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BEFORE THE ARIZONA CORPORATE COMMISSION

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

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AZ CORP COMMISSION
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2012 APR 24 PM 3 53

IN THE MATTER OF THE APPLICATION OF
NAVOPACHE ELECTRIC COOPERATIVE,
INC., AN ELECTRIC COOPERATIVE
NONPROFIT MEMBERSHIP CORPORATION,
FOR A DETERMINATION OF THE FAIR
VALUE OF ITS PROPERTY FOR
RATEMAKING PURPOSES, TO FIX A JUST
AND REASONABLE RETURN THEREON AND
TO APPROVE RATES DESIGNED TO
DEVELOP SUCH RETURN.

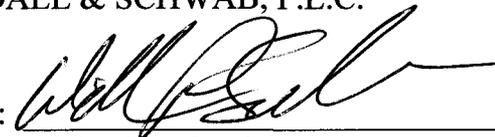
DOCKET NO. E-01787A-11-0186

**NOTICE OF FILING TESTIMONY
SUMMARIES**

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

RESPECTFULLY SUBMITTED this 24th day of April, 2012.

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

By: 

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Arizona Corporation Commission

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1 PROOF OF AND CERTIFICATE OF MAILING

2 I hereby certify that on this 24th day of April, 2012, I caused the foregoing
3 document, with attachments, to be served on the Arizona Corporation Commission by delivering
4 the original and thirteen (13) copies of the above to:

5 Docket Control
6 Arizona Corporation Commission
7 1200 West Washington
8 Phoenix, Arizona 85007

9 With a copy of the foregoing e-mailed
10 this 24th day of April, 2012 to:

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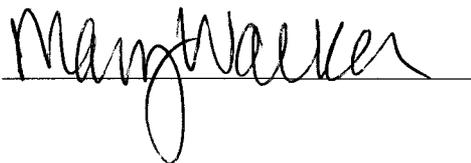
With a copy of the foregoing mailed
this 24th day of April, 2012 to:

23 Commissioner Bob Stump
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SUMMARY OF TESTIMONY OF CHARLES R. MOORE
ON BEHALF OF
NAVOPACHE ELECTRIC COOPERATIVE, INCORPORATED
(Docket No. E-01787A-11-0186)

1 Mr. Moore is the Chief Executive Officer and Manager of Engineering of Navopache
2 Electric Cooperative, Inc. ("NEC"). Mr. Moore adopts the pre-filed Direct testimony of Mr.
3 David Plumb, NEC's past CEO that accompanied the original April 29, 2011 Application that
4 explains the nature of the request to adjust rates by 7.16% system wide (Arizona and New
5 Mexico) and discusses the process NEC's member elected Board of Directors used to evaluate
6 and determine an appropriate level of rate adjustment and to prepare and file the application.
7 The Application also included the documents required by A.A.C. R14-2-203(B) pertaining to
8 rate filings for electric distribution cooperatives.

9 Through his Rebuttal testimony, Mr. Moore highlights the many areas of agreement
10 between Staff and NEC, including: use of a test year ending April 30, 2010, an adjusted test year
11 rate base of \$75,213,519, an adjusted test year net margin of a negative \$174,608, NEC's use of
12 a total system analysis versus an Arizona only analysis, the need for a total system revenue
13 increase of \$3,413,663 or 7.16%, acceptance of NEC's cost of service study ("COSS") and
14 general acceptance of NEC's proposed changes to service charges and service policies, including
15 changes to its line extension policy. NEC appreciates Staff's efforts and agreement on these
16 issues.

17 Through his Rebuttal and Rejoinder testimony Mr. Moore discusses the disputed issues
18 and their resolution related to: the level of customer charge, rate design and revenue
19 responsibility between customer classes, responsibility for transformer costs to serve new
20 customers, treatment of existing written line extension estimates and the treatment of a bill
21 estimation tariff and DSM and REST adjusters. Mr. Moore notes that Staff's Surrebuttal rates,
22 while generally appropriately designed, fail to generate the agreed upon total system revenues
23 and should be adjusted to do so, including correcting rates to recover the \$6,423 Staff mistakenly
24 attributes to the Irrigation TOU rate due to an error in its application.

SUMMARY OF TESTIMONY OF REBECCA A. PAYNE
ON BEHALF OF
NAVOPACHE ELECTRIC COOPERATIVE, INCORPORATED
(Docket No. E-01787A-11-0186)

1 Ms. Rebecca A. Payne is employed by C. H. Guernsey & Company. Her Direct pre-filed
2 testimony was included in Navopache Electric Cooperative, Inc.'s ("NEC") July 7, 2011
3 Supplemental Direct Testimony and Schedules. Through her Direct testimony, Ms. Payne
4 provides foundation for and explains the financial adjustments to the test year set forth in
5 Section C, including supporting schedules, as well as the cost of service schedules in Section G
6 submitted as part of Attachment 19 to the supplemented Application. The financial adjustments
7 found in Section C of Attachment 19, increase total operating revenues by \$6,096,113, operating
8 expenses by \$6,890,393, and interest on long term debt by \$387,371, with an overall impact of
9 reducing NEC's operating margin (after Interest on LT Debt) by \$1,182,851. Ms. Payne also
10 discusses the calendar year 2010 supplemental schedules provided as Attachment 20 to NEC's
11 supplemented Application at the request of Commission Staff and explains how it serves to
12 validate NEC's use of a test year ending April 30, 2010.

SUMMARY OF TESTIMONY OF DAVID W. HEDRICK
ON BEHALF OF
NAVOPACHE ELECTRIC COOPERATIVE, INCORPORATED
(Docket No. E-01787A-11-0186)

1 Mr. David W. Hedrick is the Vice-President and Manager of the Analytical Services
2 group for C. H. Guernsey & Company. His pre-filed Direct testimony was included in
3 Navopache Electric Cooperative, Inc.'s ("NEC") July 7, 2011 Supplemental Direct Testimony
4 and Schedules. Through it Mr. Hedrick provides an overview of the rate filing and includes a
5 discussion of:

6 a. NEC's objectives by its filing to: 1) improve the Cooperative's financial condition, 2)
7 increase margins, 3) increase equity as a percentage of capitalization, 4) fund needed distribution
8 plant additions with a greater percentage of internal funds and new customer contributions and 5)
9 make appropriate changes to NEC's tariffs;

10 b. NEC's \$51,074,897 total system (Arizona and New Mexico) revenue requirement,
11 which reflects an additional \$3,413,663 (a 7.16% increase) in operating revenues and provides an
12 operating times interest earned ratio of 2.23, a debt service coverage of 1.86 and a 7.46% rate of
13 return on NEC's total system fair value rate base of \$75,213,519;

14 c. NEC's proposed rate design including: 1) moving all classes closer to a relative rate
15 of return of one and recovering more of the unbundled cost of providing service, 2) re-basing the
16 base cost of purchased power at \$0.06616 per kWh sold, 3) modifying the on-peak hours in the
17 Residential TOU rate and 4) the impact on members;

18 d. NEC's proposed changes in its line extension policy; and

19 e. A description of the proposed tariff changes.

20 Through his rebuttal testimony Mr. Hedrick discusses:

21 a. Staff's failure to appropriately utilize the results of the cost of service study ("COSS")
22 in its Direct testimony to design rates, despite acknowledging the COSS is appropriate and
23 should be approved;

SUMMARY OF TESTIMONY OF DAVID W. HEDRICK
ON BEHALF OF
NAVOPACHE ELECTRIC COOPERATIVE, INCORPORATED
(Docket No. E-01787A-11-0186)

1 b. The lack of support for: Staff's proposed uniform allocation of revenue responsibility
2 among rate classes, Staff's proposed customer charges, Staff's proposed on-peak demand
3 charges in the commercial and industrial TOU and interruptible demand rates and Staff's
4 proposed continuation of a HP charge, instead of a demand charge, for irrigation customers;

5 c. NEC's revised position on items in NEC's revised line extension policy to which Staff
6 had objected; and

7 d. An alternative set of rates blending the rates proposed by NEC and Staff, despite
8 NEC's continued support of the rates proposed in its application.

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