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BEFORE THE ARIZONA CORPORATION COMMISSION

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

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

DOCKET NO. E-01750A-11-0136

STAFF'S REPLY BRIEF

I. INTRODUCTION.

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby responds to the Initial Brief filed by Mohave Electric Cooperative, Incorporated ("Mohave," "MEC" or the "Cooperative"). Staff and the Cooperative have worked diligently to come to agreement, and most issues have been resolved, though there are still several outstanding. The primary issues remaining are: the policy and prudency of Mohave's purchased power cost adjustor ("PPCA"), the residential customer charge, pre-paid services, margins on third party sales, expenses eligible for inclusion in the PPCA, and the requirement of a date certain for Mohave's next rate case. Also at issue are document retention requirements, large commercial and industrial time-of-use ("LC& I TOU") rates and a cap on the percentage rate increase to residential customers.

Both the resolved and disputed issues are thoroughly addressed in Staff's Opening Brief. In deference to this tribunal, at this juncture Staff believes it unnecessary to reiterate every argument set forth in its brief; to the extent any issue is not addressed herein, Staff reasserts its positions as stated in that Brief. Staff's positions regarding the unresolved issues are clearly stated and well supported by the record. Given this fact, Staff re-urges the Commission to adopt Staff's recommendations in their entirety. Nevertheless, based on some points raised by Mohave in its Initial Brief, it is incumbent upon Staff to address certain topics in further support of its arguments.

For ease of comparison of the positions of the parties, Staff incorporates here the findings, conclusions and orders proposed by Mohave, and provides Staff's position as to each.

1. **Mohave**: Adjusted Total TY Revenues are $76,068,006.
Staff: Agree.

2. **Mohave**: Adjusted TY Operating Expenses are $75,523,583.
Staff: Agree.

3. **Mohave**: Adjusted TY Operating Margin (before Interest on LT Debt) is $544,423.
Staff: Agree.

4. **Mohave**: Adjusted TY OCLD and FV Rate Base are $48,083,871.
Staff: Agree.

5. **Mohave**: Recommended Revenue Requirement is $79,129,535.
Staff: Agree.

6. **Mohave**: Recommended Revenue Increase is $3,061,529 or 4.02%.
Staff: Agree.

7. **Mohave**: Reasonable Rate of Return on FVRB is 7.50%.
Staff: Agree.

8. **Mohave**: The Cost of Service Study ("COSS") submitted by MEC is a traditional fully allocated COSS and MEC's proposed functionalization, classification and allocation techniques fall within the bounds of standard industry practice.
Staff: Agree.

9. **Mohave**: The Monthly Residential Customer Charge shall be $16.50 and Staff's proposed $13.50 rate is rejected.
Staff: The Monthly Residential Customer Charge shall be $13.50 and Mohave's proposed $16.50 rate is rejected.

10. **Mohave**: The LC&I TOU Rate shall be uniform for all customers and Staff's proposed lower frozen rate for the 3 existing customers is rejected.
Staff: The existing Large Commercial and Industrial Time-of-Use rate schedule shall be frozen for existing customers. The frozen rate should be eliminated in Mohave's next general rate case.

11. **Mohave**: Residential Class Revenues shall increase 4.07% and Staff's proposed 4.02% cap is rejected.
Staff: Residential Class Revenues shall increase 4.02%, the same increase as the system increase, as reflected in Staff's proof of revenue schedule admitted herein as DBE3 of Exhibit S-13.

12. **Mohave**: The Rates set forth on the corrected Mohave Rejoinder Schedule MWS-1 (attachment 1) are approved

Staff: The Rates set forth Staff's proof of revenue schedule admitted herein as DBE-3 of Exhibit S-13 are approved.

13. **Mohave**: Prepaid Service is authorized effective with the new rates and charges and Staffs recommendation that MEC file a separate application for prepaid service is rejected.
Staff: Mohave shall file, in a separate docket, an application for Commission approval of prepaid metering, no later than 120 days after a Decision in this matter, as discussed in Staff's direct testimony. However, should the Commission approve prepaid metering service, Staff recommends the conditions specified in its Opening Brief[1] be included.

14. **Mohave**: MEC's Service Rules and Regulations should be approved, including its revised line extension policy, with the changes recommended by Staff witness Candrea Allen, excepting with regard to deferring approval of prepaid service and excluding transformer costs for individual customers from the line extension policy.
Staff: Mohave's Service Rules and Regulations should be approved with the changes recommended by Staff witness Candrea Allen, including the recommendation that Mohave shall not charge the cost of the transformer to individuals not within a subdivision requesting single phase or three phase service, and excluding, Mohave's proposed Prepaid Service plan.

15. **Mohave**: Service Charges as adjusted by Staff are fair and reasonable.
Staff: Agree.

16. **Mohave**: MEC shall file a Bill Estimation Tariff as a compliance item in this docket within 90 days of the date of a decision in this case.
Staff: Agree.

17. **Mohave**: Approve DSM and REST Adjustor Mechanisms for MEC.
Staff: Agree. Language to be included is attached hereto as Exhibit A.

18. **Mohave**: With regard to the base cost of power and the purchased power prudency review conducted by Staff:

    a. **Mohave**: Determine that MEC's policies of power supply planning and implementation as being implemented in 2010 are reasonable and appropriate, subject only to further clarification of MEC's criterion on spot market power purchases.
    Staff: Agree.

    b. **Mohave**: Determine that whether MEC's policies of power supply planning and implementation being implemented prior to 2010 were reasonable and appropriate is moot.
    Staff: Conclude that there is insufficient documentation to make a determination whether MEC's policies of power supply planning and implementation being implemented prior to 2010 were reasonable and appropriate and that said conclusion resolves the issue.

[1] Staff's Opening Brief at 22, l. 9 – 23, l. 8.

c. **Mohave**: Reaffirm that for purposes of the purchase power adjustor, purchased power shall include only actual costs of purchased power and associated transmission as clarified in the Commission's decision in this proceeding.

Staff: Reaffirm that for purposes of the purchased power adjustor, purchased power shall include only the actual costs of purchased power and associated transmission that Mohave's inclusion of in-house labor costs, consulting costs, lobbying costs and legal costs associated with planning and procurement of purchased power is rejected.

d. ***Mohave***: *Specify the* cost components which may be included in the fuel and purchased power adjustor as limited to RUS Accounts 555, 565, 447,557 for purchased power and 501, 547 if MEC purchases fuel for generation in the future.

Staff: Specify that the cost components which may be included in the fuel and purchased power cost adjustor are limited to RUS Accounts 555, 565, and 447 for purchased power and 501 and 547 if MEC purchases fuel for power generation in the future and that RUS Account 557 is not included. (This does not mean that all items within those accounts will be includable, however).

Remove $594,737 from the 2010 test year base cost of power, representing those costs ineligible for recovery through the purchased power adjustor that MEC has included as purchased power costs in 2010, namely in-house labor costs, consulting costs, lobbying costs and legal costs associated with planning and procurement of purchased power. Reallocate $562,035 of those costs to revenue requirements for the general rates.

Reduce MEC's purchased power bank balance (credit to ratepayers) by $594,737 to adjust for the inclusion of these ineligible costs as soon as practical after the Commission issues its order in this docket.

Require MEC to adjust the bank balance in the next prudence review to remove in-house labor costs, consulting costs, lobbying costs and legal costs associated with planning and procurement of purchased power that MEC included in its purchased power adjustor in 2011 and 2012. Although identified as ineligible costs in this rate case (prudence review through 20 lo), the costs will actually have occurred in the next prudence review period and the adjustments shall be made in that review.

Require MEC to maintain all files and records pertinent to their purchased power planning and procurement, and to document the prudence of the purchased power expenditures. Should Staff determine that insufficient information is provided; Staff shall recommend that any undocumented and/or unverified costs be denied including interest or that the purchased power adjustor be eliminated.

e. **Mohave**: For the period July 25, 2001 through December 31, 2010 (involving approximately $419,063,000 of power purchase): adjust MEC's purchased power bank balance by $91,537 associated with errors and omissions in calculating the purchased power cost and bank balance and to remove $32,702 in purchase power related lobbying expense.

Staff: Reduce MEC's purchased power bank balance (credit to ratepayers) by $91,537 to adjust for MEC's errors and omissions in calculating the purchased power cost and bank balance between August 2001 and December 2010, inclusive.

f. **Mohave**: Determine that the actual eligible purchased power costs were adequately documented from August 2001 through December 2010.

Staff: Agree.

g. **Mohave**: Determine that MEC's actual purchased power costs, as adjusted in item 2 above, plus any adjustment for purchased power consulting, legal and in-house expense ordered by this Commission in this proceeding, if any, are prudent and reasonable for August 2001 through December 2010.

Staff: Oppose. Although Staff did not oppose the reasonableness of the costs, neither was it specifically addressed.

h. **Mohave**: In the event MEC has not filed a rate case prior to September 1, 2016 encompassing the period through December 31, 2015, MEC shall file with the Director of Utilities an informational filing, including a copy of its calendar year 2015 audit report, a summary revenue requirement schedule and an explanation as to why no rate filing was made. MEC shall also file notice of compliance of the foregoing in this docket

Staff: Require MEC to file a rate case with purchased power prudence review no later than September 1, 2016, with a test year ending December 31 , 2015, so that no more than five years elapse between this rate case and the next rate case to ensure the purchased power cost data and supporting information remain fresh. The prudence review will cover the period beginning January 2011 land ending in December of the test year. MEC may file sooner if necessary, with a test year ending no more than 8 months prior to the filing date.

i. **Mohave**: MEC acted reasonably on the advice of its outside auditors and consultants in recovering purchased power related consulting, legal and in-house expenses through the PPCA and no adjustment to the PPCA balance is necessary or appropriate.

Staff: Oppose as unnecessary. There has been no assertion of bad faith and no penalty recommended.

j. **Mohave**: On a going forward basis, MEC may continue to recover reasonable purchased power related consulting, legal and in-house expenses through MEC's PPCA.

Staff: Oppose. See item d.

k. **Mohave**: As part of MEC's next prudency review, ensure the bank balance reflects the Commission's determination of the treatment of purchased power related consulting, legal and in-house labor with regard to costs incurred during that review period, commencing with January 1, 2011

Staff: Agree.

l. **Mohave**: Direct Staff and MEC to meet and develop an understanding on the files and records Staff expects MEC to maintain, in addition to copies of its monthly PPCA reports already required to be submitted to Staff, pertinent to MEC's purchased power planning and procurement and to document prudence of the purchased power expenditures.

Staff: Direct Staff and Mohave to meet and discuss the type of documentation, files and records Staff expects MEC to maintain pertinent to MEC's purchased power planning and procurement and to document prudence of the purchased power expenditures.

m. **Mohave**: Direct MEC to continue treating margins from third-party sales as income.
Staff: Revise MEC's purchased power adjustor mechanism to use margins on third party sales to offset purchased power costs.

n. **Mohave**: Acknowledge that MEC's selection and management of Western Area Power Administration ("Western") to provide critical services are prudent and reasonable.
Staff: Agree.

o. **Mohave**: Direct MEC to continue to work with AEPCO regarding AEPCO's marginal operating costs so that regional power dispatch decisions are based on actual real time costs rather than average costs to fullest extent practicable.
Staff: Agree

p. **Mohave**: Calculate MEC's base power cost consistent with the determination of the Commission in this case related to the treatment of third party sales and purchase power related consulting, legal and in-house labor costs.
Staff: Agree.

II. RATE DESIGN.

A. Residential Customer Charge.

Staff continues to recommend a customer charge of $13.50 rather than Mohave's $16.50 per month. Staff has acknowledged that the customer charge of $16.50, when considered in conjunction with the inclining block rate design to which Mohave has agreed, will not have a significant impact on the dollar amount of the rate increase for the median and average use customers.[2] Mohave's proposed $16.50 customer charge would result in an increase of over 70%, while Staff's proposed $13.50 charge represents an increase of only 40%. While the very conservation oriented inclining block rate somewhat ameliorates the impact of a 70% increase to the customer charge,[3] Staff believes its 40% increase is consistent with the Commission's preference for gradual increases.

Moreover, Staff's recommendation was also based on its disagreement with Mohave's determination that an $18.56 customer charge represents the actual cost of service.[4] The Cooperative argues that the customer charge should be based on the cost of service and that its proposed $16.50

[2] Tr. at 568, l. 18 to 569, l. 4.
[3] TR at 574, ll. 6-12.
[4] Ex. S-8 p. 9, ll. 18-23.

customer charge is already reduced. Mohave's cost of service included items other than meters, meter reading, the service drop, billing and customer services. It also included distribution costs, such as poles, lines and transformers. Including these charges in the customer service charge may be appropriate in rural, non-dense service areas for some utilities.[5] But because Mohave consists of both dense and non-dense service areas,[6] and failed to identify the proportions of each, Staff could not determine what portion of the distribution expenses were related to the non-dense areas. However, Staff considered these costs, and weighed the interest of the Company in revenue stability against customer impact and adjusted its monthly customer charge to $13.50, from $12.50. [7]

B. <u>Large Commercial and Industrial Time-of-Use Rates</u>.

Both Staff and MEC have recognized that a small group of LC& I TOU customers have manipulated their operations so as to maximize their savings and make no contribution to downstream costs that their off-peak load helps to create, thereby getting a 'free-ride'.[8] Mohave argues that the dollar amount of the resulting revenue is small: $6,000 compared to $79 million. From the customer's perspective, however, the amount is likely to be significant, and would result in a 40% increase in rates. Staff is aware of the Commission's concern over rate impact, and its recommendation simply reflects that concern.[9]

III. MOHAVE'S RULES AND REGULATIONS: PRE-PAID SERVICES.

Staff is not opposed to pre-paid metering. The Commission has approved pre-paid metering only once, for APS, and as of the time of the hearing in this matter, that had not been implemented.[10] Staff has had, and continues to have, concerns about implementation and unintended consequences, such as those expressed by AARP Arizona in its correspondence docketed in this case on March 22, 2012. That having been said, Staff has now met with Mohave on multiple occasions and, while it is not prepared to agree to the same in this docket, leaves the decision in that regard to the Commission.

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[5] Ex. S-9, at 3, ll. 7-11.
[6] TR at 287, ll. 9-13.
[7] Ex. S-9 at 3, ll. 1-21.
[8] Ex. S-9 at p. 9, l. 25 to p. 10, l. 2.
[9] TR at588, ll. 12-24.
[10] TR at 492, ll. 3-7.

In the event that a pre-paid service plan is approved, Staff continues to assert that the conditions set forth in the pre-filed testimony of Staff [11] and again in Staff's Opening Brief[12] be set out in the Decision. Staff met with Mohave in this regard in an effort to move forward to develop a plan for pre-paid service, whether it would be addressed in this docket or another. Multiple drafts have been prepared and discussed and some terminologies agreed to, but have not been subject to a more formal process as Staff still asserted that the issue should be addressed in a separate docket. Mohave has expressed concern that Staff, in reiterating its conditions, is not acknowledging the progress that has been made. It is Staff's position that, if the Commission approves a pre-paid service plan, Mohave would them submit the requisite documents for Staff's review. It is anticipated that these will include the multiple items Mohave has prepared, but in a more formal manner. Therefore, Staff continues to support the inclusion of its recommendations in any decision entered in this matter, except that portion which requests removal of certain specified language.

IV. BASE COST OF POWER AND PURCHASED POWER POLICY AND PRUDENCY.

A. <u>Margins on Third Party Sales</u>.

Notwithstanding Staff's well-founded position to the contrary, Mohave insists that its members would receive a greater benefit by allowing the Cooperative to continue treating the margins earned on third party sales as income[13] rather than flowing all purchased power costs and revenues through its PPCA bank balance, as espoused by Staff.[14] Mohave argues that, by maintaining its practice of isolating third party sales from the PPCA, it improves its overall margins,[15] debt service coverage ("DSC") and times interest ratio ("TIER"). It further contends that such practice results in the margins flowing to the members' patronage capital accounts thereby increasing each member's equity in the cooperative.[16]

As this tribunal is aware, Staff recommends that third party sales flow through the PPCA and the margins realized thereby be credited to members to offset the purchased power costs in the PPCA

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[11] See Ex. S-3, p. 2, l. 13 – p. 3, l. 41 for detailed recommendations.
[12] Staff's Opening Brief at 22, l. 9 – 23, l. 8.
[13] Tr. at 159;
[14] Ex. S-6 at 34, ll 5-7.
[15] Tr. at 162:25 to 163:7.
[16] *Id.*

bank account.[17] By adopting this methodology, the Commission would ensure that the members realize a benefit more expeditiously than requiring them to wait many years, if not decades, for refunds from the patronage account.[18]

Moreover, Mohave's proposed practice is inconsistent with its stated concern for those economically challenged members who, the cooperative contends, require pre-paid metering to be able to maintain even minimal electrical service.[19] Based on Mohave's expressed concern for its members, it should logically follow that the Cooperative, in addition to promoting pre-paid metering, would also adopt policies to expedite financial relief to its members beginning with a more timely return of funds thereto by offsetting purchased power costs in the PPCA bank account. This is especially true given the $9.5 million balance[20] presently in the PPCA bank account which should more than adequately address Mohave's credit concerns.

B. <u>Consulting, Legal and In-House Labor Expenses ("Ineligible Expenses")</u>.

Staff objects to Mohave's assertion that it bases its position regarding the ineligible costs solely on two cited Commission decisions. While Staff does rely on those cases, they are not the sole support for Staff's position. The very nature of a purchased power cost adjustor is to pass through to customers the increases or decreases in the cost of purchased power. Historically, such adjustor mechanisms commonly pertain to costs such as the cost of wholesale gas for resale or fuel or the cost of wholesale electricity for resale.[21]

Staff indicated in its Opening Brief herein that neither of the Commission Decisions it cited addressed a case where the issue of what costs are included in a purchased power adjustor clause were in dispute between Staff and the subject utility.[22] Nonetheless, in each case the Commission addressed the types of costs that are to be included, and its considerations of that issue are certainly relevant here. In Decision No. 68071, Arizona Electric Power Cooperative, Inc. ("AEPCO") accepted all of Staff's recommendations set forth in the pre-filed testimony of Staff witness Barbara Keene.

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[17] Ex. S-6 at 34, 11 5-7; Tr. 160:8-18; 161:16-22.
[18] Ex. S-7 at 19, ll25-26.
[19] Ex. MEC-7 7:22-26.
[20] Tr. at 418.
[21] 71-15 Op. Att'y Gen. (1971).
[22] Staff's Opening Brief at 6, l. 22-24.

Staff made further recommendations also addressed in the Decision. However, even noting the agreement of AEPCO and Staff, the Commission remained concerned about certain elements of the adjustor and attached an additional condition of its own. Thus the Commission made it clear that, even though the parties were in agreement, it would not simply accept the agreement, but would scrutinize that adjustor mechanism closely, and make additional changes it deemed necessary. The Commission's adoption of Staff's recommendations regarding what cost components would be included in the adjustor indicates that the issue was considered and ruled upon, making it highly relevant here.

Staff's Brief also noted that in Decision No. 71274 the issue before the Commission was not the cost components to be included in the adjustor but the process by which changes in rates would be made.[23] There, too, Staff and the utility were in agreement as to what costs could be included. The Commission did not merely adopt that agreement. The Commission went further and specifically adopted Staff's recommendations regarding the costs to be included in the adjustor mechanism, as detailed in Staff's Opening Brief.[24]

Mohave further asserts that these expenses should be included in the PPCA because they are "volatile and unpredictable."[25] Mohave cites no authority for the proposition that volatility and unpredictability alone justify inclusion of an expense in an adjustor mechanism. It is widely recognized that, as a rate-making principle, fuel and purchased power adjustor clauses are reserved for volatile price changes that are outside the control of the regulated utility.[26] In this case, the Cooperative retains legal counsel and consultants under negotiated contract, and hires employees to provide services related to the purchase of fuel.[27] These costs are certainly in the Cooperative's control.

Finally, contrary to Mohave's assertion, whether or not the PPCA bank balance should be adjusted is not based on whether the Cooperative acted reasonably or not in including these expenses

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[23] Staff's Opening Brief at 7, l. 16-18.
[24] Staff's Opening Brief at, l. 3-25.
[25] MEC's Initial Brief at 33, l. 4.
[26] Ex. S-7 at 13, l. 23-24. See also 71-15 Op. Att'y Gen. (1971) at p. 2:Normally, expense items for which adjustment clauses are permitted are those over which a utility company has no control, such as purchased gas...and which constitute a significant portion of the company's expenses...."
[27] Tr at p. 196, l. 5 – p. 197, l. 11.

in the PPCA. It is a simple accounting issue which dictates how expenses are to be booked. If they were booked incorrectly, as Staff contends, then the correction must be made. Moreover, Mohave has not shown that such a correction would harm the Cooperative, particularly given its balance of approximately $9.5 million.[28] Further, Mohave has known since at least the time of Staff's Direct Testimony that Staff objected to is methodology yet took no steps to correct or resolve the matter, nor did Mohave seek Staff's input when it changed its methodology in 2010.

V. MOHAVE'S NEXT RATE CASE/DOCUMENT RETENTION.

Staff's recommendation that Mohave be required to file its next rate case no later than September 1, 2016, remains unchanged. While Staff's Opening Brief more than adequately addresses and supports its positions relative to the timing of Mohave's next rate case as well as the need for the Cooperative to determine what supporting documentation to retain for its next rate case and purchased power review, Mohave's argument warrants further comment.

Mohave asserts that its Board of Directors best knows when the Cooperative should file its next rate case.[29] Mohave contends that the Commission should give deference to, and not interpose its judgment for, that of the Mohave board in this regard. However, contemporaneously, Mohave argues that, contrary to Staff's position, Staff should delineate what documentation the Cooperative should retain in anticipation of another prudence review and its next rate case.[30] Thus, on the one hand Mohave wants the Commission to adopt a hands-off approach while at the same time asking Commission Staff to govern the cooperative's actions. Simply put, the facts of this case clearly indicate that both of Mohave arguments are untenable.

First, Staff recommends setting a rate case filing deadline to enable it to monitor Mohave's proper use of accounting methods. The evidence has established herein that during the twenty years since its last rate case Mohave shaped or altered its accounting methods to generate additional revenues other than through a general rate case,[31] i.e., by including third party sales margins in revenue[32] and including expenses related to in-house labor, consulting, lobbying and legal purchase

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[28] Tr. at 418.
[29] Ex. MEC-3 8:18-33; Ex. MEC-4 18:15 – 20:2; Stover Rejoinder 11:25-32; Tr. at 17:8 – 19:3; 64:12-16.
[30] Tr. 291:25 – 296:3.
[31] Ex. S-7 16:4-5, 14-16.
[32] Tr. 160:3-7.

power costs through its PPCA,[33] in order to keep the Cooperative financially viable.[34] Mohave seemingly does not perceive that using such techniques to postpone the filing of a rate case may be inappropriate. Not only does Mohave concede that its method of booking margins on third party sales allowed it to delay filing a rate case sooner than it did, its testimony also suggests that Mohave only began booking the ineligible costs through the PPCA when the margins from third party sales declined, although Mohave denies this is the case.[35] Indeed, even in its Initial Brief, Mohave continues to tout such actions as enabling it to defer filing a rate case.[36]

In addition, a required rate case filing would help assure that Mohave maintains proper records. Staff is concerned that, in this case, the Cooperative failed to sufficiently maintain records in order to timely submit such data for a prudency review.[37] Though the requested documentation was provided by Mohave six months after Staff's initial request,[38] treatment of the third party sales margins and fuel bank funds remain in dispute. In light of the foregoing actions and/or inaction of the Mohave board, support for a finding by the Commission of the need for a shorter time period for Mohave's next rate case is evident.

Second, through the extensive discovery in this case together with the fact that Mohave ultimately provided Staff's Mr. Mendl with sufficient documentation to warrant the removal of a prudency adjustment,[39] Staff submits that the Cooperative now has more than adequate knowledge of the data needed to be retained to support a prudency review and, for that matter, a new rate case. Though Staff has acknowledged a willingness to work with Mohave in this regard,[40] it is ultimately up to Mohave to determine what documents need be retained for such purposes.[41]

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[33] Ex. MEC-7 13:1-3.
[34] *Id.*
[35] TR p. 147, l. 12 – p. 150, l. 7.
[36] TR at p. 160, l. 3-7.
[37] Ex. S-6 9:5-18; Ex. S-7 2:17 – 4:2.
[38] *Id.*
[39] *Id.*
[40] Tr. 80:23 – 81:3; 94:9-14; 260:17 – 261:12; 383:12-14; 427:14-18.
[41] Tr. 469L18-25; 541:23 – 542:1.

VII. CONCLUSION.

Staff respectfully requests that the Commission adopt its recommendations on the disputed issues in this case for the reasons stated above, in its Reply Brief, at the hearing and the testimony Staff provided in this case.

RESPECTFULLY SUBMITTED this 4th day of June, 2012.

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Original and thirteen (13) copies of the foregoing were filed this 4th day of June, 2012 with:

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Staff's Proposed Findings of Fact Language

Renewable Energy Standard and Tariff ("REST") Adjustor Mechanism

"We agree with Staff that it is appropriate in this rate proceeding to specifically approve a REST adjustor mechanism as recommended by Staff during the hearing held April 9-11, 2012."

"The initial rates of the REST adjustor mechanism will be the same as the REST tariff charges approved in Decision No. 72802."

"Subsequent changes to the REST adjustor rates will be set in connection with the annual Renewable Energy Implementation Plan submitted by Mohave Electric Cooperative, Inc. ("Mohave") and approved by the Commission pursuant to the Renewable Energy Standard and Tariff rules, or as otherwise ordered by the Commission."

Demand Side Management ("DSM") Adjustor Mechanism

"We agree with Staff that it is appropriate in this rate proceeding to specifically approve a DSM adjustor mechanism as recommended by Staff during the hearing held April 9-11, 2012."

"The initial rates of the DSM adjustor mechanism will be the same as the DSM cost recovery tariff that is approved in Docket No. E-01750A-11-0228 (Mohave's 2012-2013 Electric Energy Efficiency Implementation Plan and Demand Side Management Program docket)."

"Subsequent changes to the DSM adjustor rates will be set in connection with the Electric Energy Efficiency Implementation Plan submitted by Mohave and approved by the Commission pursuant to the Electric Energy Efficiency Standards rules, or as otherwise ordered by the Commission."

EXHIBIT A