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



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ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DATE: NOVEMBER 26, 2012

DOCKET NO.: RU-00000A-012-0270

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sarah N. Harpring. The recommendation has been filed in the form of an Opinion and Order on:

COOPERATIVE UTILITY RATE CASES
(RULES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

DECEMBER 5, 2012

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

DECEMBER 11, 2012 AND DECEMBER 12, 2012

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

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DM

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 GARY PIERCE, Chairman
4 BOB STUMP
5 SANDRA D. KENNEDY
6 PAUL NEWMAN
7 BRENDA BURNS

8 IN THE MATTER OF THE PROPOSED
9 RULEMAKING CONCERNING THE
10 PROCESSING OF COOPERATIVE UTILITY RATE
11 CASES.

DOCKET NO. RU-00000A-12-0270

DECISION NO. _____

OPINION AND ORDER

10 DATES OF HEARING: October 18 and 19, 2012
11 PLACES OF HEARING: Tucson and Phoenix, Arizona
12 ADMINISTRATIVE LAW JUDGE: Sarah N. Harpring
13 IN ATTENDANCE: Chairman Gary Pierce
14 Commissioner Sandra D. Kennedy
15 Commissioner Brenda Burns
16 APPEARANCES: Mr. Wesley Van Cleve and Mr. Charles Hains, Staff
17 Attorneys, Legal Division, on behalf of the Utilities
18 Division of the Arizona Corporation Commission.

17 **BY THE COMMISSION:**

18 This matter concerns a rulemaking to amend Arizona Administrative Code (“A.A.C.”) Title
19 14, Chapter 2, Article 1 by adding a new section R14-2-107 and amending existing section R14-2-
20 103, both of which are concerned exclusively with the Commission’s constitutionally authorized
21 ratemaking function. The new section R14-2-107, entitled “Electric or Natural Gas Cooperative
22 Alternative Rate Application Filing Requirements and Process,” creates an alternative streamlined
23 ratemaking application and process for nonprofit cooperatives providing electric or natural gas utility
24 service and includes extensive eligibility and procedural requirements to safeguard cooperative
25 member/ratepayers. Section R14-2-103, the current rule for utility ratemaking, is revised to
26 accommodate this new alternative cooperative ratemaking process.

27 * * * * *

1 Having considered the entire record herein and being fully advised in the premises, the
2 Arizona Corporation Commission (“Commission”) finds, concludes, and orders that:

3 **FINDINGS OF FACT**

4 **Background and Process for this Rulemaking**

5 1. At the Commission’s Staff Open Meeting on June 19, 2012, the Commission directed
6 the Commission’s Utilities Division (“Staff”) to move forward with rulemaking regarding a
7 streamlined ratemaking process for cooperative utilities by first soliciting informal comment from
8 interested parties and then issuing, for the Commission’s Open Meeting in August 2012, a proposed
9 order to commence the formal rulemaking process.

10 2. On June 21, 2012, Staff filed a memorandum requesting that a new docket be opened
11 to receive documents related to a proposed rulemaking for the processing of cooperative utility rate
12 cases. As a result, the above-captioned docket was opened on the same date.¹

13 3. On June 25, 2012, Staff issued an Initial Draft for the Proposed Rulemaking on
14 Processing of Cooperative Utility Rate Cases (“Initial Draft”), requesting that all interested parties
15 provide written comments on the Initial Draft through filings made with Docket Control on or before
16 July 13, 2012. Staff sent the Initial Draft to 18 stakeholders representing the cooperative electric and
17 gas utilities in Arizona.

18 4. Between June 28, 2012, and July 17, 2012, comments on the Initial Draft were filed by
19 Grand Canyon State Electric Cooperative Association, Inc. (“GCSECA”) (on behalf of Arizona
20 Electric Power Cooperative, Inc. (“AEPKO”); Southwest Transmission Cooperative, Inc. (“SWTC”);
21 Duncan Valley Electric Cooperative, Inc. (“DVEC”); Graham County Electric Cooperative, Inc.
22 (“GCEC”); Graham County Utilities (“GCU”); Mohave Electric Cooperative, Inc. (“Mohave”);
23 Navopache Electric Cooperative, Inc. (“Navopache”); Trico Electric Cooperative, Inc. (“Trico”); and
24 Sulphur Springs Valley Electric Cooperative, Inc. (“SSVEC”)); by Mohave; by SSVEC; by Garkane
25 Energy Cooperative, Inc. (“Garkane”); by Columbus Electric Cooperative, Inc. (“CEC”); by

26 ¹ Previously, pursuant to a Commission vote on August 2, 2011, a generic docket had been opened to consider rate
27 case and financing rules for nonprofit cooperatively owned gas, electric, or water utilities. Several filings were made in
28 the generic docket (No. ACC-00000B-11-0308) before this docket was opened on June 21, 2012. The generic docket was
administratively closed pursuant to a Procedural Order issued on June 25, 2012, because the generic docket was no longer
needed in light of this docket.

1 Navopache; by DVEC; by GCEC and GCU; by Arizona's G&T Cooperatives (AEPCO and SWTC,
2 collectively "G&T Cooperatives"); by Community Water Company of Green Valley; by Dixie-
3 Escalante Rural Electric Association, Inc. ("Dixie"); and by Trico.

4 5. At the Commission's Open Meeting on July 19, 2012, the Commission discussed the
5 Initial Draft for the purpose of providing policy guidance to Staff regarding proposals made in some
6 of the stakeholder comments received. The Commission directed Staff to incorporate some of the
7 proposals in the rulemaking going forward.

8 6. On July 25, 2012, Staff filed in this docket a Memorandum recommending the filing
9 of a Notice of Rulemaking Docket Opening ("NRDO") and a Notice of Proposed Rulemaking
10 ("NPRM") to adopt a new R14-2-107 and amend the existing R14-2-103, along with additional
11 procedural deadlines and requirements. Along with the Memorandum, Staff included a Proposed
12 Order and a revised draft of the Proposed Rulemaking on Processing of Cooperative Utility Rate
13 Cases ("Revised Draft"), for Commission consideration at an Open Meeting. The Revised Draft
14 incorporated the stakeholder proposals accepted by the Commission.

15 7. The Proposed Order and Revised Draft were discussed at the Commission's Open
16 Meeting on August 9, 2012. Public comment was provided by GCSECA, the Arizona Investment
17 Council ("AIC"), Mohave, Trico, Arizona's G&T Cooperatives, Navopache, GCEC, and DVEC.
18 The Commission approved the Proposed Order after amending the Revised Draft.

19 8. On August 9, 2012, a letter supporting the proposed rulemaking was filed by the
20 Superintendent of the Duncan Unified School District.

21 9. On August 10, 2012, Decision No. 73287 was issued, directing Staff to prepare and
22 file with the Office of the Secretary of State, for publication in the *Arizona Administrative Register*
23 no later than September 7, 2012, an NRDO and an NPRM including the text of the rules as included
24 in the Decision. The Decision also ordered the Hearing Division to hold oral proceedings on the
25 NPRM on October 18 and 19, 2012, in Tucson and Phoenix, respectively; established dates for the
26 submission of comments; and established other procedural deadlines and requirements.

27 10. On September 7, 2012, the NRDO and NPRM were published in the *Arizona*
28 *Administrative Register*. The NPRM is attached hereto and incorporated herein as Exhibit A.

1 11. The NPRM proposes to adopt a new A.A.C. R14-2-107, entitled “Electric or Natural
2 Gas Cooperative Alternative Rate Application Filing Requirements and Process” (“Rule 107”), and to
3 amend A.A.C. R14-2-103, the existing rule establishing the filing and processing requirements for a
4 public service corporation rate application (“Rule 103”). Rule 107 establishes definitions, eligibility
5 requirements, pre-filing requirements, notice requirements, filing requirements, and deadlines for
6 objections and intervention requests; establishes the process and timeline for Staff analysis and
7 processing of a cooperative’s rate application filed under Rule 107; allows a cooperative to request
8 processing of its application under Rule 103 if it is determined to be ineligible for processing under
9 Rule 107; allows for Staff, a cooperative, or an intervenor to request an evidentiary hearing; allows a
10 cooperative to request withdrawal of its rate application; requires the Hearing Division to rule on a
11 request for hearing or request for withdrawal and to preside over all further proceedings if an
12 evidentiary hearing is granted; caps a revenue increase granted in a Rule 107 rate case at six percent
13 of a cooperative’s actual test year total base revenue; permits a cooperative to have a maximum of
14 five Rule 107 rate cases within a 15-year period between Rule 103 rate cases; permits a cooperative
15 to file only one Rule 107 rate application in any 12-month period; and allows the Commission at any
16 stage of a Rule 107 rate case to determine that a cooperative’s rate application must instead proceed
17 under Rule 103.

18 12. On September 7, 2012, Staff filed an Economic, Small Business, and Consumer
19 Impact Statement (“EIS”). The EIS is attached hereto and incorporated herein as Exhibit B.

20 13. On September 21, 2012, GCSECA filed notice that DVEC and Mohave had mailed
21 their member/customers notice of the NPRM, and counsel for the G&T Cooperatives filed notice that
22 the G&T Cooperatives had mailed notice of the NPRM to the Board Presidents for each of the Class
23 A member distribution cooperatives served by the G&T Cooperatives.

24 14. On September 27, 2012, GCSECA filed notice that Dixie had mailed its
25 member/customers notice of the NPRM.

26 15. Between September 17, 2012, and September 28, 2012, the Commission received
27 comments representing eight member/customers, with four expressing support and four expressing
28 opposition to the NPRM.

1 16. On October 3, 2012, GCSECA filed comments expressing support for the NPRM on
2 behalf of AEPCO, SWTC, DVEC, GCEC, GCU, Mohave, Navopache, Trico, SSVEC, CEC, Dixie,
3 and Garkane. GCSECA also separately filed notice that GCEC and CEC had mailed notice of the
4 NPRM to their member/customers between September 7 and 28, 2012.

5 17. On October 3, 2012, the G&T Cooperatives filed a letter supporting the NPRM and
6 urging the Commission to approve the rules.

7 18. On October 10, 2012, GCSECA filed notice that Garkane, Navopache, SSVEC, and
8 Trico had mailed notice of the NPRM to their member/customers between September 6 and 28, 2012.

9 19. On October 15, 2012, Staff filed Staff's Response to Written Comments in the Matter
10 of Proposed Rulemaking Concerning the Processing of Cooperative Utility Rate Cases ("Staff
11 Response I"), which is attached hereto and incorporated herein as Exhibit C-1.

12 20. On October 18, 2012, comments on the NPRM were filed by nine member/customers,
13 with seven expressing support and two expressing opposition.

14 21. On October 18, 2012, an oral proceeding on the NPRM was held at the Commission's
15 offices in Tucson, Arizona, before a duly authorized Administrative Law Judge of the Commission.
16 Staff appeared through counsel and briefly explained the purpose of the NPRM. Oral comments on
17 the NPRM were provided by 16 individuals,² all of whom expressed support for the NPRM.
18 Additionally, seven written comments³ were received, all in support of the NPRM.

19 22. On October 19, 2012, an oral proceeding on the NPRM was held at the Commission's
20 offices in Phoenix, Arizona, before a duly authorized Administrative Law Judge of the Commission.
21 Staff appeared through counsel and briefly explained the purpose of the NPRM. Oral comments on
22 the NPRM were provided by two individuals,⁴ both of whom expressed support for the NPRM.

23 23. On November 13, 2012, Staff filed Staff's Response to Oral Comments in the Matter
24

25 ² These included the Town Manager for the Town of Patagonia, the Chief of Safety and Security for the Sierra Vista
26 Regional Health Center, the Key Account Manager for SSVEC, a Councilman for the City of Benson, two Managers for
27 Southwest Energy, LLC/Apache Nitrogen Products, and a number of individual member/customers.

28 ³ These comments were from Apache Nitrogen Products; the CEO of Northern Cochise Community Hospital, Inc.; the
Mayor of Sierra Vista; the General Manager of The Mall at Sierra Vista; the Superintendent and Chief Financial Officer
of the Sierra Vista Unified School District; the Executive Director of the Sierra Vista Area Chamber; and the Town
Manager for the Town of Patagonia.

⁴ These included the President of AIC and counsel for AEPCO, SWTC, and several other cooperatives.

1 of Proposed Rulemaking Concerning the Processing of Cooperative Utility Rate Cases (“Staff
2 Response II”), which is attached hereto and incorporated herein as Exhibit C-2. In Staff Response II,
3 Staff stated that no revisions to the EIS were needed. Additionally, Staff did not indicate that any
4 changes should be made from the text of Rule 103 and Rule 107 as published in the NPRM.

5 **Authority for this Rulemaking**

6 24. The Commission is authorized to engage in rulemaking under both its constitutional
7 authority and its statutory authority endowed by the legislature. In the NPRM, Staff cited both
8 constitutional authority and statutory authority for this rulemaking.⁵

9 25. Article 15, § 3 of the Arizona Constitution (“Art. 15, § 3”) provides, in pertinent part:

10 The Corporation Commission shall have full power to, and shall, prescribe
11 just and reasonable classifications to be used and just and reasonable rates
12 and charges to be made and collected, by public service corporations
13 within the State for service rendered therein, and make reasonable rules,
14 regulations, and orders, by which such corporations shall be governed in
15 the transaction of business within the State, and may . . . make and enforce
reasonable rules, regulations, and orders for the convenience, comfort, and
safety, and the preservation of the health, of the employees and patrons of
such corporations

16 The Arizona Supreme Court has declared that this constitutional provision gives the Commission
17 exclusive and plenary authority to establish rates and to enact rules that are reasonably necessary
18 steps in ratemaking and, further, that deference must be given to the Commission’s determination of
19 what regulation is reasonably necessary for effective ratemaking.⁶

20 26. The Commission finds that the revisions to Rule 103 and that the new Rule 107, as
21 published in the NPRM, are reasonably necessary for effective ratemaking and, thus, that this
22 rulemaking is wholly authorized under Art. 15, § 3. Thus, the Commission need not consider
23 whether the rulemaking is also authorized under its statutory authority.

24 . . .

25 _____
26 ⁵ Specifically, Staff cited the following: Arizona Const. Art. 15, § 3; A.R.S. §§ 40-202, 40-203, 40-281, 40-282, 40-
321, and 40-322.

27 ⁶ *Arizona Corporation Comm’n v. Woods*, 171 Ariz. 286, 294 (1992) (“*Woods*”) (concluding that the Commission had
28 the authority under its constitutional ratemaking power to enact its Affiliated Interest rules, because they are reasonably
necessary for ratemaking, and giving deference to the Commission’s determination of what regulation is reasonably
necessary for effective ratemaking).

Rationale for the Rulemaking

27. In its EIS, Staff asserted that the new Rule 107 rate case process should benefit eligible cooperative utilities because their legal and consulting costs should be reduced, their rate applications under Rule 107 will be simpler, and the processing timeframes under Rule 107 will be shorter. Staff stated that these cost savings may be passed on to the cooperatives' member/customers. Additionally, Staff asserted that the Commission should benefit from less complicated rate case filings, time savings associated with the shorter review periods, and potentially fewer evidentiary hearings.

28. The cooperatives providing input on the NPRM, and a number of their member/customers, have asserted that the Rule 107 rate case process will benefit the cooperatives through potential savings of 50 to 80 percent in the cost of pursuing a rate case, which is a direct savings to member/customers, and through a rate case process that may be completed in approximately six months rather than 13 months. The cooperatives have asserted that any savings will be passed on to their member/customers.

29. We agree that eligible cooperatives should be significantly benefited by the streamlined Rule 107 rate case process, and we expect those savings to be passed through to their member/customers, some of whom would meet the A.R.S. § 41-1001 definition for small businesses. Additionally, we find that the Commission should benefit from the proposed rulemaking because Rule 107 includes clear, specific, and thorough eligibility and filing requirements for natural gas and electric cooperatives, which should enhance Staff's ability efficiently to review and analyze eligible cooperatives' rate applications. We find that streamlining the rate case process for eligible cooperatives, with the safeguard limitations included in Rule 107, is just and reasonable and in the public interest.

Rulemaking Requirements

30. Although A.R.S. § 41-1057 exempts the Commission from having its rules reviewed by the Governor's Regulatory Review Counsel ("GRRC"), it requires the Commission to adopt substantially similar rule review procedures, to include preparation of an economic impact statement and a statement of the effect of the rule on small business.

1 31. A.R.S. § 41-1044 requires the Attorney General to review rules that are exempt under
2 A.R.S. § 41-1057 and further requires that such rules not be submitted to the Office of the Secretary
3 of State unless first approved by the Attorney General.

4 32. Although Commission rules generally are subject to review and certification by the
5 Attorney General under A.R.S. § 41-1044 before they become effective, Commission rules
6 promulgated pursuant to the Commission's exclusive and plenary constitutional ratemaking authority
7 need not be submitted to the Attorney General for certification. (*State ex rel. Corbin v. Arizona Corp.*
8 *Comm'n*, 174 Ariz. 216, 848 P.2d 301 (Ariz. Ct. App. 1992); *Phelps Dodge Corp. v. Arizona Elec.*
9 *Power Coop.*, 207 Ariz. 95, 83 P.3d 573 (Ariz. Ct. App. 2004).)

10 33. On June 26, 2012, the Governor issued Executive Order 2012-03, essentially
11 extending previous rulemaking moratoriums created by the Legislature⁷ and in effect since fiscal year
12 2009-2010. Executive Order 2012-03 generally prohibits a state agency from conducting rulemaking
13 except for specific purposes and with prior written approval from the Office of the Governor.
14 Executive Order 2012-03 also expressly exempts the Commission from its applicability, although it
15 encourages all exempted state officials and agencies to participate voluntarily within the context of
16 their own rulemaking processes.

17 34. Although Executive Order 2012-03 does not apply to the Commission, the purpose of
18 this rulemaking, to streamline rate cases for eligible nonprofit natural gas and electric cooperatives, is
19 consistent with one of the permissible rulemaking purposes under Executive Order 2012-03: “[t]o
20 lessen or ease a regulatory burden while achieving the same regulatory objective.”

21 35. Because the Commission finds that this rulemaking is being conducted to fulfill the
22 Commission's ratemaking obligation under Art. 15, § 3, and pursuant to its plenary and exclusive
23 ratemaking authority under Art. 15, § 3, the Commission is not required to obtain Attorney General
24 certification of this rulemaking under A.R.S. § 41-1044 and may instead submit a Notice of Final
25 Rulemaking directly to the Office of the Secretary of State for publication.

26 . . .

27
28 ⁷ See Laws 2010, Ch. 287, § 18 (amending Laws 2009 (3rd Special Session) Ch. 7, § 28).

1 **Public Comments & Staff's Recommendations**

2 36. The cooperatives have expressed strong support for this rulemaking, asserting that the
3 Rule 107 rate case process will be more efficient and cost effective, benefiting both cooperative
4 member/customers and Arizona taxpayers. Their comments, along with the other comments received
5 on the NPRM, are summarized in Exhibit D, which is attached hereto and incorporated herein.
6 Exhibit D also includes the Commission's responses to the comments received.

7 37. We find that the summary of comments and the Commission's responses to those
8 comments, as set forth in Exhibit D, are reasonable and appropriate and should be included in the
9 Preamble for a Notice of Final Rulemaking in this matter.

10 **Probable Economic Impacts**

11 38. Staff's EIS is attached hereto as Exhibit B. We find that the information included in
12 Exhibit B is accurate and should be included in the EIS for this rulemaking.

13 39. We find that the information included in the EIS substantially conforms to the
14 requirements of A.R.S. § 41-1055.⁸

15 **Resolution**

16 40. The proposed revisions to Rule 103 and the proposed new Rule 107, as set forth in the
17 NPRM attached hereto as Exhibit A, are just and reasonable and in the public interest and will be
18 adopted by the Commission.

19 41. The proposed Rule 103 and Rule 107, as set forth in the NPRM attached hereto as
20 Exhibit A, should be submitted directly to the Office of the Secretary of State in the form of a Notice
21 of Final Rulemaking package conforming to the requirements of A.R.S. § 41-1001(15)(d) and the
22 Rules of the Office of the Secretary of State.⁹ The Final Rulemaking package should include a
23 separate Economic, Small Business, and Consumer Impact Statement containing the information
24 included in the EIS filed by Staff.

25 . . .

26 _____
27 ⁸ Although A.R.S. § 41-1057 exempts the Commission from having its rules reviewed by GRRC and from application
28 of A.R.S. § 41-1055, it also requires the Commission to adopt substantially similar rule review procedures, to include
preparation of an economic impact statement and a statement of the effect of the rule on small business.

⁹ See, e.g., A.A.C. R1-1-105(D), R1-1-601, and R1-1-602.

CONCLUSIONS OF LAW

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1. Pursuant to Arizona Constitution, Art. 15, § 3, the Commission has authority and jurisdiction to amend A.A.C. Title 14, Chapter 2, Article 1 by revising Rule 103 and adopting Rule 107 as reflected in the NPRM attached hereto as Exhibit A.

2. The revised Rule 103 and the new Rule 107, as set forth in Exhibit A, are reasonably necessary steps for effective rulemaking.

3. Because the Commission is adopting the revised Rule 103 and the new Rule 107 under its exclusive and plenary constitutional ratemaking authority to fulfill its constitutional ratemaking obligation under Art. 15, § 3, the Commission is not required to submit this rulemaking to the Attorney General’s office for certification under A.R.S. § 41-1044.

4. Notice of the oral proceedings regarding the NPRM was provided in the manner prescribed by law.

5. The revisions to Rule 103 and the new Rule 107, as set forth in Exhibit A and to be included in a Notice of Final Rulemaking, contain no substantial changes from the proposed rules as published in the NPRM.

6. The revisions to Rule 103 and the new Rule 107, as set forth in Exhibit A, are clear, concise, and understandable; within the Commission’s power to make; within enacted legislative standards; and made in compliance with appropriate procedures.

7. Adoption of the revisions to Rule 103 and the new Rule 107, as set forth in Exhibit A, is just and reasonable and in the public interest.

8. A separate Economic, Small Business, and Consumer Impact Statement that includes the information contained in the EIS filed by Staff should be adopted.

9. The summary of the written and oral comments received regarding the NPRM and the Commission’s responses to those comments, as set forth in Exhibit D, are accurate, comply with A.R.S. § 41-1001(15)(d), and should be included in the Preamble for the Notice of Final Rulemaking for this matter.

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ORDER

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IT IS THEREFORE ORDERED that the Commission hereby adopts the revised Arizona Administrative Code R14-2-103 and the new section R14-2-107, as set forth in Exhibit A hereto.

IT IS FURTHER ORDERED that the Commission's Utilities Division Staff/Legal Division Staff shall create a separate Economic, Small Business, and Consumer Impact Statement that contains the information contained in the EIS filed by Staff, attached hereto as Exhibit B, and that the Commission hereby adopts the separate Economic, Small Business, and Consumer Impact Statement so created.

IT IS FURTHER ORDERED that the Commission's Utilities Division Staff/Legal Division Staff shall prepare and file with the Office of the Secretary of State, for publication as an approved final rule, a Notice of Final Rulemaking that includes the text of the revised R14-2-103 and the new R14-2-107, as set forth in Exhibit A, and a Preamble that conforms to Arizona Revised Statutes § 41-1001(15)(d) and includes a summary of comments and Commission responses as set forth in Exhibit D. The Commission's Utilities Division Staff/Legal Division Staff shall also file with the Office of the Secretary of State the separate Economic, Small Business, and Consumer Impact Statement required to be created as described above along with any additional documents required by the Office of the Secretary of State for publication and codification.

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1 IT IS FURTHER ORDERED that the Commission's Utilities Division Staff/Legal Division
2 Staff is authorized to make non-substantive changes in the adopted Arizona Administrative Code
3 R14-2-103 and R14-2-107, as set forth in Exhibit A; the adopted Economic, Small Business, and
4 Consumer Impact Statement; and any additional documents required by the Office of the Secretary of
5 State in response to comments received from the Office of the Secretary of State during the
6 publication and/or codification process unless, after notification of those changes, the Commission
7 requires otherwise.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

10
11
12 CHAIRMAN _____ COMMISSIONER

13
14 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER

15
16 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
17 Executive Director of the Arizona Corporation Commission,
18 have hereunto set my hand and caused the official seal of the
19 Commission to be affixed at the Capitol, in the City of Phoenix,
20 this _____ day of _____, 2012.

21
22 _____
23 ERNEST G. JOHNSON
24 EXECUTIVE DIRECTOR

25
26 DISSENT _____

27
28 DISSENT _____

1	SERVICE LIST FOR:	RULEMAKING
2	DOCKET NO.:	RU-00000A-12-0270
3	Creden W. Huber	J. Tyler Carlson
4	Sulphur Springs Valley Electric Cooperative, Inc.	Mohave Electric Cooperative, Inc.
	350 N. Haskell	P.O. Box 1045
	Willcox, AZ 85643	Bullhead City, AZ 86430
5	Vincent Nitido	Charles R. Moore
6	Trico Electric Cooperative, Inc.	Navopache Electric Cooperative, Inc.
	P.O. Box 930	1878 W. White Mountain Blvd.
7	Marana, AZ 85653-0930	Lakeside, AZ 85929
8	Patrick F. Ledger	Michael Patten
	Arizona Electric Power Cooperative, Inc.	Jason D. Gellman
	Southwest Transmission Cooperative, Inc.	Roshka, DeWulf & Patten PLC
9	P.O. Box 2165	One Arizona Center
	Benson, AZ 85602	400 E. Van Buren St., Suite 800
10	John Wallace	Phoenix, AZ 85004
11	Grand Canyon State Electric Cooperative	Michael A. Curtis
	Association, Inc.	William P. Sullivan
12	2210 S. Priest Dr.	Curtis, Goodwin, Sullivan, Udall & Schwab PLC
	Tempe, AZ 85282-1109	501 E. Thomas Rd.
		Phoenix, AZ 85012-3205
13	C. Webb Crockett	Michael M. Grant
	Fennemore Craig	Gallagher & Kennedy PA
14	3003 N. Central Ave., Suite 2600	2575 E. Camelback Rd.
	Phoenix, AZ 85012-2913	Phoenix, AZ 85016-9225
15	Chris Martinez	Jeffrey W. Crockett
16	Columbus Electric Cooperative, Inc.	Brownstein, Hyatt, Farber & Schreck
	P.O. Box 631	1 E. Washington St., Suite 2400
17	Deming, NM 88031	Phoenix, AZ 85004-0001
18	LaDel Laub	Russell E. Jones
	Dixie-Escalante Rural Electric Association, Inc.	Waterfall, Economidis, Caldwell, Hanshaw &
19	HC 76 Box 95	Villamana PC
	Beryl, UT 84714-5197	5210 E. Williams Circle, Suite 800
20	Michael Pearce	Tucson, AZ 85711-7497
	Duncan Valley Electric Cooperative, Inc.	Charles C. Kretek
21	P.O. Box 440	Kretek Law Office, LLC
	Duncan, AZ 85534-0440	P.O. Box 2641
22	Carl R. Albrecht	Deming, NM 88031-2641
	Garkane Energy Cooperative, Inc.	Janice M. Alward, Chief Counsel
23	P.O. Box 465	Legal Division
24	Loa, UT 84747	Arizona Corporation Commission
	Steve Lines	1200 W. Washington St.
25	Graham County Electric Cooperative, Inc.	Phoenix, AZ 85007
	Graham County Utilities, Inc.	Steven M. Olea, Director
26	P.O. Drawer B	Utilities Division
	Pima, AZ 85543	Arizona Corporation Commission
27		1200 W. Washington St.
28		Phoenix, AZ 85007

Arizona Administrative Register / Secretary of State

Notices of Proposed Rulemaking

6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None

7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

8. The preliminary summary of the economic, small business, and consumer impact:

Cooperative utilities meeting eligibility requirements should benefit from reduced legal and consulting costs from simpler rate filings and shorter processing time-frames. However, cooperative utilities may file rate cases more frequently.

Consumers of cooperative utilities should benefit as cooperative utilities pass on the cost savings of the simplified process to their ratepayers. However, consumers may experience more frequent rate cases being filed. Some small businesses are consumers of cooperative utilities.

9. The agency's contact person who can answer questions about the economic, small business and consumer impact statement:

Name: Charles Hains, Commission Counsel, Legal Division
 Address: 1200 W. Washington St.
 Phoenix, AZ 85007
 Telephone: (602) 542-3402
 Fax: (602) 542-4870
 E-mail: Chains@azcc.gov

10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Public comment will be held on October 18, 2012, beginning at 10:00 a.m. or as soon as practicable thereafter, in Room 222 at the Commission's offices located at 400 W. Congress St., Tucson, AZ 85701 and on October 19, 2012, at 10:00 a.m. or as soon as practicable thereafter, in Hearing Room No. 1 at 1200 W. Washington St., Phoenix, AZ 85007. Written comments can be submitted to Docket Control at either of the above addresses by October 9, 2012. Please reference Docket No. RU-0000A-12-0270. Oral comments may be provided at the proceedings to be held on October 18 and 19, 2012.

11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:

None

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:

Not applicable

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

Not applicable

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:

Not applicable

12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:

None

13. The full text of the rules follows:

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
 SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION
 FIXED UTILITIES

*Arizona Administrative Register / Secretary of State***Notices of Proposed Rulemaking****ARTICLE 1. GENERAL PROVISIONS**

Section

- R14-2-103. Defining Filing Requirements in Support of a Request by a Public Service Corporation Doing Business in Arizona for a Determination of the Value of Property of the Corporation and of the Rate of Return Thereon, or in Support of Proposed Increased Rates or Charges
- R14-2-107. Electric or Natural Gas Cooperative Alternative Rate Application Filing Requirements and Process

ARTICLE 1. GENERAL PROVISIONS

- R14-2-103. Defining Filing Requirements in Support of a Request by a Public Service Corporation Doing Business in Arizona for a Determination of the Value of Property of the Corporation and of the Rate of Return Thereon, or in Support of Proposed Increased Rates or Charges**

A. Purpose and definitions

1. No change
2. No change
3. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 - g. "Filing" – An application and required schedules, exhibits or other documents filed by a public service corporation to initiate any rate proceeding ~~enumerated in subsection (A)(1) under this Section~~. For all Class A and B utilities and for Class C electric and gas utilities, the filing shall include direct testimony in support of the application. For Class C water, sewer, and telephone utilities and for all Class D and E utilities, the filing shall include a written description of the components of the application. Nothing in this Section shall be construed to prohibit a public service corporation, prior to making a filing, from giving the Commission informal pre-filing notice of its intent to make a filing. Such pre-filing notice would permit the Commission, on a tentative basis, to assign a hearing date and would permit agreement on an appropriate test year.
 - h. No change
 - i. No change
 - j. No change
 - k. No change
 - l. No change
 - m. No change
 - n. No change
 - o. No change
 - p. No change
 - q. No change
 - r. No change

B. Filing requirements:

1. Information required from Class A, B, C and D utilities ~~except for electric distribution cooperatives whose filing requirements are detailed in subsection (B)(3)~~: The information required to be prepared and submitted by Class A, B, C and D Utilities in conjunction with a filing is presented below. Corresponding schedule formats are contained in the Appendix of this General Order and denoted. These formats are not applicable to Class E utilities. The Appendix schedule formats A-1 through A-5 are a part of this General Order, and the Applicant's schedules should conform to these formats. All other Appendix schedule formats and descriptions are illustrative and the applicant's specific formats may vary from that suggested in the Appendix. The substantive information requested, both on the Appendix schedule and in the body of this General Order, however, must be contained on the applicant's schedules together with the titles and schedule numbers provided in the Appendix. Specific information items requested on the Appendix schedules may be omitted without formal waiver, from the filing where it is evident that said items are not applicable to the applicant's business. The instructions and notes contained on the Appendix schedules shall be followed where applicable. Reconstruction Cost New Depreciated information not filed by the applicant shall be deemed waived.

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Information	Filing Required by	Appendix Schedule Reference(s)
A. Summary Information:		
1. A summary of the increase in revenue requirements and the spread of the revenue increase by customer classification.	All classes	A-1
2. A summary of the results of operations for the test year and for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.	All classes	A-2
3. A summary of the capital structure for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.	Classes A & B	A-3
4. Construction expenditures and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.	All classes	A-4
5. A summary of changes in financial position for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.	Classes A & B	A-5
B. Rate Base Information:		
1. A schedule showing the elements of original cost and RCND rate bases.	All classes	B-1
2. A schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.	All classes	B-2
3. A schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the RCND rate base.	All classes	B-3
4. A schedule demonstrating the determination of reproduction cost new less depreciation at the end of the test period.	All classes	B-4
5. A schedule showing the computation of working capital allowance.	All classes	B-5
C. Test Year Income Statements:		
1. A test year income statement, with pro form adjustments.	All classes	C-1
2. A schedule showing the detail of all pro forma adjustments.	All classes	C-2
3. A schedule showing the incremental taxes and other expenses on gross revenues and the computation of an incremental gross revenue conversion factor.	All classes	C-3
D. Cost of Capital Information:		
1. A schedule summarizing the elements in the capital structure at the end of the test year and the projected year, their related costs and the computation of the total cost of capital.	All classes	D-1
2. A schedule showing the detail of long-term and short-term debt at the end of the test year and the projected year and their total cost.	Classes A & B	D-2
3. A schedule showing the detail of preferred stock at the end of the test year and the projected year, and their total cost.	Classes A & B	D-3
4. A schedule summarizing conclusions of the required return on the common equity as of the end of the test year and the projected year.	Classes A & B	D-4
E. Financial Statements and Statistical Data:		
1. Comparative balance sheets for the end of the test year and the 2 fiscal years ended prior to the end of the test year.	All classes	E-1
2. Comparative income statements for the test year and the 2 fiscal years ended prior to the end of the test year.	All classes	E-2
3. Comparative statements of changes in financial position for the test year and the 2 fiscal years ended prior to the end of the test year.	Classes A & B	E-3
4. Statements of changes in stockholder's equity for the test year and the 2 fiscal years ended prior to the end of the test year.	Classes A & B	E-4
5. A comparative schedule showing by detail account number, utility plant balances at the end of the test year and the end of prior fiscal year.	All classes	E-5
6. Comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the end of the test year.	All classes of combination utilities	E-6
7. Comparative operating statistics on customers, consumption, revenues, and expenses for the test year and the 2 fiscal years ended prior to the end of the test year.	All classes	E-7
8. A comparative schedule of all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the end of the test year.	All classes except Class D	E-8
9. Audited financial statements, if available, for the test year and the 2 fiscal years ended prior to the end of the test year. If the financial statements have not been audited, notes to the financial statements should be provided to indicate accounting method, depreciation lives and methods, income tax treatment and other important disclosures.	All classes	E-9
F. Projections and Forecasts:		
1. A projected income statement for the projected year compared with actual test year results, at present rates and proposed rates.	All classes	F-1
2. Projected changes in financial position for the projected year compared with the test year, at present rates and proposed rates.	Classes A & B	F-1

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Information	Filing Required by	Appendix Schedule Reference(s)
3. Projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year, compared with the test year.	Classes A & B 3 years Classes C & D 1 year	F-3
4. Important assumptions used in preparing forecasts and projections.	All classes	F-4
G. Cost of Service Information		
A utility shall submit cost of service analyses and studies if all of the following conditions prevail:		
1. The utility is in a segment of the utility industry that recognizes cost of service studies as important tools for rate design.		
2. Costs incurred by the utility are likely to vary significantly from 1 defined segment of customers to another.		
A historical accounting period other than the test year may be used for cost of service purposes provided that customer mix in the historical period used is representative of the test year. When a cost of service analysis is required, the following information shall be submitted:		
1. Schedule showing rates of return by customer classification at present and proposed rates.	Classes A, B and C if applicable	G-1 G-2
2. Schedules showing the approach used in allocating or assigning plant and expenses to classes of service and defined functions.	Classes A, B and C if applicable	G-3 G-4 G-5 G-6 G-7
3. Schedules showing the development of all allocation factors used in the all allocation factors used in the cost of service study.	Classes A, B and C if applicable	G-7
H. Effect of Proposed Rate Schedules:		
1. A comparison of revenues by customer classification or other classification of revenues for the test year, at present and proposed rates.	All classes	H-1
2. A comparison of revenues by class of service and by rate schedule for the test year, at present and proposed rates.	Classes A & B	H-2
3. A comparison of present and proposed rate schedules or representative rate schedules.	Class A representative schedules; Classes B, C and D - all schedules	H-3
4. Typical bill analysis	All classes	H-4
5. Bill count	All classes	H-5

2. No change

3. ~~Information required from distribution electric cooperatives: The information to be prepared and submitted in support of a filing is as follows: A cooperative, as defined in R14-2-107, may initiate a rate proceeding by preparing and submitting a filing under this Section or, if eligible, by following the requirements of R14-2-107.~~

- a. ~~Rural Electrification Association (REA) Form 7 (pages 1 and 2, revised 10-86; pages 3 through 7, revised 12-83), prepared in accordance with "Instructions for the Preparation of the Financial and Statistical Report, REA Form 7" and REA Bulletin 181-1 "Uniform System of Accounts prescribed for electric borrowers of the Rural Electrification Administration," dated January 1, 1978, all of which are incorporated by reference and on file in the Office of the Secretary of State and the most recent audit report for the last fiscal year information contained in Form 7.~~
- b. ~~If a distribution electric cooperative wishes to have the Reconstruction Cost New value of its utility plant considered in the determination of its Fair Value, the cooperative shall, in addition, submit a schedule similar to Part E of REA Form 7, substituting appropriate Reconstruction Cost New information for Original Cost information required by Part E.~~
- e. ~~A bill count for each rate schedule in the format of Schedule H-5.~~
- d. ~~A schedule comparing revenues by customer classification for the test year, at present and proposed rates, in the format of Schedule H-1.~~
- e. ~~A schedule listing long term debt obligations.~~
- f. ~~A schedule of times interest earned ratios (TIER) for each month of the test year, the prior year, and one projected year in the following format:~~

Test Year	Prior	Projected
Ending	Year	Year

January
 February
 March
 April

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May
 June
 July
 August
 September
 October
 November
 December

~~g. Nothing in this rule shall be construed to prevent a distribution electric cooperative from filing any additional schedules which it may wish to have considered by the Commission. If applicable, formats suggested in the Appendix schedule formats should be used.~~

4. No change
5. No change
6. No change
7. No change
8. No change
9. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
10. No change
11. No change
 - a. No change
 - b. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - v. No change
 - c. No change
 - d. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - v. No change
 - e. No change
 - i. No change
 - ii. No change
 - f. No change
 - g. No change
 - h. No change

Appendix. Arizona Corporation Commission; Regulation R14-2-103; Rate Application Filing Requirements; Index of Schedules

No change

Appendix A. Summary Schedules

No change

Appendix B. Rate Base Schedules

No change

Appendix C. Test Year Income Statements

No change

Appendix D. Cost of Capital

No change

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Appendix E. Financial Statements and Statistical Schedules

No change

Appendix F. Projections and Forecasts

No change

Appendix G. Cost of Service Analyses

No change

Appendix H. Effect of Proposed Tariff Schedules

No change

R14-2-107. Electric or Natural Gas Cooperative Alternative Rate Application Filing Requirements and Process**A. Definitions. In this Section, unless otherwise specified:**

1. "Base revenue" means the revenue generated by permanent rates and charges, excluding:
 - a. Revenue generated through adjustor mechanisms, and
 - b. Revenue generated through miscellaneous service charges.
2. "CFC" means the National Rural Utilities Cooperative Finance Corporation.
3. "Commission" means the Arizona Corporation Commission.
4. "Cooperative" means a legal entity that is:
 - a. A domestic corporation or a foreign corporation authorized to transact business in this state.
 - b. Operated as a not-for-profit or non-profit.
 - c. Owned and controlled by its members, and
 - d. Operating as a public service corporation in this state by providing either electric utility services or natural gas utility services.
5. "Docket Control" means the organizational unit within the Commission's Hearing Division that accepts, records, and maintains filings.
6. "FERC" means the Federal Energy Regulatory Commission.
7. "File" means to submit to Docket Control, with the required number of copies and in an acceptable format, for recording under an appropriate docket number.
8. "Full permanent rate case decision" means a Commission decision:
 - a. Issued on an application filed under R14-2-103 and not under this Section.
 - b. In which the Commission ascertained the fair value of a public service corporation's property within Arizona and established a schedule of rates and charges for the public service corporation's provision of utility services within Arizona, and
 - c. Not issued under A.R.S. § 40-252.
9. "Non-price tariff change" means modification of one or more tariff provisions, either through altering existing tariff language or adding new tariff language, in a manner that substantively alters a requirement other than a rate or charge.
10. "Rate schedule" means a schedule of rates and conditions for a specific classification of customer or for other specific services.
11. "Rate structure change" means any of the following:
 - a. Introduction of a new rate schedule.
 - b. Elimination of an existing rate schedule.
 - c. A change in base revenue generated by any one rate class greater than 150% of the overall base revenue increase.
 - d. A change greater than 25% in the customer charge within a rate schedule for residential customers, or
 - e. A change in the rate blocks or the percentage relationship of the prices among rate blocks.
12. "RUS" means United States Department of Agriculture, Rural Utilities Service.
13. "Staff" has the same meaning as in R14-2-103.
14. "Test year" means the one-year historical period used in determining rate base, operating income, and rate of return, which shall have an ending date within nine months before the filing date for a rate application under this Section and shall include at least six months during which a cooperative's current rates and charges were in effect.
15. "Timely" means in the manner and before the deadline prescribed in this Section.

B. Eligibility Requirements. A cooperative may file and pursue a rate application under this Section rather than R14-2-103 if all of the following eligibility requirements are met:

1. The cooperative is classified as a Class A, B, or C utility under R14-2-103(A)(3)(q);
2. A full permanent rate case decision for the cooperative has been issued within the 180-month period immediately preceding the filing of the cooperative's rate application;
3. The cooperative has not filed a rate application under this Section within the 12 months immediately preceding the filing of the cooperative's rate application;

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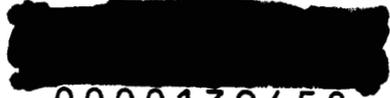
4. The cooperative's rate application is the first, second, third, fourth, or fifth rate application filed by the cooperative under this Section since its last full permanent rate case decision was issued;
 5. The cooperative is required by law or contract to make a certified annual financial and statistical report to a federal agency, such as RUS or FERC, or an established national non-profit lender that specializes in the utility industry, such as CFC or CoBank;
 6. The test year used in the cooperative's rate application complies, without waiver, to the definition of a test year in subsection (A);
 7. The cooperative's rate application includes audited financials for a period ending no more than nine months before the beginning of the test year;
 8. The cooperative's rate application does not propose an increase in total base revenue amounting to more than 6% of the actual test year total base revenue;
 9. The cooperative's rate application uses its original cost rate base as its fair value rate base;
 10. The cooperative's rate application proposes only a change in rates and charges and does not propose any of the following:
 - a. A change in an existing adjustor or surcharge mechanism;
 - b. Adoption of a new adjustor or surcharge mechanism, unless incorporating a charge or charges otherwise previously approved by the Commission; or
 - c. Adoption of a new hook-up fee or another new type of fee;
 11. The cooperative's rate application does not propose a rate structure change or a non-price tariff change;
 12. The cooperative's rate application does not request financing approval or other approvals and does not request consolidation with another docket;
 13. The customer notice provided by the cooperative conformed to the requirements of subsection (D) and was approved by Staff;
 14. For a distribution cooperative, the objections timely submitted by the cooperative's customers represent no more than 5% of all customer accounts or no more than 1,000 customer accounts, whichever is fewer; and
 15. For a generation or transmission cooperative, no member distribution cooperative has filed a timely objection to the application, and the objections timely submitted by retail customers served by member distribution cooperatives represent no more than 3,000 customer accounts.
- C. Pre-Filing Requirements.** Before filing a rate application under this Section, a cooperative shall:
1. Analyze the cooperative's eligibility under subsection (B);
 2. Submit to Staff, in both hard copy and electronic (with formulae intact) formats, a Request for Pre-Filing Eligibility Review, which shall include a draft application including the items and information described in subsections (E)(1) through (6), a copy of the Proposed Form of Notice to be sent to the cooperative's customers, and a Proposed Form of Recommended Order;
 3. No sooner than 30 days after the date Staff receives the Request for Pre-Filing Eligibility Review, meet with Staff to discuss the cooperative's eligibility under subsection (B) and any Staff modifications to the Proposed Form of Notice;
 4. After meeting with Staff, if the cooperative decides to pursue a rate application under this Section, file a Request for Docket Number and Proposed Form of Notice for Staff approval; and
 5. At least 20 days before filing a rate application under this Section, provide Notice of the application, conforming to the requirements of subsection (D) and as approved by Staff, as follows:
 - a. If a distribution cooperative, by sending the Notice, by First Class Mail, to each of the cooperative's customers; and
 - b. If a generation or transmission cooperative, by publishing the Notice in at least one newspaper of general circulation in the service territory of each member distribution cooperative served and by sending the Notice, by First Class Mail, to each member distribution cooperative served.
- D. Notice Requirements.** A cooperative shall ensure that the Notice sent as required under subsection (C)(5) is in a form approved by Staff and that it includes, at a minimum, all of the following:
1. The cooperative's name and contact information;
 2. The docket number assigned to the cooperative's rate application proceeding;
 3. A summary of the rate relief requested by the cooperative in its rate application;
 4. For a distribution cooperative, the monthly bill impact to a residential customer with average usage and to a residential customer with median usage if the requested rate relief were granted by the Commission;
 5. For a distribution cooperative, the monthly bill impact to a residential customer with average usage and to a residential customer with median usage if the cooperative were granted rate relief equal to a 6% increase of the actual test year total base revenue;
 6. For a generation or transmission cooperative, the estimated rate and revenue impact to each member distribution cooperative served if the requested rate relief were granted by the Commission;
 7. Instructions for viewing or obtaining filed documents;
 8. Information regarding the Commission's process under this Section;

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9. The deadline to file intervention requests and objections, which shall be a date no earlier than 30 days after the date Notice is mailed to customers;
 10. Instructions for requesting intervention and submitting objections; and
 11. Information regarding disability accommodations.
- E. Filing Requirements.** No later than 50 days after completing the provision of Notice as required by subsection (C)(5), a cooperative may file in the assigned docket a rate application under this Section, which shall include the following:
1. The legal name of the cooperative and identification of the test year;
 2. A waiver of the use of reconstruction cost new rate base to determine the cooperative's fair value rate base;
 3. A copy of the most recent certified annual financial and statistical report submitted by the cooperative to a federal agency, such as RUS or FERC, or an established national non-profit lender that specializes in the utility industry, such as CFC or CoBank;
 4. A copy of audited financials for the cooperative, for a period ending no earlier than nine months before the beginning of the test year;
 5. The information listed in the table in R14-2-103(B)(1) for Schedules A-1, A-4, and A-5, which shall be submitted in the format provided in Appendix Schedules A-1, A-4, and A-5;
 6. The information listed in the table in R14-2-103(B)(1) for Schedules B-2, B-5, C-1, C-2 (if applicable), C-3 (if a taxable entity), D-2, E-1, E-2 (with the same year-ending date as the test year and the same level of detail as shown for the test year in Schedule C-1), E-5 through E-7, E-8 (if a taxable entity), E-9, F-1, F-2, F-3, F-4, and H-1 through H-5, which:
 - a. Shall be included on schedules labeled consistently with and containing the substantive information corresponding to the Appendix Schedules,
 - b. Shall conform to the instructions and notes contained on the corresponding Appendix Schedules,
 - c. May be submitted in the format provided in the Appendix Schedules or formatted in an alternate manner, and
 - d. May omit information that is not applicable to the cooperative's operations;
 7. A copy of the Notice sent and, if applicable, published, as required under subsection (C)(5); and
 8. Proof that the Notice was sent and, if applicable, published, as required under subsection (C)(5), at least 20 days, and no more than 50 days, before the date the rate application is filed.
- F. Pre-Eligibility-Review Objections and Requests.** Any person desiring to object to the cooperative's rate application or to request intervention in the cooperative's rate case shall file an objection or request no later than the date specified in the Notice provided pursuant to subsection (C)(5).
- G. Late Objections.** In determining the cooperative's eligibility to proceed with its rate application under this Section, Staff shall not consider any objection that is filed after the deadline in the Notice provided pursuant to subsection (C)(5).
- H. Eligibility and Sufficiency Review.** Within 14 days after the deadline for objections and intervention requests specified in the Notice provided pursuant to subsection (C)(5), Staff shall:
1. Review the cooperative's rate application, along with any objections timely filed under subsection (F), to determine whether the cooperative is eligible, under subsection (B), to pursue its rate application under this Section;
 2. File either a Notice of Eligibility or a Notice of Ineligibility;
 3. If the cooperative is eligible, complete the following:
 - a. Conduct a sufficiency review of the cooperative's rate application,
 - b. Determine whether the rate application complies with the requirements of subsection (E), and
 - c. File either a Notice of Sufficiency that classifies the cooperative as provided in R14-2-103(A)(3)(q) or a Notice of Deficiency that lists and explains each defect in the rate application that must be corrected to make the rate application sufficient.
- I. Eligibility and Sufficiency Determinations.** Staff's determinations of eligibility, ineligibility, sufficiency, and deficiency are final and are not Commission decisions or Commission orders under A.R.S. §§ 40-252 and 40-253.
- J. Request for Processing under R14-2-103.** Within 30 days after a Notice of Ineligibility is filed, a cooperative may file a Request for Processing under R14-2-103. If a cooperative files a Request for Processing under R14-2-103, all further activity under this Section shall cease, and the cooperative's rate application shall be deemed a new rate application, filed under R14-2-103, on the date the Request for Processing under R14-2-103 is filed.
- K. Docket Closure.** If a Request for Processing under R14-2-103 is not filed within 30 days after a Notice of Ineligibility is filed, the Hearing Division shall issue a procedural order administratively closing the docket.
- L. Action on Notice of Deficiency.** After Staff files a Notice of Deficiency:
1. The cooperative shall promptly address each defect listed in the Notice of Deficiency and file all necessary corrections and information to bring the rate application to sufficiency; and
 2. Within 14 days after receiving the cooperative's corrections and information, Staff shall again take the actions described in subsections (H)(3) through (5).
- M. Substantive Review and Staff Report.** After Staff files a Notice of Sufficiency, Staff shall:
1. Conduct a substantive review of the rate application,
 2. Prepare a Staff Report that shall include Staff's recommendations and may include a Request for Hearing that com-

EXHIBIT B

ORIGINAL



0000139458

MEMORANDUM
RECEIVED

2012 SEP - 1 P 2:05

Arizona Corporation Commission

DOCKETED

SEP 07 2012

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DOCKETED BY
ZSM

DATE: September 7, 2012

RE: IN THE MATTER OF PROPOSED RULEMAKING CONCERNING THE
PROCESSING OF COOPERATIVE UTILITY RATE CASES (DOCKET NO. RU-
00000A-12-0270)

Attached is the Economic, Small Business, and Consumer Impact Statement that addresses the economic impacts of the proposed rules to allow an alternative rate processing procedure for cooperative utilities, filed in compliance with Decision No. 73287.

SMO:BEK:sms

Originator: Barbara Keene

SERVICE LIST FOR: PROPOSED RULEMAKING CONCERNING THE PROCESSING OF
COOPERATIVE UTILITY RATE CASES

DOCKET NO. RU-00000A-12-0270

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Willcox, Arizona 85643

Mr. Vincent Nitido
Trico Electric Cooperative, Inc.
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Marana, Arizona 85653-0930

Mr. Patrick F. Ledger
Arizona Electric Power Cooperative, Inc.
Southwest Transmission Cooperative, Inc.
P.O. Box 2165
Benson, Arizona 85602

Mr. John V. Wallace
Grand Canyon State Electric Cooperative
Association, Inc.
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Tempe, Arizona 85282-1109

Mr. C. Webb Crockett
Fennemore Craig
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Phoenix, Arizona 85012-2913

Chris Martinez
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LaDel Laub
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Mr. Carl R. Albrecht
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Loa, Utah 84747

Mr. Steve Lines
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Graham County Utilities, Inc.
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Mr. J. Tyler Carlson
Mohave Electric Cooperative, Inc.
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Mr. Jason D. Gellman
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Mr. William P. Sullivan
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Mr. Russell E. Jones
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& Villamana PC
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A.R.S. § 41-1055.

B. Economic, Small Business and Consumer Impact Statement

1. Identification of the proposed rule making.

The purpose of the proposed rules would be to amend R14-2-103 and add R14-2-107 to allow an alternative rate processing procedure for cooperative utilities. The amendments to R14-2-103 would delete the current specified filing requirements for electric distribution cooperative utilities. The new rule R14-2-107 would provide a streamlined ratemaking process for cooperatives providing electric or natural gas utility service that meet certain conditional requirements.

2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rule making.

- a. customers of electric service provided by cooperatives in Arizona;
- b. customers of natural gas service provided by cooperatives in Arizona;
- c. cooperatives providing electric or natural gas utility service; and
- d. Arizona Corporation Commission.

3. Cost-benefit analysis.

a. Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rule making.

Probable costs to the Commission of the proposed rule making would include costs resulting from more frequent rate case filings, and costs associated with reviewing filings and participating in meetings and hearings. Probable benefits to the Commission of the proposed rule making would include less complicated rate case filings, time savings associated with a shorter review for each filing, and possibly not needing to participate in evidentiary hearings. It is not anticipated that any new full-time employees are needed to implement the proposed rule.

To the extent that other agencies are customers of cooperative utilities, the agencies should benefit as cooperative utilities pass the cost savings of the simplified process to their ratepayers. However, customers may experience more frequent rate cases being filed.

b. Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rule making.

To the extent that political subdivisions are customers of cooperative utilities, the political subdivisions should benefit as cooperative utilities pass the cost savings of the simplified process to their ratepayers. However, customers may experience more frequent rate cases being filed.

c. **Probable costs and benefits to businesses directly affected by the proposed rule making, including any anticipated effect on the revenues or payroll expenditures of employers who are subject to the proposed rule making.**

Cooperative utilities meeting eligibility requirements should benefit from reduced legal and consulting costs from simpler rate filings and shorter processing timeframes. However cooperative utilities may file rate cases more frequently. Payroll expenditures of cooperative utilities will probably not be affected. These benefits or costs may be passed or recovered through the cooperative utilities' rates to customers. Revenues of cooperative utilities would be reduced or increased as a result of the rate case filings.

4. **Probable impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by the proposed rule making.**

The cooperative utilities may need fewer contractors. No impact on employment in political subdivisions is expected.

5. **Probable impact of the proposed rule making on small businesses.**

a. **Identification of the small businesses subject to the proposed rule making.**

To the extent that small businesses are customers of cooperative utilities, the small businesses should benefit as cooperative utilities pass the cost savings of the simplified process to their ratepayers. However, customers may experience more frequent rate cases being filed.

The proposed rules would apply to cooperative utilities, some of whom may be small businesses.

b. **Administrative and other costs required for compliance with the proposed rule making.**

None.

ORIGINAL

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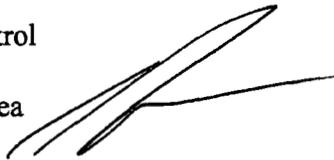
MEMORANDUM

AZ CORP. COMM. DIV.
DOCKET CONTROL

2012 OCT 15 PM 2 55

TO: Docket Control

FROM: Steve M. Olea
Director
Utilities Division



DATE: October 15, 2012

RE: STAFF'S RESPONSE TO WRITTEN COMMENTS IN THE MATTER OF
PROPOSED RULEMAKING CONCERNING THE PROCESSING OF
COOPERATIVE UTILITY RATE CASES (DOCKET NO. RU-00000A-12-0270)

Attached is the Staff Report regarding written comments made by interested parties on Proposed Rulemaking Concerning the Processing of Cooperative Utility Rate Cases, pursuant to Decision No. 73287. Decision No. 73287 ordered the Utilities Division to file with the Commission's Docket Control on or before October 15, 2012, a document including (1) a summary of any written comments filed by interested persons between the effective date of that Decision (August 10, 2012) and October 9, 2012, and (2) the Utilities Division's responses to those comments.

SMO:BEK:sms

Originator: Barbara Keene

Arizona Corporation Commission
DOCKET CONTROL
OCT 15 2012
DOCKET CONTROL
JSM

Rulemaking
October 7, 2012

Docket No. RU-00000A-12-0270

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- c. **A description of the methods that the agency may use to reduce the impact on small businesses.**

Not applicable.

- d. **Probable cost and benefit to private persons and consumers who are directly affected by the proposed rule making.**

Private persons who are customers of cooperative utilities should benefit as cooperative utilities pass the cost savings of the simplified process to their ratepayers. However, customers may experience more frequent rate cases being filed.

6. **Probable effect on state revenues.**

There may be a decrease in revenues from sales taxes on electricity bills as cooperative utilities pass the cost savings of the simplified process to their ratepayers. However, there may be an increase in revenues from sales taxes on electricity bills as a result of more frequent rate increases.

7. **Less intrusive or less costly alternative methods of achieving the purpose of the proposed rule making.**

The Commission is unaware of any alternative methods of achieving the purpose of the rule making that would be less intrusive or less costly.

8. **Description of any data on which the rule is based.**

The proposed rule making is not based on data.

- C. **If for any reason adequate data are not reasonably available to comply with the requirements of subsection B of this section, the agency shall explain the limitations of the data and the methods that were employed in the attempt to obtain the data and shall characterize the probable impacts in qualitative terms.**

The proposed rule making is not based on data.

SERVICE LIST FOR: PROPOSED RULEMAKING CONCERNING THE PROCESSING OF
COOPERATIVE UTILITY RATE CASES

Docket No. RU-00000A-12-0270

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**PROPOSED RULEMAKING CONCERNING THE PROCESSING OF
COOPERATIVE UTILITY RATE CASES**

DOCKET NO. RU-00000A-12-0270

STAFF RESPONSE TO WRITTEN COMMENTS

OCTOBER 15, 2012

DECISION NO. _____

STAFF ACKNOWLEDGMENT

The Staff Response to Written Comments for Proposed Rulemaking Concerning the Processing of Cooperative Utility Rate Cases, Docket No. RU-00000A-12-0270, was the responsibility of the Staff member listed below.

Barbara Keene

Barbara Keene
Public Utilities Analyst Manager

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 Docket No. RU-00000A-12-0270
 Page 1

Introduction

The Arizona Corporation Commission ("Commission") issued Decision No. 73287 on August 10, 2012. In that Decision, the Commission ordered that a Notice of Proposed Rulemaking including proposed cooperative utility rate case rules be filed with the Office of the Secretary of State for publication. The Notice of Proposed Rulemaking was published in the *Arizona Administrative Register* on September 7, 2012.

Decision No. 73287 requested that interested parties provide comments concerning the Notice of Proposed Rulemaking by filing written comments with the Commission's Docket Control by October 9, 2012.

Decision No. 73287 also ordered the Utilities Division to file with the Commission's Docket Control on or before October 15, 2012, a document including (1) a summary of any initial written comments filed by interested persons between the effective date of that Decision (August 10, 2012) and October 9, 2012, and (2) the Utilities Division's responses to those comments.

Comments were received from nine consumers; Grand Canyon State Electric Cooperative Association, Inc. filing on behalf of the Cooperatives;¹ and Arizona's G&T Cooperatives.²

SUMMARY OF WRITTEN COMMENTS MADE REGARDING THE PROPOSED RULES AND STAFF'S RESPONSE TO THEM

Three consumers from Bullhead City expressed support for the proposed rules, with one of the consumers specifically mentioning the expedited rate-making process to reduce expenses and the rule provisions for member input and interaction. A member of Navopache Electric Cooperative also expressed support for the proposed rules because the rules could result in savings of time and expense to file a rate case.

A consumer from Pinetop Lakes expressed opposition to the proposed rules because the rules would speed up rate increases. Four members of Mohave Electric Cooperative also object to the proposed rulemaking, one of them specifically stating that six months is not enough time for the members to research, organize and voice opinions.

The Cooperatives support the proposed rulemaking because they estimate that the rules would save between 50 and 80 percent of the cost of the current rate case process and improve the financial condition of the Cooperatives as rate increases would be received sooner. The

¹ Arizona Electric Power Cooperative, Inc.; Southwest Transmission Cooperative, Inc.; Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; Graham County Utilities; Mohave Electric Cooperative, Inc.; Navopache Electric Cooperative, Inc.; Trico Electric Cooperative, Inc.; Sulphur Springs Valley Electric Cooperative, Inc.; Columbus Electric Cooperative; Dixie Escalante Rural Electric Association, Inc.; and Garkane Energy Cooperative, Inc.

² Arizona Electric Power Cooperative, Inc. and Southwest Transmission Cooperative, Inc.

Staff Response to Written Comments Concerning the Processing of Cooperative Utility Rate Cases

RU-00000A-12-0270

Page 2

Cooperatives state that the rights of their members/customers would not change under the proposed rules. Members/customers would continue to receive notice regarding a proposed change in their rates, have the right to object to the proposed change, have the right to request intervention in the case, and the right to request a hearing before the Commission.

Arizona's G&T Cooperatives also support the proposed rules and state that the objective of the streamlined approach for review of cooperative rate cases is for "an efficient and meaningful process for Staff and Commission review of, and timely action on, cooperative financial information, coupled with effective notice and input opportunities for interested parties."

Staff believes that cooperative utilities meeting eligibility requirements should benefit from reduced legal and consulting costs from simpler rate filings and shorter processing time-frames. Consumers of cooperative utilities should benefit as cooperative utilities pass on the cost savings of the simplified process to their ratepayers. However, cooperative utilities may file rate cases more frequently.

EXHIBIT C-2

ORIGINAL

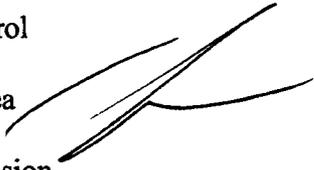
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MEMORANDUM

REC-100
AZ CORP & UTIL
DOCKET CONTROL
2012 NOV 14 AM 10 15

TO: Docket Control

FROM: Steve M. Olea
Director
Utilities Division



DATE: November 13, 2012

RE: STAFF'S RESPONSE TO ORAL COMMENTS IN THE MATTER OF PROPOSED RULEMAKING CONCERNING THE PROCESSING OF COOPERATIVE UTILITY RATE CASES (DOCKET NO. RU-00000A-12-0270)

Attached is the Staff Report regarding oral comments made by interested parties on Proposed Rulemaking Concerning the Processing of Cooperative Utility Rate Cases, pursuant to Decision No. 73287. Decision No. 73287 ordered the Utilities Division to file with the Commission's Docket Control on or before November 13, 2012, a document including (1) a summary of all written comments filed by interested persons after October 9, 2012, and oral comments received at the oral proceedings in this matter; (2) the Utilities Division's responses to those comments; and (3) a revised Economic, Small Business, and Consumer Impact Statement or a memorandum explaining why no revision of the prior filed Economic, Small Business, and Consumer Impact Statement is necessary.

SMO:BEK:

Originator: Barbara Keene

Arizona Corporation Commission
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 Docket No.: RU-00000A-12-0270

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**PROPOSED RULEMAKING CONCERNING THE PROCESSING OF
COOPERATIVE UTILITY RATE CASES**

DOCKET NO. RU-00000A-12-0270

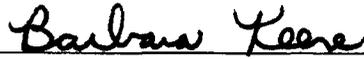
STAFF RESPONSE TO ORAL COMMENTS

NOVEMBER 13, 2012

DECISION NO. _____

STAFF ACKNOWLEDGMENT

The Staff Response to Oral Comments for Proposed Rulemaking Concerning the Processing of Cooperative Utility Rate Cases, Docket No. RU-00000A-12-0270, was the responsibility of the Staff member listed below.



Barbara Keene
Public Utilities Analyst Manager

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Staff Response to Oral Comments Concerning the Processing of Cooperative Utility Rate Cases
Docket No. RU-00000A-12-0270
Page 1

Introduction

The Arizona Corporation Commission ("Commission") issued Decision No. 73287 on August 10, 2012. In that Decision, the Commission ordered that a Notice of Proposed Rulemaking including proposed cooperative utility rate case rules be filed with the Office of the Secretary of State for publication. The Notice of Proposed Rulemaking was published in the *Arizona Administrative Register* on September 7, 2012.

Pursuant to Decision No. 73287, Staff filed the Economic, Small Business, and Consumer Impact Statement that addressed the economic impacts of the proposed cooperative utility rate case rules on September 7, 2012.

Decision No. 73287 requested that interested parties provide comments concerning the Notice of Proposed Rulemaking by filing written comments with the Commission's Docket Control by October 9, 2012. On October 15, 2012, Staff filed a summary of the written comments and the Utilities Division's responses to those comments.

Decision No. 73287 also provided for opportunities for interested parties to provide oral comments at proceedings held in Tucson on October 18, 2012, and in Phoenix on October 19, 2012. The Utilities Division was ordered to file with the Commission's Docket Control a document including (1) a summary of all written comments filed by interested persons after October 9, 2012, and oral comments received at the oral proceedings in this matter; (2) the Utilities Division's responses to those comments; and (3) a revised Economic, Small Business, and Consumer Impact Statement or a memorandum explaining why no revision of the prior filed Economic, Small Business, and Consumer Impact Statement is necessary.

Summary of Written Comments Filed After October 9, 2012, Regarding the Proposed Rules and Staff's Response to Them

One written comment objected to any rate increase. A consumer from the Safford area strongly objected to any proposal to avoid the Arizona Corporation Commission, and he would be glad to pay some money for the protection to prevent monopolies from taking unfair advantage of their customers.

Three written comments agreed with an expedited process for rate making and provisions for member input and interaction. A Mohave Electric Cooperative member supports an expedited rate making process because delays cost the cooperative large sums of uncollected fees and rates. In addition, three other Mohave Electric Cooperative members also agreed with an expedited process for rate making and provisions for member input and interaction. A Navopache Electric Cooperative member strongly supports the proposed procedures as resulting in savings to all concerned and reduction in unnecessary delays.

Staff believes that cooperative utilities meeting eligibility requirements should benefit from reduced legal and consulting costs from simpler rate filings and shorter processing time-

Staff Response to Oral Comments Concerning the Processing of Cooperative Utility Rate Cases
Docket No. RU-00000A-12-0270
Page 2

frames. Consumers of cooperative utilities should benefit as cooperative utilities pass on the cost savings of the simplified process to their ratepayers. However, cooperative utilities may file rate cases more frequently.

The proposed rules do not avoid the Commission's involvement in rate setting. Cooperative utilities would need to meet specific eligibility requirements in order to follow the streamlined process, including having a full rate case decision within 180 months preceding the streamlined rate application and no more than five expedited rate cases could be filed without another full rate case being decided by the Commission. The utility would continue to include much of the same information in its expedited filings that is included in full rate case applications. In addition, notice provisions provide for cooperative members to be informed about a rate case filing, and the members have the opportunity to object. If enough customers object, the cooperative must withdraw its application and/or file a full rate case application.

Summary of Oral Comments Regarding the Proposed Rules and Staff's Response to Them

Sixteen persons spoke at the October 18, 2012, oral proceeding in Tucson. Fifteen were from the area of Sulphur Springs Valley Electric Cooperative. One person was from Trico Electric Cooperative's area. All of the comments supported the proposed rules because of savings in costs and time of processing rate cases.

Two persons spoke at the October 19, 2012, oral proceeding in Phoenix. Gary Yaquinto, President of the Arizona Investment Council, spoke in support of the proposed rules and mentioned the Council's 2008 white paper on streamlining administrative and ratemaking processes of the Commission. Michael Grant, from the law firm of Gallagher and Kennedy, stated that Arizona Electric Power Cooperative, Southwest Transmission Cooperative, and several other cooperatives support the proposed rules.

Staff believes that cooperative utilities meeting eligibility requirements should benefit from reduced legal and consulting costs from simpler rate filings and shorter processing time-frames. Consumers of cooperative utilities should benefit as cooperative utilities pass on the cost savings of the simplified process to their ratepayers. However, cooperative utilities may file rate cases more frequently.

Discussion of the Economic, Small Business, and Consumer Impact Statement

No revision to the Economic, Small Business, and Consumer Impact Statement filed on September 7, 2012, needs to be made.

EXHIBIT D**Summary of the Comments Made on the Rulemaking and the Agency Response to Them,
Prepared Pursuant to A.R.S. § 41-1001(15)(d)(iii)**

The written and oral comments received by the Commission concerning the published Notice of proposed Rulemaking are included in the following table, along with the Commission response to each.

Written Comments on Notice of Proposed Rulemaking	
Public Comment	Commission Response
<p>In notices of the proposed rulemaking mailed to their member/customers, Duncan Valley Electric Cooperative, Inc. ("DVEC"), Mohave Electric Cooperative ("Mohave"), Arizona's G&T Cooperatives ("G&T Cooperatives"), Dixie-Escalante Electric Cooperative ("Dixie"), Graham County Electric Cooperative, Inc. ("GCEC"), Columbus Electric Cooperative, Inc. ("CEC"), Garkane Energy Cooperative, Inc. ("Garkane"), Navopache Electric Cooperative, Inc. ("Navopache"), Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC"), and Trico Electric Cooperative, Inc. ("Trico") each expressed support for the proposed rulemaking because it may result in savings of 50% to 80% in the cost of filing a rate case, which they stated would bring direct savings to member/customers, and the rate case process will be completed in approximately 6 months rather than 13 months.</p>	<p>The Commission acknowledges the supportive comments. No change is needed in response to these comments.</p>
<p>Grand Canyon State Electric Cooperative Association, Inc. ("GSECA"), on behalf of Arizona Electric Power Cooperative, Inc. ("AEPSCO"), Southwest Transmission Cooperative, Inc. ("SWTC"), DVEC, GCEC, Graham County Utilities ("GCU"), Mohave, Navopache, Trico, SSVEC, CEC, Dixie, and Garkane, expressed support for the proposed rulemaking, stating that the rate case process will be more efficient and cost effective, which will benefit member/owners and Arizona taxpayers; will save cooperatives an estimated 50% to 80% off the current costs of rate cases, which GCSECA stated averaged \$500,000 in outside fees per rate case for five cooperatives in the past five years; will result in lower rates passed to member/customers; and will improve cooperatives' financial positions by allowing for quicker rate increases when needed. Additionally, GCSECA asserted that member/customer rights will not change under the proposed rules because of the notice, intervention, and hearing provisions. GCSECA urged the Commission to approve the proposed rules so that all can benefit from more efficient and cost-effective processing of cooperatives' rate cases.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>

<p>The G&T Cooperatives expressed strong support for, and urged Commission approval of, the proposed rulemaking, stating that the proposed rule will benefit the G&T Cooperatives, their non-profit cooperative members, the member/customers of those non-profit cooperatives, and the Commission and its Staff due to the efficiencies brought to the regulatory process. The G&T Cooperatives stated that the proposed rules would result in an efficient and meaningful process for Staff and Commission review of, and timely action on, cooperatives' financial information, along with effective notice to and input opportunities for interested persons. In addition, the G&T Cooperatives stated that the proposed rules would move the Commission toward the mainstream of regulatory practices for cooperatives.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>
<p>A family residing in Pinetop Lakes opposed the proposed rulemaking, stating that they do not consent to speeding up rate increases during the worst recession since Jimmy Carter.</p>	<p>The Commission believes that the efficiencies provided by the streamlined process, when a cooperative is determined to be eligible, coupled with the procedural safeguards included in the proposed rulemaking, will result in net benefits to member/customers. After the rules become effective, if the Commission determines that the rules do not serve the public interest, the Commission can initiate additional rulemaking. No change is needed in response to this comment.</p>
<p>A member/customer of Mohave objected to the proposed rulemaking.</p>	<p>The Commission believes that the efficiencies provided by the streamlined process, when a cooperative is determined to be eligible, coupled with the procedural safeguards included in the proposed rulemaking, will result in net benefits to member/customers. After the rules become effective, if the Commission determines that the rules do not serve the public interest, the Commission can initiate additional rulemaking. No change is needed in response to this comment.</p>

<p>A member/customer of Mohave objected to the proposed rulemaking, stating that there is no guarantee that members will actually see any benefit, while the utilities will be able to receive benefits from new revenue seven months sooner. The member/customer stated that most member/customers' revenue has not increased.</p> <p>The member/customer also expressed concern about a rate increase recently granted to Mohave and expressed apparent displeasure with Mohave's business decisions and financial operations.</p>	<p>The Commission believes that the efficiencies provided by the streamlined process, when a cooperative is determined to be eligible, coupled with the procedural safeguards included in the proposed rulemaking, will result in net benefits to member/customers. After the rules become effective, if the Commission determines that the rules do not serve the public interest, the Commission can initiate additional rulemaking. Any person with a specific complaint against a regulated utility, for which investigation may be appropriate, should contact the Commission's Consumer Services Section to file an informal or formal complaint. No change is needed in response to this comment.</p>
<p>A member/customer of Navopache expressed support for the proposed rulemaking, stating that the new ratemaking process could result in huge savings of time and expense in rate cases and that Navopache's Board and managers do a good job and only file for a rate increase when warranted.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>
<p>A resident of Bullhead City expressed support for the proposed rulemaking in a letter requesting Commissioner Kennedy's support, stating that the rate case process is expensive and drawn out, that it needs to be shortened, that the proposed rule is appropriate, and that the provisions for member involvement in rate cases remain essentially the same.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>
<p>Five member/customers of Mohave submitted comments expressing support for the proposed rulemaking. Several of the member/customers expressed specific approval of the expedited process for ratemaking and the provisions for member involvement in rate cases.</p>	<p>The Commission acknowledges the supportive comments. No change is needed in response to these comments.</p>

<p>A Mohave member/customer expressed general support for the Board, but opposed the proposed rulemaking because the member does not believe that the shorter rate case time will allow members to research, organize, and voice opposition; does not believe that the streamlined rate case process will result in appreciable cost savings; has never seen rates go down; and believes that the new rate case process will inconvenience member/customers.</p>	<p>The Commission believes that the efficiencies provided by the streamlined process, when a cooperative is determined to be eligible, coupled with the procedural safeguards included in the proposed rulemaking, will result in net benefits to member/customers. After the rules become effective, if the Commission determines that the rules do not serve the public interest, the Commission can initiate additional rulemaking. No change is needed in response to this comment.</p>
<p>An individual stated that he and his wife object to any rate increase. The individual did not identify what cooperative provides their service.</p>	<p>The Commission believes that the efficiencies provided by the streamlined process, when a cooperative is determined to be eligible, coupled with the procedural safeguards included in the proposed rulemaking, will result in net benefits to member/customers. After the rules become effective, if the Commission determines that the rules do not serve the public interest, the Commission will initiate additional rulemaking. No change is needed in response to this comment.</p>
<p>Three individuals submitted comments stating that they agree with the proposed rulemaking because the current ratemaking process is expensive and drawn out and needs to be shortened. The individuals stated that they like the proposed rules' provisions for member input and involvement, which would be essentially unchanged. The individuals did not identify the cooperative/s providing their services.</p>	<p>The Commission acknowledges the supportive comments. No change is needed in response to these comments.</p>

<p>An individual from Safford submitted a comment “strongly object[ing] to any proposal that would avoid the use of the Arizona Corporation Commission.” The individual stated that the rate case process with the Commission is designed to prevent unscrupulous monopolies from taking unfair advantage of their customers and requires a utility to provide that it needs to raise its rates. The individual stated that he is willing to pay some money for that protection and urged Chairman Pierce to vote no on the proposed rulemaking.</p>	<p>The Commission appreciates the commenter’s support for the Commission’s current rate case process and ensures the commenter that the Commission would still be required to scrutinize and approve any cooperative’s requested rate increase made under the new Rule 107. Additionally, the Commission points out that a rate application submitted under Rule 107 can be processed under Rule 103 instead if warranted due to concerns regarding the cooperative’s application or operations. No change is needed in response to this comment.</p>
<p>A member/customer of Navopache expressed strong support for the proposed rulemaking, stating that the new process should result in savings to all concerned and avoid unnecessary delays.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>
<p>Apache Nitrogen Products, a member/customer of SSVEC, provided a letter supporting the proposed rulemaking and stating that it will result in savings to SSVEC and its member/customers.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>
<p>The Town Manager, on behalf of the Town of Patagonia, wrote a letter supporting the proposed rulemaking and urging the Commission to adopt it.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>
<p>The Northern Cochise Community Hospital, Inc., an SSVEC member/customer, provided a letter supporting the proposed rulemaking, stating that it is imperative for the Hospital and its affiliated health care facilities that utilities remain affordable, and expressing confidence in SSVEC’s Board of Directors and Managers.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>
<p>The Mayor of the City of Sierra Vista wrote a letter supporting the proposed rulemaking as benefiting the member/customers of SSVEC and the citizens of Sierra Vista.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>
<p>The General Manager of The Mall at Sierra Vista, on behalf of 51 merchants located at The Mall, all of whom are member/customers of SSVEC, wrote a letter supporting the proposed rulemaking as a means for rates to be lower and as appropriately acknowledging the difference between for profit and not-for-profit utilities.</p>	<p>The Commission acknowledges the supportive comment. No change is needed in response to this comment.</p>

The Superintendent and Chief Financial Officer for the Sierra Vista Unified School District, a member/customer of SSVEC, wrote a letter supporting the proposed rulemaking, stating that the new streamlined process will likely result in substantial savings of time and money for SSVEC's rate cases and thus result in savings to member/customers and further expressing confidence in SSVEC's Board of Directors and Managers.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
The Executive Director of the Sierra Vista Area Chamber, which represents 630 local businesses and organizations, most of whom are member/customers of SSVEC, wrote a letter supporting the proposed rulemaking as a means for SSVEC to save money and then pass on those savings to businesses struggling in a tough economy.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
Oral Comments on Notice of Proposed Rulemaking--Tucson	
Public Comment	Commission Response
The Town Manager for the Town of Patagonia expressed the support of the Town for the proposed rulemaking, also providing the Town's supportive comments in writing.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
The Chief Safety and Security Manager for the Sierra Vista Regional Health Center expressed support for the rulemaking.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
SSVEC's Key Account Manager expressed support for the proposed rulemaking and provided letters of support from others who could not be present (described above).	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
A Councilman for the City of Benson, who is also a SSVEC member/customer, expressed his own and the City's support for the proposed rulemaking.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
The Communications, Marketing, and Public Relations Manager for the G&T Cooperatives, who is also a SSVEC member/customer, expressed support for the proposed rulemaking and provided statistics regarding the depressed economic condition for some in SSVEC's service area.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
A representative for Apache Nitrogen Products in Benson, which is a large SSVEC member/customer, expressed support and also provided the company's comments in writing.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
A Trico member/customer who is also a Trico board member, expressed support for the proposed rulemaking and provided information regarding Trico's service area.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
A representative for SW Energy, which is a co-owner and large customer of Apache Nitrogen Products, expressed support for the proposed rulemaking.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.

Two individual SSVEC member/customers who described themselves as small business owners expressed support for the proposed rulemaking.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
Six individual SSVEC member/customers expressed support for the proposed rulemaking.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
Oral Comments on Notice of Proposed Rulemaking--Phoenix	
Public Comment	Commission Response
The President of the Arizona Investment Council ("AIC") expressed support for the proposed rulemaking, stating that AIC has supported streamlining for electric and gas cooperative rate cases since 2008 and that AIC believes the new streamlined process will save Commission resources, lower cooperatives' costs, and result in savings passed on to member/customers.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
Council for AEPCO, SWTC, and several other cooperatives expressed support for the proposed rulemaking and appreciation for Staff and the Commission's efforts on it.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.