

ORIGINAL

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ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION
DOCKET CONTROL

MEMORANDUM MAR 8 8AM 11 40

TO: Docket Control

FROM: Betty Camargo 
Paralegal, Legal Division

DATE: March 8, 2013

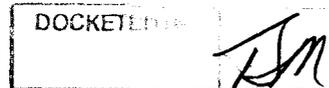
RE: NOTICE OF FILING FINAL RULEMAKING
A.A.C. R14-2-103, R14-2-107
DOCKET NO. RU-00000A-12-0270

Attached is the Notice of Final Rulemaking concerning the Processing of Cooperative Utility Rate Cases. The final rules were published in the Arizona Administrative Register on March 8, 2013 with an effective date of April 9, 2013.

Arizona Corporation Commission

DOCKETED

MAR 8 2013



Notices of Final Rulemaking

7. A reference to any study relevant to the rule that the agency reviewed and either relied on or did not 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

8. 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

9. A 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 timeframes. 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.

10. A description of any changes between the proposed rulemaking, to include supplemental notices, and the final rulemaking:

None

11. An agency's summary of the public or stakeholder comments made about the rulemaking and the agency response to the comments:

Written Comments on Notice of Proposed Rulemaking

Public Comment

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.

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.

Commission Response

The Commission acknowledges the supportive comments.
No change is needed in response to these comments.

The Commission acknowledges the supportive comment.
No change is needed in response to this comment.

Notices of Final Rulemaking

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.

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.

A member/customer of Mohave objected to the proposed rulemaking.

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.

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.

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.

The Commission acknowledges the supportive comment.

No change is needed in response to this comment.

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.

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.

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.

The Commission acknowledges the supportive comment.

No change is needed in response to this comment.

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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.

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 rate-making and the provisions for member involvement in rate cases.

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.

An individual stated that he and his wife object to any rate increase. The individual did not identify what cooperative provides their service.

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 cooperatives providing their services.

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.

The Commission acknowledges the supportive comment.
No change is needed in response to this comment.

The Commission acknowledges the supportive comments.
No change is needed in response to these comments.

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.

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.

The Commission acknowledges the supportive comments.
No change is needed in response to these comments.

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.

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Notices of Final Rulemaking

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.

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.

The Town Manager, on behalf of the Town of Patagonia, wrote a letter supporting the proposed rulemaking and urging the Commission to adopt it.

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.

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.

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.

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 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.

Oral Comments on Notice of Proposed Rulemaking -- Tucson

Public Comment

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 Chief Safety and Security Manager for the Sierra Vista Regional Health Center expressed support for the rulemaking.

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.

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Commission Response

The Commission acknowledges the supportive comment.
No change is needed in response to this comment.

The Commission acknowledges the supportive comment.
No change is needed in response to this comment.

The Commission acknowledges the supportive comment.
No change is needed in response to this comment.

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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

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.

Commission Response

The Commission acknowledges the supportive comment.
No change is needed in response to this comment.

Counsel 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.

12. 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:

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

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

Notices of Final Rulemaking

None

14. Whether the rule was previously made, amended or repealed as an emergency rule. If so, cite the notice published in the Register as specified in R1-1-409(A). Also, the agency shall state where the text was changed between the emergency and the final rulemaking packages:

No

15. The full text of the rules follows:

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

CHAPTER 2. CORPORATION COMMISSION – FIXED UTILITIES

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,

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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.

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

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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
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

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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 Ending	Prior Year	Projected Year
January			
February			
March			
April			
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

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- 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

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

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- 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;
 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

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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;
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,

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- ing is granted, the Hearing Division shall preside over all further proceedings in the case.
- Q.** Action on Request for Withdrawal. The Hearing Division shall rule on each Request for Withdrawal and may require party responses, including oral argument, or other proceedings at its discretion in considering a Request for Withdrawal. If withdrawal is granted, the Hearing Division shall issue a procedural order administratively closing the docket.
 - R.** Requirement for Service. A party that files a document under this Section shall also serve a copy of the document on each other party to the case, by a method conforming to the requirements of A.A.C. R14-3-107(B) and (C).
 - S.** Revenue Increase Cap. No Commission decision issued under this Section shall increase a cooperative's base revenue by more than 6% of the cooperative's actual test year total base revenue.
 - T.** The Commission may, at any stage in the processing of a cooperative's rate application under this section, determine that the rate application shall instead proceed under R14-2-103.