLINED RATE PROCESS**

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

20 **A.** This is the first time I, and most of NEC's current staff, have been involved in a rate case  
21 before the Commission. We appreciate Staff's willingness to discuss and try to resolve  
22 contested issues in a fair and equitable manner. However, the process is unnecessarily  
23 cumbersome and costly for non-profit electric distribution cooperatives. NEC asks the  
24 Commission act promptly in proposing and processing appropriate rules to streamline the rate  
25 case process for non-profit cooperatives.

1 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

2 **A. Yes, it does.**

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# ORIGINAL

Navopache Electric Cooperative, Inc.  
Lakeside, Arizona

## ENGINEERING SURVEY CONTRACT

THIS AGREEMENT made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between Navopache Electric Cooperative, Inc., hereinafter called "Cooperative" and \_\_\_\_\_ hereinafter called "Customer" for engineering services associated with the extension of electric power lines to or within the following described property:

It is mutually agreed that:

1. The Customer agrees to reimburse the Cooperative for the cost of any engineering surveys performed by the Cooperative that are the result of changes requested by the Customer, or required as the result of easement problems, at the Cooperative's current costs.
2. The Customer will pay the Cooperative for all costs incurred for any engineering surveys if no construction is started within six months of the date of the initial survey request. If the construction is started within six months, these costs will become part of the construction costs.
3. All engineering surveys and estimates will be good for a period of six months; after six months, a revised survey will be required.
4. The Cooperative may require an advance for engineering survey.
5. Should Navopache Electric Cooperative find it necessary to retain legal services to enforce its rights under this contract at law or equity, Customer agrees to pay all legal fees and costs incurred by Navopache Electric Cooperative.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

\_\_\_\_\_  
Customer

By: \_\_\_\_\_

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

APPROVED FOR FILING  
 DECISION #: 64293

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BEFORE THE ARIZONA CORPORATION COMMISSION

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DOCKET NO. E-01787A-11-0186

REBUTTAL TESTIMONY OF DAVID W. HEDRICK  
ON BEHALF OF NAVOPACHE ELECTRIC COOPERATIVE, INC.

March 12, 2012

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REBUTTAL TESTIMONY OF  
DAVID W. HEDRICK  
ON BEHALF OF  
NAVOPACHE ELECTRIC COOPERATIVE, INC.

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**SUMMARY OF REBUTTAL TESTIMONY**

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Mr. Hedrick is the Vice-President and Manager of the Analytical Services group of C. H. Guernsey & Company, Engineers, Architects and Consultants. In his rebuttal testimony Mr. Hedrick discusses:

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1. Staff's failure to utilize the results of the cost of service study ("COSS"), which it acknowledges is appropriate and should be approved, to allocate the revenue requirement among the rate classes or to design rates.
  2. The lack of support for Staff's proposed revenues to each class or essentially uniform where the COSS demonstrates more of the revenue responsibility needs to be shifted to the residential and commercial and industrial classes.
  3. The lack of support for Staffs' proposed customer charges, for Staff's proposed on-peak demand charges in the commercial and industrial time-of-use and interruptible demand rates and for Staff's proposal to continue using a HP charge instead of a demand charge for irrigation customers.
  4. NEC's continued support of the rates proposed in its application.
  5. An alternative set of rates that are a blend of the rates being proposed by NEC and Staff.
  6. NEC's support for limiting recovery of the total transformer cost from new individual customers to 50% and for alternative language regarding handling line extension estimates secured by prospective customers prior to a decision in this matter.

1 **1. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is David W. Hedrick and my business address is 5555 North Grand Boulevard,  
4 Oklahoma City, Oklahoma 73112-5507.

5  
6 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

7 A. I am employed by C. H. Guernsey & Company, Engineers, Architects and Consultants. I am  
8 Vice-President and Manager of the Analytical Services Group.

9  
10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?**

11 A. I am testifying on behalf of Navopache Electric Cooperative, Inc. ("NEC" or the  
12 "Cooperative"). I have previously presented Direct and Supplemental testimony in the matter.

13  
14 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

15 A. My testimony will address the issues of class revenue requirements, rate design and line  
16 extension policy in response to Staff's submitted direct testimony.

17  
18 **2. CLASS REVENUE REQUIREMENT**

19 **Q. DID STAFF MAKE CHANGES TO CLASS REVENUE REQUIREMENTS?**

20 A. Yes. Without explanation, Staff adjusted the class revenue requirements so all rate  
21 classifications would have approximately the same percentage increase.<sup>1</sup>

<sup>1</sup> Pasquinelli Direct at p. 4, Table 1.

1 **Q. IS IT APPROPRIATE TO INCREASE ALL RATE CLASSIFICATIONS BY THE**  
2 **SAME PERCENTAGE?**

3 A. No. A cost of service study is the primary guide for identifying cost-based rates. The intent of  
4 completing a cost of service model is to identify the extent to which each of the rate classes  
5 are contributing margins to the total system, and to identify how the costs are incurred. The  
6 cost of service should be used as a basis for rate designs that appropriately recover margins  
7 from the appropriate classes and customers. It would only be appropriate to increase all rate  
8 classes by the same percent if all rate classes were earning the same rate of return.

9  
10 **Q. DID STAFF ACCEPT NAVOPACHE'S SUBMITTED COSS WITHOUT**  
11 **EXCEPTION?**

12 A. Yes. Staff recognizes "NEC's COSS used appropriate methods to functionalize, classify and  
13 allocate costs" and that, "NEC used procedures and methodology that are generally accepted  
14 standards throughout the utility industry for its COSS."<sup>2</sup> As a result, Staff recommends the  
15 Commission accept NEC's COSS in this case.<sup>3</sup>

16  
17 **Q. DO THE RESULTS OF NAVOPACHE'S COSS SHOW THAT ALL RATE CLASSES**  
18 **EARN THE SAME RATE OF RETURN?**

19 A. No. The following table shows the rates of return under existing rates, the relative rates of  
20 return and the revenue deficiency as a percent of revenue for each of the rate classes. The  
21 revenue deficiency as a percent of revenue is the required increase or decrease necessary to  
22 bring all rate classes to a uniform rate of return and earn a relative rate of return of 1.00. All  
23 rate classes are not earning the same rates of return.

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<sup>2</sup> Bahl Direct at pp.12-13

<sup>3</sup> Id.

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	Existing	Existing	Revenue
<u>Rate Class</u>	<u>ROR</u>	<u>RROR</u>	<u>Deficiency</u>
Residential	1.338%	0.459	11.283%
Residential TOU	-0.333%	(0.114)	12.305%
Commercial & Industrial	2.126%	0.729	5.629%
Comm & Ind TOU	12.993%	4.453	-5.545%
Small Commercial	8.175%	2.802	-1.028%
Small Commercial TOU	10.350%	3.547	-3.701%
Irrigation	13.327%	4.567	-5.898%
Irrigation TOU	7.920%	2.714	-0.484%
Lights	12.243%	4.196	-8.712%
Total System	2.918%	1.000	-7.162%

The COSS results clearly indicate NEC's proposed increases by rate class are justified. In order to start to address the existing inequities between the rate classes it is necessary to have higher increases for classes whose relative rates of return are less than 1.00. NEC believes that the increases by rate class it has proposed more appropriately reflects the cost of service than the rates proposed by Staff.

**Q. HAS NEC DEVELOPED ALTERNATIVE RATE DESIGNS THAT ADDRESS THE RATE CLASS INEQUITIES AND ADDRESS STAFF'S DESIRE TO SMOOTH OUT THE PERCENTAGE INCREASE BY CLASS?**

A. NEC believes that the originally proposed rates are justified, are reflective of the results of the COSS and position the Cooperative to address rate class inequities. However, the Cooperative has developed alternative rate designs that still address some of the inequities in the existing

1 rates while being more sensitive to changes between the classes as represented in Staff's rate  
2 design.

3  
4 **Q. HOW DO THE ALTERNATIVE RATES ADDRESS THE RATE CLASS**  
5 **INEQUITIES?**

6 A. The alternative rates reflect slightly higher increases to the rate classes that were showing  
7 relative rates of return less than 1.00 than proposed by Staff, but less than reflected by NEC's  
8 proposed rates. The rate classes showing relative rates of return less than 1.00 are residential,  
9 residential time of use and commercial and industrial. The relative revenue increases by rate  
10 class of the various rate proposals are shown on DWH-Rebuttal Schedule 1.0. The alternative  
11 rates are labeled 'Rebuttal'.

12  
13 **Q. WHAT IS THE IMPACT OF THE RELATIVE RATES OF RETURN UNDER THE**  
14 **VARIOUS RATE DESIGNS?**

15 A. The class rates of return under the NEC's proposed rates, Staff rates and the alternative  
16 (rebuttal) rates are shown in the table below:

17  
18

	Existing	Proposed	Staff	Rebuttal
<u>Rate Class</u>	<u>RROR</u>	<u>RROR</u>	<u>RROR</u>	<u>RROR</u>
19 Residential	0.459	0.834	0.719	0.759
20 Residential TOU	(0.114)	0.961	0.541	.0708
21 Commercial & Industrial	0.729	0.730	1.284	1.015
22 Comm & Ind TOU	4.453	1.785	2.416	2.422
23 Small Commercial	2.802	1.471	1.745	1.579
24 Small Commercial TOU	3.547	1.583	2.141	1.958

25

1	Irrigation	4.567	2.142	2.807	2.411
2	Irrigation TOU	2.714	1.569	1.679	1.670
3	Lights	4.196	2.026	2.146	2.075
4	Total System	1.000	1.000	1.000	1.000

5

6 **Q. DO THE ALTERNATIVE RATE DESIGNS PRODUCE THE SAME REVENUE**  
7 **REQUIREMENT AS SUBMITTED IN THE APPLICATION AND AGREED UPON**  
8 **BY STAFF?**

9 A. The alternative rates produce the same total system revenue requirement of \$3.413 million.  
10 There is a slight shift of \$21,169 to Arizona jurisdictional customers over the rates proposed  
11 by Staff as shown on DWH-Rebuttal Schedule 1.0, p.2.

12

13 **3. CUSTOMER REVENUE REQUIREMENTS**

14 **Q. DO YOU AGREE WITH MR. PASQUINELLI'S RATE DESIGN GOALS AS**  
15 **OUTLINED ON PAGE 3 OF HIS TESTIMONY?**

16 A. Yes. NEC believes that the originally proposed rate designs and rebuttal rate designs meet all  
17 of the criteria for rate designs as outlined in Mr. Pasquinelli's testimony. However, Staff has  
18 not shown how its rate designs better achieves any of the tasks enumerated on page 3 of Mr.  
19 Pasquinelli's testimony than those of Navopache. Each rate adjustment is an opportunity to  
20 incrementally move toward rates that better reflect the COSS. Maintaining the status quo will  
21 not result in rates that are more equitable to member consumers and closely linked to the cost  
22 of providing service.

23

24 **Q. WHAT IS NEC'S POSITION WITH REGARD TO THE COMPONENTS OF THE**  
25 **RATE DESIGNS PROPOSED BY STAFF?**

- 1 A. There are three areas with which NEC disagrees with the rate charges developed by Staff.
- 2 • The level of the customer charges;
- 3 • The level of the on-peak demand charges for commercial and industrial and interruptible
- 4 demand rates; and
- 5 • The continued use of a horsepower rate for the irrigation class.

6

7 **Q. PLEASE COMMENT ON THE CONCERNS WITH REGARD TO THE LEVEL OF**

8 **STAFF'S PROPOSED CUSTOMER CHARGES.**

9 A. As noted earlier, Staff found NEC's COSS unbundled cost components were determined

10 appropriately. However, Staff's rate design does not reflect those cost components and holds

11 the customer charges at present levels. The COSS results show that the customer charges

12 proposed by NEC are justified. For example, the customer component of cost for Residential

13 is \$23.69 per month, as shown on Schedule G-6.0, Page 1 of 10 of Attachment 19 to NEC's

14 July 7, 2011 Supplemental filing. NEC's proposed customer charge for Residential is \$23.25.

15 NEC's proposed customer charges are more reflective of the COSS. A customer charge that

16 better reflects the COSS provides more rate stability, addresses the part-time nature of a

17 significant portion of NEC's customers, provides a more accurate price signal, and more

18 equitably allocates the revenue responsibility resulting from customers switching to

19 renewables and/or implementing energy efficiency measures and eliminates the need for a

20 complex decoupling mechanism with its annual adjustments in rates. Failure to make some

21 reasonable movement in the customer charge leaves the Cooperative subject to revenue

22 instability related to energy efficiency, weather, economic slowdowns and other causes for

23 decreases in energy usage, necessitating more frequent rate filings. NEC asks the Commission

24 to take this opportunity, where the overall rate increase (excluding new service charges) is

25 under 7%, to make appropriate adjustments to the rate components better reflecting the cost of

1 service in order to avoid, or at least minimize, these adverse impacts to NEC and its  
2 owner/customers. Setting an appropriate customer charge is a key component to establishing  
3 fair, just and reasonable rates for NEC.  
4

5 **Q. DO THE ALTERNATIVE RATES NEC HAS DEVELOPED INCLUDE A**  
6 **DIFFERENT CUSTOMER CHARGE THAN NEC'S PROPOSED RATES?**

7 A. Yes. In an effort to address what NEC understands is Staff's sensitivity to increased customer  
8 charges, the alternative rates reduces the movement toward the COSS. In particular, the  
9 increase to the customer charge for the standard residential customer is limited to \$1.20 (from  
10 \$18.30 to \$19.50) rather than moving to the \$23.25 in NEC's proposed rates. While NEC  
11 prefers the customer charges move much closer to the level justified by the COSS, the  
12 alternative rates at least provide some upward movement while minimizing customer impact  
13 on low-usage customers (including vacation homes that are unoccupied for much of the year).  
14 A summary of the rate charges is shown on DWH-Rebuttal Schedule 2.0.  
15

16 **Q. PLEASE COMMENT ON THE CONCERNS WITH REGARD TO THE ON-PEAK**  
17 **DEMAND CHARGES IN THE COMMERCIAL AND INDUSTRIAL TIME-OF-USE**  
18 **AND INTERRUPTIBLE DEMAND RATES.**

19 A. Staff rate design for On-Peak demand and Interruptible demand are understated and not based  
20 on the unbundled cost components from the COSS. These demand charges should reflect the  
21 wholesale purchased power demand costs. The C&I TOU purchased power capacity  
22 component costs \$10.57 per NPC kW as shown on Schedule G-6.0, Page 1 of 10 of  
23 Attachment 19 to NEC's July 7, 2011 Supplemental filing. Staff's proposed on-peak demand  
24 charge is \$9.76, which is only \$0.10 more than the \$9.69 demand charge Staff proposes for  
25 off-peak use. Setting an on-peak demand charge lower than the actual wholesale demand cost

1 incurred for this class and without a proper differential between on-peak and off-peak rates,  
2 will shift purchased power cost recovery responsibility to everyone, and create an inequity in  
3 the rates. This is demonstrated by the relative rates of return under the existing C&I TOU  
4 rate, which reflects similar problems with its design. Unfortunately, Staff's C&I TOU rate  
5 does not correct the problems with existing rate design of this rate.

6  
7 A time-of-use rate is an optional rate design offered to members who can choose whether or  
8 not to participate. An opportunity is given to each member to be actively involved in  
9 managing load which can result in substantial savings, if the member can operate in off-peak  
10 hours. The offer is made based upon savings from the reduction in capacity charges to NEC  
11 from the wholesale power supplier. There should be no additional benefit to a consumer who  
12 voluntarily chooses to participate in a time-of-use rate. In addition, there should be a clear  
13 and strong pricing signal to the member to avoid the on-peak period. NEC's proposed On-  
14 Peak and Interruptible demand charges are more reflective of the appropriate costs and should  
15 be adopted. The alternative rates developed by NEC retain the proposed demand charges for  
16 the C&I TOU class of service.

17  
18 **Q. PLEASE COMMENT ON THE CONCERNS WITH REGARD TO MAINTAINING**  
19 **THE EXISTING HORSEPOWER RATE STRUCTURE FOR THE IRRIGATION**  
20 **CLASS.**

21 **A.** NEC's proposed rate design for the Irrigation rate class included a billing demand charge to  
22 more appropriately recover capacity costs. Staff's proposed rate design for the Irrigation class  
23 maintains the HP charge but provides no justification for maintaining this rate structure. A  
24 demand rate will measure and bill on actual consumption. Members can change out motors  
25 with a different sized motor without notifying the Cooperative which results in inaccurate

1 billing determinants. Converting the rate from HP billing to demand billing provides NEC a  
2 more reliable measure of actual consumption and appropriate application of the rates. NEC  
3 already has the metering installed to measure and record demand readings. NEC believes its  
4 proposed rate design is appropriate and justified and should be adopted. The alternative rates  
5 developed by NEC for the Irrigation and Irrigation TOU retain the demand charges NEC  
6 originally proposed.

#### 7 **4. LINE EXTENSION POLICY**

8 **Q. DOES NEC AGREE WITH STAFF'S POSITION WITH REGARD TO THE LINE**  
9 **EXTENSION POLICY?**

10 **A.** There are two Staff recommendations with regard to line extension policy with which NEC  
11 disagrees:

12 **1. Treatment of transformer costs for individuals.**

13 In its initial application, NEC proposed to change the construction allowance in the line  
14 extension policy from \$1,500 plus the cost of the meter and transformer to \$500 including the  
15 cost of the meter and transformer. The proposed change is justified based on the significant  
16 increase in facilities costs to serve new load, much of which is part-time residences requiring  
17 larger than typical services but with very low annual consumption. The change to a lower  
18 construction allowance results in NEC collecting more contribution from the consumer  
19 initially and reducing the amount of plant investment to be financed. The total construction  
20 cost to connect a new customer includes the cost of the meter and transformer.

21  
22 Staff recommends exclusion of transformer and meter costs from an individual customer's  
23 responsibility.<sup>4</sup> This change would result in a reduction in the amount of contribution from the  
24 new customer and an increase in the investment made by NEC. NEC can agree to the  
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<sup>4</sup> Lloyd Direct at p. 4, ll. 3-4.

1 exclusion of the meter cost and NEC is willing to cap the customer's pro rata responsibility at  
2 50% of the total cost of the transformer. In most circumstances, NEC serves multiple  
3 customers from a single transformer. Each customer would be responsible only for their pro  
4 rata share of the transformer cost. Limiting the responsibility to 50% of the total cost will  
5 ensure that an individual customer pays no more than half of the cost of the transformer. NEC  
6 understands that while it is justified to include the full cost of the transformer, the change to  
7 include the total cost could be considered too much of a change at one time. Excluding the  
8 meter cost and limiting the amount of the transformer cost would be appropriate.

9  
10 **2. Application of existing policies.**

11 Staff recommends "that any potential customer who has been given the current line extension  
12 allowance estimate or quote by Navopache up to one year prior to an Order in this matter  
13 should be given the line extension allowance as specified in Navopache's Policy Manual as of  
14 the time of the estimate/quote."<sup>5</sup> As discussed by Mr. Moore, Staff's recommendation has no  
15 prospective cutoff limit and ignores the current limitations on quotes. NEC's "Engineering  
16 Survey Contract" provides:

17 **All engineering surveys and estimates will be good for a**  
18 **period of six months; after six months, a revised survey will**  
19 **be required.**

20 NEC supports giving prospective customers who received a written estimate within six months  
21 prior to entry of a decision (i.e., an estimate that is still valid) the greater of the six months  
22 from the date of the estimate or 90 days following the entry of a decision to start construction  
23 of the line extension. This provides all customers with a valid estimate on the date the  
24 decision is entered at least 90 days to start construction.

<sup>5</sup> Lloyd Direct at p. 4, ll. 6-9.

1 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

2 **A. Yes, it does.**

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**NAVAPACHE ELECTRIC COOPERATIVE, INC.  
SUMMARY OF RATE CHANGE**

	Proposed Revenue			Change from Adjusted			Percent Change from Adjusted			
	Adjusted Revenue	NEC	Staff	Rebuttal	NEC	Staff	Rebuttal	NEC	Staff	Rebuttal
<b>Total System</b>										
Residential	22,205,815	24,162,965	23,786,953	23,926,636	1,957,150	1,581,138	1,720,821	8.81%	7.12%	7.75%
Residential - TOU 6 Month	1,128,073	1,194,178	1,176,621	1,182,366	66,106	48,549	54,293	5.86%	4.30%	4.81%
Residential - TOU 12 Month	6,336,693	7,063,723	6,754,951	6,870,384	727,030	418,258	533,691	11.47%	6.60%	8.42%
Subtotal Residential	29,670,581	32,420,866	31,718,525	31,979,386	2,750,286	2,047,945	2,308,805	9.27%	6.90%	7.78%
Commercial & Industrial	5,407,907	5,617,365	5,857,993	5,747,253	209,458	450,086	339,346	3.87%	8.32%	6.27%
Commercial & Industrial - Pri	63,859	68,169	72,718	69,273	4,310	8,859	5,414	6.75%	13.87%	8.48%
Commercial & Industrial TOU	2,863,584	2,888,706	3,016,129	3,004,910	5,122	152,545	141,326	0.18%	5.33%	4.94%
Comm & Ind TOU - Primary	942,337	955,109	989,762	1,000,540	12,772	47,425	58,204	1.36%	5.03%	6.18%
Large Commercial - Interruptible	372,681	380,494	382,273	400,039	7,813	9,592	27,358	2.10%	2.57%	7.34%
Subtotal Commercial&Industrial	9,650,368	9,899,843	10,318,875	10,222,015	239,476	668,508	571,647	2.48%	6.93%	5.92%
Small Commercial	5,840,092	6,069,333	6,239,340	6,137,557	229,241	399,248	297,465	3.93%	6.84%	5.09%
Sm Comm - TOU 6 Month	476,215	481,850	511,657	500,860	5,635	35,442	24,644	1.18%	7.44%	5.18%
Sm Comm - TOU 12 Month	224,964	230,200	240,587	236,707	5,236	15,623	11,742	2.33%	6.94%	5.22%
Subtotal Small Commercial	6,541,272	6,781,383	6,991,584	6,875,123	240,112	450,313	333,851	3.67%	6.88%	5.10%
Irrigation & Water Pumping	556,378	571,529	595,942	582,851	15,152	39,565	26,474	2.72%	7.11%	4.76%
Irrigation & Water Pumping TOU	147,286	153,603	154,375	154,782	6,317	7,089	7,496	4.29%	4.81%	5.09%
Subtotal Irrigation	703,664	725,132	750,317	737,634	21,468	46,653	33,970	3.05%	6.63%	4.83%
Lighting	419,625	442,077	448,397	444,930	22,452	28,772	25,305	5.35%	6.86%	6.03%
Total	46,985,509	50,259,302	50,227,699	50,259,087	3,273,793	3,242,190	3,273,578	6.97%	6.90%	6.97%
Other Revenue	675,725	815,595	815,595	815,595	139,870	139,870	139,870	20.70%	20.70%	20.70%
Total Revenue	47,661,234	51,074,897	51,043,294	51,074,682	3,413,663	3,382,060	3,413,448	7.16%	7.10%	7.16%

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATE CHANGE

	Proposed Revenue			Change from Adjusted			Percent Change from Adjusted			
	Adjusted Revenue	NEC	Staff	Rebuttal	NEC	Staff	Rebuttal	NEC	Staff	Rebuttal
<b>Arizona</b>										
Residential	21,424,467	23,305,358	22,955,832	23,087,007	1,880,891	1,531,365	1,662,540	8.78%	7.15%	7.76%
Residential - TOU 6 Month	1,117,401	1,182,688	1,165,525	1,171,077	65,287	48,124	53,677	5.84%	4.31%	4.80%
Residential - TOU 12 Month	6,203,480	6,913,655	6,613,170	6,725,201	710,175	409,690	521,721	11.45%	6.60%	8.41%
Subtotal Residential	28,745,348	31,401,701	30,734,527	30,983,285	2,656,353	1,989,179	2,237,938	9.24%	6.92%	7.79%
Commercial & Industrial	5,355,103	5,564,777	5,801,781	5,693,405	209,674	446,678	338,301	3.92%	8.34%	6.32%
Commercial & Industrial - Pri	63,859	68,169	72,718	69,273	4,310	8,859	5,414	6.75%	13.87%	8.48%
Commercial & Industrial TOU	2,841,152	2,843,517	2,991,197	2,978,682	2,365	150,045	137,530	0.08%	5.28%	4.84%
Comm & Ind TOU - Primary	942,337	955,109	989,762	1,000,540	12,772	47,425	58,204	1.36%	5.03%	6.18%
Large Commercial - Interruptible	372,681	380,494	382,273	400,039	7,813	9,592	27,358	2.10%	2.57%	7.34%
Subtotal Commercial&Industrial	9,575,132	9,812,066	10,237,731	10,141,938	236,934	662,599	566,807	2.47%	6.92%	5.92%
Small Commercial	5,567,621	5,780,613	5,949,083	5,851,012	212,992	381,462	283,391	3.83%	6.85%	5.09%
Sm Comm - TOU 6 Month	451,479	456,449	485,211	474,853	4,970	33,732	23,374	1.10%	7.47%	5.18%
Sm Comm - TOU 12 Month	224,964	230,200	240,587	236,707	5,236	15,623	11,742	2.33%	6.94%	5.22%
Subtotal Small Commercial	6,244,064	6,467,262	6,674,881	6,562,572	223,198	430,817	318,507	3.57%	6.90%	5.10%
Irrigation & Water Pumping	549,125	562,474	590,071	573,665	13,349	40,946	24,540	2.43%	7.46%	4.47%
Irrigation & Water Pumping TOU	147,286	153,603	154,375	154,782	6,317	7,089	7,496	4.29%	4.81%	5.09%
Subtotal Irrigation	696,412	716,077	744,446	728,447	19,665	48,034	32,036	2.82%	6.90%	4.60%
Lighting	416,680	438,964	445,284	441,795	22,284	28,604	25,115	5.35%	6.86%	6.03%
Total	45,677,636	48,836,070	48,836,869	48,858,038	3,158,434	3,159,233	3,180,402	6.91%	6.92%	6.96%
<b>New Mexico</b>										
Residential	781,348	857,607	831,121	839,629	76,259	49,773	58,281	9.76%	6.37%	7.46%
Residential - TOU 6 Month	10,672	11,490	11,096	11,288	818	424	616	7.67%	3.98%	5.78%
Residential - TOU 12 Month	133,213	150,068	141,781	145,183	16,854	8,567	11,969	12.65%	6.43%	8.99%
Commercial & Industrial	52,804	52,588	56,212	53,848	(215)	3,409	1,045	-0.41%	6.46%	1.98%
Commercial & Industrial - Pri										
Commercial & Industrial TOU	22,432	25,189	24,932	26,228	2,757	2,500	3,796	12.29%	11.14%	16.92%
Comm & Ind TOU - Primary										
Large Commercial - Interruptible										
Small Commercial	272,471	288,720	290,257	286,544	16,250	17,787	14,074	5.96%	6.53%	5.17%
Sm Comm - TOU 6 Month	24,736	25,401	26,446	26,007	665	1,710	1,271	2.69%	6.91%	5.14%
Sm Comm - TOU 12 Month										
Irrigation & Water Pumping	7,252	9,055	5,871	9,186	1,803	(1,381)	1,934	24.86%	-19.04%	26.67%
Irrigation & Water Pumping TOU										
Lighting	2,944	3,113	3,113	3,135	169	169	191	5.73%	5.73%	6.47%
Total	1,307,873	1,423,232	1,390,830	1,401,049	115,359	82,957	93,176	8.82%	6.34%	7.12%

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATES

	Existing	NEC Proposed	Staff Proposed	NEC Rebuttal
Power Cost, per kWh Sold	\$0.066160	\$0.066160	\$0.066160	\$0.066160
PCA Base Cost, per kWh Sold	\$0.042600	\$0.066160	\$0.066160	\$0.066160
PCA Factor, per kWh	\$0.023560	\$0.000000	\$0.000000	\$0.000000
<b>Residential</b>				
Customer Charge	\$18.30	\$23.25	\$18.30	\$19.50
First 400 kWh per month	\$0.052870	\$0.073000	\$0.080676	\$0.079600
Over 400 kWh per month	\$0.083870	\$0.114000	\$0.123123	\$0.120600
<b>Residential - Time of Use</b>				
Customer Charge	\$25.25	\$29.50	\$25.25	\$26.00
On Peak Energy Charge, per kWh	\$0.087250	\$0.155800	\$0.129380	\$0.144500
Off Peak Energy Charge, per kWh	\$0.038450	\$0.050000	\$0.061708	\$0.055900
<b>Commercial and Industrial</b>				
Customer Charge	\$120.00	\$120.00	\$120.00	\$120.00
Demand Charge, per Billing kW	\$8.70	\$9.75	\$11.71	\$9.80
Energy Charge, per kWh				
First 300 kWh per billing kW	\$0.045920	\$0.075000	\$0.069948	\$0.077200
Over 300 kWh per billing kW	\$0.021420	\$0.026000	\$0.036972	\$0.028200
Primary Discount	3.00%	3.00%	3.00%	3.00%
<b>Commercial and Industrial - Time of Use</b>				
Customer Charge	\$155.00	\$155.00	\$155.00	\$155.00
Demand Charge, per Billing kW	\$7.20	\$9.00	\$9.69	\$9.80
On-Peak Demand Charge, per Billing kW	\$7.25	\$14.00	\$9.76	\$14.00
Energy Charge, per kWh	\$0.021420	\$0.023500	\$0.036972	\$0.025500
Primary Discount	3.00%	3.00%	3.00%	3.00%

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATES

	Existing	NEC Proposed	Staff Proposed	NEC Rebuttal
Power Cost, per kWh Sold	\$0.066160	\$0.066160	\$0.066160	\$0.066160
PCA Base Cost, per kWh Sold	\$0.042600	\$0.066160	\$0.066160	\$0.066160
PCA Factor, per kWh	\$0.023560	\$0.000000	\$0.000000	\$0.000000
<b>Commercial and Industrial - Interruptible</b>				
Customer Charge	\$488.00	\$488.00	\$488.00	\$488.00
Demand Charge, per Billing kW	\$6.16	\$9.00	\$8.29	\$9.80
On-Peak Demand Charge, per Billing kW	\$8.56	\$22.50	\$11.52	\$22.50
Energy Charge, per kWh	\$0.021420	\$0.032000	\$0.036972	\$0.032000
Primary Discount	3.00%	3.00%	3.00%	3.00%
<b>Small Commercial</b>				
Customer Charge	\$23.50	\$32.75	\$23.50	\$25.00
Energy Charge, per kWh	\$0.068650	\$0.090000	\$0.099749	\$0.096700
<b>Small Commercial - Time of Use</b>				
Customer Charge	\$33.05	\$42.50	\$33.05	\$34.55
On-Peak Energy Charge, per kWh	\$0.094350	\$0.150000	\$0.134067	\$0.150900
Off-Peak Energy Charge, per kWh	\$0.052350	\$0.055000	\$0.077983	\$0.084900
<b>Irrigation</b>				
Customer Charge	\$34.00	\$42.00	\$34.00	\$38.00
Horsepower Charge, per installed HP	\$2.50	\$0.00	\$3.24	\$0.00
NCP Demand Charge, per NCP Billing kW	\$0.00	\$5.00	\$0.00	\$5.00
Energy Charge, per kWh	\$0.057620	\$0.085000	\$0.082640	\$0.087700
<b>Irrigation - Time of Use</b>				
Customer Charge	\$39.00	\$47.00	\$39.00	\$43.00
Horsepower Charge, per installed HP	\$2.50	\$0.00	\$3.24	\$0.00
NCP Demand Charge, per NCP Billing kW	\$0.00	\$5.00	\$0.00	\$5.00
On-Peak Demand Charge, per Billing kW	\$0.00	\$8.80	\$0.00	\$8.80
On-Peak Energy Charge, per kWh	\$0.074720	\$0.038900	\$0.104835	\$0.040100
Off-Peak Energy Charge, per kWh	\$0.041420	\$0.038900	\$0.061614	\$0.040100

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATES

	Existing	NEC Proposed	Staff Proposed	NEC Rebuttal
Power Cost, per kWh Sold	\$0.066160	\$0.066160	\$0.066160	\$0.066160
PCA Base Cost, per kWh Sold	\$0.042600	\$0.066160	\$0.066160	\$0.066160
PCA Factor, per kWh	\$0.023560	\$0.000000	\$0.000000	\$0.000000
<b>Security Lighting - Consumer Owned</b>				
175 Watts MV	\$6.39	\$8.57	\$8.09	\$8.65
250 Watts MV	\$7.98	\$11.10	\$10.22	\$11.20
400 Watts MV	\$13.19	\$18.18	\$16.84	\$18.30
100 Watts HPS	\$4.49	\$5.55	\$5.55	\$5.60
150 Watts HPS	\$6.30	\$7.85	\$7.80	\$7.90
250 Watts HPS	\$7.84	\$10.33	\$9.87	\$10.40
<b>Security Lighting - Cooperative Owned</b>				
175 Watts MV	\$8.09	\$10.35	\$10.10	\$10.45
250 Watts MV	\$10.28	\$13.51	\$12.94	\$13.64
400 Watts MV	\$16.69	\$21.85	\$20.97	\$22.05
100 Watts HPS	\$7.39	\$8.60	\$8.98	\$8.65
150 Watts HPS	\$9.20	\$10.90	\$11.22	\$11.00
250 Watts HPS	\$10.74	\$13.38	\$13.29	\$13.50
<b>Street Lighting</b>				
175 Watts MV	\$8.09	\$10.35	\$10.10	\$10.45
250 Watts MV	\$9.33	\$12.52	\$11.82	\$12.60
400 Watts MV	\$16.69	\$21.85	\$20.97	\$22.00
1,000 Watts HPS	\$27.37	\$39.50	\$35.45	\$39.85
100 Watts HPS	\$4.49	\$5.55	\$5.55	\$5.60
150 Watts HPS	\$6.30	\$7.85	\$7.80	\$7.90
250 Watts HPS	\$7.84	\$10.33	\$9.87	\$10.40