

ORIGINAL

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July 16, 2012

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A Touchstone Energy® Cooperative



Arizona Corporation Commission

DOCKETED

JUL 17 2012

AZ CORP COMMISSION
DOCKET CONTROL

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

DOCKETED BY

Re: Trico Electric Cooperative, Inc. (Trico) comments on Arizona Corporation Commission Staff's Draft Proposed Rule Filed on June 25, 2012: **Rate Case and Financing Rules for Nonprofit, Cooperatively-owned Gas, Electric or Water Utilities; Docket No. RU-00000A-12-0270.**

Dear Sir/Madam:

Trico offers the following comments on the Arizona Corporation Commission (ACC) Staff's Proposed Rules (Proposed Rules) filed in the above-referenced docket on June 25, 2012. Trico would first like to express its thanks to ACC Staff for their efforts on the Proposed Rule. Trico is also appreciative of the ACC's willingness to conduct a formal rulemaking process to consider and institute a streamlined rate case process for the cooperatives.

Trico supports the Proposed Rules and would like to emphasize the benefits the Proposed Rules would have on Trico and its members.

The greatest benefit the Proposed Rules would provide for Trico is the time saved in processing a rate case. Small cooperatives like Trico are heavily dependent on maintaining adequate revenue to fund operations and the large capital investments necessary to deal with growth or system reliability issues. A delay of 12 to 18 months between the time a Cooperative's member/customer elected board of directors determines the need for a rate increase to the completion of a traditional rate case can result in severe financial hardship. For example, Trico filed its last rate application in August 2008 and received approval for its rate increase in August 2009. Trico's approved revenue increase, based on its test year, was approximately \$6 million per year, an average of \$500,000 per month. Because of the precarious nature of Trico's financial situation at the time, the Cooperative would have failed to meet its interest coverage ratios and defaulted under its loan agreements in 2009 had it received its rate increase only one month later.

The Proposed Rules would also help reduce the costs for rate consultants and legal counsel. Trico's last rate case cost approximately \$300,000, with the majority spent for cost of service and rate design consultants. While a substantial amount of analysis and preparatory work will still be required prior to filling a rate case under the Proposed Rules, expenses relating to internal costs for hearings, preparation of data requests, testimony development, and consultants to attend hearings and meetings would all be significantly reduced.

ACC Docket Control

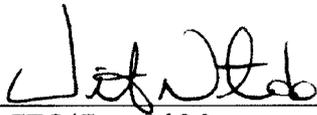
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In conclusion, Trico believes the Proposed Rules recognize the direct accountability of a cooperative's board of directors to its customers when determining the need for rate adjustments, while preserving the ACC's constitutional obligation to determine just and reasonable rates. Trico urges the ACC to adopt the Proposed Rules.

Sincerely,

Trico Electric Cooperative
8600 W. Tangerine Road
Marana, Arizona 85658
520-744-2944

By: 

CEO/General Manager

Original and thirteen (13) copies
Filed this 13th day of July, 2012
with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007