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BEFORE THE ARIZONA CORPORATION COMMISSION

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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 REJOINDER TESTIMONY

Mohave Electric Cooperative, Incorporated ("Mohave" or the "Cooperative")

by and through undersigned counsel, gives notice of the filing of Rejoinder Testimony of Carl N. Stover, Michael W. Searcy and J. Tyler Carlson.

RESPECTFULLY SUBMITTED this 30th day of March, 2012.

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

Arizona Corporation Commission

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MAR 30 2012

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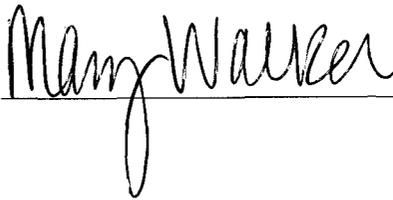
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BEFORE THE ARIZONA CORPORATION COMMISSION

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

REJOINDER TESTIMONY OF
CARL N. STOVER, JR., P.E.
ON BEHALF OF
MOHAVE ELECTRIC COOPERATIVE, INCORPORATED

March 30, 2012

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TABLE OF CONTENTS

INTRODUCTION2
PURPOSE OF TESTIMONY2
I. POWER SUPPLY PLANNING AND IMPLEMENTATION2
II. DOCUMENTATION AND PRUDENCY OF PURCHASED POWER COSTS7
III. PURCHASED POWER RELATED CONSULTING, LEGAL AND STAFF EXPENSE7
IV. ERRORS AND OMISSIONS IN PPCA CALCULATIONS11
V. RATE CASE FILING AND STREAMLINING11
VI. ON-GOING RECORDKEEPING12
VII. TREATMENT OF THIRD-PARTY SALES13
VIII. AEPCO'S MARGINAL COSTS14
IX. BASE PURCHASED POWER COST14
X. OTHER ISSUES15

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
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**REJOINDER TESTIMONY OF
CARL N. STOVER, JR., P.E.
ON BEHALF OF
MOHAVE ELECTRIC COOPERATIVE, INCORPORATED
SUMMARY OF REJOINDER TESTIMONY**

Mr. Stover, is the Chairman of the Board of C.H. Guernsey & Company, Engineers · Architects · Consultants and files Rejoinder Testimony discussing the 18 recommendations included in Mr. Mendl's Surrebuttal Testimony. Mr. Stover discusses why Mohave Electric Cooperative supports, or at least does not contest, Recommendation Nos.:

1. Determining MEC's policies of power supply planning and implementation as being implemented in 2010 are reasonable and appropriate [with the exception of his spot market qualifier].
8. Reducing MEC's purchased power bank balance by \$91,537 for errors or omissions in calculating the purchased power cost and bank balance between August 2001 and December 2010, inclusive.
9. Determining that MEC's actual eligible purchased power costs were adequately documented from August 2001 and December 2010.
10. Determining that MEC's actual purchased power costs, adjusted to remove any ineligible costs and error or omissions [as ordered by the Commission], are prudent and reasonable for August 2001 through December 2010.
17. Acknowledging that MEC's selection and management of Western to provide critical services are prudent and reasonable.

Mr. Stover also discusses why the Commission should reject, in whole or in part Mr. Mendl's remaining recommendations.

1 REJOINDER TESTIMONY OF
2 CARL N. STOVER, JR., P.E.
3 ON BEHALF OF
4 MOHAVE ELECTRIC COOPERATIVE, INCORPORATED

5 INTRODUCTION

6 Q. PLEASE STATE YOUR NAME AND YOUR EMPLOYER.

7 A. My name is Carl N. Stover, Jr., and I am employed by C. H. Guernsey & Company.

8 Q. ARE YOU THE SAME CARL N. STOVER, JR. WHO SUBMITTED DIRECT
9 TESTIMONY AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

10 A. Yes. I previously submitted Direct Testimony and Rebuttal Testimony in this matter
11 on behalf of Mohave Electric Cooperative, Incorporated ("Mohave" or the
12 "Cooperative") in this proceeding.

13 PURPOSE OF TESTIMONY

14 Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?

15 A. Surrebuttal Testimony was filed by Mr. Jerry Mendl, testifying on behalf of the
16 Commission Staff, Utilities Division of the Arizona Corporation Commission. In his
17 Surrebuttal Testimony, Mr. Mendl identified 18 recommendations to the
18 Commission. The recommendations are based on the analysis presented in Staff's
19 Direct Testimony as supplemented or modified in the Surrebuttal Testimony. My
20 Rejoinder Testimony addresses these recommendations. Related recommendations
21 have been grouped together by topic.

22 I. POWER SUPPLY PLANNING AND IMPLEMENTATION
23 (RECOMMENDATIONS NOS. 1, 2, 3 AND 17)
24

25 Q. WHAT IS YOUR POSITION WITH REGARD TO MR. MENDEL'S
26 RECOMMENDATIONS NOS. 1, 2, 3 AND 17 RELATED TO THE REASONABLENESS
27 OF MOHAVE'S POWER SUPPLY PLANNING AND IMPLEMENTATION FOR THE
28 PERIOD 2001 THROUGH 2010?

1 A. Mohave, of course, agrees with the finding that "...MEC's policies of power supply
2 planning and implementation as being implemented in 2010 are reasonable and
3 appropriate...." (Recommendation No. 1) Mohave also supports Mr. Mendl's
4 acknowledgement "that MEC's selection and management of Western Area Power
5 Administration ("Western") to provide critical services are prudent and
6 reasonable."(Recommendation No. 17) Mohave disputes Mr. Mendl's conclusion that
7 "it is inclusive whether MEC's policies of power supply planning and
8 implementation being implemented prior to 2010 are reasonable and appropriate."
9 (Recommendation No. 3) The record is clear that Mohave implemented
10 fundamentally the same power supply planning and implementation process as
11 exists in 2010. In particular, Western and C. H. Guernsey have been retained
12 throughout the entire period to provide critical services to Mohave in the power
13 supply planning and implementation process. The only aspect missing was written
14 documentation of the process. Given the amount of effort by both Mohave and
15 Commission Staff, it would be a shame, and certainly not in the interest of any party,
16 to create a cloud over the reasonableness of Mohave's power supply planning for
17 periods prior to 2010 over the lack of written documentation outlining that process.
18 I believe the analysis that has been conducted supports a finding that the power
19 supply planning and implementation for the period prior to 2010 are reasonable
20 and appropriate.

21 **Q. WHY DO YOU BELIEVE THAT THIS FINDING IS SUPPORTED BY THE ANALYSIS**
22 **DEVELOPED IN THIS PROCEEDING?**

23 A. Based on my review of Mr. Mendl's analysis and at the risk of an oversimplification, I
24 think the analysis involves three basic elements that need to be considered in
25 arriving at a conclusion:

26 1. The first is whether or not the costs incurred were properly documented. In
27 Recommendation No. 9, Mr. Mendl recommends that the Commission
28 "...determine that the actual eligible power costs were adequately
29 documented from August 2001 through December 2010."

30 2. The second is a determination of whether or not the implementation of the
31 power supply plan resulted in costs that were prudent and reasonable. In
32 Recommendation No. 10, Mr. Mendl recommends a finding that
33 "...determined that MEC's actual purchased power cost, adjusted to remove

1 the ineligible costs and errors and omissions, are prudent and reasonable for
2 August 2001 through December 2010.” It is also important to note that after
3 a second review of power costs for the period August 2001 to December
4 2006, Mr. Mendel determined “MEC’s average purchased power costs
5 excluding transmission compared favorably with market prices.” (see page 7,
6 line 4) In addition, if focusing on one transaction involving a block purchase
7 in 2001, when asked if Mohave acted imprudently when purchasing the block
8 power contract, Mr. Mendl answered “No.” (see page 8, line 24)

- 9 3. The third involves having in place infrastructure, organization and
10 policy/practices. Mr. Mendl discusses this beginning on page 5, line 26.
11 Mohave has provided to Mr. Mendl an explanation of the infrastructure,
12 organization and policy and practices in place from 2001 to present. Mohave
13 has explained how all of these elements have evolved and changed over time.
14 Mohave would be the first to admit that the documentation of the power
15 supply strategy and implementation in place today was not in place in 2001,
16 but the same basic structure reflected in today’s documentation was put in
17 place in 2001. Unfortunately, after reviewing the information provided Mr.
18 Mendl comes to the conclusion “...it is inconclusive whether MEC’s policies of
19 power supply planning and implementation prior to 2010 are reasonable
20 and appropriate.” (Mendl Surrebuttal at page 6, line 3)

21 In dealing with the third issue, I would like to point out two things. First, in dealing
22 with organization, Mohave has had essentially the same team in place. Western has
23 been a part of the team since inception. In fact, Mr. Mendl’s Recommendation No. 17
24 again supports a finding that Western’s involvement has been prudent and
25 reasonable. A critical consideration is that the activities of the team in place and the
26 process and procedures implemented have resulted in power costs that Mr. Mendl
27 has found reasonable. Therefore, Mohave believes there is support in this docket for
28 a finding that Mohave’s power supply planning and implementation for the period
29 prior to 2010 was reasonable and appropriate and that there is a basis for the
30 Commission to conclude that power supply planning and implementation prior to
31 2010 were reasonable and appropriate.

1 Q. **ARE THERE ANY OTHER CONSIDERATIONS THAT WOULD SUPPORT A FINDING**
2 **ON THIS ISSUE?**

3 A. Yes. Based on Mr. Mendl's comment that for the period August 2001 to December
4 2006 "...MEC's average purchased power costs excluding transmission compared
5 favorably with market prices." (page 7, line 4) and when he focuses on one
6 transaction that he questions dealing with a block purchase and after review of that
7 transactions comes to the conclusion "... I cannot conclude that MEC acted
8 imprudently in obtaining that power given the nature of the market prices" (page
9 8, line 25), it seems to me there is ample support for the Commission Staff for a
10 finding that supports a finding that Mohave's power supply planning and
11 implementation was prudent and in the interest of the Member consumers.

12 Q. **DO YOU HAVE ANY COMMENTS ABOUT THE QUALIFIER IN RECOMMENDATION**
13 **NO. 1, MORE FULLY EXPLAINED IN RECOMMENDATION NO. 2 RELATING TO**
14 **MOHAVE'S LIMIT ON SPOT MARKET POWER PURCHASES?**

15 Yes. I believe Mr. Mendl still fails to fully appreciate the nature and purpose of the
16 10% limit criterion Mohave uses in relation to spot market purchases. There simply
17 is no reason for the Commission to interject itself in Mohave's spot market purchase
18 process or to "...direct MEC to provide an assessment supporting its decision to keep
19 or modify its current criterion, and to clarify how binding the criterion will be on the
20 MEC resource planners."

21 In Section 5 of his testimony (beginning page 21), Mr. Mendl has a number of
22 comments referencing this issue. My understanding is that he sees no distinction
23 between a policy and a criterion ("that distinction is a red herring," page 21, line 9).
24 He also believes that the reference to spot market purchases is related to capacity
25 planning and not energy purchases ("However, the criterion in question is for
26 capacity planning, not for economy energy as Mr. Stover suggests" (page 21, line
27 22), "Mr. Stover obfuscates the point by mixing the capacity planning criterion with
28 economy energy dispatch," (page 22, line 21)).

29 I think it would be helpful to clarify Mohave's position and to identify any real
30 differences between the position of Staff and Mohave, if any.

31

1 **Q. PLEASE EXPLAIN MOHAVE'S POSITION RELATING TO THE ROLE OF THE 10%**
2 **CRITERION RELATED TO MOHAVE'S SPOT MARKET POWER PURCHASES.**

3 A. Mohave outlined general concepts related to power supply planning and
4 procurement (*reference* Exhibit JEM-2, page 6). The statement references "criteria"
5 for determining power supply decisions related to block purchases. From Mohave's
6 perspective, making reference to a criterion as compared to a policy reflects
7 considerably greater flexibility to react and adjust to changing conditions. The 10%
8 criterion acts as a safeguard that requires internal discussions with management
9 when the limit is approached. It does not create a fixed goal or absolute limit on the
10 amount of Mohave's block purchases. Further, it reflects a point of reference that
11 the Board expects management to provide a specific rationale for exceeding the
12 10% threshold. It does not preclude management from acting if deemed
13 appropriate to take "full advantage" of lower costs on the spot market. Mohave
14 believes the 10% criteria is fully consistent with Mr. Mendl's suggestion that there
15 needs to be flexibility in reacting to changing conditions and that it is not
16 appropriate to have a fixed percentage value in establishing a particular element of
17 a power supply plan (e.g., market exposure).

18 Mr. Mendl also indicates that the criterion in question is applied to capacity
19 planning and not energy. Each year when developing the summer power supply
20 strategy and determining the amount of block purchases it intends to acquire,
21 Mohave is considering the amount of energy and not the amount of capacity that
22 will be exposed to market. The 10% criterion as used by Mohave and Western is a
23 metric related to energy and not capacity. Capacity is certainly a consideration;
24 however, we tend to focus on capacity resources more in the long-range planning
25 activity. Any suggestion that the market exposure criterion applies only to capacity
26 related decisions, is incorrect.

27 Mohave has responsibility for developing and implementing a power supply
28 strategy and plan. Mohave objects to any suggestion that the Commission should
29 become involved in directing or prescribing any specific planning or implantation
30 activity. Mohave recognizes that, at the end of the day, it may be required to
31 demonstrate that it has made prudent decisions that are in the best interest of its
32 Member consumers. I believe that Mohave has functioned in a manner that is in the
33 best interest of its Member consumers since it assumed the power supply planning
34 function.

1 **II. DOCUMENTATION AND PRUDENCY OF PURCHASED POWER COSTS**
2 **(RECOMMENDATION NOS. 9 AND 10)**

3
4 **Q. WHAT IS MOHAVE'S POSITION WITH REGARD TO RECOMMENDATION NOS. 9**
5 **AND 10?**

6 A. Mohave supports determinations that the actual eligible purchased power costs for
7 the period August 2001 through December 2010 were adequately documented and,
8 adjusted to remove any ineligible costs and errors or omissions the Commission
9 determines to exist, were prudent and reasonable. I believe these findings are fully
10 supported by the record. Mohave appreciates the detailed work that Mr. Mendl did
11 to arrive at this conclusion. As I indicated previously, I also believe these findings
12 support a conclusion that MEC's power supply planning and implementation
13 policies for the entire period were reasonable and prudent.

14 **III. PURCHASED POWER RELATED CONSULTING, LEGAL AND STAFF EXPENSE**
15 **(RECOMMENDATION NOS. 4, 5, 6, 7 AND 12)**

16
17 **Q. WHAT IS THE NATURE OF RECOMMENDATION NUMBERS 4, 5, 6, 7 AND 12?**

18 A. These recommendations involve Mohave's inclusion of \$594,737 in power supply-
19 related consultant, legal, lobbying and staff costs as a part of its PPCA in 2010. Mr.
20 Mendl characterizes the costs as "ineligible costs" and recommends \$562,035 be
21 allocated to revenue requirements for the general rates and all \$594,737 be
22 removed from the PPCA bank balance as soon as practicable. He further
23 recommends that when the Commission conducts its next prudency review an
24 adjustment be made at that time to remove any similar costs contained in the PPCA
25 bank balance. Mohave does not contest the removal of \$32,702 in lobbying-related
26 expense (even though related to power supply procurement). Therefore, the
27 amount at issue is the \$562,035 of 2010 purchased power related consultant, legal
28 and staff costs included in the PPCA bank balance.

29 **Q. WHAT IS THE NATURE OF THE ISSUE BEFORE THE COMMISSION?**

30 A. It is important to point out that the Commission Staff has concluded that these costs
31 are reasonable and should be recovered. The only issue is how the costs should be
32 recovered. Mohave is proposing the costs be recovered through the power cost
33 adjustor commencing with 2010, whereas Commission Staff is recommending that
34 the costs be recovered in base rates as of the effective date of new rates. As I

1 explained in my Rebuttal Testimony, an alternative position is to allow the costs to
2 be recovered through the power cost adjustor until such time as the costs are
3 recovered in base rates. This would mean that Mohave would continue to flow
4 through the power supply-related costs as part of the real power cost adjustor until
5 the rates determined in this proceeding go into effect.

6 **Q. WHY DO YOU BELIEVE THAT MR. MENDEL'S RECOMMENDATION SHOULD BE**
7 **REJECTED?**

8 A. Mr. Mendl identified two criteria in his direct testimony for inclusion in the PPCA
9 which I addressed in my Rebuttal Testimony. Mr. Mendl is now proposing a third
10 criterion based on a concept of double recovery of costs. More specifically, Mr.
11 Mendl states, "When MEC talks about recovering these ineligible costs through the
12 PPCA, what it is really doing is doubling up on its recovery, since from August 2001
13 through December 2009 (at least) these costs were being recovered exclusively
14 through the general rates." (see page 16, line 16)

15 **Q. HAS MR. MENDEL OFFERED A RECOMMENDATION AS TO HOW HE WOULD HAVE**
16 **PREVENTED A DOUBLE RECOVERY?**

17 A. Yes. In responding to a question about the reasonableness of recovery of the cost at
18 issue, Mr. Mendl states that, "I would agree if MEC had reduced its general rates
19 when it segregated out the ineligible costs for inclusion of the PPCA. But it did not."
20 (see page 17, line 7)

21 **Q. DO YOU AGREE WITH MR. MENDEL'S CONCERN ABOUT DOUBLE RECOVERY OF**
22 **COSTS?**

23 A. There should not be a double recovery of costs and Mohave is not seeking one here.
24 Mohave's current rates went into effect for all billings on and after January 1, 1991
25 and are based upon a test year ending July 31, 1989. There is no way that its general
26 rates include the expenses associated with purchased power planning and
27 acquisition activities that did not commence until Mohave became a partial
28 requirements customer in 2001 (ten years after the rates became effective). Since
29 these costs are not recovered by existing rates, Mohave did not need to reduce its
30 general rates by the amount of costs included in the PPCA to avoid double recovery.

1 **Q. DOES THE FACT THAT MOHAVE DID NOT BEGIN RECOVERY OF THESE COSTS**
2 **THROUGH THE PPCA UNTIL 2010 PROVIDE A BASIS TO DISALLOW RECOVERY**
3 **THROUGH THE PPCA?**

4 A. No. Mohave should not be penalized for absorbing these costs for almost a decade
5 before including them in the PPCA. I explained the reasons for the delay at page 19
6 of my Rebuttal Testimony, including the need to implement procedures to
7 separately document and book these purchased power related costs sufficiently to
8 allow them to be included in the monthly PPCA bank balance filings made with the
9 Commission, as well as the availability of margins from third-party sales to support
10 these activities.

11 **Q. WHAT IS YOUR PERSPECTIVE ON MR. MENDEL'S CONTENTION AT PAGE 16 OF**
12 **HIS SURREBUTAL TESTIMONY THAT MOHAVE USED THE PPCA TO DEVELOP A**
13 **NEW REVENUE STREAM WITHOUT COMMISSION AUTHORITY?**

14 A. Mr. Mendl's assertion is based on Mr. Carlson's factual statement "that had these
15 costs not been collected through the PPCA, Mohave's financial performance would
16 have been adversely affected." (Carlson Rebuttal, page 13, line 2) The reality is
17 Mohave merely started to recover previously unrecovered purchased power related
18 expenses through its duly authorized PPCA. Mr. Mendl cites to no Commission rule
19 or order that applies to Mohave that excludes these expenses, if properly
20 documented, from the PPCA.

21 **Q. Mr. Mendl references Commission Decision No. 68071 and an excerpt from Ms.**
22 **Keene's prefiled Direct Testimony to support his assertion that the**
23 **Commission has already determined what costs could be included in a**
24 **cooperative's PPCA (Surrebuttal at page 14, line 15). What is your perspective**
25 **on Mr. Mendl's position?**

26 A. The matter referenced by Mr. Mendl involved AEPCO, which, as Mr. Mendl
27 recognizes is a generation cooperative, not a distribution cooperative like Mohave.
28 I have also reviewed the Decision cited by Mr. Mendl. While the Commission
29 certainly authorized AEPCO to "amend its tariffs to include a Fuel and Purchased
30 Power Cost Adjustor as described herein" (Decision No. 68071 at page 16, line 14)
31 nowhere does the Commission expressly set forth what costs could or could not be
32 included in the FPPCA. Additionally, since Staff and AEPCO agreed to the accounts

1 as outlined in Ms. Keene's testimony (Decision 68071 at page 6, line 4), there was no
2 issue before the Commission regarding whether any other purchased power related
3 accounts, such as costs booked to Account 557 (Other Expenses), could be included
4 in the PPCA. Staff also recognized that the revenues from certain sales for resale
5 should be reduced by "legal expenses" before being credited against the cost
6 component. This effectively reduced the credit and increased the bank balance as a
7 result of legal expenses. In fact, Staff only expressly recommended exclusion of legal
8 fees in connection with Account 501, which Mr. Mendl acknowledges would not
9 apply to Mohave. (Mendl Surrebuttal, page 15, line 21) While not an attorney, this
10 Decision does appear to establish whether Mohave's 2010, prudently incurred,
11 power supply-related consulting, legal and staff expenses were or were not
12 includable in Mohave's PPCA.

13 **Q. YOU MADE REFERENCE TO COSTS BOOKED TO ACCOUNT 557. IS THIS**
14 **ACCOUNT LISTED AS A PART OF OTHER POWER SUPPLY EXPENSES?**

15 A. Yes. Mohave booked the 2010 costs at issue to Account 557 because they are
16 associated with purchased or power supply related activities. Mohave started
17 identifying and separately booking these costs in 2008, but had not refined their
18 documentation sufficiently to include them in the PPCA until 2010.

19 **Q. HAS THIS ACCOUNTING FOR COST BEEN APPROVED BY MOHAVE'S AUDITOR?**

20 A. Yes.

21 **Q. ARE THESE PRUDENTLY INCURRED COSTS?**

22 A. Yes. Staff has agreed \$562,035 of the costs booked to Account 557 can be recovered
23 from the retail member consumers served by Mohave.

24 **Q. DOES STAFF AGREE THAT COSTS PRUDENTLY INCURRED MAY BE INCLUDED**
25 **IN AN ADJUSTOR?**

26 A. Yes. Reference Mr. Mendl's testimony, page 15, line 8, where Mr. Mendl quotes
27 testimony of Barbara Keene in which she states "The prudent direct costs of
28 contracts used for hedging fuel and purchased power costs may also be included". It
29 seems to me that Ms. Keene is recognizing that a cost does not have to be related
30 directly to the purchase of a kW of capacity, the purchase or a kWh of energy, or
31 consumption of a MMBtu to qualify.

1 Q. DO YOU AGREE WITH MR. MENDEL'S RECOMMENDATION 12 THAT 2011 AND
2 2012 CONSULTANT, LEGAL, LOBBYING AND IN-HOUSE LABOR COSTS RELATED
3 TO POWER SUPPLY PLANNING AND PROCUREMENT BE EVALUATED AND
4 REMOVED FROM THE BANK BALANCE AT THE TIME OF THE NEXT PRUDENCE
5 REVIEW?

6 A. For the reasons already explained, I do not agree that such costs should be removed
7 from the PPCA. However, to the extent the Commission agrees with Staff and
8 precludes past, present and future recovery of these costs through the PPCA, then I
9 agree that it would be appropriate to evaluate and deal with these expenses, with all
10 other 2011 and 2012 expenses and credits, in the next prudence review of Mohave's
11 power purchases.

12 **IV. ERRORS AND OMISSIONS IN PPCA CALCULATIONS**
13 **(RECOMMENDATION NO. 8)**
14

15 Q. IN RECOMMENDATION NO. 8, Mr. MENDEL RECOMMENDS THAT \$91,537 BE
16 ADJUSTED IN THE PURCHASED POWER BANK BALANCE DUE TO ERRORS AND
17 OMISSIONS IN CALCULATING THE PURCHASED POWER COST FROM AUGUST
18 2001 TO DECEMBER 2010. DO YOU AGREE?

19 A. Mohave does not contest Mr. Mendl's proposed adjustment of \$91,537.

20 **V. RATE CASE FILING AND STREAMLINING**
21 **(RECOMMENDATION NOS. 11 AND 14)**
22

23 Q. DO YOU AGREE WITH THE RECOMMENDATION THAT THE COMMISSION
24 REQUIRE MOHAVE TO FILE A RATE CASE NO LATER THAN 9/1/2016?

25 A. While Mohave appreciates the short delay in the filing requirement to September, it
26 still opposes the Commission requiring a full rate case by a date certain in the future
27 in order to make certain "...purchased power cost data and supporting information
28 remain fresh." (Recommendation No. 11). The timing for the next rate case is a
29 management decision best left to the Mohave Board to make based on conditions
30 specific to Mohave. A rate case is expensive and an exhausting effort for a
31 cooperative, and in particular a smaller cooperative like Mohave. To require a rate
32 case in order to have fresh power cost data should not be a primary consideration.

1 Q. IF THE CONCERN IS THE PRUDENCY OF POWER SUPPLY PLANNING AND
2 IMPLEMENTATION, WHAT ALTERNATIVE WOULD YOU SUGGEST?

3 A. Recommendation No. 13 deals with files and records that Mohave will maintain and
4 provide to the Commission for review of power supply issues. The Commission will
5 have the data required to determine if Mohave is properly executing its power
6 supply planning and implementation strategy. The Commission at any time could
7 perform a review and does not have to wait for the next rate case.

8 Q. SHOULD MEC AND STAFF BE REQUIRED BY THE COMMISSION TO MEET
9 WITHIN TWO MONTHS OF A DECISION IN THIS CASE TO DISCUSS OPTIONS FOR
10 STREAMLINING THE RATE CASE PROCESS AND IDENTIFY ISSUES AND
11 INFORMATION FOR THE NEXT CASE?

12 A. Such a requirement is unnecessary. First, Staff has always been open to informal
13 discussions regarding ways to process rate cases more efficiently, as well as to pre-
14 filing discussions regarding what issues and information will be involved in an
15 upcoming rate case. Secondly, I understand the Commission has opened a separate
16 rulemaking docket (ACC-00000B-11-0308) to evaluate methods to streamline
17 cooperative rate cases. That proceeding should be allowed to run its course.

18 **VI. ON-GOING RECORDKEEPING**
19 **(RECOMMENDATION NO. 13)**
20

21 Q. DO YOU AGREE WITH RECOMMENDATION NO. 13 DEALING WITH THE
22 REQUIREMENT THAT MOHAVE MAINTAIN ALL FILES AND RECORDS
23 PERTINENT TO THEIR PURCHASED POWER PLANNING AND PROCUREMENT?

24 A. I do not think Recommendation 13, as worded, is in anyone's best interest. What
25 Mohave supports is clarity between Mohave and Staff regarding exactly what
26 documentation Mohave is expected to maintain to facilitate the prudency review
27 process. To facilitate that understanding, Mohave believes meetings should be held
28 with Staff to further discuss their expectations. I recommend the discussions begin
29 with Staff response to Mohave's RFI MWS-2.14 which asked specifically what data is
30 required to support the purchased power cost adjustor. This would go to the issue
31 of maintaining the proper data base for review of purchased power activities.
32 Mohave Rejoinder Exhibit CNS-1 is a copy of that response. My recommendation is
33 that Staff and Mohave work with this response in formulating a more precise

1 statement of what Mohave will need to provide and what the Staff will need to
2 review in order to monitor the prudency issue. A blanket requirement of the type
3 set forth in Recommendation 13 is inappropriate and should be rejected. An
4 alternative is to require Mohave and Staff meet to develop a listing of the types of
5 documentation Mohave will maintain.

6 **VII. TREATMENT OF THIRD-PARTY SALES**
7 **(RECOMMENDATIONS NO. 15 AND NO. 16)**
8

9 **Q. WHAT IS YOUR POSITION WITH REGARD TO TREATMENT OF THIRD-PARTY**
10 **SALES IN PPCA?**

11 A. The issue is whether or not the margins associated with third-party sales (TPS)
12 should be included or excluded in determining the PPCA bank balance. I think Mr.
13 Mendl accurately contrasted the differences in the two approaches. Mohave is
14 proposing to credit to the PPCA calculation the cost of making the TPS, and the Staff
15 is proposing to credit to the PPCA calculation the total revenue associated with the
16 TPS. The difference is that under the Mohave approach the margins associated with
17 the TPS flow to margins on the income statement, the margins increase the coverage
18 ratios (TIER and DSC), the margins flow to the balance sheet to increase equity and
19 the cash position on the balance sheet, the margins are allocated to the Member
20 consumers, and the margins will eventually be paid to the Members as capital
21 credits.

22 With the Staff method the magnitude of the PPCA is reduced, which in turn reduces
23 the current rates paid by the Member consumer served by Mohave.

24 The Member consumer benefits with both methods, however, the manner in which
25 the benefits are realized are different. Under the Staff method the Member sees an
26 immediate decrease in power cost but there is no benefit to margins or equity. The
27 Member does see a benefit in increased patronage capital however, that benefit will
28 not be paid to the Member until some future period.

29 **Q. ARE THERE OTHER FACTORS TO CONSIDER IN EVALUATING THIS ISSUE?**

30 A. One of the justifications I raised in rebuttal testimony for not crediting margins in
31 the PPCA calculation is that margins are typically earned during non-peak months,
32 and if there is a credit to PPCA for margins earned the benefits would not flow to
33 customers with usage during the peak months. Mr. Mendl suggests using the PPCA

1 bank as a buffer to reallocate the distribution of benefits associated with the
2 margins. He is correct, and Mohave can certainly do that. In fact, given this solution
3 Mohave can use the PPCA bank to reallocate any number of cost causation
4 relationships to different customer groups at different times of the year. The
5 question is whether this reflects a more equitable solution and reflects better policy
6 than an approach in which margins are allocated to the Member consumers based
7 on patronage capital.

8 **VIII. AEPCO'S MARGINAL COSTS**
9 **(RECOMMENDATION NO. 18)**

10
11 **Q. WHAT IS YOUR POSITION WITH REGARD TO THE RECOMMENDATION THAT**
12 **MOHAVE REQUEST INFORMATION REGARDING AEPCO'S MARGINAL**
13 **OPERATING COST?**

14 **A.** Recommendation 18 is unnecessary. Mohave is continuing to work with AEPCO to
15 improve the relationship between rates charged by AEPCO and costs incurred by
16 AEPCO in providing service to Mohave. A major step was the unbundling of base and
17 peaking resources in the last AEPCO rate case. Mohave would like to have access to
18 AEPCO's marginal operating costs, but understands why AEPCO would be hesitant
19 to provide such information for legitimate business reasons. To the extent AEPCO
20 rates reflect current costs or AEPCO otherwise shares current marginal cost
21 information, Mohave will be able to make better regional power dispatch decisions.
22 Mohave has been working with AEPCO and will continue to work with AEPCO to
23 improve the process. The point being that the Commission does not have to order
24 something that is already occurring.

25 **IX. BASE PURCHASED POWER COST**
26 **(RECOMMENDATION NO. 19)**

27
28 **Q. WHAT IS YOUR POSITION WITH REGARD TO THE BASE PURCHASED POWER**
29 **COST RECOMMENDED BY MR. MENDL?**

30 **A.** Mr. Searcy addresses this recommendation in this testimony.
31
32

X. OTHER ISSUES

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Q. ARE THERE ANY OTHER ISSUES IN MR. MENDEL'S TESTIMONY THAT YOU WISH TO ADDRESS?

A. Yes. In rebuttal testimony I commented on how Staff's adjustments would impact Mohave's financials. I was addressing the Staff position that its proposed prudence adjustment and removal of purchased power related consulting, legal and staff costs would not impact Mohave's cash flow, TIER and DSC. Staff's assertion was wrong. There will be an impact on the financials. On page 25 starting at line 17 of his Surrebuttal, Mr. Mendl points out that the impact on Mohave's financials will be reduced now that Staff has dropped its recommended adjustments from \$3.1 million to \$0.7 million (by totally eliminating its proposed \$1.94 million dollar prudency adjustment and deferring any PPCA for 2011 and 2012 expenditures until the next prudency review). I agree that the adverse impact will be reduced substantially, but certainly not eliminated.

Mr. Mendl also commented (page 26, beginning line 12) on a statement made by Mr. Carlson related to when rate increases are sought and then Mr. Mendl goes on to discuss fluctuations in the PPCA rate and bank balance. I want to make sure there is an understanding of the needs for rate adjustments vs. the fluctuations in the PPCA rate and bank. As pointed out by Mr. Carlson, one of the factors driving a need for a rate change is the financials. (Carlson Rebuttal at page 5, line 31) The financials reflect accrual accounting and assume a full recovery of any amount of PPCA due to be collected whether or not it is collected. Changes in the PPCA bank reflect the cash position of the Cooperative but not the accrual position. Therefore, fluctuations in the PPCA factors or bank balance are not an indicator of Mohave's intent related to maintaining adequate income statement objectives.

Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?

A. Yes, it does.

**UTILITIES DIVISION STAFF'S RESPONSES TO
MOHAVE ELECTRIC COOPERATIVE, INC.'S SECOND SET
OF DATA REQUESTS TO ARIZONA CORPORATION COMMISSION
DOCKET NO. E-01750A-11-0136
FEBRUARY 17, 2012**

MWS-2.14: Please set forth all data (by category or type) the Commission Staff now expects MEC to maintain to support purchased power costs recovered through its purchase power adjustor.

RESPONSE:

MEC would continue to file its monthly purchased power adjustor report including the following information:

- A cover letter that:
 - Is addressed to the Commission's Compliance Section;
 - The month for which the monthly report is being filed;
 - The Decision No(s). which ordered the monthly report and/or information required to be included; and
 - The name and contact information of the employee who can be contacted regarding the information provided in the report.

- Bank Balance Report for the month indicated in the cover letter including:
 - The beginning bank balance which should equal the previous month's ending bank balance. (Any revisions to the ending or beginning bank balance of a particular month should be reflected in the previous month's or succeeding month's bank balance report.);
 - Jurisdictional kWh sales by customer class;
 - Actual cost of purchased power (including transmission costs) supported by invoices. Copies of all invoices for power purchased and transmission should be included. (Invoices for costs for services other than purchased power that MEC intends to recover through the purchase power adjustor.);
 - Unit cost of purchased power;
 - Authorized base cost of purchased power;
 - Authorized purchase power adjustor rate;
 - Incremental difference between the actual and the authorized cost of purchased power;
 - Net changes to the bank balance;
 - Adjustments to the bank balance. (Any and all adjustments to the bank balance should be documented as a sub-report to the Bank Balance Report which should include a detailed explanation of any adjustments and the itemized amounts including the total amount of the adjustment(s). This sub-report should be titled *Adjustments to Bank Balance* and should specify the month for which the adjustment(s) are being made.); and

**UTILITIES DIVISION STAFF'S RESPONSES TO
MOHAVE ELECTRIC COOPERATIVE, INC.'S SECOND SET
OF DATA REQUESTS TO ARIZONA CORPORATION COMMISSION
DOCKET NO. E-01750A-11-0136
FEBRUARY 17, 2012**

- Ending bank balance which should be the sum of the beginning bank balance, net changes to the bank balance, and adjustments to the bank balance.
- Revised monthly purchased power adjustor reports:
 - Should MEC find it necessary to file revised monthly reports, the cover letter of the revised filing should clearly state that the filing is a revised version of the previously filed report. In addition, the cover letter should indicate what information is being revised. Further, the revised information should be distinguished from the information not revised (e.g. highlight, different font, bolding, etc). The revised report should be filed in the same manner as the original report.

Because legal fees, consulting fees, lobbying fees, DSM costs or any other fees/charges/costs not approved to be recovered through the purchased power adjustor, invoices for these activities should not be included in the monthly purchased power adjustor reports.

RESPONDENT: Candrea Allen, Public Utilities Analyst II

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

REJOINDER TESTIMONY OF

MICHAEL W. SEARCY

ON BEHALF OF

MOHAVE ELECTRIC COOPERATIVE, INCORPORATED

MARCH 30, 2012

TABLE OF CONTENTS

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

SUMMARY OF REJOINDER TESTIMONY..... 1

1. INTRODUCTION..... 3

2. PURPOSE OF REJOINDER TESTIMONY 3

3. AREAS OF AGREEMENT BETWEEN STAFF AND MOHAVE..... 4

4. RATE DESIGN..... 5

 A. Generally..... 5

 B. The Proposed \$16.50 Residential Customer Charge Is Reasonable. 6

 C. Staff’s Arbitrary Cap On Allocating Revenue Responsibility To The Residential Class.
 12

 D. A Frozen Large LC&I TOU Rate For 3 Existing Customers Is Unfair..... 13

5. STAFF’S REVENUE, EXPENSES AND REVENUE REQUIREMENT..... 15

6. POWER COST, PPCA BASE COST & PPCA REVENUE 16

7. PREPAID SERVICE NEEDS TO BE IMPLEMENTED NOW 17

8. STAFF’S INAPPROPRIATE ADJUSTMENTS TO MOHAVE’S LINE EXTENSION POLICY..... 17

9. MOHAVE’S BOARD SHOULD DETERMINE WHEN TO MAKE RATE CASE FILINGS..... 18

1
2
3
4

**REJOINDER TESTIMONY OF
MICHAEL W. SEARCY
ON BEHALF OF
MOHAVE ELECTRIC COOPERATIVE, INCORPORATED**

5

SUMMARY OF REJOINDER TESTIMONY

6 Mr. Searcy is a Managing Consultant for CH Guernsey & Company, the consulting
7 firm retained by Mohave Electric Cooperative, Incorporated ("Mohave") to assist in the
8 preparation and processing of its rate application. In his rejoinder testimony Mr. Searcy
9 emphasizes the many areas of agreement between Staff and MEC and demonstrates the
10 reasonableness of and why the Commission should adopt the following positions
11 supported by the Mohave Board (the elected representatives of Mohave's
12 member/customers):

- 13
- 14 1. A \$16.50 per month residential customer charge, to ensure year round
15 residents are not subsidizing part time and transient customers and
16 eliminate the need for complex decoupling adjustors by pricing electricity
17 more closely to how costs are incurred.
 - 18 2. Allocate revenues among rate classes on cost of service principles, tempered
19 by understandability, equity and minimizing customer impact, but rejecting
20 Staff's artificial cap for the residential class to the overall rate increase
21 percentage, which effectively freezes existing inequities.
 - 22 3. Adoption or planned phase-in of an appropriately designed rate for the 3
23 existing Large Commercial & Industrial Time of Use Rate to eliminate the
24 subsidy they are currently receiving and would continue to receive, albeit at
25 a lesser level, under Staff's proposal to create a frozen rate for these 3
26 customers.
 - 27 4. Immediate implementation of Prepaid Service, to address the needs of
28 Mohave's members/customers, without stripping Mohave of the financial
29 protections associated with its standard deposit policies.
 - 30 5. Inclusion of up to 50% of transformer costs as part of the line-extension
31 allowance for individual customers and application of Mohave's existing line
32 extension policy in a manner consistent with the notice prospective members
33 receive when they request a written estimate.
 - 34 6. Leaving the decision whether and when to file a rate case in the hands of
35 Mohave's Board – the elected representatives of its members/customers.

1 Mr. Searcy also explains impacts on the Income Statement and PPCA base
2 cost due to differences with Staff relating to the treatment of power purchase related
3 consulting, legal and staff costs and of third party sales discussed by Mr. Carl Stover.

4

5

1 **1. INTRODUCTION**

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

3 A. My name is Michael W. Searcy and I am employed by C. H. Guernsey & Company
4 ("Guernsey"). My current position is Managing Consultant. I have previously
5 presented Direct, Supplemental and Rebuttal Testimony in this matter on behalf of
6 Mohave Electric Cooperative, Incorporated ("Mohave" or the "Cooperative").

7 **Q. Were all of the supporting schedules attached to your testimony prepared by**
8 **you or under your direction?**

9 A. Yes.

10 **2. PURPOSE OF REJOINDER TESTIMONY**

11 **Q. What is the purpose of your rejoinder testimony?**

12 A. My Rejoinder testimony will address Surrebuttal testimony submitted by Staff on
13 the following issues:

- 14 1. Rate Class Rate Designs
- 15 2. Rate Class Revenue Requirement
- 16 3. Revenue, Expenses and Revenue Requirement
- 17 4. Line Extension Policy and Prepaid Metering

18 **Q. How is your testimony organized?**

19 A. I first emphasize the areas of general agreement between Staff and Mohave and then
20 proceed to discuss the following areas of disagreement: a) the residential customer
21 charge, b) allocation of revenues among rate classes, c) the Large Commercial &
22 Industrial time-of-use (LC&I TOU) rate, d) the impact on the income statement and
23 PPCA base cost from the different positions on recovery of power purchase related
24 consulting, legal and staff expenses and third party sales (i.e., through the PPCA or
25 base rates), e) the process for implementing a prepaid service program, f) including
26 up to 50% of the transformer costs as part of the line-extension allowance for
27 individual customers, g) treatment of customers with written estimates under the
28 existing line extension policy and h) finally, whether the Commission or the Mohave

1 Board of Directors should determine when Mohave is to file its next request for rate
2 relief.

3 **3. AREAS OF AGREEMENT BETWEEN STAFF AND MOHAVE**
4

5 **Q. After submittal of Staff's Surrebuttal what is your conclusion relating to the**
6 **relative positions of Staff and the Cooperative in this case?**

7 A. Mohave and Staff agree on most of the issues the Commission must decide as part of
8 this proceeding as reflected in my Rejoinder Schedule MWS-5, including:

- 9
- 10 • Adjusted test year rate base of \$48,083,871.
 - 11 • Adjusted test year revenues of \$76,068,006.
 - 12 • Adjusted test year operating expenses of \$75,523,583.
 - 13 • Adjusted test year return of \$544,423 and operating margins of (\$1,776,305).
 - 14 • A recommended revenue increase of \$3,061,529 or 4.025%.

14 Staff and Mohave also agree:

- 15
- 16 • The Cost of Service Study ("COSS") submitted by Mohave is a traditional fully
17 allocated COSS and Mohave's proposed functionalization, classification, and
18 allocation techniques used in its COSS fall within the bounds of standard
19 industry practice. I note, the procedures and methodology used in Mohave's
20 COSS have been previously approved by the Commission (e.g., the last Trico
21 Electric Cooperative (Docket No. E-01461A-08-0430) and Sulphur Springs Valley
22 Electric Cooperative (Docket No. E-01575A-08-0328) rate cases), and are
23 approved by Staff in the pending Navopache Electric Cooperative, Inc. rate case
24 (Docket No. E-01787A-11-0186).
 - 25 • The rate designs proposed by Mohave, as adjusted by Staff, are reasonable and
26 should be approved, subject to the residential customer charge, capping the
27 revenue increase for the residential customers and creating a unique rate for the
28 3 existing Large C&I TOU class increase as I discuss below.
 - 29 • Mohave's proposed service charges, as amended by Staff, are reasonable and
30 should be approved.
 - 31 • Mohave's proposed Service Policies, with the additions recommended by Staff
32 are reasonable and should be approved, subject to the three exceptions I discuss
below.

1 Mohave appreciates Staff's general support of its rate application.

2 **4. RATE DESIGN**

3 **A. Generally**

4 **Q. Staff has suggested rate designs and rate class revenues in Surrebuttal**
5 **testimony. Does Mohave agree with these rate designs and revenues?**

6 A. Mohave and Staff substantially agree on most rate designs, except as indicated
7 below.

8 **Q. Are the rates included in Staff's Surrebuttal testimony and in Mohave's**
9 **Rejoinder testimony identical?**

10 A. Except as indicated below, they are substantially the same but not identical. Since, as
11 I discuss later, Mohave and Staff recommend slightly different base power cost
12 factors, the various energy and some demand charges are slightly different. Mohave
13 believes that, once the base power cost issue is determined, other than where
14 otherwise described below, the parties agree. To see the small differences, refer to
15 Mohave Rejoinder Schedules MWS-2, MWS-3 and MWS-4. Mohave Rejoinder
16 Schedule MWS-7 shows a rate-by-rate comparison between Mohave's existing,
17 Staff's Surrebuttal, and Mohave's Rejoinder rates.

18 **Q. In what areas do Mohave and Staff substantially agree?**

19 A. Other than minor differences related to the base cost of power and customer charge
20 levels, Mohave and Staff substantially agree with rate designs for Residential,
21 Residential Time-of-Use (TOU), Residential Optional Demand, Residential Net
22 Metering, and Small Commercial Energy rates. Other than minor differences related
23 to the base cost of power, Mohave and Staff agree on Small Commercial Demand,
24 Large Commercial and Industrial (LC&I) (other than LC&I TOU for existing
25 customers), Irrigation, Lighting, and "Other Revenue." In addition, Mohave and Staff
26 agree on the amount of difference between the standard Residential customer
27 charge and the Residential TOU, Residential Optional Demand, Residential Net
28 Metering, and Small Commercial Energy customer charges.

29 **Q. In what areas does Mohave continue to disagree with Staff with regard to rate**
30 **designs?**

31 A. Mohave continues to disagree with Staff in the following areas:

- 1 1) The Residential customer-related cost of providing service and the
- 2 proposed Residential Customer Charge amount (affecting other
- 3 related Customer Charges as well)
- 4 2) The revenue responsibility for the individual rate classes
- 5 3) The LC&I TOU rate for existing customers only

6 **B. The Proposed \$16.50 Residential Customer Charge Is Reasonable.**

7 **Q. In what areas do Staff and Mohave agree with regard to residential rates?**

8 A. Staff and Mohave substantially agree with regard to all Residential rate design

9 components other than the customer charge. Of course, the actual energy charges to

10 be applied will depend on the final customer charges approved, but Staff and

11 Mohave are in agreement as to the basic rate design structure, other than customer

12 charges.

13 **Q. How does the COSS provide information needed to determine the appropriate**

14 **Customer Charge?**

15 A. Since Mohave bases its customer charge in large part on the results of its COSS, it is

16 important to review the findings of that study with regard to customer-related costs

17 and recovery. One basic purpose of any COSS is to determine how costs are

18 incurred. To the extent changes in rates move a cooperative closer to recovering

19 costs in manner similar to how costs are incurred, rates are generally fairer to

20 customers and allow a cooperative to decouple its rates so it will see less negative

21 financial impact from promoting renewables, energy efficiency and conservation, as

22 well as less negative financial impact from other issues that affect energy

23 consumption such as weather and economic down-turns.

24 Rates are fairer because customers pay for costs they cause to be incurred (rather

25 than one group of customers subsidizing other customers), and rates are more fully

26 decoupled, without the need for complex annual adjustor mechanisms, because

27 fixed customer-related costs of providing service are not recovered through variable

28 energy charges to the same extent.

29 Mohave recognizes that moving its customer charge closer to its customer-related

30 cost of providing service is one factor among others to be considered when

31 designing rates. But it is an important factor, particularly since it is also a PURPA

32 standard. Another important factor is reducing customer impact, and Mohave's

33 elected Board considered carefully customer impact when deciding on its proposed

34 \$16.50 per month residential customer charge. The proposed customer charge is

1 less than its monthly residential customer-related cost of providing service
2 (\$18.56), and far less than the total monthly residential cost of providing wires
3 service (\$30.00). Mohave further moderated the impact of its proposed customer
4 charge by requesting an inclining block rate design and by the small size of the total
5 rate increase requested. (For Mohave's Components of Expense, *see*, Mohave's
6 3/30/11 Rate Application, Schedule G-6.0, page 1 of 6.)

7 Mohave and Staff agree that Mohave has used standard industry practice in
8 developing all aspects of the COSS individually developed for Mohave. (Direct
9 testimony of Bentley Erdwurm, page 9, lines 7 - 9)

10 Staff says its suggested Surrebuttal Residential customer charge of \$13.50 was
11 "driven by a costing methodology restricting the customer-related classification to
12 metering, meter-reading, the service drop, billing and customer service."
13 (Surrebuttal testimony of Bentley Erdwurm, page 2, lines 22 - 25) In addition it says
14 that, "utilities - both those with more dense territories and those with less dense
15 territories - typically view rate stability as desirable, that higher residential
16 customer charges typically promote rate stability, and that higher residential
17 customer charges may be supported, rightly or wrongly, through classifying as
18 customer-related a portion of poles, lines and transformers." (Surrebuttal testimony
19 of Bentley Erdwurm, page 4, lines 9 - 15)

20 Mohave's COSS was individually developed for Mohave using industry standard
21 methods previously used by other Arizona cooperatives and approved by Staff and
22 the Commission. It allocates a portion of distribution wires cost related to minimum
23 sized distribution facilities required to serve any customer, no matter how small.
24 Given how Mohave's COSS was developed, the Cooperative believes there is no
25 question that a portion of the cost of providing minimum system service to every
26 customer no matter how small, is driven by customer-related factors. Staff argues
27 Mohave should not be permitted to recover what Mohave's COSS has identified as
28 fixed customer-related costs through customer charges. Mohave believes this
29 reasoning is incorrect and inconsistent with the Commission's determination in
30 Decision No. 71230, dated August 6, 2009 (where the Commission expressly
31 recognized that customer service costs "includes ***the customer component of***
32 ***distribution line expense, a portion of the transformer expense,*** [in addition to]
33 the meter and service drop expense and meter reading and customer records
34 expenses." Decision at page 7, lines 17-20 (emphasis added).

35 In my Rebuttal testimony, I discussed the fact that electric cooperatives, including
36 Mohave, serve rural areas. The purpose of this discussion was to indicate that every
37 cooperative incurs costs in providing minimum system service to every customer,

1 no matter how small. The magnitude of the impact of adopting Staff's recommended
2 customer charge treatment is greater in rural areas with especially low line density,
3 but the same issue exists for all service areas, both urban and rural.

4 I prepare individual COSS analysis using industry standard methods for electric
5 cooperatives located in jurisdictions across the country. Mohave's customer-related
6 cost of providing service (\$18.56) as identified by its COSS is low by cooperative
7 standards. It is not uncommon for more heavily rural systems to see customer-
8 related cost of \$20 - \$35 or higher. Mohave's cost is somewhat lower in large part
9 because it has somewhat more urban service area. Mohave does not ask for its
10 customer charge to be set based on the average rural electric cooperative customer-
11 related cost of providing service, but based on its individually developed customer-
12 related cost of providing service developed through its COSS procedure.

13 **Q. Is Mohave's COSS methodology different in some way?**

14 A. No. Mohave's COSS follows the Commission's determination in Decision No. 71230.
15 Staff has provided no evidentiary support for the Commission's rejection or
16 modification of this earlier determination.

17 In Surrebuttal, Staff indicates that this cited decision, "applied to TRICO, not to
18 Mohave and not to other utilities." The Commission's determination, while applied
19 in a rate case involving TRICO, is not limited to TRICO in any way. Rather the
20 Commission is making a general determination as to what is included in customer
21 service costs for COSS purposes. Staff does not present any evidence as to why the
22 same industry standard allocation methods used for TRICO would not apply to
23 Mohave in this case because none exist. The Cooperative believes its COSS
24 methodologies, the same ones approved by the Commission in Decision No. 71230,
25 are appropriate to use in this case.

26 **Q. According to Staff, are there other reasons for not accepting Mohave's COSS**
27 **determination of the customer-related cost of providing service?**

28 A. Staff states that, "given that higher customer charges may have adverse bill impacts
29 on bills for 'basic needs' levels, and may be contrary to providing incentives
30 supporting the prudent use of energy, Staff contends that the default position in
31 future Mohave rate cases should be that no portion of poles, lines and transformers
32 is classified as customer-related without some study supporting the magnitude of
33 customer component." (Surrebuttal testimony of Bentley Erdwurm, page 3, line 23 -
34 page 4, line 2)

1 Mohave believes recovering its fixed costs through variable energy charges distorts
2 the price signal to customers. The best method of promoting energy efficiency
3 through decoupling is to minimize the recovery of fixed cost through variable
4 energy charges. Other complex decoupling mechanisms further distort the price
5 signal and may encourage investment in technologies in the name of energy
6 efficiency by distorting recovery of the cost of providing wires service. The cost of
7 wires service, however, is not reduced by conservation efforts and the anticipated
8 savings to the cooperative and ultimately the member-consumer may never
9 materialize, all of which run counter to the PURPA decoupling standard. Mohave's
10 proposed rate certainly provides a strong pricing signal promoting energy efficiency
11 through its proposed inclining block rate.

12 Moreover, Mohave's COSS is a "study supporting the magnitude of the customer
13 component." If Staff is suggesting additional studies, it has provided no examples of
14 the type of study it seeks and I am unaware of any beyond the cost allocation
15 included in the COSS already submitted.

16 Finally, Mohave agrees with Staff that movement toward the results of a COSS
17 should be tempered if they will have significant bill impacts. However, Mohave's
18 rates will have very limited impact on customers with average or median usage.
19 Under Mohave's Rejoinder rates, a residential customer with average usage of 860
20 kWh per month will see a rate decrease of \$0.55 or 0.54%. A customer with median
21 usage of 637 kWh per month will see a rate decrease of \$0.15 or 0.19%. See Mohave
22 Rejoinder Schedule MWS-8. As shown on the Schedule, low use customers will not
23 see increases greater than \$0.28 per month unless their monthly usage is less than
24 400 kWh per month. It is unlikely that many customers who actually occupy their
25 residence for the full month will experience monthly usage at or below 400 kWh.

26 **Q. Who will Staff's proposed customer charge benefit and who will it hurt?**

27 A. The biggest benefactors of Staff's rate design are minimum usage, part-time and
28 transitory residents whose usage during a billing cycle is artificially low because the
29 residence is unoccupied for all or much of the month. In contrast, full-time residents
30 and other rate classes will be burdened by higher energy rates and/or higher
31 relative rates of return in order to make up the lost revenue that should be allocated
32 to the customer charge. Beyond this basic fairness issue, Mohave is also harmed by
33 the lack of revenue stability inherent in Staff's proposed rate design, which in turn
34 can lead to additional and more frequent rate increases for all of its
35 member/customers.

1 **Q. What is Mohave's recommendation with regard to the COSS?**

2 A. Mohave continues to recommend the COSS be approved as prepared and without
3 changes, including classification of costs, and that its COSS be given appropriate
4 consideration in determining the Residential customer charge.

5 **Q. What is Mohave's recommendation with regard to the residential customer**
6 **charge?**

7 A. Mohave continues to propose a residential customer charge of \$16.50 per month.
8 Mohave's Rejoinder residential rate design is attached as Mohave Rejoinder
9 Schedule MWS-7, page 1. The comparison of existing, Staff Surrebuttal and Mohave
10 Rejoinder rates is shown as Mohave Rejoinder Schedule MWS-8.

11 **Q. Mohave indicated in Rebuttal testimony it would be willing to phase-in its**
12 **requested change in customer charge over time. Is this still the case?**

13 A. Yes. Mohave is still willing to phase-in its proposed customer charge to reach the
14 \$16.50 customer charge level its Board of Directors deems appropriate. In
15 Surrebuttal testimony, Staff rejected this approach, on the grounds it "would be
16 administratively burdensome and Mohave would be required to provide notice to
17 its customers for each rate adjustment." As the rate levels would be preapproved,
18 there would not be any additional administrative burden beyond reprogramming its
19 billing system with the appropriate rate and including a notice in the monthly billing
20 statements the month before each phase goes into effect. While Mohave would
21 prefer to avoid these costs by moving immediately to \$16.50, it is willing to incur
22 these costs to secure a properly designed rate through a single rate proceeding,
23 rather than awaiting the next full rate case as Staff suggests.

24 Mohave continues to be willing to work with Staff to develop a phase-in plan leading
25 to its proposed \$16.50 customer charge over a reasonable period (two or three
26 years), should the Commission deem Mohave's proposed customer charge change is
27 too large in one step.

28 Given Staff's rejection of the phase-in, Rejoinder phase-in rates were not developed,
29 but MWS-Rebuttal Schedule 7 shows the rate structure that would be used. MWS-
30 Rebuttal Schedule 8 shows comparisons under the phases at different usage levels.
31 The approach proposed by Mohave is outlined in the Rebuttal Testimony of Michael
32 W. Searcy, page 22, lines 10 - 22.

33

1 **Q. Is Mohave asking for any adder for lost revenues due to the phase-in of the**
2 **customer charge?**

3 A. No. As recognized by Staff (Surrebuttal of Mr. Erdwurm, page 2, lines 8-9), Mohave
4 will slightly adjust the energy charge for each phase so there is no shortfall or over
5 collection in any phase. The specific energy charges and customer charges for each
6 phase can and should be approved when a decision is rendered, if the Commission
7 determines that movement to \$16.50 should be phased-in.

8 **Q. Are Mohave's members supportive of the \$16.50 customer charge?**

9 A. As Mr. Carlson testified in his Rebuttal testimony, member/customers voiced
10 support for a customer charge that recovers a substantial portion of the customer-
11 related costs during the several member meetings Mohave held across its service
12 area following the filing of its Application. The \$16.50 customer charge was shown
13 to customers and the rational for the charge was discussed during those meetings.
14 No rate design objections were presented during the meetings or, to my knowledge,
15 subsequently. Three letters have been docketed with the Commission, two by
16 Mohave Board members in their member capacity, expressly supporting Mohave's
17 proposed rate decoupling and opposing Mohave recovering fixed customer-related
18 costs through energy charges. Mohave agrees with these comments. Copies of
19 those 3 letters are provided as Mohave Rejoinder Exhibit MWS-9.

20 **Q. What would the customer charges be for the Residential TOU, Residential net**
21 **metering, Residential Optional Demand and Small Commercial Energy rates?**

22 A. Staff and Mohave now agree that the customer charge for each of these rates will be
23 \$5 per month higher than whatever standard residential customer charge is
24 ultimately set by the Commission (i.e., if \$16.50 is adopted, these other charges
25 would be \$21.50).

26 **Q. Would the Residential TOU, Residential Optional Demand, Residential Net**
27 **Metering and Small Commercial Energy rates be phased-in if the standard**
28 **residential rates are phased in?**

29 A. No. Because of the costs associated with phasing in a relatively few customers,
30 Mohave would prefer not to phase-in the customer charges for TOU and net
31 metering residential customers. These rates are optional and customers can always
32 choose to move to the standard rate.

1 **C. Staff's Arbitrary Cap On Allocating Revenue Responsibility To The**
2 **Residential Class.**

3 **Q. Does Staff recommend changes to Mohave's proposed revenue allocation to**
4 **the various rate classes in its Surrebuttal testimony?**

5 **A. Yes. Staff continues to cap the increase in revenues for the residential class to the**
6 **overall percentage increase approved for the Cooperative. See, Staff Exhibit DBE-1,**
7 **showing Mohave's proposed increase to the residential rate class of 4.07% has been**
8 **reduced to 4.02% by Staff (equivalent to the 4.02% total increase in revenue).**

9 Mohave, in Rebuttal, has already outlined its opposition to a cap imposed by Staff to
10 limit increases to a residential rate class at no more than the system average.
11 Mohave continues to advocate rejection of such a cap. To summarize, Mohave
12 disagrees with Staff's approach because it:

13 a) is arbitrary,

14 b) is unsupported by the record,

15 c) is contrary to the Public Utility Policy Act's intent to structure rates that, to
16 the maximum extent practicable, will reflect the costs of service to each
17 customer class,

18 d) ignores the minimal amount of additional revenue Mohave is proposing to
19 shift to the residential class,

20 e) foregoes the opportunity to make such shifts when the overall increase
21 request is minimal, and,

22 f) if followed consistently, would forever preclude closing the gap between
23 the residential and other customer classes.

24 Furthermore, the best time to correct subsidies between rate classes is when over-
25 all rate changes are small. Taking a small step now toward reducing subsidies
26 between rate classes will result in less customer impact than waiting for some
27 future rate case when the over-all change might be higher.

1 **Q. Does Mohave's Cost of Service Study (COSS) support a greater increase for the**
2 **residential rate class than the system average?**

3 A. Yes. There are a variety of factors to be used in determining the rate change for each
4 rate class, and the COSS is one important factor to be balanced among other factors.
5 Staff's arbitrary cap would have the effect of saying that reducing subsidies between
6 rate classes should be given NO weight. Where a COSS indicates subsidies exist
7 between rate classes, the approved rate design should reduce such subsidies.
8 Mohave recognizes the extent of the subsidy reduction is dependent on the various
9 rate design criteria, goals and objectives discussed by both Staff and Mohave in this
10 case. However, Staff has pointed to no criteria, goal or objective that will be
11 undercut by taking the incremental step of 0.05% proposed by Mohave at this time.

12 **Q. What is Mohave's proposal with regard to the class revenue requirement?**

13 A. Mohave believes the proposed class revenue requirements should be as provided on
14 the attached Mohave Rejoinder Schedule 1, and that the Staff recommended class
15 rate changes shown on Schedule DBE-1 be rejected.

16 **D. A Frozen Large LC&I TOU Rate For 3 Existing Customers Is Unfair.**

17 **Q. Does Mohave agree with Staff's Surrebuttal rate designs for the LC&I TOU**
18 **rate?**

19 A. Staff and Mohave substantially agree on the proposed rates for new LC&I TOU
20 customers with slight variances due to the other unresolved issues in this case. Staff
21 recognizes Mohave's proposed revision to the LC&I TOU rate "is well-reasoned and
22 cost-based . . . [and] a huge improvement of the existing design." (Erdwurm
23 Surrebuttal, page 9, lines 19-22). Therefore, Staff supports the Mohave proposed
24 LC&I TOU rate for new customers. However, in order to limit the percentage
25 increase experienced by the three customers currently on the LC&I TOU rate
26 (Erdwurm Surrebuttal, beginning on page 9), Staff proposes they be placed on a
27 special rate that will continue until new rates are established in Mohave's next rate
28 case. At that time, Staff recommends the special rate be eliminated and the three
29 customers be moved to the regular LC&I TOU rate. Such a frozen rate for the LC&I
30 TOU customers is unnecessary and inappropriate. Mohave asks the Commission
31 reject it.

32

33

1 **Q. Why will the existing LC&I TOU customers receive such a high percentage rate**
2 **increase?**

3 A. The existing rate is not correctly designed. It allows these customers to shift usage
4 out of on-peak windows and eliminate paying for both power supply related
5 demand costs, as well as Mohave's distribution wires service costs. (Erdwurm
6 Surrebuttal at pages 9-10, lines 22-2). The large percentage increase does not
7 indicate that the proposed rate is too high, but rather that the existing rate is poorly
8 designed and therefore unacceptably low for these three customers.

9 **Q. Why does Mohave disagree with the frozen rate?**

10 A. This concept is unfair to other members. Staff recognizes that its proposed rate for
11 these customers "will mean that subscribers to LC&I TOU will pay too little for
12 service relative to other customers, which is unfair to the other customers."
13 (Erdwurm Surrebuttal, page 10, lines 11-13). These three customers currently
14 enjoy, as identified by Mohave's COSS and shown on Schedule G-2.1, a negative
15 relative rate of return (RROR) of -0.34. Mohave's existing residential rate class has a
16 RROR of 0.20. RRORs greater than 1.0 provide a subsidy to other rate classes. RRORs
17 under 1.0 receive a subsidy. Mohave's other customer classes (including residential)
18 with higher RRORs than LC&I TOU are, therefore, subsidizing existing LC&I TOU
19 customers. Under Mohave's proposed rates, the LC&I RROR moves to 4.11, while the
20 LC&I TOU RROR moves to 1.74.

21 While there is a high percentage difference between the 27.33% increase
22 recommended by Staff in Surrebuttal testimony and the 42.93% increase
23 recommended by Mohave in Rejoinder testimony, the dollar difference is quite
24 small. Mohave's increase is \$20,622 and Staff's increase is \$13,142. The total
25 difference is only \$7,480. Since total annual billing under existing rates is only
26 \$48,045, however, even this small difference in the amount of the increase produces
27 high percentages.

28 Rather than "kick the can down the road" to the next rate case, Mohave believes
29 there is an opportunity while the total dollar amount is low to correct the problem
30 now.

31 In addition, Mohave does not agree with Staff's proposal to freeze these rates
32 because it will result in other rate classes continuing to provide unacceptable
33 subsidies to these three commercial customers.

34 Finally, Mohave believes Staff's focus on percentage change between the existing
35 LC&I TOU rate and the proposed LC&I TOU rate is not the key factor in reviewing

1 the proposed rate. Mohave's proposed LC&I TOU rate offers a significant savings for
2 customers as compared to the standard LC&I rate. The three customers would be
3 billed, under Mohave's proposed STANDARD non-TOU LC&I rate an annual total of
4 \$107,637. The same customers under Mohave's proposed Rejoinder LC&I TOU rates
5 would only be billed \$68,657 – a significant savings.

6 **Q. Other than rate design, are there other factors at play?**

7 A. Yes. As indicated in Rebuttal testimony, existing customers have relatively high
8 monthly NCP kW and quite low monthly CP kW. One customer in particular had an
9 annual load factor of only 7%. At the same time, while the customer's total monthly
10 NCP kW was 3,637 kW, the sum of this customer's total monthly on-peak kW was
11 49.2 kW. So these customers have extremely atypical usage patterns.

12 **Q. Has Mohave considered phasing in the rate change to minimize customer
13 impact?**

14 A. Yes. Mohave offered this option in its Rebuttal testimony. While Staff has rejected
15 this option because the impact on Mohave's revenue is trivial and could not justify
16 the administrative burdens of the phase-in (Erdwurm Surrebuttal, page 11, lines 4-
17 6), Mohave remains willing to phase-in the rate changes as indicated in its Rebuttal
18 testimony. Given Staff's rejection of Mohave's phase in offer, Rejoinder rates were
19 not developed. MWS-Rebuttal Schedule 11 shows development of the general
20 structure that would be used for the three phases and the general amount of
21 revenue change between each phase and the existing rate, as well as the general
22 revenue change between one phase and another.

23 5. STAFF'S REVENUE, EXPENSES AND REVENUE REQUIREMENT

24 **Q. Does Mohave agree with Staff's recommended revenue and expenses as shown
25 in the Surrebuttal Schedules of Crystal S. Brown?**

26 A. As discussed above, Staff and Mohave substantially agree regarding revenues and
27 expenses, as well as the level of rate increase that is appropriate in this case.
28 However, the disagreement regarding treatment of power purchase related
29 consulting, legal and staff expense results in differences in the amount of purchase
30 power and administrative and general expenses shown on the income statements of
31 Staff and Mohave.

32 While it does not affect the revenue requirement, rate designs or the income
33 statement, and is not discussed in my testimony, Mohave does not agree with Staff's
34 proposal to exclude third party sales (TPS) revenue as opposed to TPS power cost

1 from its monthly PPCA calculations. This matter will instead be discussed by Mr.
2 Stover.

3 Mohave also does not agree with Staff's transfer of \$562,035 in expenses from
4 purchased power to administrative and general, as shown on Staff's Surrebuttal
5 Schedule CSB-3. As discussed more fully in the testimony of Mr. Stover, Mohave
6 believes it has appropriately accounted for expenses incurred related to power
7 supply as power cost expense and has appropriately recovered those expenses
8 through its PPCA factor. Mohave proposes Staff's recommended adjustment to
9 transfer \$562,035 from purchased power expense to administrative and general
10 expense be rejected, as shown on Mohave Rejoinder Schedule MWS-5.

11 This difference, however does not impact the amount of test year margins computed
12 or the level of rate increase recommended by either Staff or Mohave. Both parties
13 recommend a rate increase of \$3,061,529, producing total revenue under proposed
14 rates of \$79,129,535, and an operating margin of \$1,285,224.

15 6. POWER COST, PPCA BASE COST & PPCA REVENUE

16 **Q. Does Mohave agree with Staff's recommendation that Mohave's PPCA base**
17 **cost be set at \$0.087701 per kWh?**

18 **A.** Mohave and Staff are in general agreement regarding the calculation of the PPCA
19 base cost. However, the disagreement regarding treatment of \$562,035 in
20 purchased power procurement expenses (Surrebuttal testimony of Jerry Mendl,
21 page 27, lines 22 - 40), and of margins from third party sales (Surrebuttal testimony
22 of Jerry Mendl, page 28, lines 33 - 37) results in different computations of the base
23 purchased power cost (Surrebuttal testimony of Jerry Mendl, page 28, line 46).
24 Should the Commission adopt the Staff recommendations on these two issues,
25 Mohave agrees that the base cost of purchased power should be set at \$0.087701,
26 but Mohave believes the Commission should reject Staff's recommendation.

27 As discussed throughout the testimony of Mohave witness Carl N. Stover, the
28 Commission should reject Staff's proposed exclusion of a) \$562,035 in costs from
29 power cost expenses and b) prospectively, both power cost and margins received
30 from third party sales (TPS) from PPCA calculations (as opposed to its current
31 practice of excluding only power cost). Mohave continues, therefore, to propose the
32 base cost of purchased power be set at \$0.089283. (See Mohave Rejoinder Schedule
33 MWS-6)

1 **7. PREPAID SERVICE NEEDS TO BE IMPLEMENTED NOW**

2 **Q. Is Staff's recommendation that Mohave pursue prepaid metering in a separate**
3 **docket appropriate?**

4 **A.** No. As indicated in Rebuttal testimony and separately in discussions with Staff,
5 Mohave's customers are anxious for a prepaid service option to be implemented.
6 Whether implemented by changes to Mohave's policies, through a tariff or both,
7 there is no need to delay implementation for the following reasons:

- 8 1) Mohave is not proposing a separate or different rate be applied to
9 prepaid metering customers,
- 10 2) Mohave is not proposing that prepaid metering be considered as a part of
11 its DSM program, either as assumed reductions in usage or for cost
12 recovery through its proposed DSM adder,
- 13 3) Mohave is proposing that it be allowed to implement prepaid metering
14 for a single reason, to allow members with an option to putting up a
15 security deposit, without placing the cooperative's financial position at
16 risk,
- 17 4) Mohave's prepaid metering program would not affect revenue, and
- 18 5) Mohave members have strong support for a prepaid program to Mohave.

19 **8. STAFF'S INAPPROPRIATE ADJUSTMENTS TO MOHAVE'S LINE**
20 **EXTENSION POLICY**

21 **Q. Does Mohave agree with Staff's position on its proposed line extension policy?**

22 **A.** Mohave and Staff are in agreement with all aspects of Mohave's proposed line
23 extension policy other than 1) including the cost of transformers in the line
24 extension allowance for customers outside of subdivisions and 2) handling
25 prospective customers that have secured a written line extension estimate prior to
26 entry of a decision in this case (i.e., under Mohave's current line extension policy).

27 Staff did not provide additional substantive testimony for its positions beyond
28 Direct testimony, which was not persuasive as discussed in Mohave's Rebuttal
29 testimony. Inclusion of transformer costs as part of the line extension allowance is
30 fairer to all cooperative members. Mohave continues to request that its proposed
31 line extension policy be approved as submitted without Staff's recommended

1 changes, but capping any individual customer's transformer responsibility at no
2 more than one half of the transformer's cost.

3 Additionally, Staff's proposal relating to the treatment of prospective customers that
4 have secured a written line extension estimate is ambiguous and inconsistent with
5 the documentation the prospective customers received from Mohave in conjunction
6 with obtaining a written estimate. See MWS - Rebuttal Exhibit 2 (which holds the
7 estimate for only 60 days). Mohave supports providing those that received written
8 estimates within 60 days of a decision in this matter be provided the full sixty days
9 thereafter to commence the line extension under the bid provided.

10 **9. MOHAVE'S BOARD SHOULD DETERMINE WHEN TO MAKE RATE CASE**
11 **FILINGS**

12 **Q. In Surrebuttal testimony, Staff continues to recommend the Commission order**
13 **Mohave to file a rate case with a test year ending December 31, 2015, unless**
14 **an earlier rate case has been filed. Does Mohave agree?**

15 **A.** No. Recommendation #11, Surrebuttal testimony of Jerry Mendl, page 28, lines 8 -
16 14 now recognizes that, should such a filing ultimately be required, the filing date be
17 moved from April 1, 2016 to September 1, 2016 to afford Mohave a reasonable
18 opportunity to complete its outside audit prior to preparing and filing the case.

19 Mohave disagrees with Staff's recommendation that Mohave be ordered to file a rate
20 case with a test year ending December 31, 2015 for two fundamental reasons. First,
21 there has been no showing that Mohave's Board is incapable of making a sound
22 business decision relating to if and when a rate case should be filed. As both the
23 management of the utility and the elected representatives of its member/customers,
24 the Board should be presumed to be the most appropriate body to make such
25 decisions. There has been no evidence submitted in this proceeding to rebut such a
26 presumption.

27 Second, Staff's recommendation seems driven by its desire to reduce the volume of
28 purchased power data that has to be reviewed. (Surrebuttal testimony of Jerry
29 Mendl, page 24, lines 13 - 14). Rate case filings (endeavors that involve substantial
30 cost in money, time and effort) should not be driven by the amount of data that
31 might be involved in purchased power prudency review. There are more efficient
32 ways to minimize the burdens related to a purchased power prudency review. The
33 key is having a clear understanding between Staff and Mohave regarding the type of
34 documentation Mohave is required to maintain. Additionally, if Staff likewise
35 provides appropriate feedback relating to documentation provided with monthly

1 purchased power filings and properly maintains those documents for use in a
2 prudency review, such reviews, regardless of the period covered, should proceed
3 efficiently. This is especially true if Mohave is only responsible for providing
4 documentation to the extent there are gaps in the documentation provided on a
5 monthly basis. As part of this proceeding, Mohave has suggested discussions with
6 Staff for the very purpose of clarifying and simplifying the purchased power record
7 keeping and prudency review process.

8 It is important that the Commission understand that during the ten years since
9 Mohave's switch to a partial requirements customers was approved, at no time did
10 the Commission or its Staff suggest that the change subjected Mohave to the type of
11 prudency review involved in this case. Nor was Mohave informed they were to
12 maintain documentation on all purchased power transactions until the next rate
13 case, even though it had been providing documentation to the Staff with its monthly
14 purchased power filings. Now that Mohave has been informed and has been through
15 a prudency review of power purchases, Mohave's member-selected Board of
16 Directors will certainly consider the impacts on such reviews in determining when
17 to file future rate cases. However, this is only but one factor to be considered. Rate
18 filings, in their present form, are not simple proceedings and take substantial time,
19 effort and dollars to prepare and process to a conclusion. They should be pursued
20 when the financial needs and condition of the Cooperative warrant, not simply
21 because a date certain has arrived.

22 Staff also stated that where "rates are more frequently adjusted, the odds of there
23 being a financial emergency before MEC comes in for a rate case are reduced,"
24 (Surrebuttal testimony of Jerry Mendl, Page 24, lines 18 - 24). There is no evidence
25 suggesting Mohave's Board would await a financial emergency before making
26 another rate filing. Mohave's member-selected Board is best situated to determine
27 when any future rate filing is necessary and that such decision, and the appropriate
28 test year, should be based upon actual operational data.

29 As indicated in Rebuttal, Mohave does not object to filing, as a compliance item in
30 this docket on or before April 1, 2016 a copy of its unaudited Form 7 for the
31 calendar year 2015, together with a summary schedule containing the information
32 contained in Schedule CSB-1 reflecting an estimate of any increase in rates the
33 Cooperative's management anticipates might deem appropriate, unless prior
34 thereto it has already separately docketed a rate case. Mohave and Staff can discuss
35 at that time whether a rate filing should be made based upon actual operational
36 data.

1 Staff's proposed requirement that a new rate case be filed on or before September 1,
2 2016 or any other future date should be rejected.

3 **Q. Do you have comments of a general nature to add?**

4 A. While Mohave and Staff have agreed on many of the foundational issues involved in
5 the rate case and have made progress in moving toward consensus on contested
6 issues, the issues that remain unresolved will impact the Cooperative for years to
7 come and should be resolved thoughtfully and prudently. The Mohave Board is
8 democratically elected by cooperative members to represent them when making
9 decisions, including decisions related to rate changes. Each board member lives in
10 the area and will pay the rates they approve and answer to those members that
11 disagree with the decision that is rendered in this case. As I have discussed in my
12 Direct and Rebuttal testimony, the determinations and proposals of these
13 member/customer representatives – the Mohave Board of Directors – should be
14 given great weight by the Commission.

15 **Q. Does this conclude your rejoinder testimony?**

16 A. Yes, it does.

MOHAVE ELECTRIC COOPERATIVE, INC.

COMPARISON OF 2010 REVENUE UNDER EXISTING AND PROPOSED RATES

	Cust	kWh		Adjusted		Mohave Proposed Rates		Staff Surrebtrual Rates		Mohave Rejoinder Rates		
		Total	Avg Mn	2010	Change	Proposed	Change	Proposed	Change	Proposed	Change	
Residential	34,875	364,970,959	872	42,986,712	1,748,617	44,735,329	4.07%	44,715,743	1,729,031	44,775,515	1,788,803	4.16%
Irrigation Time of Use	12	1,730,345	12,016	166,306	1,720	168,026	1.03%	167,368	1,062	168,084	1,778	1.07%
Irrigation Pumping	11	2,572,007	19,485	302,194	7,768	309,962	2.57%	308,398	6,204	310,144	7,950	2.63%
Subtotal Irrigation	23	4,302,352	15,588	468,500	9,488	477,988	2.03%	475,766	7,266	478,228	9,728	2.08%
Small Comm Energy	3,201	42,164,591	1,098	4,900,351	277,040	5,177,391	5.65%	5,224,497	324,146	5,183,839	283,488	5.79%
Small Comm Demand	529	70,626,268	11,126	7,389,210	339,908	7,729,118	4.60%	7,720,819	331,609	7,736,795	347,585	4.70%
Small Comm TOU	8	1,020,044	10,625	96,177	4,759	100,936	4.95%	101,502	5,325	101,047	4,870	5.06%
Subtotal Small Comm	3,738	113,810,903	2,537	12,385,738	621,707	13,007,445	5.02%	13,046,818	661,080	13,021,681	635,943	5.13%
Large Comm & Industrial	118	170,994,538	4,495,062	15,775,430	333,204	16,108,634	2.11%	16,160,594	385,164	16,115,319	339,889	2.15%
LC&I TOU	3	564,880	15,691	48,035	19,408	67,443	40.40%	61,177	13,142	68,657	20,622	42.93%
Lighting Devices	* 1,151	1,100,103	80	98,025	5,159	103,184	5.26%	103,596	5,571	104,199	6,174	6.30%
Resale	* 1	46,862,961	3,905,247	3,698,667	0	3,698,667	0.00%	3,698,667	0	3,698,667	0	0.00%
Total Energy Sales	* 38,757	702,606,696	1,511	75,481,107	2,737,583	78,198,690	3.63%	78,262,361	2,801,254	78,262,266	2,801,159	3.71%
Other Revenue				606,899	256,647	863,547	42.29%	867,282	260,383	867,282	260,383	42.90%
Total Revenue				76,068,007	2,994,230	79,062,237	3.94%	79,129,643	3,061,636	79,129,548	3,061,541	4.02%

* Total Customers excludes Lighting Devices and Resale

Data From Supplemental Schedules F-4.0 (Adjusted TY) and N-1.0 (Proposed TY)

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF 2010 REVENUE UNDER PROPOSED RATES

	Billing Units	Proposed Rate		Total	Pur Pwr	Proposed Revenue	
		Dist Wires	Total			Dist Wires	Total
1. RESIDENTIAL SERVICE							
Residential							
Service Charge (12 Month Sum)	417,302	0.00	16.50	16.50	0	6,885,483	6,885,483
Energy Charge per kWh							
First 200 kWh per month	75,441,637	0.081047	0.009029	0.090076	6,114,318	681,163	6,795,481
Next 200 kWh per month	62,783,417	0.081047	0.009029	0.090076	5,088,408	566,871	5,655,279
Next 200 kWh per month	50,237,165	0.094547	0.010529	0.105076	4,749,773	528,947	5,278,720
Next 200 kWh per month	39,197,460	0.094547	0.010529	0.105076	3,706,002	412,710	4,118,712
Next 200 kWh per month	30,436,462	0.094547	0.010529	0.105076	2,877,676	320,466	3,198,142
Over 1,000 kWh per month	106,015,612	0.108047	0.012029	0.120076	11,454,669	1,275,262	12,729,931
Base Revenue	364,111,753				33,990,846	10,670,902	44,661,748
PPCA Revenue					0	0	0
Total Revenue					33,990,846	10,670,902	44,661,748
Residential - Seasonal							
Service Charge (12 Month Sum)	11	0.00	16.50	16.50	0	182	182
Energy Charge per kWh							
First 200 kWh per month	201	0.081047	0.009029	0.090076	16	2	18
Next 200 kWh per month	200	0.081047	0.009029	0.090076	16	2	18
Next 200 kWh per month	148	0.094547	0.010529	0.105076	14	2	16
Next 200 kWh per month	0	0.094547	0.010529	0.105076	0	0	0
Next 200 kWh per month	0	0.094547	0.010529	0.105076	0	0	0
Over 1,000 kWh per month	0	0.108047	0.012029	0.120076	0	0	0
Base Revenue	549				46	188	234
PPCA Revenue					0	0	0
Total Revenue					46	188	234
Residential - Net Metering							
Service Charge (12 Month Sum)	863	0.00	21.50	21.50	0	18,555	18,555
Energy Charge per kWh							
First 200 kWh per month	114,805	0.081047	0.009029	0.090076	9,305	1,037	10,341
Next 200 kWh per month	97,201	0.081047	0.009029	0.090076	7,878	878	8,755
Next 200 kWh per month	79,816	0.094547	0.010529	0.105076	7,546	840	8,387
Next 200 kWh per month	63,706	0.094547	0.010529	0.105076	6,023	671	6,694
Next 200 kWh per month	49,825	0.094547	0.010529	0.105076	4,711	525	5,235
Over 1,000 kWh per month	234,706	0.108047	0.012029	0.120076	25,359	2,823	28,183
Base Revenue	640,060				60,822	25,329	86,150
PPCA Revenue					0	0	0
Total Revenue					60,822	25,329	86,150

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF 2010 REVENUE UNDER PROPOSED RATES

	Billing Units	Proposed Rate		Total	Proposed Revenue		
		Pur Pwr	Dist Wires		Pur Pwr	Dist Wires	
1. RESIDENTIAL SERVICE (Continued)							
Res - Gov							
Service Charge (12 Month Sum)	318	0.00	16.50	16.50	0	5,247	5,247
Energy Charge per kWh							
First 200 kWh per month	60,246	0.081047	0.009029	0.090076	4,883	544	5,427
Next 200 kWh per month	44,692	0.081047	0.009029	0.090076	3,622	404	4,026
Next 200 kWh per month	28,446	0.094547	0.010529	0.105076	2,689	300	2,989
Next 200 kWh per month	20,173	0.094547	0.010529	0.105076	1,907	212	2,120
Next 200 kWh per month	15,693	0.094547	0.010529	0.105076	1,484	165	1,649
Over 1,000 kWh per month	49,347	0.108047	0.012029	0.120076	5,332	594	5,925
Base Revenue	218,597				19,917	7,466	27,383
PPCA Revenue					0	0	0
Total Revenue					19,917	7,466	27,383
Base Revenue	364,970,959				34,071,631	10,703,885	44,775,515
PPCA Revenue					0	0	0
Total Revenue					34,071,631	10,703,885	44,775,515
2. IRRIGATION SERVICE							
Irrigation Time of Use							
Service Charge (12 Month Sum)	144	0.00	66.91	66.91	0	9,635	9,635
On-Peak Demand	2,234.49	8.90	0.00	8.90	19,887	0	19,887
NCP Demand	8,466.81	0.00	1.62	1.62	0	13,716	13,716
Energy Charge per kWh	1,730,345	0.072135	0.000016	0.072151	124,818	28	124,846
Base Revenue					144,705	23,379	168,084
PPCA Revenue					0	0	0
Total Revenue					144,705	23,379	168,084
Irrigation Pumping							
Service Charge (12 Month Sum)	132	0.00	61.76	61.76	0	8,152	8,152
NCP Demand	12,025.74	5.90	1.62	7.52	70,952	19,482	90,434
Energy Charge per kWh	2,572,007	0.072135	0.010119	0.082254	185,532	26,026	211,558
Base Revenue					256,484	53,660	310,144
PPCA Revenue					0	0	0
Total Revenue					256,484	53,660	310,144
Base Revenue	4,302,352				401,189	77,039	478,228
PPCA Revenue					0	0	0
Total Revenue					401,189	77,039	478,228

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF 2010 REVENUE UNDER PROPOSED RATES

	Billing Units		Proposed Rate		Proposed Revenue		
	Units	Pur Pwr	Dist Wires	Total	Pur Pwr	Dist Wires	Total
3. SMALL COMMERCIAL SERVICE							
Sm Comm Demand - Net Metering							
Service Charge (12 Month Sum)	5	0.00	36.03	36.03	0	180	180
NCP Demand > 3 kW	73.68	6.31	4.69	11.00	465	346	810
Energy Charge per kWh	24,280	0.073000	0.000038	0.073038	1,772	1	1,773
Base Revenue					2,237	527	2,763
PPCA Revenue					0	0	0
Total Revenue					2,237	527	2,763
Small Commercial Demand							
Service Charge (12 Month Sum)	5,552	0.00	36.03	36.03	0	200,039	200,039
NCP Demand > 3 kW	187,060.45	6.31	4.69	11.00	1,180,351	877,314	2,057,665
Energy Charge per kWh	63,019,478	0.073000	0.000038	0.073038	4,600,422	2,395	4,602,817
Base Revenue					5,780,773	1,079,748	6,860,521
PPCA Revenue					0	0	0
Total Revenue					5,780,773	1,079,748	6,860,521
Small Commercial Energy							
Service Charge (12 Month Sum)	35,164	0.00	21.50	21.50	0	756,026	756,026
Energy Charge per kWh	38,541,431	0.088094	0.015252	0.103346	3,395,269	587,834	3,983,103
Base Revenue					3,395,269	1,343,860	4,739,129
PPCA Revenue					0	0	0
Total Revenue					3,395,269	1,343,860	4,739,129
Small Commercial - Net Metering							
Service Charge (12 Month Sum)	49	0.00	26.50	26.50	0	1,299	1,299
Energy Charge per kWh	64,010	0.088094	0.015252	0.103346	5,639	976	6,615
Base Revenue					5,639	2,275	7,914
PPCA Revenue					0	0	0
Total Revenue					5,639	2,275	7,914
Small Commercial TOU							
Service Charge (12 Month Sum)	91	0.00	41.03	41.03	0	3,734	3,734
On-Peak Demand	1,430.12	15.00	0.00	15.00	21,452	0	21,452
NCP kW	3,175.62	0.00	4.69	4.69	0	14,894	14,894
Energy Charge per kWh	1,020,044	0.045185	0.014584	0.059769	46,091	14,876	60,967
Base Revenue					67,543	33,504	101,047
PPCA Revenue					0	0	0
Total Revenue					67,543	33,504	101,047
SC Energy Gov							
Service Charge (12 Month Sum)	3,208	0.00	21.50	21.50	0	68,972	68,972
Energy Charge per kWh	3,559,150	0.088094	0.015252	0.103346	313,540	54,284	367,824
Base Revenue					313,540	123,256	436,796
PPCA Revenue					0	0	0
Total Revenue					313,540	123,256	436,796

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF 2010 REVENUE UNDER PROPOSED RATES

	Billing Units	Proposed Rate		Total	Pur Pwr	Proposed Revenue		Total
		Dist Wires	Total			Dist Wires	Total	
3. SMALL COMMERCIAL SERVICE (Continued)								
SC Demand Gov								
Service Charge (12 Month Sum)	784	0.00	36.03	36.03	0	28,248	28,248	28,248
NCP Demand > 3 kW	26,495.68	6.31	4.69	11.00	167,188	124,265	291,452	291,452
Energy Charge per kWh	7,582,510	0.073000	0.000038	0.073038	553,523	288	553,811	553,811
Base Revenue					720,711	152,801	873,511	873,511
PPCA Revenue					0	0	0	0
Total Revenue					720,711	152,801	873,511	873,511
Base Revenue	113,810,903				10,285,712	2,735,971	13,021,681	13,021,681
PPCA Revenue					0	0	0	0
Total Revenue					10,285,712	2,735,971	13,021,681	13,021,681
4. LARGE COMMERCIAL & INDUSTRIAL SERVICE								
Large C&I Secondary								
Service Charge (12 Month Sum)	983	0.00	175.00	175.00	0	172,025	172,025	172,025
NCP Demand	189,369.16	7.76	3.22	10.98	1,468,505	609,789	2,078,293	2,078,293
Energy Charge per kWh	76,311,058	0.064184	0.005709	0.069893	4,897,949	435,660	5,333,609	5,333,609
Base Revenue					6,367,454	1,217,454	7,584,907	7,584,907
PPCA Revenue					0	0	0	0
Total Revenue					6,367,454	1,217,454	7,584,907	7,584,907
Large C&I Primary								
Service Charge (12 Month Sum)	36	0.00	175.00	175.00	0	6,300	6,300	6,300
NCP Demand	17,172.00	7.76	3.22	10.98	133,255	55,294	188,549	188,549
Energy Charge per kWh	8,497,320	0.064184	0.005709	0.069893	545,392	48,511	593,903	593,903
Primary Discount on Demand & Energy		-1.00%	-1.00%	-1.00%	(6,786)	(1,038)	(7,825)	(7,825)
Base Revenue					671,861	109,067	780,927	780,927
PPCA Revenue					0	0	0	0
Total Revenue					671,861	109,067	780,927	780,927

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF 2010 REVENUE UNDER PROPOSED RATES

4. LARGE COMMERCIAL & INDUSTRIAL SERVICE (Continued)

	Billing		Proposed Rate		Proposed Revenue		
	Units	Pur Pwr	Dist Wires	Total	Pur Pwr	Dist Wires	Total
Large C&I TOU							
Service Charge (12 Month Sum)	31	0.00	180.00	180.00	0	5,580	5,580
On-Peak Demand	690.80	23.00	0.00	23.00	15,888	0	15,888
NCP KW	5,713.20	0.00	3.22	3.22	0	18,397	18,397
Energy Charge per kWh	564,880	0.045261	0.005709	0.050970	25,567	3,225	28,792
Base Revenue					41,455	27,202	68,657
PPCA Revenue					0	0	0
Total Revenue					41,455	27,202	68,657
Large C&I GOV							
Service Charge (12 Month Sum)	362	0.00	175.00	175.00	0	63,350	63,350
NCP Demand	64,343.36	7.76	3.22	10.98	499,304	207,186	706,490
Energy Charge per kWh	17,180,160	0.064184	0.005709	0.069893	1,102,691	98,082	1,200,773
Base Revenue					1,601,995	368,618	1,970,613
PPCA Revenue					0	0	0
Total Revenue					1,601,995	368,618	1,970,613
C&I Trans (Current TOU)							
Service Charge (12 Month Sum)	12	0.00	175.00	175.00	0	2,100	2,100
NCP KW	53,106.00	7.76	3.22	10.98	412,103	171,001	583,104
Energy Charge per kWh	30,204,000	0.064184	0.005709	0.069893	1,938,614	172,435	2,111,048
Subtransmission Discount on Demand & Energy		-7.50%	-7.50%	-7.50%	(176,304)	(25,758)	(202,061)
Base Revenue					2,174,413	319,778	2,494,191
PPCA Revenue					0	0	0
Total Revenue					2,174,413	319,778	2,494,191

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF 2010 REVENUE UNDER PROPOSED RATES

	Billing Units	Proposed Rate		Pur Pwr	Proposed Revenue	
		Dist Wires	Total		Dist Wires	Total
4. LARGE COMMERCIAL & INDUSTRIAL SERVICE (Continued)						
<i>Billed at Substation Delivery Level</i>						
LP Substation						
Service Charge (12 Month Sum)	24	0.00	175.00	0	4,200	4,200
NCP kW	67,500.00	7.76	10.98	523,800	217,350	741,150
Energy Charge per kWh	38,802,000	0.064184	0.069893	2,490,468	221,521	2,711,988
Substation Discount on Demand & Energy		-5.00%	-5.00%	(150,713)	(21,944)	(172,657)
Base Revenue				2,863,555	421,127	3,284,681
PPCA Revenue				0	0	0
Total Revenue				2,863,555	421,127	3,284,681
Base Revenue	171,559,418			13,720,733	2,463,246	16,183,976
PPCA Revenue				0	0	0
Total Revenue				13,720,733	2,463,246	16,183,976
5. LIGHTING SERVICE						
175 W MVL	6,039	6.19	0.98	37,381	5,918	43,300
100 W HPS	2,594	3.09	5.39	8,015	13,982	21,997
175 W MVL CO	320	6.13	0.51	1,962	163	2,125
100 W HPS CO	3,644	3.09	2.34	11,260	8,527	19,787
250 W HPS	1,211	7.89	6.14	9,555	7,436	16,990
Base Revenue	13,808			68,173	36,026	104,199
PPCA Revenue				0	0	0
Total Revenue				68,173	36,026	104,199
kWh	1,100,103					
6. RESALE REVENUE						
Base Revenue				3,222,980	475,687	3,698,667
PPCA Revenue				0	0	0
Total Revenue	46,862,961			3,222,980	475,687	3,698,667

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF 2010 REVENUE UNDER PROPOSED RATES

	Billing Units	Proposed Rate		Pur Pwr	Proposed Revenue	
		Dist Wires	Total		Dist Wires	Total
7. TOTAL REVENUE						
Base Revenue	702,606,696			61,770,418	16,491,854	78,262,266
PPCA Revenue				0	0	0
Other Revenue				0	863,547	863,547
Total				61,770,418	17,355,401	79,125,813

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF RESIDENTIAL TIME OF USE RATES - 2010 DATA

		Billing Units	Pur Pwr	Proposed Rate Dist Wires	Total	Pur Pwr	Proposed Revenue Dist Wires	Total
1. RESIDENTIAL SERVICE								
Proposed Residential Rate								
Service Charge (12 Month Sum)		417,631	0.00	16.50	16.50	0	6,890,912	6,890,912
First 400 kWh per month		138,330,393	0.081047	0.009029	0.090076	11,211,263	1,248,985	12,460,248
Next 600 kWh per month		119,935,547	0.094547	0.010529	0.105076	11,339,546	1,262,801	12,602,348
Over 1,000 kWh per month		106,705,019	0.108047	0.012029	0.120076	11,529,157	1,283,555	12,812,712
Total		364,970,959				34,079,966	10,686,253	44,766,220
Base Revenue						0	0	0
PPCA Revenue						34,079,966	10,686,253	44,766,220
Total Revenue								

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF RESIDENTIAL TIME OF USE RATES - 2010 DATA

	Billing Units	Proposed Rate			Total	Proposed Revenue		
		Pur Pwr	Dist Wires	Total		Pur Pwr	Dist Wires	Total
Proposed Residential Time of Use - Including Weekends On-peak								
Service Charge (12 Month Sum)	417,631	0.00	21.50	21.50	0	8,979,067	8,979,067	
Desired Discount		2.5%	Applied to Power Supply					
Calculated Discount on total Energy Charges			2.26%					
Estimated On Peak kWh								
First 400 kWh per month	33,199,294	0.190142	0.009029	0.199171	6,312,580	299,756	6,612,337	
Next 600 kWh per month	28,784,531	0.203304	0.010529	0.213833	5,852,010	303,072	6,155,083	
Over 1,000 kWh per month	25,609,205	0.216467	0.012029	0.228496	5,543,548	308,053	5,851,601	
Total	87,593,030							
Estimated Off Peak kWh								
First 400 kWh per month	105,131,099	0.046904	0.009029	0.055933	4,931,069	949,229	5,880,298	
Next 600 kWh per month	91,151,016	0.060067	0.010529	0.070596	5,475,168	959,729	6,434,897	
Over 1,000 kWh per month	81,095,814	0.073229	0.012029	0.085258	5,938,565	975,502	6,914,067	
Total	277,377,929							
Base Revenue	364,970,959				34,052,940	12,774,408	46,827,350	
PPCA Revenue					0	0	0	
Total Revenue					34,052,940	12,774,408	46,827,350	
Proposed Residential Time of Use - Excluding Weekends On-Peak								
Service Charge (12 Month Sum)	417,631	0.00	21.50	21.50	0	8,979,067	8,979,067	
Assumed Off Peak kWh %			76%					
Estimated On Peak kWh								
First 400 kWh per month	33,199,294	0.195017	0.009029	0.204046	6,474,427	299,756	6,774,183	
Next 600 kWh per month	28,784,531	0.208517	0.010529	0.219046	6,002,064	303,072	6,305,136	
Over 1,000 kWh per month	25,609,205	0.222017	0.012029	0.234046	5,685,679	308,053	5,993,732	
Total	87,593,030							
Estimated Off Peak kWh								
First 400 kWh per month	105,131,099	0.048107	0.009029	0.057136	5,057,542	949,229	6,006,770	
Next 600 kWh per month	91,151,016	0.061607	0.010529	0.072136	5,615,541	959,729	6,575,270	
Over 1,000 kWh per month	81,095,814	0.075107	0.012029	0.087136	6,090,863	975,502	7,066,365	
Total	277,377,929							
Base Revenue	364,970,959				34,926,116	12,774,408	47,700,523	
PPCA Revenue					0	0	0	
Total Revenue					34,926,116	12,774,408	47,700,523	

MOHAVE ELECTRIC COOPERATIVE, INC.

DEVELOPMENT OF RESIDENTIAL DEMAND RATES - 2010 DATA

1. RESIDENTIAL SERVICE

Proposed Residential Rate

	Billing Units	Proposed Rate		Proposed Revenue		
		Pur Pwr	Dist Wires	Pur Pwr	Dist Wires	Total
Service Charge (12 Month Sum)	417,631	0.00	16.50	0	6,890,912	6,890,912
First 400 kWh per month	138,330,393	0.081047	0.009029	11,211,263	1,248,985	12,460,248
Next 600 kWh per month	119,935,547	0.094547	0.010529	11,339,546	1,262,801	12,602,348
Over 1,000 kWh per month	106,705,019	0.108047	0.012029	11,529,157	1,283,555	12,812,712
Total						
Base Revenue	364,970,959			34,079,966	10,686,253	44,766,220
PPCA Revenue				0	0	0
Total Revenue				34,079,966	10,686,253	44,766,220

Proposed Residential Demand Rate

	Billing Units	Proposed Rate		Proposed Revenue		
		Pur Pwr	Dist Wires	Pur Pwr	Dist Wires	Total
Service Charge (12 Month Sum)	417,631	0.00	21.50	0	8,979,067	8,979,067
Demand Charge Assumed 3.00	1,252,893	8.00	0.50	10,023,144	626,447	10,649,591
First 400 kWh per month	138,330,393	0.053584	0.007370	7,412,296	1,019,495	8,431,791
Next 600 kWh per month	119,935,547	0.067084	0.008870	8,045,756	1,063,828	9,109,585
Over 1,000 kWh per month	106,705,019	0.080584	0.010370	8,598,717	1,106,531	9,705,248
Total	364,970,959					
Base Revenue				34,079,913	12,795,368	46,875,282
PPCA Revenue				0	0	0
Total Revenue				34,079,913	12,795,368	46,875,282

MOHAVE ELECTRIC COOPERATIVE, INC.

STAFF'S SURREBUTTAL ADJUSTED INCOME STATEMENT
SUPPLEMENTAL DATA FOR THE YEAR ENDING DECEMBER 31, 2010

	Mohave Adjusted 12/31/2010 (a)	Staff Adjustments CSB-3 (b)	Staff Adjusted Test Year (c)	Staff Recommended Change (d)	Staff Recommended (e)	Mohave Rejoinder 12/31/2010 (a)	Mohave Rejoinder Adjustments (b)	Mohave Rejoinder Adj TY (c)	Mohave Rejoinder Recommended Change (d)	Mohave Rejoinder Recommended (e)
Operating Revenues										
1 Base Revenue (Remainder)	\$ 56,732,893	\$ 15,505,234	\$ 72,238,127	\$ 2,801,146	\$ 75,039,273	\$ 56,732,893	\$ 15,505,234	\$ 72,238,127	\$ 2,801,146	\$ 75,039,273
2 Base Revenue (TPS Pur Pwr)	3,222,980		3,222,980		3,222,980	3,222,980		3,222,980		3,222,980
3 PCA	15,505,234	(15,505,234)	0		0	15,505,234	(15,505,234)	0		0
4 Other	606,899		606,899	260,383	867,282	606,899		606,899	260,383	867,282
5 Total	\$ 76,068,006	\$ 0	\$ 76,068,006	\$ 3,061,529	\$ 79,129,535	\$ 76,068,006	\$ 0	\$ 76,068,006	\$ 3,061,529	\$ 79,129,535
6										
Operating Expenses										
7 Purchased Power	\$ 61,802,677	(594,737)	\$ 61,207,940	\$	\$ 61,207,940	\$ 61,802,677	(32,702)	\$ 61,769,975	\$	\$ 61,769,975
8 SubTransmission O&M	169,400		169,400		169,400	169,400		169,400		169,400
9 Distribution-Operations	2,773,698		2,773,698		2,773,698	2,773,698		2,773,698		2,773,698
10 Distribution-Maintenance	1,194,657		1,194,657		1,194,657	1,194,657		1,194,657		1,194,657
11 Consumer Accounting	2,227,246		2,227,246		2,227,246	2,227,246		2,227,246		2,227,246
12 Customer Service	196,226		196,226		196,226	196,226		196,226		196,226
13 Sales	96,252		96,252		96,252	96,252		96,252		96,252
14 Administrative & General	4,756,463	662,035	5,418,498		5,418,498	4,756,463	100,000	4,856,463		4,856,463
15 Depreciation	2,239,666		2,239,666		2,239,666	2,239,666		2,239,666		2,239,666
16 Tax	0		0		0	0		0		0
17 Total	\$ 75,456,285	\$ 67,298	\$ 75,523,583	\$ 0	\$ 75,523,583	\$ 75,456,285	\$ 67,298	\$ 75,523,583	\$ 0	\$ 75,523,583
18										
19										
20 Return	\$ 611,721	(67,298)	\$ 544,423	\$ 3,061,529	\$ 3,605,952	\$ 611,721	(67,298)	\$ 544,423	\$ 3,061,529	\$ 3,605,952
21										
Interest & Other Deductions										
22 Interest L-T Debt	\$ 2,161,308	\$	\$ 2,161,308	\$	\$ 2,161,308	\$ 2,161,308	\$	\$ 2,161,308	\$	\$ 2,161,308
23 Amortize RUS Gain	0		0		0	0		0		0
24 Interest-Other	142,396		142,396		142,396	142,396		142,396		142,396
25 Other Deductions	17,024		17,024		17,024	17,024		17,024		17,024
26 Total	\$ 2,320,728	\$ 0	\$ 2,320,728	\$ 0	\$ 2,320,728	\$ 2,320,728	\$ 0	\$ 2,320,728	\$ 0	\$ 2,320,728
27										
28										
29 Operating Margin	\$ (1,709,007)	(67,298)	\$ (1,776,305)	\$ 3,061,529	\$ 1,285,224	\$ (1,709,007)	(67,298)	\$ (1,776,305)	\$ 3,061,529	\$ 1,285,224
30										
Non-Operating Margins										
31 Interest Income	\$ 410,049	\$	\$ 410,049	\$	\$ 410,049	\$ 410,049	\$	\$ 410,049	\$	\$ 410,049
32 Gain(Loss) Equity Investments	110,369		110,369		110,369	110,369		110,369		110,369
33 Other Margins	(32,307)		(32,307)		(32,307)	(32,307)		(32,307)		(32,307)
34 G&T Capital Credits	3,509,969		3,509,969		3,509,969	3,509,969		3,509,969		3,509,969
35 Other Capital Credits	107,687		107,687		107,687	107,687		107,687		107,687
36 Total	\$ 4,105,767	\$ 0	\$ 4,105,767	\$ 0	\$ 4,105,767	\$ 4,105,767	\$ 0	\$ 4,105,767	\$ 0	\$ 4,105,767
37										
38										
39 Net Margins	\$ 2,396,760	(67,298)	\$ 2,329,462	\$ 3,061,529	\$ 5,390,991	\$ 2,396,760	(67,298)	\$ 2,329,462	\$ 3,061,529	\$ 5,390,991
40 Rate Change					4.025%					4.025%
41 Operating TIER					1.59					1.59

MOHAVE ELECTRIC COOPERATIVE, INC.
DEVELOPMENT OF PROPOSED PPCA BASE COST - 2010 DATA

	Mohave Original Filing			Staff Recommendation			Mohave Rebuttal		
	Adjusted 2010	Proposed 2010	Difference	Adjusted 2010	Proposed 2010	Difference	Adjusted 2010	Proposed 2010	Difference
Total kWh Sales	655,743,735	655,743,735	0	655,743,735	655,743,735	0	655,743,735	655,743,735	0
Less Lighting kWh Sales	1,100,103		(1,100,103)	1,100,103		(1,100,103)	1,100,103		(1,100,103)
Jurisdictional kWh Sales	654,643,632	655,743,735	1,100,103	654,643,632	655,743,735	1,100,103	654,643,632	655,743,735	1,100,103
Jurisdictional Purchased Power	58,579,697	58,579,697	0	58,579,697	58,579,697	0	58,579,697	58,579,697	0
Remove Consultants & Attorney			0		-571,723	(571,723)		-32,702	(32,702)
Remove Fuel Bank Consulting					-23,015				
Remove TPS Margins (PP already removed)					-475,987				
Purchased Power	58,579,697	58,579,697	0	58,579,697	57,509,272	(1,070,424)	58,579,697	58,546,995	(32,702)
Power Cost per kWh Sold	0.089483	0.089333	(0.000150)	0.089483	0.087701	(0.001782)	0.089483	0.089283	(0.000200)
Authorized Base Cost	0.065798	0.091183	0.025385	0.065798	0.087701	0.021903	0.065798	0.089283	0.023485
Average PPCA Factor	0.023685	(0.001850)	(0.025535)	0.023685	0.000000	(0.023685)	0.023685	0.000000	(0.023685)

Adjusted 2010 Power Cost on Supplemental Schedule F-7.0
Adjusted 2010 kWh Sales on Supplemental Schedule F-2.0
Note: PPCA to be charged on lighting under new rates

MOHAVE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATES

	Existing Rate	Staff Surrebuttal	Mohave Rejoinder
Power Cost, per kWh Sold	\$0.089483	\$0.087701	\$0.089283
PPCA Base Cost, per kWh Sold	\$0.065798	\$0.087701	\$0.089283
PPCA Factor, per kWh	\$0.023685	\$0.000000	\$0.000000
<u>Residential Service</u>			
Service Charge, per month	\$9.50	\$13.50	\$16.50
First 400 kWh per month	\$0.083190	\$0.093351	\$0.090076
Next 600 kWh per month	\$0.083190	\$0.108351	\$0.105076
Over 1,000 kWh per month	\$0.083190	\$0.123351	\$0.120076
<u>Optional Res Time of Use - Excludes Weekends</u>			
Service Charge, per month	\$15.00	\$18.50	\$21.50
On-Peak Energy Charge, per kWh			
First 400 kWh per month	\$0.149500		\$0.204046
Next 600 kWh per month	\$0.149500		\$0.219046
Over 1,000 kWh per month	\$0.149500		\$0.234046
Off-Peak Energy Charge, per kWh			
First 400 kWh per month	\$0.052000		\$0.057136
Next 600 kWh per month	\$0.052000		\$0.072136
Over 1,000 kWh per month	\$0.052000		\$0.087136
<u>Optional Res Time of Use - Includes Weekends</u>			
Discount on all energy charges excluding PPCA		2.25%	2.25%
<u>Experimental Residential Demand Service</u>			
Service Charge, per month	\$13.50	\$18.50	\$21.50
Demand Charge, per NCP kW	\$7.50		\$8.50
First 400 kWh per month	\$0.048000		\$0.060954
Next 600 kWh per month	\$0.048000		\$0.075954
Over 1,000 kWh per month	\$0.048000		\$0.090954

MOHAVE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATES

	Existing Rate	Staff Surrebuttal	Mohave Rejoinder
Power Cost, per kWh Sold	\$0.089483	\$0.087701	\$0.089283
PPCA Base Cost, per kWh Sold	\$0.065798	\$0.087701	\$0.089283
PPCA Factor, per kWh	\$0.023685	\$0.000000	\$0.000000
<u>Irrigation</u>			
Service Charge, per month	\$60.00	\$61.76	\$61.76
Demand Charge, per NCP kW	\$7.00	\$7.42	\$7.52
Energy Charge, per kWh	\$0.058000	\$0.082043	\$0.082254
<u>Irrigation Time of Use</u>			
Service Charge, per month	\$60.00	\$66.91	\$66.91
On Peak Demand Charge, per on peak kW	\$13.50	\$8.63	\$8.90
Demand Charge, per NCP kW	\$0.00	\$1.68	\$1.62
Energy Charge, per kWh	\$0.050000	\$0.071792	\$0.072151
<u>Small Commercial - Energy</u>			
Service Charge, per month	\$12.00	\$18.50	\$21.50
Energy Charge, per kWh	\$0.081600	\$0.107048	\$0.103346
<u>Small Commercial - Demand</u>			
Service Charge, per month	\$25.00	\$36.03	\$36.03
Billing Demand Charge, per NCP kW > 3 kW	\$8.25	\$10.82	\$11.00
All kWh per month	\$0.053740	\$0.073351	\$0.073038
<u>Small Commercial - Time of Use</u>			
Service Charge, per month	\$30.00	\$41.01	\$41.03
On Peak Demand Charge, per on peak kW	\$12.50	\$14.45	\$15.00
Demand Charge, per NCP kW		\$4.69	\$4.69
All kWh per month	\$0.050400	\$0.060989	\$0.059769

MOHAVE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATES

	Existing Rate	Staff Surrebuttal	Mohave Rejoinder
Power Cost, per kWh Sold	\$0.089483	\$0.087701	\$0.089283
PPCA Base Cost, per kWh Sold	\$0.065798	\$0.087701	\$0.089283
PPCA Factor, per kWh	\$0.023685	\$0.000000	\$0.000000
<u>Large Commercial & Industrial</u>			
Customer Charge, per month	\$70.00	\$175.00	\$175.00
Demand Charge, per NCP kW	\$9.75	\$11.03	\$10.98
Energy Charge, per kWh	\$0.045580	\$0.070052	\$0.069893
<u>Large Commercial & Ind Time of Use - New Customers</u>			
Customer Charge, per month	\$70.00	\$189.00	\$180.00
On Peak Demand Charge, per on peak kW	\$13.50	\$11.11	\$23.00
Demand Charge, per NCP kW		\$3.22	\$3.22
Energy Charge, per kWh	\$0.041000	\$0.051775	\$0.050970
<u>Large Commercial & Ind Time of Use - Existing Customers</u>			
Customer Charge, per month	\$70.00	\$189.00	\$180.00
On Peak Demand Charge, per on peak kW	\$13.50	\$23.00	\$23.00
Demand Charge, per NCP kW		\$3.22	\$3.22
Energy Charge, per kWh	\$0.041000	\$0.051755	\$0.050970
Discount on Dem & Ener - Subtransmission Service	0.00%	-7.50%	-7.50%
Discount on Dem & Ener - Substation Service	0.00%	-5.00%	-5.00%
Discount on Dem & Ener - Dist Primary Service	0.00%	-1.00%	-1.00%

**MOHAVE ELECTRIC COOPERATIVE, INC.
SUMMARY OF RATES**

	Existing Rate	Staff Surrebuttal	Mohave Rejoinder
Power Cost, per kWh Sold	\$0.089483	\$0.087701	\$0.089283
PPCA Base Cost, per kWh Sold	\$0.065798	\$0.087701	\$0.089283
PPCA Factor, per kWh	\$0.023685	\$0.000000	\$0.000000
Lighting			
175 W MVL 100 kWh per month	\$6.85	\$7.11	\$7.17
100 W HPS 50 kWh per month	\$7.88	\$8.46	\$8.48
175 W MVL CO 100 kWh per month	\$5.11	\$6.58	\$6.64
100 W HPS CO 50 kWh per month	\$5.11	\$5.41	\$5.43
250 W HPS 129 kWh per month	\$13.18	\$13.95	\$14.03
	No PCA	PCA	PCA

MOHAVE ELECTRIC COOPERATIVE, INC.

**COMPARISON OF EXISTING AND PROPOSED RATES - 2010 USAGE
RESIDENTIAL SERVICE**

kWh Usage	Monthly * Cust	Existing Rate	Staff Surrebtotal	Mohave Rejoinder	Change - \$		Change - %	
					Staff	Rejoinder	Staff	Rejoinder
Service Charge		\$9.50	\$13.50	\$16.50	\$4.00	\$7.00	42.11%	73.68%
Energy Charge, per kWh								
First 400		\$0.083190	\$0.093351	\$0.090076	\$0.010161	\$0.006886	12.21%	8.28%
Next 600		\$0.083190	\$0.108351	\$0.105076	\$0.025161	\$0.021886	30.25%	26.31%
Over 1,000		\$0.083190	\$0.123351	\$0.120076	\$0.040161	\$0.036886	48.28%	44.34%
PPCA Factor		\$0.023685	\$0.000000	\$0.000000	(\$0.023685)	(\$0.023685)	-100.00%	-100.00%
Total Energy Charge plus PPCA								
First 400		\$0.106875	\$0.093351	\$0.090076	(\$0.013524)	(\$0.016799)	-12.65%	-15.72%
Next 600		\$0.106875	\$0.108351	\$0.105076	\$0.001476	(\$0.001799)	1.38%	-1.68%
Over 1,000		\$0.106875	\$0.123351	\$0.120076	\$0.016476	\$0.013201	15.42%	12.35%
0	1,009	\$9.50	\$13.50	\$16.50	\$4.00	\$7.00	42.11%	73.68%
100	2,913	\$20.19	\$22.84	\$25.51	\$2.65	\$5.32	13.12%	26.35%
200	2,687	\$30.88	\$32.17	\$34.52	\$1.30	\$3.64	4.19%	11.79%
400	5,213	\$52.25	\$50.84	\$52.53	(\$1.41)	\$0.28	-2.70%	0.54%
800	9,166	\$95.00	\$94.18	\$94.56	(\$0.82)	(\$0.44)	-0.86%	-0.46%
1,000	3,212	\$116.38	\$115.85	\$115.58	(\$0.52)	(\$0.80)	-0.45%	-0.69%
2,000	7,881	\$223.25	\$239.20	\$235.65	\$15.95	\$12.40	7.15%	5.56%
3,000	2,466	\$330.13	\$362.55	\$355.73	\$32.43	\$25.60	9.82%	7.76%
5,000	738	\$543.88	\$609.26	\$595.88	\$65.38	\$52.01	12.02%	9.56%
8,000	54	\$864.50	\$979.31	\$956.11	\$114.81	\$91.61	13.28%	10.60%
Over	4							
860 Average		\$101.41	\$100.68	\$100.87	(\$0.73)	(\$0.55)	-0.72%	-0.54%
637 Median		\$77.58	\$76.52	\$77.43	(\$1.06)	(\$0.15)	-1.37%	-0.19%

* Customers with usage from the previous block to this block

October 3, 2011

ORIGINAL

Corporation Commissioners,

My name is Greg Raymond and I live in the Mohave Electric Cooperative service area. Even though I do not like it, I understand the Cooperatives current rate increase proposal and the reasons for it. There are a couple issues that I would like to address, one of which is directly related to this issue.

I do not agree with placing fixed costs into the energy rate. I believe that fixed costs need to be de-coupled and added to all Coop members equally because that would be fairer, hence the coop concept. It appears that the majority of Mohave Electric Coop's shortfall right now is in its operations budget, which is directly related to the fixed costs. Please make these costs, collected under the Customer Charge, be equal to all members/users. The electricity is there for all to use and connect to, please don't place the burden of these costs on a use based system, the more you use the more you pay, for these operational costs. these costs should be shared equally amongst all users.

My other concern is that about the negative publicity that is going around about smart meters. Do people not realize that similar technology meters have been attached to their gas meters years ago and most people are already connected to utilities via phone line or cable and/or internet? Why all of a sudden a big problem with another utility moving forward in technology? The electrical system of this country needs to modernize and get into the tech game, smart meters do this. I can now watch my daily usage and adjust if need be because of smart meter technology. Please do not allow a few paranoid people disrupt the deployment of this wonderful technology.

Allowing people to 'opt out' of this progressing system would only sustain current operations, which due to the increases in costs, would increase costs overall. Those costs would have to be absorbed, not just by them but by all members, which again would not be fair. Please research this issue more to see the true reality before allowing people to be steered to an uneducated and more expensive way of doing business.

Thank you for your considerations in these matters. Should you like to discuss this further please feel free to call me [REDACTED]

Sincerely,

Greg Raymond

Arizona Corporation Commission

DOCKETED

OCT 5 2011

DOCKETED BY [Signature]

AZ CORP COMMISSION
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ORIGINAL

E-01750A-11-0136

Jennifer Ybarra

From: Joe Anderson [asstchief@bullheadfire.org]
Sent: Friday, September 23, 2011 8:35 AM
To: Newman-Web
Subject: Electric rate increases

September 23, 2011

Corporation Commissioners Newman,

My name is Joe Anderson and I live in the Mohave Electric Cooperative service area and have been for the past 34 years. Even though I do not like it, I understand the Cooperatives current rate increase proposal and the reasons for it. There are a couple issues that I would like to address, one of which is directly related to this issue.

I do not agree with placing fixed costs into the energy rate. I believe that fixed costs need to be de-coupled and added to all Coop members equally because that would be fairer. It appears that the majority of Mohave Electric Coop's shortfall right now is in its operations budget, which is directly related to the fixed costs. Please make these costs, collected under the Customer Charge, be equal to all members/users.

My other concern is that about the negative publicity that is going around about smart meters. Do people not realize that similar technology meters have been attached to their gas meters years ago and most people are already connected to utilities via phone line or cable and/or internet? Why all of a sudden a big problem with another utility moving forward in technology?

Allowing people to 'opt out' of this progressing system would only sustain current operations, which due to the increases in costs, would increase costs overall. Those costs would have to be absorbed, not just by them but by all members, which again would not be fair. Please research this issue more to see the true reality before allowing people to be steered to an uneducated and more expensive way of doing business.

Thank you for your considerations in these matters.

Sincerely,
Joe Anderson

Arizona Corporation Commission
DOCKETED

OCT 24 2011

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AZ CORP COMMISSION
DOCKET CONTROL

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Mohave Rejoinder Exhibit MWS-9

Dec 7 2011

Arizona Corporation Commission

DOCKETED

JAN 19 2012

To All members of the Arizona Corp Comm.
1200 West Washington

RECEIVED

2012 JAN 19 A 11:31

DOCKETED BY



AZ CORP COMMISSION
DOCKET CONTROL

I am a full time resident of Bullhead City and am served by Mohave Electric Coop. for all my electrical needs.

I have read that we are about to face a rate increase. I would like to add my support to the one part of the proposed rate increase. I totally support the idea of separating or de-coupling the fixed costs and the energy costs. These fixed costs should be collected entirely in the customer charge.

My part time neighbor pays a smaller percentage of fixed cost for upkeep and maintenance of the system.

We should all pay the same fixed charge separate from our energy costs.

Thank you
Michael Bartlett

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

REJOINDER TESTIMONY OF

J. TYLER CARLSON

ON BEHALF OF

MOHAVE ELECTRIC COOPERATIVE, INCORPORATED

March 30, 2012

Table of Contents

1
2
3
4
5
6
7
8
9
10
11

SUMMARY OF REJOINDER TESTIMONY.....1
1. INTRODUCTION2
2. PURPOSE OF TESTIMONY2
3. CUSTOMER CHARGE2
4. PREPAID SERVICE.....4
5. LC&I TOU RATE8
6. PURCHASED POWER PRUDENCY REVIEW8
7. NEXT RATE CASE/STREAMLINING.....10

1
2
3
4
5
6

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

7 Mr. J. Tyler Carlson, Mohave's Chief Executive Officer, through his Rejoinder
8 testimony:

9 1) Provides further support for a residential customer charge of \$16.50;

10 2) Further explains Mohave's proposed prepaid service program;

11 3) Explains why Staff's proposed special frozen rate for three existing Large
12 Commercial & Industrial time-of-use customers is unreasonable and unfair to other
13 customers;

14 4) Encourages Staff and Mohave to cooperatively develop a mutually acceptable
15 purchase power records retention plan; and

16 5) Encourages the Commission to allow the Mohave Board to determine when to file
17 its next rate case rather than to set an arbitrary filing deadline and to expeditiously
18 complete its separate rulemaking efforts to streamline the rate adjustment process for
19 cooperatives.

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1 **1. INTRODUCTION**

2
3 **Q. Please state your name and your position with Mohave Electric Cooperative,**
4 **Incorporated.**

5 A. My name is J. Tyler Carlson. I am the Chief Executive Officer of Mohave Electric
6 Cooperative, Incorporated (“Mohave” or “Cooperative”).

7 **Q. Have you previously testified in these proceedings?**

8 A. Yes, I have submitted rebuttal testimony in this proceeding.

9 **2. PURPOSE OF TESTIMONY**

10
11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to respond to Staff’s positions following its
13 surrebuttal testimony on the following issues:

- 14 1. The residential customer charge
15 2. Prepaid Service
16 3. The Large Commercial & Industrial time-of-use rate
17 4. Staff’s Purchased Power Prudency review
18 5. Our next rate case filing and streamlining

19 **3. CUSTOMER CHARGE**

20
21 **Q. Why is Mohave unwilling to accept Staff’s proposed \$13.50 residential**
22 **customer charge?**

23 A. Mohave appreciates Staff’s willingness to move its recommendation on the
24 residential customer charge from \$12.50 to \$13.50. However, a major objective of
25 this rate filing is to develop and adopt cost based rate designs that are
26 understandable, provide appropriate pricing signals, encourage energy
27 conservation and are fair and equitable to our member/customers. Mohave’s
28 current rate designs were implemented in January 1991. Much has happened in the
29 utility industry since that time. Additionally, Mohave is actively installing modern

1 metering and billing technology to enable us to implement and monitor the impacts
2 of the new rate designs we are proposing.

3 A key component of our updated rates is to establish cost based customer charges,
4 coupled with energy tiers with inclining rates that more accurately reflects the cost
5 of providing electric service to Mohave's member/customers. While the Staff's
6 proposed \$13.50 customer charge is an improvement, it still does not recover
7 enough of the base cost of service and therefore is not supported by Mohave. In
8 response to Staff's concerns regarding moving all the way to \$16.50 at this time, we
9 have offered the alternative of starting initially at the customer charge level
10 supported by Staff and phasing in the remaining in the additional \$3.00 over
11 reasonable period. Our proposal is two equal steps over the winter seasons (lower
12 energy use time) of 2013 and 2014.

13 **Q. Does Mohave agree with the Arizona Corporation Commission's**
14 **("Commission") determination in Decision No. 71230 that customer service**
15 **cost includes "distribution line expense, a portion of the transformer expense,**
16 **the meter and service drop expense, and meter reading and customer records**
17 **expenses."? (Decision No. 71230, page 7 at lines 18-20)**

18 **A.** Yes. Mohave agrees with that determination and opposes Mr. Erdwurm's
19 suggestion that "the default position in future Mohave rate cases should be that no
20 portion of poles, lines and transformers is classified as customer-related without
21 some study supporting the magnitude of customer component." (Erdwurm
22 Surrebuttal at page 3, line 25) Mohave's cost of service study (COSS) provides any
23 additional justification needed beyond prudent ratemaking principles to reject this
24 proposed default position. Each Mohave member/customer should be responsible
25 for a reasonable portion of the distribution and transformer expense associated
26 with providing the minimum level of service to any customer as these costs are fixed
27 and do not vary with the amount of energy consumed. In this instance, the Mohave
28 Board of Directors included \$16.50 of the \$18.56 in customer-related costs in the
29 customer charge. The Commission should respect the determination of the
30 member/customers elected representatives and approve the \$16.50 customer
31 charge in this rate case whether in one step or phased in over a period of time.

1 **Q. Are bills reflecting usage of under 400 kWhs reflective of full-time residents?**

2 A. I believe few full-time residents consume under 400 kWh per month. An
3 examination of the average energy use by typical appliances supports this belief.
4 Mohave Rejoinder Exhibit JTC-1 is a chart posted by City, Water, Light & Power of
5 Springfield, Illinois on its website providing representative kWh usage by various
6 appliances. The use of just a water heater by a family of 4 reaches 400 kWh per
7 month. A post 2002 refrigerator alone consumes 82 kWh per month and a 14 SEER
8 air conditioner uses .85 kWh per hour which results in an energy efficient air
9 conditioner running 6 hours a day 30 days a month consuming over 150 kWhs).
10 Thus the energy usage of just these three common appliances alone, and assuming
11 more efficient models, can be expected to exceed the 400 kWh level.

12 **Q. Are there a lot of part time and transient residents in Mohave's service**
13 **territory?**

14 A. We do not have specific statistics, but a large segment of the population is either
15 part time or transient. We have a significant influx of winter visitors especially in
16 the Bullhead City/Colorado River portion of our service area. The energy use of
17 these customers is currently being heavily subsidized by our full time residents. At
18 the town hall meetings we held related to the rate filing, the member/consumers
19 were very supportive of increasing the customer charge to eliminate this
20 subsidization.

21 **4. PREPAID SERVICE**
22

23 **Q. Do you have any comments on Staff's surrebuttal relating to the prepaid**
24 **metering service Mohave wishes to implement?**

25 A. First, we thank Staff for providing some guidance on the subject in its Surrebuttal.
26 We also appreciate Staff's willingness to meet with us recently to discuss Mohave's
27 prepaid service program. Shortly before meeting with Staff, we distributed a rough
28 draft prepaid metering tariff and a revised prepaid metering agreement in an effort
29 to address many of the comments appearing in Ms. Allen's surrebuttal at pages 2-4.
30 Mohave believes the discussions were productive and have resulted in a further
31 refinement of both the proposed prepaid service tariff and prepaid service
32 agreement. Copies are provided as Mohave Rejoinder Exhibits JTC-2 and JTC-3,
33 respectively. At Staff's request, I will also further explain the proposed prepaid plan

1 as part of this Rejoinder Testimony. We remain willing to work with Staff during
2 the course of this proceeding on further refinement of both documents as well as
3 revising Mohave's service rules and regulations, as necessary, to be consistent with
4 the proposed prepaid service tariff and prepaid service agreement.

5 **Q. Who is eligible for prepaid service?**

6 A. Prepaid service is available to existing and new customers who otherwise would be
7 on Mohave's standard service residential Schedule R. It is not available to time-of-
8 use customers, net metering customers, customers on Mohave's Energy Balance
9 Plan (levelized payments) or to critical need customers (i.e., customers who have
10 provided a medical notification in compliance with Subsection 111-A.1.d.(1) of
11 Mohave's rules indicating that electrical service is critical to their health). The
12 service is only available to single phase customers who have AMI meters and where
13 Mohave has installed the necessary backbone equipment necessary to support
14 prepaid metering service in their area.

15 **Q. Can you briefly describe the technology involved in this service?**

16 A. Mohave is installing Cooper Power AMI equipment that is integrated with our
17 Customer Information Systems that allows real time interchange between the two
18 systems. Disconnect collars can be installed at the meter that can be controlled via
19 our Power Line Carrier connectivity.

20 Effectively, Mohave receives daily usage information and its billing computer
21 performs Micro Billing for each day of service. The Micro Billing prorates the
22 customer charge as well as tracks the REST surcharge to ensure the surcharge does
23 not exceed the applicable cap for residential customers. The data is compiled
24 monthly on the customer's normal billing cycle, which resets the customer charge
25 and REST surcharge computation for the upcoming cycle.

26 Paper billing statements are generated. The customer has access to their historical
27 usage data through Mohave's website and by contacting Mohave's business offices.
28 The website is accessed through normal log-in specific process including a user
29 name and password. The computer program displays usage as daily averages. More
30 specific detail on daily use can be obtained by contacting Mohave's business offices
31 during normal business hours.

1 **Q. Will Mohave be disconnecting prepaid customers in the evening, on weekends**
2 **or on holidays?**

3 A. No. Disconnection will only occur during normal business hours which exclude
4 holidays and weekends. Mohave's billing system will generate the Micro Billings
5 daily, usually around 10 p.m. If the balance is zero or less the account will be
6 scheduled for disconnection the next business day. We anticipate remote
7 disconnection will usually occur between 9 and 11 a.m.

8 **Q. How does the customer know the status of their account?**

9 A. They will have three alternatives to review the billing status of their account. They
10 can make a phone call to our IVR system for balance inquiries and payments. They
11 can inquire by internet which also provides balance information and allows for
12 payments as well. The website also provides monthly costs (dollars paid per month
13 for the full bill), the average cost (average daily cost by month), monthly usage (kwh
14 per month) and the average usage (average daily kwh usage per month). Finally
15 they can contact any of Mohave's business offices. Cash payments must be made at
16 Mohave's business offices.

17 **Q. Will Mohave be providing the customer notification prior to disconnection?**

18 A. An email, text message and/or phone message, as specified by the customer, will be
19 sent daily after the account reaches a predetermined dollar level. After discussions
20 with Staff, our tariff proposes three seasons with different notification levels:

21 October 1 – February 28 (29) at \$25.00 or less

22 March 1 – June 30 at \$35.00 or less

23 July 1 – September 30 at \$50.00 or less

24 We will require at least two means of notification, one of which could be to an
25 authorized agent designated by the customer.

26 **Q. Once disconnected, how does a prepaid customer re-establish service?**

27 A. After they bring their prepaid balance to at least twenty dollars, we will reenergize
28 the service. No other charges are incurred unless the account is closed. Accounts
29 will not be closed until the end of a billing cycle but not less than ten days after the
30 disconnect. In such case, a separate notification will be provided to the customer

1 that their account has been closed and a final bill will be generated. If the account
2 has been closed, the customer will also have to pay the standard Establishment Fee
3 to re-establish prepaid service.

4 **Q. Is there anything else the customer must do to reconnect prepaid service?**

5 A. For the customer's safety and that of their property, our system is not designed to
6 automatically restart when reenergized. There is a reset button at the meter that
7 the customer must push once the account has been reenergized. This ensures that
8 the customer is aware that they are about to reenergize their house and had an
9 opportunity to take the necessary precautions, such as turning off sensitive
10 electronic equipment, prior to reenergizing the account.

11 **Q. Do you have any other comments regarding prepaid service?**

12 A. I believe that the tariff and agreement clarify the way the prepaid service works and
13 we appreciate Staff's assistance in developing a clearer program. As to Staff's
14 suggestion that this service should be subject to a separate docket and further
15 public comment, Mohave opposes any action that would delay implementation of
16 the service. Our member/customers are anxious to have this option. One must
17 remember prepaid service is an option. No customer is required to take prepaid
18 service.

19 We will be observing the system and feedback from customers based upon actual
20 service experience. If further refinements of the services are necessary, Mohave is
21 open to refining the service conditions and process within the limits of the
22 equipment that we have. Mohave's system is not designed to support some
23 components of other prepaid service programs, such as in-house monitors.

24 **Q. Why isn't Mohave proposing this as an experimental program?**

25 A. We want to make the program available to all existing and prospective customers
26 that qualify rather than setting an arbitrary limit on the number of customers that
27 can participate. Mohave staff believe they will be able to administer the program
28 efficiently without such limits. Therefore, we do not see the need to treat this as an
29 experimental program.

1 **5. LC&I TOU RATE**

2
3 **Q. Staff proposes to create a special frozen rate for the three existing Large**
4 **Commercial and Industrial time-of-use (LC&I TOU) customers. Do you have**
5 **any comments on Staff's proposal?**

6 A. Staff now recognizes the current LC&I TOU rate is poorly designed and that the
7 three customers on that rate have been getting electricity at rates subsidized by the
8 rest of the member/customers. (Erdwurm Surrebuttal at page 10, line 11) That
9 subsidization was unintended. The new LC&I TOU rate, which both Staff and
10 Mohave agree is appropriate for new customers, eliminates that inequity but still
11 provides savings over the standard LC&I rate. Mohave does not support creating a
12 special subsidized rate for three existing customers. As large commercial and
13 industrial customers they can be expected to have enough sophistication and means
14 to alter utility usage through methods other than receiving an unintended subsidy.
15 However, Mohave is not insensitive to the large percentage increase involved in
16 moving these customers to a properly designed time of use rate. For this reason we
17 are willing to phase-in in the new rate, as more fully discussed by Mr. Searcy.

18 **6. PURCHASED POWER PRUDENCY REVIEW**

19
20 **Q. Do you have any general comments relating to the purchased power prudency**
21 **review conducted by Staff in this proceeding?**

22 A. Mohave complements Staff on the thoroughness and professional prudency review
23 performed on Mohave purchase power practices in this matter. The time and effort
24 involved for both sides could have been significantly reduced had Mohave been
25 informed in 2001, when it became a partial requirements customer, that such a
26 prudency review would be conducted during its next rate case since becoming a
27 partial requirements customer of APECO. Additional clarity as to the type of record
28 keeping expected by Staff would not only have been helpful in the current prudency
29 review but would be helpful in the next prudency review. This is why Mohave
30 wishes to work with Staff, (and other partial requirements customers) to develop a
31 meaningful, and mutually agreed upon, records retention program that will facilitate
32 such reviews in the future.

1 Undoubtedly, the prudency review significantly complicated what Mohave
2 anticipated would be a straight-forward rate adjustment proceeding. It added
3 significantly to the cost of this proceeding and has delayed implementation of
4 needed rate relief. Mohave believes it is in the interest of the Commission, Mohave
5 and Mohave's member/customers for the Commission and Mohave to work together
6 to simplify the next prudency review. A blanket requirement such as proposed in
7 Mr. Mendl's Recommendation 13 that Mohave "maintain all files and records
8 pertinent to their purchased power planning and procurement, and to document the
9 prudence of the purchased power expenditures" places an unreasonable burden on
10 Mohave to guess as to the type of documentation that will satisfy Staff. Mohave is
11 not seeking to be relieved of its responsibility to maintain reasonable
12 documentation to support its purchased power activities. Mohave only seeks Staff's
13 guidance and assistance in developing the type of record retention system to
14 facilitate the prudency review process.

15 **Q. Do you have any comments on Staff's recommendation (Mendl**
16 **Recommendation 18) that the Commission require "MEC to request**
17 **information regarding AEPCO's marginal operating costs so that regional**
18 **power dispatch decisions could be made based on actual real time costs rather**
19 **than average costs over a six-month period"?**

20 A. As Mr. Stover addresses in his Rejoinder Testimony, we have been working with
21 AEPCO for a number of years to improve the relationship between AEPCO's rates
22 and the incurrence of costs. There is no need for the Commission to include
23 requirements where there is an ongoing effort to address the issue.

24 **Q. Do you have any comments on the various adjustments to Mohave purchased**
25 **power bank balance and to the operation of its PPCA made by Mr. Mendl**
26 **(Recommendations 2, 4-8, 10, 12, 15 and 16)?**

27 A. Messrs. Stover and Searcy will address these specific Recommendations. However, I
28 believe the PPCA bank balance should not be adjusted even if the Commission
29 orders Mohave to stop including the purchased power supply-related consulting,
30 legal and in-house staff expenses in the PPCA. There will be no double collection as
31 the dollars generated from the new rates will be used to pay these costs as they are
32 incurred in the future, not to reimburse Mohave for past expenditures.

1 I also continue to believe that Mohave's member/customers receive more benefit
2 when margins from third party sales are treated as income to the Cooperative
3 rather than to merely offset the cost of purchased power.

4 **7. NEXT RATE CASE/STREAMLINING**

5
6 **Q. Do you have any further comments related to Staff's recommendation (Mendl**
7 **Recommendation 11) that Mohave be required to file a rate case no later than**
8 **September 1, 2016?**

9 A. Staff nowhere addresses the fundamental question: Why should the decision as to
10 when to file Mohave's next rate case be removed from the Mohave Board of
11 Directors - the elected representatives of the customers they serve? The
12 recommendation for a rate filing no later than September 1, 2016 does not have
13 anything to do with the financial condition of Mohave. Rather Staff is concerned
14 with the amount of data that might be involved in reviewing Mohave power
15 purchases for prudence. Staff's concern simply does not justify compelling Mohave
16 to incur the cost of a full rate filing if Mohave's financial condition does not warrant
17 filing a rate case.

18 **Q. Do you have any comments on Staff's recommendation (Mendl**
19 **Recommendation 14) that Mohave be ordered to meet with Staff to discuss**
20 **ways to streamline future Mohave rate cases?**

21 A. I believe Mr. Mendl is confusing streamlining the rate case process with clarifying
22 the purchase power record retention requirements of the Commission. My
23 comments on Rebuttal relating to streamlining the rate case process were aimed at
24 expeditiously concluding the ongoing and separate rule making process (Docket No.
25 ACC-00000B-11-0308). I was not advocating a separate rate streamlining process
26 specific to Mohave. The focus should remain on streamlining the rate process for all
27 cooperatives.

28 **Q. Does this conclude your Rejoinder testimony?**

29 A. Yes, it does.



Appliance Energy Use Chart

The Appliance Energy Use Chart below is designed to give you an idea of how much electricity is consumed by many of the most common household appliances. Except where noted, the figures used in the chart have been based on the typical efficiency levels of appliances found in Springfield homes audited by the CWLP Energy Experts and on the price per kilowatt-hour paid by the "average" CWLP residential customer. Appliances with efficiency levels much lower or higher than the norm might consume significantly more or less energy than indicated on this table.

To translate the usages given in this chart into energy dollars, simply multiply the appliance's kilowatt-hour (kWh) usage by your average price per kWh (see the NOTE below for more about this) and the amount or number of times you use the appliances over a specific period.

NOTE: Based on current electric rates and the State Utility Tax, plus the average fuel adjustment charge for the previous year, the average annual cost per kWh of electricity paid by CWLP's regular (not all-electric) residential electric customers is approximately 9.5¢. For all-electric residential customers, the average annual cost is about 8.9¢ per kWh. (Cost-per-kWh estimates were last updated September 30, 2008.)

More information about residential electric rates or business electric rates can be found elsewhere on this website.

For instance, using the average cost-per-kWh provided in the NOTE above and the energy consumption information provided in the Appliance Energy Use Chart, we can calculate that it will cost a regular (Rate 30) CWLP residential electric customer about \$2.57 a month to watch a 21-inch color television for an average of three hours a day (approximately 90 hours each month).

0.3 kWh/hr	x	\$0.095 per kWh	x	90 hrs/mo.	=	\$2.57 per mo.
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In addition to helping you determine the approximate cost of operating your various appliances over time, the Appliance Energy Use Chart can help you realize how changes in your energy use habits—such as using appropriately sized stove burners, substituting a microwave oven for a conventional oven, or turning off lights, TVs and other appliances when they aren't needed—can help you control your monthly energy costs.

APPLIANCE ENERGY USE CHART		
Appliance	kWh Usage	Operating Cost (@ 9.5¢ / kWh)
KITCHEN		
Toaster	0.04 kWh / serving	less than 1¢ / serving
Microwave oven	0.75 kWh / hr	7¢ / hr
Electric frying pan	1.2 kWh / hr	11¢ / hr
Coffee maker	0.2 kWh / pot	2¢ / pot
Range burner (large)	2.4 kWh / hr	23¢ / hr
Range burner (small)	1.2 kWh / hr	11¢ / hr
Oven (baking or roasting)	3.2 kWh / hr	30¢ / hr
Oven (broiling)	3.6 kWh / hr	34¢ / hr
Oven (self-cleaning cycle)	10 kWh / clean	95¢ / clean
Refrigerator (pre-2002, manual defrost)	63 kWh / month	\$5.99 / month
Refrigerator (pre-2002, frost-free)	168 kWh / month	\$15.96 / month
Refrigerator (2002 or newer)	82 kWh / month	\$7.79 / month
Deep freezer (frost free)	1835 kWh / month	\$17.39 / month
Deep freezer (manual defrost)	135 kWh / month	\$12.83 / month
Dishwasher	1 kWh / load	9.5¢ / load
LIVING ROOM/OFFICE/FAMILY ROOM		
Television (21-inch color)	0.3 kWh / hr	3¢ / hr
Stereo	0.15 kWh / hr	1¢ / hr
Computer with monitor (average)	0.09 kWh / hr	1¢ / hr

Computer with monitor (sleep mode)	0.02 kWh / hr	less than 1¢ / hr
Fan	0.2 kWh / hr	2¢ / hr
Room space heater (1500 watt)	1.5 kWh / hr	14¢ / hr
BEDROOM		
Waterbed heater	120 kWh / month	\$11.40 / month
Electric blanket	1 kWh / night	9.5¢ / night
BASEMENT/UTILITY ROOM		
Washing machine (excluding water)	0.25 kWh / load	2¢ / load
Clothes dryer (electric)	2.7 kWh / load	35¢ / load
Water heater (for average family of 4)	400 kWh / month	\$38.00 / month
Dehumidifier	0.76 kWh / hr	7¢ / hr
Air conditioner (central, 10 SEER)	1.2 kWh / hr / ton	11¢ / hr / ton
Air conditioner (central, 14 SEER)	0.85 kWh / hr / ton	8¢ / hr / ton
MISCELLANEOUS		
Light bulb (100-watt incandescent)	0.1 kWh / hr	4¢ / 4 hrs
Light bulb (25-watt CFL, 100-watt equiv.)	0.025 kWh / hr	1¢ / 4 hrs

Appliance Energy Use
Energy Services Programs

Last updated: 03/26/10

ELECTRIC RATES

MOHAVE ELECTRIC COOPERATIVE, INCORPORATED

1999 Arena Drive

Bullhead City, Arizona 86442

Filed By: J. Tyler Carlson

Title: CEO/General Manager

Effective Date: _____

STANDARD OFFER TARIFF

**OPTIONAL PREPAID RESIDENTIAL SERVICE
SCHEDULE PRS**

Availability

In the Cooperative's Certificated Area to standard offer residential customers otherwise served under the Cooperative's Rate Schedule R where the Cooperative's facilities are of adequate capacity and the required phase and suitable voltage and necessary equipment are all in existence on and adjacent to the premises served.

Application and Type of Service

Applicable to qualifying services receiving alternating current, single phase, 60 Hertz, at available secondary voltages where service is provided through a single meter where the Customer elects this optional prepaid service. This rate is not available: (i) to critical (medical necessity), time of use or net metering customers, (ii) for three phase service or (iii) for customers on the Cooperative's Budget Payment Plan. This rate is not applicable to standby, supplementary or resale service.

Monthly Rate

RESIDENTIAL SERVICE PRS	Power Supply	Distribution Charges					Total Rate
		Metering	Meter Reading	Billing	Access	Total	
Customer Charge (\$/Customer/Day)		\$0.0999	\$0.0355	\$0.1660	\$0.2410	\$0.5424	\$0.5424
Energy Charge (\$/kWh) (Single Phase)							
First 400 kWh per month	\$0.095280				\$0.001093	\$0.001093	\$0.096373
Next 600 kWh per month	\$0.095280				\$0.011093	\$0.011093	\$0.106373
Over 1,000 kWh per month	\$0.095280				\$0.021093	\$0.021093	\$0.116373

**RESIDENTIAL SERVICE
SCHEDULE PRS**

Minimum Monthly Charge

The greater of the following, not including any purchased power cost adjustor or any other adder approved by the Arizona Corporation Commission:

1. The Customer Charge
2. The amount specified in the written contract between the Cooperative and the Customer.

Billing Adjustments and Adders

This rate is subject to all billing adjustments outlined in Schedule A.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

Rules and Regulations

The Rules and Regulations of the Cooperative as on file with the Arizona Corporation Commission shall apply to Customers provided service under this Service Schedule where not expressly inconsistent with this Service Schedule.

Prepaid Service – Express Conditions

1. Application for Optional Prepaid Service: To receive optional prepaid service the Customer shall:
 - a. Be a standard service residential customer (including providing a completed Residential Membership Application) meeting the requirements set forth above under Availability and Application and Type of Service.
 - b. Execute a Prepaid Metering Agreement requesting this optional service.
 - c. Pay any outstanding balance or pay an agreed upon portion of the outstanding balance and enter into a payment agreement pursuant to Subsection 110-G of the Cooperative's rules and regulations.
 - d. Pay the Cooperative's Establishment Fee and an agreed upon prepay amount of not less than \$ 40.00 upon subscribing to the prepaid metering option.
 - e. Have voice message, e-mail or text message capability in order to receive the messages and low balance alerts. Customers must have at least two reliable methods of receiving messages and low balance alerts, but one can be through a backup contact person.
2. Customer Deposits:
 - a. No additional customer deposit will be required. Prepayments are not deemed deposits and are not eligible for interest pursuant to Subsection 102-C 3.d. of the Cooperative's rules and regulations.
 - b. Deposits of an existing Customer electing to receive optional prepaid service under this rate schedule shall first be applied against any outstanding bill. Once the remaining deposit is subject to refund pursuant to Subsection 102-C 3.c. of the Cooperative's rules and regulations, any balance will be applied to their prepaid account.

**RESIDENTIAL SERVICE
SCHEDULE PRS**

3. Account Information and Billing:
- a. Monthly statements will still be generated for service provided under this optional prepaid service rate schedule covering monthly usage during the billing cycle.
 - b. Account information relating to a customer's remaining prepaid balance can be accessed through:
 - 1) The Cooperative's business offices during normal business hours.
 - 2) Integrated Voice Recognition (IVR) at 1-877-371-9379 (select Option #1).
 - 3) On line at www.mohaveelectric.com 24 hours a day.
 - c. The Cooperative shall update the remaining prepaid balance at least once each business day, subject to system operational difficulties.
 - d. Historical average daily usage information will be available on line or at the Cooperative's business offices. Actual daily usage can only be secured through the Cooperative's business offices.
 - e. The billing information made available on line and through the Cooperative's business office shall contain the minimum bill information set forth in Subsection 110-A of the Cooperative's rules and regulations, except that daily billed kWh usage shall only be available through the Cooperative's business offices and no kW demand will be provided.
4. Payments: 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 any time, including after hours, by utilization of the Cooperative's electronic payment system found on the Cooperative's website, or the Cooperative's IVR remote payment system at no cost in fees to the residential Customer. The website and IVR payment systems require a minimum payment of \$5.00.
5. Disconnection: Disconnection of prepaid service shall be made when the Customer's prepaid balance reaches zero, except that no disconnection shall occur:
- a. When the local weather forecast, as predicted by the National Oceanographic and Administration Service, indicates that the temperature will not exceed 32 degrees Fahrenheit for the next day's forecast. The ACC may determine that other weather conditions are especially dangerous to health as the need arises.
 - b. Outside normal business hours. Normal business hours are Monday – Friday 8:00 a.m. to 5:00 p.m., excluding Cooperative recognized holidays: New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, Day after Thanksgiving and Christmas. Usually when falling on Saturday, the Friday before is treated as the holiday and when falling on Sunday, the Monday after is treated as the holiday. The actual dates of all holidays for the calendar year will be posted on the Cooperative's website.
6. Notice: In lieu of written notice of disconnect pursuant to Subsection 111-C of the Cooperative's rules and regulations, 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.

RESIDENTIAL SERVICE
SCHEDULE PRS

- a. Notice shall be generated daily once the Customer's credit balance is less than:
 - 1) \$25.00 from October 1 to February 28 or 29
 - 2) \$35.00 from March 1 to June 30
 - 3) \$50.00 from July 1 to September 30.

7. Re-Establishing Disconnected Service:
 - a. Should the residential Customer neglect to make payment prior to disconnection, an additional payment to restore the prepaid balance to not less than \$ 20.00 is necessary to re-establish service. Payment may be made through any of the means described above in paragraph (4). Service will be restored no later than the following business day. For the Customer's safety and to protect property, the Customer must then push the reset button at the meter to re-establish service.
 - b. An account will be closed if the disconnected service has not been re-established before the close of the then current monthly billing cycle for the service location, but not less than 10 days after disconnection. The Cooperative (i) will notify the Customer the account is closed in the same manner the Customer received messages and alerts of a low balance and (ii) will also mail a final bill for all unpaid charges to the Customer's last known address on file with the Cooperative. In addition to satisfying paragraph 7a, the Customer must pay an Establishment Fee to re-establish a closed account.

8. Opting In or Out of Prepaid Service:
 - a. Any residential Customer of the Cooperative may opt-in or opt-out of prepaid metering service at any time; however the residential customer may change rate options no more than two (2) times in a calendar year, including the initial election of the prepaid metering option.
 - b. Any residential Customer who opts-out of this rate and continues service with the Cooperative will be required to:
 - 1) Pay an Establishment Fee, and
 - 2) Re-establish credit with the Cooperative as set forth in Subsection 102-E of the Cooperative's rules and regulations; 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 shall not be required to post a deposit for continuing service.
 - c. Any prepaid balance that remains at the time of transfer to another rate schedule will be applied toward the Establishment Fee, then toward the deposit, then to any balance remaining under a payment agreement and finally, if any balance still remains, as a credit on the first billing.

Contract

If service is requested in the Cooperative's Certificated Area and the provision outlined in the Availability Clause of this rate tariff cannot be met, it will be necessary for the Cooperative and customer to mutually agree, in a written contract, on the conditions under which service will be made available.

Mohave Electric Cooperative (MEC) Prepaid Service Agreement

The Prepaid Service Program (the "Plan") is an optional program approved by the Arizona Corporation Commission for MEC's qualifying standard offer, single phase residential customers who desire to alleviate the financial impact of posting a deposit or otherwise securing their service account. It is not available to time-of-use, net metering or critical (medical necessity) customers or for those participating in the Budget Payment Plan. 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 online or by contacting MEC business offices.

Payments can be made on the Plan utilizing any of MEC's payment systems, including online 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. Once a member has registered online, this history can be accessed and their contact information updated with a secured member login at MEC's member website. Alternatively, the Customer can contact the Cooperative's business offices during normal business hours. Daily usage information is only available through MEC's business offices. The information is updated once prior to the start of each business day.

Mohave's Prepaid Service Program is available to qualifying 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. However, to protect property and the Customer's safety, the Customer must push a reset button at the meter to re-establish service.

Initial Electric service is subject to immediate disconnection any time during normal business hours (M-F, 8 a.m. to 5p.m., excluding holidays*) if an account does not have a credit (prepaid) balance, except where the temperature will not exceed 32 degrees Fahrenheit for the next day's forecast, or other weather conditions as determined by the Arizona Corporation Commission.

- Members can access their balance on the MEC website, telephonically through the MEC integrated voice recognition system (1-877-371-9379, select Option#1) or, during normal business hours, by calling MEC business offices. The balance information is updated before the start of each business day.
- The member will receive recorded voice warning notices of low prepaid balances on their account once the balance is less than pre-determined dollar limits that vary seasonally as set forth in its PRS Tariff (currently \$25 Oct. - Feb.; \$35 March - June; \$50 July - Sept.). Warnings will be provided by email, phone or text message to the phone numbers and email addresses designated by the member. These messages will be sent daily until the prepaid balance is exhausted. Other methods of notification may be used with the consent of MEC and the customer.
- The prepaid account will be disconnected at the start of the first business day after the account no longer has a prepaid balance. It is the member's responsibility to make adequate payment to avoid disconnection, and to bring their account back to a prepaid balance of at least \$20.00 after disconnection in order to have service restored. Upon the member re-establishing the minimum prepaid balance, service will be restored no later than the following business day, subject to the member pushing the reset button at the meter and operational constraints.
- The account will be closed after disconnection if the minimum prepaid account balance has not been re-established by the end of the billing cycle applicable to the service location, but not less than 10 days after disconnection. If the account is closed MEC's Establishment Fee will also need to be paid to re-establish prepaid service.

Prepaid accounts will be administered in accordance with MEC's Rules and Regulations and Tariffs, approved by the Arizona Corporation Commission, that apply to Prepaid Service (Subsection 102-I and Rate Schedule PRS), 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 and Tariffs of the Cooperative.
- Member has the ability to access 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.

* New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, Day after Thanksgiving and Christmas. Usually when falling on Saturday, the Friday before is treated as the holiday and when falling on Sunday, the Monday after is treated as the holiday. The current year's holidays are listed on the Cooperative's website.

I have carefully read and I understand the terms within the Mohave Prepaid Service 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 _____

Must provide at least two, but no more than four:

Identify order preference (1 - 4)

(Indicate Name of any person whose number is being provided as a backup)

Contact Email Address(es) _____

Contact Telephone Number(s) _____

Text Message Number(s) _____