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BEFORE THE ARIZONA CORPORATION COMMISSION  
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COMMISSIONERS  
BOB STUMP, CHAIRMAN  
GARY PIERCE  
BRENDA BURNS  
ROBERT BURNS  
SUSAN BITTER SMITH

2013 MAR -5 P 4:19

ARIZONA CORPORATION COMMISSION  
BOOKET CONTROL

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

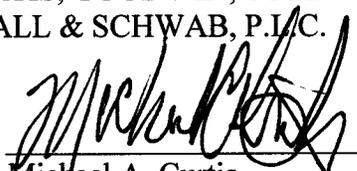
DOCKET NO. E-01750A-11-0136

**FILING OF REVISED PPFCA PLAN OF  
ADMINISTRATION**

Mohave Electric Cooperative, Incorporated ("MEC") by and through its undersigned attorneys hereby submits a revised Purchased Power and Fuel Cost Adjustor ("PPFCA") Plan of Administration ("POA"). MEC submitted a PPFCA POA in compliance with Decision No. 73352 (the "Decision") on or about November 19, 2012. The revised PPFCA POA incorporates changes discussed with Utility Division Staff. A redline is included showing the changes that have been made from the original submittal.

RESPECTFULLY SUBMITTED this 5<sup>th</sup> day of March, 2013.

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

By: 

Michael A. Curtis  
William P. Sullivan  
501 East Thomas Road  
Phoenix, Arizona 85012-3205  
Attorneys for Mohave Electric  
Cooperative, Incorporated

Arizona Corporation Commission

DOCKETED

MAR 5 2013

DOCKETED BY 

PROOF OF AND CERTIFICATE OF MAILING

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I hereby certify that on this 5<sup>th</sup> day of March, 2013, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

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

Copy of the foregoing emailed to:

Dwight Nodes, ALJ  
Hearing Division  
dperson@azcc.gov

Bridget Humphrey, Esq.  
Legal Division  
bhumphrey@azcc.gov

Steve Olea  
Director of Utilities  
solea@azcc.gov



MOHAVE ELECTRIC COOPERATIVE INCORPORATED  
Plan Of Administration For Its  
Purchased Power And Fuel Cost Adjustor

This Plan of Administration ("POA") relates to the administration of Mohave Electric Cooperative, Incorporated's ("MEC") purchased power and fuel cost adjustor ("PPFCA") and is filed for Arizona Corporation Commission ("Commission") approval pursuant to Decision No. 73352, dated August 21, 2012. The purpose of the POA is to describe how MEC currently administers its PPFCA and to provide MEC guidelines to adapt to changing conditions that may impact its administration of its PPFCA.

**Overview:**

MEC is an electric distribution cooperative that is member owned and managed as a not-for profit entity. Its member-customers elect, from its membership, a nine member board of directors to set policy and oversee the management of the cooperative. Margins earned by MEC flow to patronage capital accounts of its members that are retired over a number of years, as permitted by MEC's financial condition. Currently, MEC secures all of its power from others, with no owned generation. Approximately 90% of its non-renewable power requirements are secured through long term contracts with Arizona Electric Power Cooperative, a generation cooperative, of which MEC is a Class A Partial Requirements member, under rates established by the Commission.

Purchased power and fuel costs are a significant component of the MEC's cost of providing electric service to its members. The purpose of the PPFCA is to allow an electric utility to recover or refund fluctuating power supply costs between rates cases. Decision No. 73352 at p. 25.

The Commission has recognized that the distinctions between electric distribution cooperatives and investor owned utilities ("IOUs") warrant different regulation of a cooperative's purchase power and fuel cost adjustor. See, e.g., Decision No. 50266, dated September 18, 1979. The PPFCA Bank balance is tracked and adjustments made to the PPFCA rate as necessary to move the PPFCA Bank balance toward zero over a reasonable period of time. MEC and its members desire a predictable power cost from month to month, while avoiding an unreasonable over or under collected balance in the PPFCA "Bank". Because of extreme temperatures in the summer and the variable seasonal cost of power, the PPFCA Bank balance can move rather significantly from month to month, but over the course of a rolling twelve (12) month period, barring any major change, such as change in costs from MEC's power suppliers, the PPFCA Bank balance tends to settle out without changing the PPFCA rate. This POA continues the Commission's longstanding practice of allowing MEC to make adjustments to its PPFCA rate, up or down, as it deems appropriate to address under or over collections of the PPFCA bank balance, subject to more specific Commission orders. MEC is allowed to make adjustments to its PPFCA rate as needed without prior Commission approval.

**Eligible Expenses:**

Commencing September 1, 2012 expenses booked in the following Rural Utilities Service ("RUS") Accounts in accordance with RUS procedures and protocols shall be eligible for inclusion in MEC's PPFCA:

Account 555 (purchased power fuel costs, both demand and energy)

Account 565 (transmission of electricity by others, both firm and non-firm)

Account 547 (fuel costs for other power generation)

Account 501 (fuel costs for steam power generation, less legal fees, less fixed fuel costs except for gas reservation)

Other expenses deemed fuel related expenses under RUS accounting, but booked to other RUS Accounts, such as 557, shall not be recovered through the PPFCA.

The above accounts are subject to change if RUS alters its accounting requirements or definitions and to future Commission orders.

**The Base Cost of Fuel and Purchased Power:**

The Base Cost of Fuel and Purchased Power (“Authorized Base Cost”) reflects the fuel and purchased power cost embedded in base rates and is set by order of the Commission. The current Authorized Base Cost is \$0.087701 per kWh as established in Decision No. 73352 and is effective for all electricity sold on and after September 1, 2012, until adjusted by order of the Commission.

**PPFCA Rate:**

The PPFCA Rate shall be adjusted to zero effective for all electricity sold on and after September 1, 2012 until adjusted in accordance with this POA or order of the Commission.

**PPFCA Bank Balance:**

As of September 1, 2012, the PPFCA Bank Balance is \$503,226.31 (under collected). During the month of September 2012, in addition to accruing Eligible Expenses and revenues, the PPFCA Bank Balance shall be adjusted to remove the following:

- \$594,737.45 per Decision No. 73352
- \$91,537.43 per Staff recommendation in Docket No. E-01750A-11-0136
- \$507,655.52 for 2011 and 2012 expenditures of the type disallowed pursuant to Decision No. 73352

**Monthly Reporting:**

A monthly report together with confidential invoices for all eligible expenditures and confidential supporting schedules shall be submitted to the Utilities Division. The report shall be submitted on the forms attached hereto, or as amended from time to time by MEC with the written consent of the Director of Utilities, which amended forms shall be docketed in MEC’s most recent rate case docket that has resulted in a final rate decision from the Commission. The monthly report shall be filed with Staff no later than the 15<sup>th</sup> day of the third month following the month being reported (approximately 75 days). Such delay is necessary because Western Area Power Administration consistently takes in excess of 60 days to provide MEC invoices for activity during a particular month.

**Annual Report and Adjustment:**

Each year following MEC’s Board acceptance of its annual certified outside audit performed in accordance with RUS requirements, including specific review of the purchased power costs reported through the PPFCA during the audit period, MEC shall file revised year end and monthly reports to reflect all adjustments identified by the audit. The revised reports shall be clearly marked as “Revised” on the reporting forms and all adjustments shall be explained in a

cover letter and footnotes to the schedules. Such adjusted reports shall be filed with Staff no later than six months after the end of the applicable audit period (June 30 for a calendar year audit).

**Monitoring and Adjustment of PPFCA Rate:**

To avoid large monthly swings in the cost of electricity sold to members, MEC management shall monitor and adjust the PPFCA Rate using the following general guidance:

- (i) Changes to the PPFCA Rate should be minimized;
- (ii) The PPFCA Bank balance should not become under or over collected in excess of \$3,700,000;
- (iii) In the event the PPFCA Bank balance does equal or exceed \$3,700,000, MEC shall make an adjustment in its PPFCA Rate within sixty (60) days following the submittal of a monthly report indicating the bank balance threshold was exceeded in an effort to move the balance close to zero during the next twelve months;
- (iv) The level of adjustment shall be based upon a twelve month forward looking period commencing with the last period for which a monthly report was filed with the Commission; and
- (v) The prior twelve months prices and sales shall be used for the projection, adjusted for likely changes in both, provided no monthly adjustment shall be greater than the percentage change for the same month a year earlier, unless based upon known and definite data (such as an approved rate change for a power supplier or a new customer load).

MEC management shall regularly review the status of the PPFCA Bank balance with the MEC Board of Directors. All adjustments to the PPFCA Rate shall be approved by the MEC Board of Directors.

**Documentation Retention:**

MEC's Board of Directors shall adopt a document retention policy identifying documentation that MEC should retain relating to its power purchases in order to facilitate review by its external auditors and the Commission. Responsibility for implementation and periodic updating of the document retention policy may be delegated to MEC management, such as MEC's Chief Financial Officer. The policy shall be presented for review to the Board of Directors not less than once every two years. The current policy is attached to this POA.

**MOHAVE ELECTRIC COOPERATIVE, INC.  
DOCKET #E-01750A-11-0136 DECISION #73352  
PURCHASED POWER & FUEL COST ADJUSTOR  
BANK BALANCE REPORT FA-1  
FOR THE MONTH OF ( ) 2013**

Line		PPA 1	PPA 2	Total		
1.	Ending Bank Balance From Previous Month: Over-coll bal (negative); Under-coll bal +positive				\$	<u>-</u>
2.	Jurisdictional Sales This number should be the same as the number listed on FA-3, labeled "Total Sales" (KWH)	-	-		kWh	<u>-</u>
3.	Actual Cost of Purchased Power Attach copies of invoices to support this number				\$	<u>-</u>
4.	Unit Cost of Purchased Power (Line 3/Line 2) Carry out SIX decimal places				\$/KWH	<u>#DIV/0!</u>
5.	Authorized Base Cost of Purchased Power: Per Decision No. 73352 dated 9/1/2012				\$/KWH	<u>0.087701</u>
6.	Authorized Purchased Power Adjustor: PPA 1: Per Decision No. 73352 dated: 9/1/2012	-			\$/KWH	<u>-</u>
7.	Total Rate Collected From Customer: (Line 5 + Line 6)				\$/KWH	<u>0.087701</u>
8.	Incremental Difference Between Authorized and Actual Recovery (Line 4 - Line 7)				\$/KWH	<u>#DIV/0!</u>
9.	Net Change to Bank Balance (Line 2 x Line 8) If Line 4 is greater than Line 7 - under collected balance If line 4 is less than Line 7 - over collected balance ()				\$	<u>#DIV/0!</u>
10.	Adjustments to Bank Balance Itemize all adj. - Detail for Staff Review on FA-1A				\$	<u>-</u>
11.	Ending Bank Balance Balance (Line 1) + Net Change (Line 9) + Adjustments (Line 10 & 11)				\$	<u>#DIV/0!</u>

FA1/01/2013



**MOHAVE ELECTRIC COOPERATIVE, INC.**  
**DOCKET #E-01750A-11-0136 DECISION #73362**  
**ADJUSTMENTS TO PPA REPORTING FA-3**  
**FOR THE TWELVE MONTHS ENDING**  
**12/31/2013**

<b>CONFIDENTIAL</b>	<b>Dec-PriorYr</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>
<b>Purchased Power -- \$</b>														
AEPSCO														
PowerEx														
2nd Supplier - WAPA purchased for us														
3rd Supplier -														
WAPA Ancillary Service														
WAPA Admin Charge														
AES Admin Charge / (Credit)														
AES Energy Exchange - Hydro														
AES Energy Exchange - Thermal														
AES Purchases w/adjustments														
Other (WSPP)														
Other (Fuel Bank Reporting)														
Less: Own Usage														
Subtotal (Power Supply)														
Transmission-S.W. Transco														
Transmission-Firm Transm. Svc WAPA														
Trans for Sales														
Other Expenses (Consultants, employees, & Legal)														
Total (Power Sup + Trans)														
Less: Sales to AES Inc. OATT														
Less: Energy Exchange to AES														
Purch Power for PPA														
Adjustments to Bank Balance														
<b>kWh Purchased</b>														
AEPSCO														
PowerEx														
2nd Supplier - WAPA purchased for us														
3rd Supplier -														
AES Energy Exchange - Hydro														
AES Energy Exchange - Thermal														
AES Purchases														
Other (WSPP)														
Total														
Less:														
Remainder														
<b>kWh Sales, non-jurisdictional</b>														
AES Sales														
OATT Trans for Sales														
AES Energy Exchange														
Total														
<b>kWh Sales, jurisdictional</b>														
Residential														
Irrigation														
Commercial Small														
Commercial Large														
Lighting Service														
Sub-Total kWh Sold														
Less: Security Lights														
Other														
kWh Sold for PPA (1)														
Other														

**MOHAVE ELECTRIC COOPERATIVE, INC.**  
**DOCKET #E-01750A-11-0136 DECISION #73352**  
**ADJUSTMENTS TO PPA REPORTING FA-3**  
**FOR THE TWELVE MONTHS ENDING**  
**12/31/2013**

<b>CONFIDENTIAL</b>	<b>Dec-PriorYr</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>
Total Juris. kWh Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total KWH Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mohave Own Use kWh	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AVG COST	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Revenue-\$</b>														
Residential														
Irrigation														
Commercial Small														
Commercial Large														
Lighting Service														
<b>PPA Under(Over)</b>														
Total Revenue-\$	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Other														
Resi Avg \$/kWh	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
(1) Breakout for authorized midmonth PPA change														
PPA #1														
PPA #2														
kWh Sold for PPA														
Line Loss (kwh)														
%Line Loss	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Customers</b>														
Residential														
Irrigation														
Commercial Small														
Commercial Large														
Lighting Service														
Total Customers														(24,704,335) 24,704,335
Other														
<b>Average Customers (Current Month &amp; Prior Month)</b>														
Residential														
Irrigation														
Commercial Small														
Commercial Large														
Lighting Service														
Other														
Total Customers														

**MOHAVE ELECTRC COOPERATIVE INCORPORATED**  
**Document Retention Policy**  
**For Power Purchases**

**PURPOSE**

This policy directs the implementation of, and guidance for, the documents relating to Mohave's purchased power that are to be retained for future prudency reviews conducted by the Arizona Corporation Commission. This policy establishes a protocol of data gathering. The policy shall be updated as the Chief Financial Officer deems necessary to maintain the documents as may be needed to facilitate the processing of internal and external reviews of the cooperative's purchased power practices.

**APPLICATION**

This policy and guideline applies to all Mohave personnel who are involved in the purchasing of power as well as accounting for the contracting and invoicing of power-related invoices, as well as all current periodic filings being sent to the Arizona Corporation Commission.

**RESPONSIBILITY**

This policy and guideline shall be administered by the Chief Financial Officer's office. Applicability of any and all documents shall be determined by the Chief Financial Officer. All new documents related to the Policy shall first be submitted to the Chief Financial Officer's office so they can be referred on to the Document Custodian. Documents of a repetitive nature may be designated by the Chief Financial Officer to be sent directly to the Document Custodian following his initial review to ensure the form is being completed properly.

**DOCUMENT GUIDELINE**

The documents referred to below shall be considered a "Living Document Guideline" to be updated as the Chief Financial Officer deems necessary to include any and all future documents that are to be maintained as part of the Document Custodian's library of cataloged forms, be they in hard copy or electronically generated, to fulfill this Policy.

**APPLICABLE TIME PERIOD**

The applicable time period in the Document Guideline shall initially be the period commencing January 1, 2011 and extending through the end of the next prudency review, or other formal Arizona Corporation Commission review. A new commencement date shall be established the day following the end of each such prudency or review period, or as otherwise ordered by the Arizona Corporation Commission. The term "all" shall mean the documents in effect as of the commencement date forward, so as to include any documents from subsequent events going forth from the commencement date. Documents must be complete; meaning, if there are signature blocks those blocks must have the signatures on them; they must be executed documents where signatures are required and all attachments shall be included.

**DOCUMENT GUIDELINE**

- A. Power Supply Contracts from all providers, including Terms and Conditions, including
  - A.1 Tariffs
  - A.2 Modifications and amendments

- B. Regulatory Decisions affecting Power Supply issues, including rulings, orders, memos or other directives of the ACC, FERC or other Regulatory agencies, and Court actions; and Mohave's responses in making modifications to the AEPSCO purchase power agreement.
- C. Engineering Documentation depicting Mohave's system and the points of delivery
- D. Regulatory Reporting Documents
- E. Mohave's Annual Reports to Members
- F. Mohave's Annual Audit Reports, including Management Letters
- G. Mohave's Power Supply and Risk Protocol, with all amendments
- H. Litigation documents that pertain to and retained in categories involving interventions as well as actual litigation processes.
- I. Historical reports that document the amount of power and energy Mohave purchased from all providers.
  - I.1 Include all month by month power purchase summaries.
- J. Historical reports that document the cost of power and energy Mohave purchased from all providers.
  - J.1 Amounts in RUS Account 557.00, while prescribed by RUS accounting, are not allowed by the ACC and are not to be included in computing the Purchase Power and Fuel Cost adjustor (PPFCA) bank balance.
  - J.2 Include all month by month power purchase summaries.
- K. Historical reports that document the average price of power and energy Mohave purchased from all providers.
  - K.1 Amounts in RUS Account 557.00, while prescribed by RUS accounting, are not allowed by the ACC and are not to be included in computing the PPFCA adjustor bank balance.
- L. Documentation regarding power and energy purchased that Mohave ultimately did not end up taking.
- M. Analysis documents that are (were) used to establish the purchase price and delivered price for power and energy purchased by Mohave.
- N. Documentation of all bids for power and energy purchased by Mohave.
  - N.1 Competitive bid solicitations and selection documents.
  - N.2 On Peak and Off Peak prices
  - N.3 Documentation of power suppliers and prevailing prices in the regional market that were not solicited.
- O. Reconciliations of month by month power cost summaries to the annual audit summaries
  - O.1 Requires close review of summaries published in the Cooperative's annual audit report to correspond to month by month purchase summaries.
- P. Documentation of daily-weekly-monthly indexes of Mohave's potential power suppliers and documents that detail the changes in the composition of the indexes or the potential power suppliers.
  - P.1 Mead Index
  - P.2 Palo Verde Index
  - P.3 Any other provider index that may evolve
- Q. Documentation regarding current and new potential suppliers at the Hub, including Western and ACES suppliers at the Hub who are or will become potential suppliers of purchased power for Mohave
  - Q.1 Document statements regarding Hub purchases

## MEC Power Purchases Document Retention Policy

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- R. Spot Market price history for the regional market that is accessible to Mohave (Mead and Palo Verde)
  - R.1 On Peak and Off Peak energy prices by supplier
  - R.2 Estimated transmission service prices by supplier
- S. Documentation of Opinions on forward markets at least annually



MOHAVE ELECTRIC COOPERATIVE INCORPORATED  
Plan Of Administration For Its  
Purchased Power And Fuel Cost Adjustor

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Purchased power and fuel costs are a significant component of the MEC’s cost of providing electric service to its members. -The purpose of the PPFCA is to allow an electric utility to recover or refund fluctuating power supply costs between rates cases. -Decision No. 73352 at p. 25.

The Commission has recognized that the distinctions between electric distribution cooperatives and investor owned utilities (“IOUs”) warrant different ~~and less onerous~~ regulation of a cooperative’s purchase power and fuel cost adjustor. -See, e.g., Decision No. 50266, dated September 18, 1979. ~~-MEC has for decades been allowed to make adjustments to its PPFCA rate as needed without securing Commission approval.~~

The PPFCA Bank balance is tracked and adjustments made to the PPFCA rate as necessary to move the PPFCA Bank balance toward zero over a reasonable period of time. -MEC and its members desire a predictable power cost from month to month, while avoiding an unreasonable over or under collected balance in the PPFCA “Bank”. -Because of extreme temperatures in the summer and the variable seasonal cost of power, the PPFCA Bank balance can move rather significantly from month to month, but over the course of a rolling twelve (12) month period, barring any major change, such as change in costs from ~~Mohave’s~~ MEC’s power suppliers, the PPFCA Bank balance tends to settle out without changing the PPFCA rate. —This POA continues the Commission’s longstanding practice of allowing MEC to make adjustments to its PPFCA rate, up or down, as it deems appropriate to address under or over collections of the PPFCA bank balance, ~~subject, of course,~~ to more specific Commission orders. MEC is allowed to make adjustments to its PPFCA rate as needed without prior Commission approval.

**Eligible Expenses:**

Commencing September 1, 2012 expenses booked in the following Rural Utilities Service (“RUS”) Accounts in accordance with RUS procedures and protocols shall be eligible for inclusion in MEC’s PPFCA:

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Account 501 (fuel costs for steam power generation, less legal fees, less fixed fuel costs except for gas reservation)

Other expenses deemed fuel related expenses under RUS accounting, but booked to other RUS Accounts, such as 557, shall not be recovered through the PPFCA.

~~Nothing herein shall preclude MEC from requesting the Commission authorize recovery of additional or different costs through the PPFCA, but no such costs shall be included within the PPFCA by MEC without specific Commission authorization.~~

**The Base Cost of Fuel:**

The above accounts are subject to change if RUS alters its accounting requirements or definitions and to future Commission orders.

**The Base Cost of Fuel (and Purchased Power:**

The Base Cost of Fuel and Purchased Power (“Authorized Base Cost) shall be established” reflects the fuel and purchased power cost embedded in base rates and is set by order of the Commission. ~~The current Authorized Base Cost is \$0.087701 of Fuel per kWh as established in Decision No. 73352 and is effective for all electricity sold on and after September 1, 2012, until adjusted by order of the Commission.~~

**PPCFAPPFCA Rate:**

The PPFCA Rate shall be adjusted to zero effective for all electricity sold on and after September 1, 2012 until adjusted in accordance with this POA or order of the ~~Commisison~~ Commission.

**PPFCA Bank Balance:**

As of September 1, 2012, the PPFCA Bank Balance is \$503,226.31 (under collected).

During the month of September 2012, in addition to accruing Eligible Expenses and revenues, the PPFCA Bank Balance shall be adjusted to remove the following:

- \$594,737.45 per Decision No. 73352
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most recent rate case docket that has resulted in a final rate decision from the Commission. -The monthly report shall be filed with Staff no later than the 15<sup>th</sup> day of the third month following the month being reported (approximately 75 days). -Such delay is necessary because Western Area Power Administration consistently takes in excess of 60 days to provide MEC invoices for activity during a particular month.

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**Monitoring and Adjustment of PPFCA Rate:**

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- (iii) In the event the PPFCA Bank balance does equal or exceed \$3,700,000, MEC shall make an adjustment in its PPFCA Rate within sixty (60) days following the submittal of a monthly report indicating the bank balance threshold was exceeded in an effort to move the balance close to zero during the next twelve months;
- (iv) The level of adjustment shall be based upon a twelve month forward looking period commencing with the last period for which a monthly report was filed with the Commission; and
- (v) The prior twelve months prices and sales shall be used for the projection, adjusted for likely changes in both, provided no monthly adjustment shall be greater than the percentage change for the same month a year earlier, unless based upon known and definite data (such as an approved rate change for a power supplier or a new customer load).

MEC management shall regularly review the status of the PPFCA Bank balance with the MEC Board of Directors. -All adjustments to the PPFCA Rate shall be approved by the MEC Board of Directors.

**Documentation Retention:**

MEC's Board of Directors shall adopt a document retention policy identifying documentation that MEC should retain relating to its power purchases in order to facilitate review by its external auditors and the Commission. -Responsibility for implementation and periodic updating of the document retention policy may be delegated to MEC management, such as MEC's Chief

Financial Officer. -The policy shall be presented for review to the Board of Directors not less than once every two years. The current policy is attached to this POA.

# MOHAVE ELECTRIC COOPERATIVE INCORPORATED

## Document Retention Policy

### For Power Purchases

#### PURPOSE

This policy directs the implementation of, and guidance for, the documents relating to Mohave's purchased power that are to be retained for future prudency reviews conducted by the Arizona Corporation Commission. This policy establishes a protocol of data gathering. The policy shall be updated as the Chief Financial Officer deems necessary to maintain the documents as may be needed to facilitate the processing of internal and external reviews of the cooperative's purchased power practices.

#### APPLICATION

This policy and guideline applies to all Mohave personnel who are involved in the purchasing of power as well as accounting for the contracting and invoicing of power-related invoices, as well as all current periodic filings being sent to the Arizona Corporation Commission.

#### RESPONSIBILITY

This policy and guideline shall be administered by the Chief Financial Officer's office. Applicability of any and all documents shall be determined by the Chief Financial Officer. All new documents related to the Policy shall first be submitted to the Chief Financial Officer's office so they can be referred on to the Document Custodian. Documents of a repetitive nature may be designated by the Chief Financial Officer to be sent directly to the Document Custodian following his initial review to ensure the form is being completed properly.

#### DOCUMENT GUIDELINE

The documents referred to below shall be considered a "~~Living~~ Living Document Guideline" to be updated as the Chief Financial Officer deems necessary to include any and all future documents that are to be maintained as part of the Document Custodian's library of cataloged forms, be they in hard copy or electronically generated, to fulfill this Policy.

#### APPLICABLE TIME PERIOD

The applicable time period in the Document Guideline shall initially be the period commencing January 1, 2011 and extending through the end of the next prudency review, or other formal Arizona Corporation Commission review. A new commencement date shall be established the day following the end of each such prudency or review period, or as otherwise ordered by the Arizona Corporation Commission. The term "all" shall mean the documents in effect as of the commencement date forward, so as to include any documents from subsequent events going forth from the commencement date. Documents must be complete; meaning, if there are signature blocks those blocks must have the signatures on them; they must be executed documents where signatures are required and all attachments shall be included.

#### DOCUMENT GUIDELINE

- A. Power Supply Contracts from all providers, including Terms and Conditions, including
  - A.1 Tariffs
  - A.2 Modifications and amendments

- B. Regulatory Decisions ~~effecting~~ affecting Power Supply issues, including rulings, orders, memos or other —directives of the ACC, FERC or other Regulatory agencies, and Court actions; and Mohave's —responses in making modifications to the AEPCO purchase power agreement.
- C. Engineering Documentation depicting Mohave's system and the points of delivery
- D. Regulatory Reporting Documents
- E. Mohave's Annual Reports to Members
- F. Mohave's Annual Audit Reports, including Management Letters
- G. Mohave's Power Supply and Risk Protocol, with all amendments
- H. Litigation documents that pertain to and retained in categories involving interventions as well as —actual litigation —processes.
- I. Historical reports that document ~~what~~ the amount of power and energy Mohave purchased from —all providers.
  - I.1—1 Include all month by month power purchase summaries.
- J. Historical reports that document the cost of power and energy Mohave purchased from all —providers.
  - J.1 Amounts in RUS Account 557.00, while prescribed by RUS accounting, are not allowed by the ACC and are not to be included in computing the Purchase Power and Fuel Cost adjustor (PPFCA) bank balance.
    - J.2 Include all month by month power purchase summaries.
- K. Historical reports that document the average price of power and energy Mohave purchased from —all providers.
  - K.1 Amounts in RUS Account 557.00, while prescribed by RUS accounting, are not allowed by the ACC and are not to be included in computing the PPFCA adjustor bank balance.
- L. Documentation regarding power and energy purchased that Mohave ultimately did not end up —taking.
- M. Analysis documents that are (were) used to establish the purchase price and delivered price for —power and energy purchased by Mohave.
- N. Documentation of all bids for power and energy purchased by Mohave.
  - N.1 Competitive bid solicitations and selection documents.
  - N.2 On Peak and Off Peak prices
  - N.3 Documentation of power suppliers and prevailing prices in the regional market that were not solicited.
- O. Reconciliations of month by month power cost summaries to the annual audit summaries
  - O.1 Requires close review of summaries published in the Cooperative's annual audit report to —correspond to month by month purchase summaries.
- P. Documentation of daily-weekly-monthly indexes of Mohave's potential power suppliers and —documents that detail the changes in the composition of the indexes or the potential —power -suppliers.
  - P.1 Mead Index
  - P.2 Palo Verde Index
  - P.3 Any other provider index that may evolve
- Q. Documentation regarding current and new potential suppliers at the Hub, including Western and —ACES suppliers at the Hub who are or will become potential suppliers of purchased power for —Mohave

- Q.1 Document statements regarding Hub purchases
- R. Spot Market price history for the regional market that is accessible to Mohave (Mead and Palo — Verde)
  - R.1 On Peak and Off Peak energy prices by supplier
  - R.2 Estimated transmission service prices by supplier
- S. Documentation of Opinions on forward markets at least annually