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BEFORE THE ARIZONA CORPORATION COMMISSION
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BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

ARIZONA CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02527A-12-0321
GRAHAM COUNTY UTILITIES GAS DIVISION)
INC. FOR A RATE INCREASE)

Graham County Utilities, Inc. ("GCU") hereby files the Rebuttal Testimony of John V. Wallace in the above docket.

RESPECTFULLY SUBMITTED this 6th day of March, 2013.

By Kirk Gray

Kirk Gray
Graham County Electric Cooperative, Inc. and Graham
County Utilities, Inc.

Original and thirteen (13) copies filed
this 6th day of March, 2013, with:

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

Arizona Corporation Commission
DOCKETED
MAR 6 2013
DOCKETED BY JM

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BEFORE THE ARIZONA CORPORATION COMMISSION

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**BOB STUMP, Chairman
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**IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02527A-12-0321
GRAHAM COUNTY UTILITIES GAS DIVISION)
INC. FOR A RATE INCREASE)
)
)
_____)**

**REBUTTAL
TESTIMONY
OF
JOHN V. WALLACE
GRAHAM COUNTY UTILITIES, INC.
GAS DIVISION**

March 6, 2013

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I. INTRODUCTION

Q. Please state your name address and occupation.

A. My name is John V. Wallace. I am the Director of Regulatory and Strategic Services of Grand Canyon State Electric Cooperative Association (“GCSECA”). I am filing rebuttal testimony on behalf of Graham County Utilities, Inc. (“GCU” or “Cooperative”).

Q. Are you the same John V. Wallace that filed direct testimony in this case?

A. Yes, I am.

Q. Was this testimony prepared by you or under your direction?

A. Yes, it was.

Q. What areas does your testimony address?

A. My testimony addresses four primary areas of the Staff Witnesses’ direct testimony: revenue requirements, cost of service and class revenue allocations, rate design.

II. SUMMARY OF RECOMENDATIONS

Q. Please summarize your recommendations.

A. GCU agrees and stipulates to all of the recommendations in Staff Witness Brian K. Bozzo’s direct testimony.
Regarding Mr. Bozzo’s recommendations on GCU’s proposed Line of Credit (“LOC”), GCU will commit to use the proposed LOC only when GCU experiences a cash shortfall and repay such LOC balances within a 12-month period. If GCU is approaching the \$500,000 LOC limit and cannot repay this LOC within a 12-month period, GCU will file a notice with Staff of such along with the reasons the LOC has been used and provide information on how this LOC will be repaid (i.e. by filing a financing and/or rate case).

GCU agrees and stipulates to all of the recommendations in the direct testimony of Staff

1 Witnesses Ranelle Paladino, Alan Borne and Prem Bahl.

2 GCU agrees and stipulates to all of the recommendations in Mr. Gray's direct testimony.
3 Specifically, GCU stipulates to Mr. Gray's residential rate design proposal that has a
4 customer monthly minimum of \$15 and \$0.378 for all therms used.

5
6 In its next rate case, GCU will agree to file an inclining block rate design for its
7 residential customer class as one of its rate design proposals. GCU will agree to do so
8 with the understanding that GCU will not be ineligible to file a rate case under the R14-2-
9 107 rules.

10
11 **III. REVENUE REQUIREMENTS**

12
13 Q. Please comment on the Staff Witness Brian K. Bozzo's testimony.

14 A. GCU agrees and stipulates to all of the recommendations in Mr. Bozzo's direct
15 testimony.

16
17 Q. Has GCU filed an application for financing as discussed in Mr. Bozzo's testimony
18 beginning on page 12, line 19?

19
20 A. Yes. On February 7, 2013, GCU filed an Application ("Finance Application") for
21 authorization to borrow \$1,000,000 from the Graham County Electric Cooperative
22 ("GCEC") to finance prior construction of plant in accordance with GCU's construction
23 work plan and establish a \$500,000 line of credit with GCEC to address future capital
24 needs (Docket No. G-02527A-13-0023). In its Finance Application, GCU requested that
25 the Finance Application be consolidated with this pending rate case (Docket No.G-
26 02527A -12-0321). Due to GCU's poor financial condition, GCU further requested that
27 the Finance Application be processed concurrently with the rate case application and not
28 delay the rate case application time clock.

1 Q. Please respond to GCU's appropriate use of Line of Credit ("LOC") as discussed in Mr.
2 Bozzo's testimony beginning on page 15, line 20?

3 A. Concerning Mr. Bozzo testimony regarding GCU's commitment to the appropriate use of
4 its proposed \$500,000 a LOC, GCU has the following comments. GCEC manages the
5 operations of GCU's Gas and Water Divisions pursuant to an operations and management
6 agreement. GCEC and GCU Gas and Water are operated as separate and distinct entities
7 from each other. This being said, GCEC has to advance funds to GCU when necessary
8 otherwise necessary financial commitments and plant additions could not be completed.
9 GCU will commit to use the proposed LOC only when GCU experiences a cash shortfall
10 and repay such LOC balances within a 12-month period. If GCU is approaching the
11 \$500,000 limit and cannot repay this LOC within a 12-month period, GCU will file a
12 notice with Staff of such along with the reasons the LOC has been used and provide
13 information on how this LOC will be repaid (i.e. by filing a financing and/or rate case).

14
15 Q. Please comment on the Staff Witness Ranelle Paladino's testimony.

16 A. GCU agrees and stipulates to all of the recommendations in Ms. Paladino's direct
17 testimony.

18 Q. Please comment on the Staff Witness Alan Borne's testimony.

19 A. GCU agrees and stipulates to all of the recommendations in Mr. Borne's direct testimony.

20
21 **IV. COST OF SERVICE AND RATE DESIGN**

22
23 Q. Please comment on the Staff Witness Prem K. Bahl's testimony.

24 A. GCU agrees and stipulates to all of the recommendations in Mr. Bahl's direct testimony.

25 Q. Please comment on the Staff Witness Robert G. Gray's testimony.

26 A. GCU agrees with and stipulates to all of the recommendations in Mr. Gray's direct
27 testimony. Specifically, GCU stipulates to Mr. Gray's residential rate design proposal
28 that has a customer monthly minimum of \$15 and \$0.378 for all therms used.

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Q. Please comment on Mr. Gray's alternative tiered rate design proposal for GCU's residential customer class.

A. Mr. Gray has proposed an alternative inclining block rate for the residential class in this case that is \$0.34 for the first 50 therms and \$0.40 for each therm over 50. As a part of its stipulation to the recommendations in Mr. Gray's direct testimony, GCU will agree to file an inclining block rate design for its residential customer class as one of its rate design proposals. GCU will agree to do so with the understanding that GCU will not be ineligible to file a rate case under the R14-2-107 rules (due to the filing of a new rate schedule as stated R14-2-107(A)(11)(a)). GCU should not be ineligible to file a rate case under the R14-2-107 rules due to the fact that the Commission, as a part of the decision in this matter, will be directing GCU to file a new rate schedule. In addition, the new tariff will be limited to the residential customer class and the time necessary to analyze this new rate design should be minimal.

Q. Does that conclude your rebuttal testimony?

A. Yes, it does.