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BEFORE THE ARIZONA CORPORA

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ROBERT B. BURNS  
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IN THE MATTER OF THE APPLICATION  
OF ARIZONA ELECTRIC POWER  
COOPERATIVE, INC. FOR A HEARING TO  
DETERMINE 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-01773A-12-0305

MOHAVE ELECTRIC COOPERATIVE,  
INCORPORATED'S NOTICE OF  
FILING REBUTTAL TESTIMONY

Mohave Electric Cooperative, Incorporated ("MEC") by and through  
undersigned counsel, gives notice of the filing of Rebuttal Testimony of J. Tyler Carlson and  
Carl N. Stover.

DATED this 13<sup>th</sup> day of June, 2013.

CURTIS, GOODWIN, SULLIVAN,  
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Arizona Corporation Commission  
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JUN 13 2013

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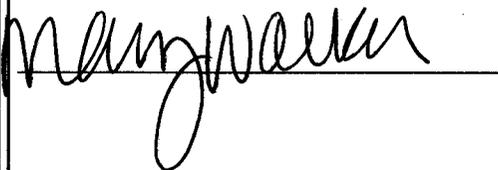
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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Docket No. E-01773A-12-0305

REBUTTAL TESTIMONY OF  
J. TYLER CARLSON  
ON BEHALF OF  
MOHAVE ELECTRIC COOPERATIVE, INCORPORATED

June 13, 2013

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Rebuttal Testimony: J. Tyler Carlson  
Dkt. No. E-01773A-12-0305

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**REBUTTAL TESTIMONY OF  
J. TYLER CARLSON  
ON BEHALF OF  
MOHAVE ELECTRIC COOPERATIVE, INCORPORATED  
SUMMARY OF REBUTTAL TESTIMONY  
(ACC DKT No. E-01773A-12-0305)**

6 Mr. Carlson is the Chief Executive Officer of Mohave Electric Cooperative, Incorporated  
7 (“Mohave”). In his rebuttal testimony Mr. Carlson discusses:

- 8 1) The relationship between Mohave and Arizona Electric Power Cooperative, Inc.  
9 (“AEPCO”);  
10 2) Staff’s contention that AEPCO’s relationship with its PRMs is dysfunctional; and  
11 3) Staff’s recommendation that none of the projected reduction in AEPCO operating  
12 costs be passed through to its members and their customers.

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In summary Mr. Carlson requests the Commission reject the recommendation of Staff  
and approve the rate decrease and rate design proposed by AEPCO.

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## **1. INTRODUCTION**

3 **Q. Please state your name, your employer and your position.**

4 A. My name is J. Tyler Carlson. I am the Chief Executive Officer of Mohave Electric  
5 Cooperative, Incorporated ("Mohave") and have served in that capacity since March of  
6 2010.

7 **Q. On whose behalf are you appearing in this proceeding?**

8 A. I am appearing on behalf of Mohave in support of the application filed by Arizona  
9 Electric Power Cooperative, Inc. ("AEPCO") to decrease rate revenues by 2.77%, or  
10 \$4.287 million.

11 **Q. Please briefly describe your background.**

12 A. I have a degree in electrical engineering and a PE. I started at Mohave in 2008 as the  
13 Chief Operating Officer, with primary responsibility for Engineering, Operations and  
14 Power Supply. From 1993 to 2008, I was the Regional Manager for the Western Area  
15 Power Administration. My responsibilities included power system operations,  
16 transmission operations, power marketing, rates and repayment, contracts and all other  
17 functions of a public power entity. I was also a Division Director for System Protection  
18 at an investor owned utility and began my career at a small distribution cooperative in  
19 Minnesota.

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## **2. PURPOSE OF REBUTTAL TESTIMONY**

21 **Q. What is the purpose of your rebuttal testimony?**

22 A. My rebuttal testimony briefly discusses the relationship between Mohave and AEPCO  
23 and provides Mohave's perspective on the following issues raised by the Staff's  
24  
25

1 consultants concerning Arizona Electric Power Cooperative, Inc.'s ("AEPCO") rate  
2 application:

- 3 1. Staff's inappropriate conclusion that the PRMs' relationships with AEPCO are  
4 "dysfunctional" (Antonuk, Direct, p. 29, Conclusion 3); and
- 5 2. Staff's recommendation that AEPCO's rates not be reduced.

6 **3. MOHAVE'S RELATIONSHIP WITH AEPCO**

7 **Q. What is Mohave's relationship with AEPCO?**

8 A. Since AEPCO restructured in 2001, Mohave has been a Partial Requirements Class A  
9 Member ("PRM") of AEPCO. Prior to 2001 Mohave was an All Requirements Class A  
10 Member ("ARM"). Mohave is both an owner and customer of AEPCO, with a  
11 representative on the AEPCO Board of Directors and on various AEPCO committees that  
12 provide oversight and direction to AEPCO. In 2012 Mohave purchased 83% of its power  
13 supply requirement from AEPCO. Mohave, by contract, has a responsibility for 35.8% of  
14 AEPCO's Base Resource and Other Resource fixed costs. During the test year Mohave's  
15 purchases from AEPCO represented 29% of the AEPCO Class A Member sales. Obviously,  
16 AEPCO's financial viability and the price of its electricity are vitally important to both  
17 Mohave and its 39,000 retail member consumers.

18 **Q. As a PRM, does Mohave actively provide AEPCO oversight and direction through its  
19 participation on the AEPCO Board of Directors and various AEPCO Committees?**

20 A. Absolutely. Mohave has an equal voice with other Class A Members, whether PRM or  
21 ARM, in the decisions of and direction provided to AEPCO. As a result, we receive  
22 reports and participate in on-going processes to facilitate AEPCO's operations.

1 **Q. Is the relationship between AEPCO and Mohave contentious?**

2 A. No. Mohave views AEPCO as a partner in providing a reliable power supply to Mohave  
3 customers at a price consistent with good utility practices, including maintaining the  
4 financial health of the Cooperative. Obviously that does not mean that every AEPCO  
5 member, every AEPCO employee or even the AEPCO Board sees every issue the same as  
6 Mohave. However, AEPCO is working hard to understand and do its best to meet the  
7 needs of all of its members. Since I have been with Mohave there have been significant  
8 modifications in the relationship between AEPCO and its members. The Commission  
9 approved revised contracts between AEPCO and its members as part of AEPCO's last  
10 rate proceeding. Mohave is looking to AEPCO to meet more of its power scheduling  
11 needs and is once again part of the AEPCO load control area. In summary, I believe  
12 AEPCO and Mohave are good partners and like most partnerships, there are ups and  
13 downs in our relationship.

14 **4. AEPCO'S RELATIONSHIP WITH PRMs IS NOT DYSFUNCTIONAL**

15 **Q. Is the relationship between AEPCO and the PRMs dysfunctional as asserted by Mr.**  
16 **Antonuk at page 29, Conclusion 3?**

17 A. No. Mr. Antonuk and the other Liberty witnesses assess AEPCO as if its primary function  
18 remains to meet all the power requirements for all of its members. As a result they  
19 mistakenly view the flexibility provided AEPCO's PRMs negatively and mischaracterize it  
20 as dysfunctional.

21 AEPCO and its Apache facility remain a critical component of the PRMs power supply.  
22 AEPCO's financial integrity is protected by the PRMs contractual obligation to take and  
23 pay for their pro rata share of the Apache facility and its operating costs. The PRM  
24 relationship, thus, preserves AEPCO's financial integrity, while allowing the PRMs to  
25

1 access the market on a limited basis when AEPCO is not competitive on the margin,  
2 whether due to natural gas prices, environmental regulations or operating inefficiencies.  
3 AEPCO no longer has the obligation to secure power for meeting the PRMs load growth,  
4 unless AEPCO and the PRM separately agree to jointly pursue a new power supply. The  
5 experience with the Southwest Public Power Resources Group ("SPPR") is good example.  
6 AEPCO and its members jointly and independently evaluated group and individual  
7 participation in SPPR. In the end, only AEPCO secured additional power through SPPR  
8 and then only for its ARMs. The PRMs and AEPCO work cooperatively to maximize the  
9 value of AEPCO and the Apache station to AEPCO and its membership.

10 **Q. Does the fact that PRMs do resource planning on their own indicate the PRMs lack**  
11 **confidence in AEPCO?**

12 A. No. In 2001, when AEPCO re-structured, Mohave recognized it had an opportunity to  
13 evaluate and respond to the specific needs of its service area. AEPCO now competes  
14 with the market to meet Mohave's power needs above the established contractual  
15 minimums and to supply services like scheduling. Mohave initially determined there  
16 were opportunities available through the Western Area Power Administration that  
17 AEPCO was not in a position to provide at the time. Earlier this year, AEPCO resumed  
18 providing scheduling and load control services to Mohave through ACES Power  
19 Marketing LLC with great success.

20 **Q. Is the relationship between Mohave and AEPCO static?**

21 A. The nature of the relationship between AEPCO and Mohave has evolved over time.  
22 Following intensive discussions with AEPCO, Mohave and AEPCO agreed to amended  
23 power supply contracts and a revised rate design. The Commission approved the  
24 revised contractual relationship and rate design by Decision No. 72055.

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**5. STAFF'S RECOMMENDATION FAILS TO  
PASS THROUGH COST SAVINGS TO AEPCO'S MEMBER/CUSTOMERS**

**Q. What is Mohave's position on Staff's recommendation that AEPCO's revenue requirement remain unchanged?**

A. AEPCO's members have encouraged AEPCO to maximize efficiencies in order to lower its operating costs. AEPCO has responded and was able to identify various pro forma adjustments to the test year that significantly reduce operating and maintenance expenses and increases margins from those booked during the test year. In doing so, the intention of AEPCO and its members was to pass on a significant portion of these savings through to AEPCO members and their customer/members through lower rates, while maintaining the financial health of AEPCO. AEPCO's application proposed a 2.92% decrease, or \$4.527 million, in rate revenues, while maintaining a 1.32 Debt Service Coverage ("DSC"); the same DSC approved by the Commission in Decision No. 72055. Due to a slight increase in proforma expenses, AEPCO is now revising the decrease to \$4.287 million or 2.77%.

**Q. Do all of AEPCO's Members support the proposed reduction?**

A. Yes. The rate application was considered by the AEPCO Board and supported unanimously by AEPCO's Members.

**Q. Does Staff recognize AEPCO's operating expenses have decreased?**

A. Yes. Staff witness Mr. Kalbarczyk recommends accepting all of AEPCO's proposed pro forma adjustments to its income statement. Kalbarczyk, Direct, pp. 8-9. He concludes they represent a \$4,629,498 increase in AEPCO's margins. *Id.*, Table 4, p. 10.

1 Additionally Staff witness Mr. Mazzini concludes actual and planned cost reductions at  
2 the Apache station seem to originate in real efficiency improvements, which is a credit to  
3 the plant team. Mazzini, Direct, RAM-2, pp. 5-6.

4 **Q. Does Staff recommend passing any of these savings through to AEPCO**  
5 **customers/members through lower rates?**

6 A. Unfortunately, no. In fact, Staff, through its consultants, The Liberty Consulting Group  
7 (“Liberty”), recommends that AEPCO be authorized to generate revenues designed to  
8 produce a 1.56 DSC versus the 1.32 DSC requested by AEPCO.

9 **Q. What is Staff’s justification for maintaining the existing revenue level?**

10 A. Mr. Vickroy identifies various factors utilized by Moody’s to evaluate the financial  
11 metrics of G&Ts. Mr. Stover addresses Mr. Vickroy’s technical analysis. However, I find  
12 Staff’s primary justification to be a concern that AEPCO will have to make substantial  
13 investment to meet EPA mandates and on other unidentified investments at the Apache  
14 facility at a time when cheap natural gas and the economic slowdown is limiting the  
15 Apache facility’s ability to compete with other power sources. Staff witness Mazzini  
16 states “the survival of Apache is at stake.” Mazzini, Direct, RAM-2, p. 4.

17 First, as AEPCO will explain, Staff has seriously overestimated the magnitude of the  
18 anticipated capital investment needed to address EPA requirements. Second, Staff does  
19 not explain how maintaining existing revenue levels and depriving AEPCO’s members of  
20 the \$4.287 million in lower fuel costs address Staff’s underlining concern. AEPCO’s  
21 members and their customers are better served by lower fuel costs now and use of a  
22 cost recovery adjustor that is properly designed to collect the actual costs of investments  
23 mandated by the EPA, and no more.

1 **Q. Has Staff adequately recognized the committees and procedures AEPCO already**  
2 **has in place to evaluate and address Staff's concerns?**

3 A. No. AEPCO already has internal committees and procedures in place to review resource  
4 planning. In particular, the Arizona Strategic Resource Planning Technical Committee  
5 actively reviews future resource needs of AEPCO's members on a quarterly basis and  
6 recommends actions to address them. These are dynamic processes. AEPCO conducted a  
7 study of the future role of the Apache facility which was submitted to the Commission  
8 October 2012. Staff chose to provide its feedback on the study through its formal  
9 testimony in this rate proceeding. I am confident that AEPCO will follow-up. However,  
10 the nature and contents of any further efforts should be based upon reasoned discussions  
11 between AEPCO and Staff. It would be inappropriate for the Commission to define the  
12 scope of those efforts based upon the summary testimony and recommendation of Mr.  
13 Mazzini.

14 **Q. Has Staff recognized that the Apache facility is operated professionally?**

15 A. Mr. Mazzini's Final Engineering Report attached to his Direct Testimony as RAM-2,  
16 includes the following findings and conclusions:

- 17 • Recent reductions in spending on maintenance resulted from efficiency measures, p. 2;
- 18 • The elimination of a Chief Operating Officer and implementation of ten division  
19 managers seems to be functioning well as it applies to Apache, p. 3;
- 20 • AEPCO's decision to curtail capital spending will continue to be appropriate until some  
21 better definition of the future exists, p. 5;
- 22 • Apache staff maintain the station well and operates efficiently, p. 5;
- 23 • Actual and planned cost reductions at the Apache station seem to originate in real  
24 efficiency improvements, which is a credit to the plant team, p. 5-6;

- 1 • Liberty found no reason to believe the operation and maintenance programs for the
- 2 Apache Station are lacking, p. 13;
- 3 • Liberty observed no indications that maintenance has been inadequate, either in our
- 4 2010 or 2013 inspections, p. 13;
- 5 • Maintenance costs forecasts for the Apache Station is about 10 percent lower than
- 6 AEPCO previously forecast and about the same below the trend line which in itself is
- 7 orderly and contained, p. 13;
- 8 • The cost management initiatives underway so far have been effective in controlling costs
- 9 and provides cause for optimism, p. 13; and
- 10 • Liberty's recent on-site visit evidenced a plant that is well cared for, well maintained,
- 11 orderly and professional, p.17.

12 **Q. Does the information and arguments presented by Staff provide Mohave with an**  
13 **explanation for rejecting AEPCO's proposed rate reduction understandable to**  
14 **Mohave's 39,000 member consumers?**

15 A. No. As requested by the Procedural Order issued September 11, 2012, all our members  
16 were provided formal notice of AEPCO's application for a 2.92% decrease in revenues.  
17 While the notice also advised that the Commission is not bound by proposals made by  
18 the parties and the impacts on the bills of individual retail customers are difficult to  
19 estimate, the notice created an expectation that bills were likely to be lower once the  
20 Commission acted on AEPCO's application. Staff's reliance on the "sky is falling"  
21 conjecture of out of state consultants about inflated estimates for meeting EPA  
22 requirements, concerns about Moody's criteria for rating G&T entities and speculation  
23 about the useful life of the Apache facility to reject lower rates based upon known and  
24  
25

1 measurable savings in operation costs will, at best, leave our 39,000 member consumers  
2 perplexed, and likely angry, over the lost opportunity for a reduction in their utility bills.

3 **Q. Does this conclude your rebuttal testimony?**

4 **A.** Yes, it does.  
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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5 **COOPERATIVE, INC. FOR A HEARING TO**  
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9 **RETURN THEREON AND TO APPROVE**  
10 **RATES DESIGNED TO DEVELOP SUCH**  
11 **RETURN**

Docket No. E-10773A-12-0305

12 **REBUTTAL TESTIMONY**

13 **OF**

14 **CARL N. STOVER, JR.**

15 **ON BEHALF**

16 **OF**

17 **MOHAVE ELECTRIC COOPERATIVE, INCORPORATED**

18  
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22 **June 13, 2013**  
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**REBUTTAL TESTIMONY OF**

**CARL N. STOVER, JR.**

**ON BEHALF OF**

**MOHAVE ELECTRIC COOPERATIVE, INCORPORATED**

**INTRODUCTION**

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6 **Q. Please state your name and business address.**

7 A. My name is Carl N. Stover, Jr. My business address is 5555 North Grand Boulevard,  
8 Oklahoma City, Oklahoma 73112-5507.

9 **Q. By whom are you employed and what is your position?**

10 A. I am employed by C. H. Guernsey & Company, Engineers • Architects • Consultants. I  
11 am currently Chairman of the Board. My consulting activities include rate and  
12 financial analysis on behalf of our clients before state and regulatory commissions. I  
13 am also involved in power supply planning and development of power supply  
14 resources.

15 **Q. Please briefly summarize your educational background and your professional  
16 experience.**

17 A. I have a Bachelor of Science degree in Electrical Engineering and a Master of Science  
18 degree in Industrial Engineering. I am a Registered Professional Engineer, licensed  
19 in the states of Oklahoma, Kansas, Colorado, Wyoming, Iowa and Texas. I am a  
20 member of the Power Engineering Society and the Engineering Management Society  
21 of the Institute of Electrical and Electronics Engineers.

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1 **Q. Have you previously appeared before state regulatory commissions on**  
2 **matters related to cost of service, rate design and power supply planning?**

3 A. Yes. I have appeared before regulatory commissions in the states of Arizona,  
4 Arkansas, Colorado, Kansas, New Mexico, Oklahoma, Texas and Wyoming. (See  
5 Exhibit CNS-1, attached to this testimony is my resume.)

6 **Q. Have you published or presented papers concerning planning, rate design,**  
7 **cost of service, etc.?**

8 A. Yes. See Exhibit CNS-1 for a listing of my papers and presentations.

9 **Q. Have you testified before the Arizona Corporation Commission previously?**

10 A. Yes, I have testified in proceedings involving Southwest Transmission Cooperative,  
11 Inc. ("SWTC"), Arizona Electric Power Cooperative, Inc. ("AEPCO"), and Mohave  
12 Electric Cooperative, Incorporated ("Mohave" or "Cooperative").

13 **Q. Upon whose behalf are you appearing in this proceeding?**

14 A. I am appearing on behalf of Mohave Electric Cooperative, Incorporated.

15 **Q. Please describe your experience with Mohave Electric Cooperative, Inc.**

16 A. I began working with Mohave in 2002. My work primarily relates to power supply  
17 related activities including planning for future power supply resources to serve  
18 projected requirements, integration and optimization of existing resources to serve  
19 current load and issues related to both retail and wholesale rates.

20 **PURPOSE OF TESTIMONY**

21 **Q. What is the purpose of the testimony you are presenting in this proceeding?**

22 A. My testimony provides rebuttal to certain statements made by Mr. Randall Vickroy  
23 and Mr. Richard Mazzini in direct testimony presented in this proceeding. Both  
24 Messrs. Vickroy and Mazzini contend AEPCO's request for a rate decrease of 2.92%

1 should not be approved. Mr. Vickroy reviews various risk factors that might impact  
2 AEPCO's credit worthiness. Mr. Mazzini discusses a used and useful issue and his  
3 belief that the only way to deal with the issue is for the ACC to deny the rate  
4 decrease proposed by AEPCO. My rebuttal will show:

- 5 1. That Messer's Vickroy and Mazzini are in error with regard to certain  
6 elements of their analysis,
- 7 2. That their recommendations should be rejected,
- 8 3. That the ACC should approve AEPCO's requested rate decrease.

9 **Q. Why do you believe the testimony presented by Mohave is relevant in this**  
10 **proceeding?**

11 A. Mohave is one of the six Class A Members of AEPCO. Mohave has been a Member of  
12 AEPCO since it was formed. As a Member of AEPCO, Mohave has had representation  
13 on the Board and on various operating and management committees. Mohave is  
14 currently one of three Partial Requirements Members ("PRM"). Mohave's purchases  
15 from AEPCO represented 29% of the AEPCO Class A Member sales in the test year.<sup>1</sup>  
16 In 2012 Mohave's purchases from AEPCO represented 83% of Mohave's total power  
17 supply requirement acquired by Mohave to serve its 39,000 retail member  
18 consumers. Mohave has responsibility for 35.8% of AEPCO's Base Resource and  
19 Other Resource fixed costs.

20 Clearly, the relationship between Mohave and AEPCO is important for Mohave to  
21 meet its obligations to serve its retail member consumers. Mohave is keenly  
22 interested as a Member, as a rate payer, as an entity that is dependent on AEPCO to  
23 provide a major portion of its wholesale requirement, as an owner, and as a board  
24

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25 <sup>1</sup> Schedule H-2, page 4 Total Class A Members sales 2,328,819 MWh. Mohave sales 678,430 MWh.

1 member to make certain that AEPCO maintains a viable operating and financial  
2 base. Mohave believes that its comments will assist the ACC by providing a  
3 Member's perspective. The fact is that all Members share all of these same concerns  
4 and that is why it is particularly important to note that the filing that is the subject  
5 of this proceeding was unanimously approved by the Members.

6 **Q. Did you prepare any exhibits in support of your testimony?**

7 A. Yes. Exhibit CNS-2 includes a number of schedules that I will reference in my  
8 testimony.

9 **Q. Was the exhibit prepared by you or under your direct supervision?**

10 A Yes.

11 **REBUTTAL TO MR. VICKROY**

12 **Q. What position is Mr. Vickroy taking in this proceeding?**

13 A. Mr. Vickroy suggests AEPCO should not reduce rates at this time (Vickroy, Direct, p.  
14 18, line 15).

15 **Q. Why does Mr. Vickroy oppose a reduction in AEPCO's rates?**

16 A. At the risk of over-simplification the basic reasons for Mr. Vickroy's opposition to a  
17 rate decrease appear to be<sup>2</sup>:

- 18 1. The EPA environmental mitigation requirements and the potential impact on
- 19 costs and rates associated with compliance,
- 20 2. The long-term economic viability of the Cooperative's generation resources, and
- 21 3. The uncertainties and risks that face the Cooperative.

22 (Vickroy, Direct, p. 18, line 16 – p. 19, line 18).

23 <sup>2</sup> Page 18 references three: 1) Business risk due to EPA, 2) High costs associated with high construction build,  
24 3) Key generation resources become less competitive and have uncertain long term viability.  
25 Page 19 references three: 1) EPA requirements, 2) Long term viability of generation resources, 3) Future  
risks that face the Cooperative.

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1 **Q. What is the general process and what criteria did Mr. Vickroy apply in his**  
2 **analysis?**

3 **A.** Mr. Vickroy evaluated five key factors identified by Moody's to provide qualitative  
4 and quantitative measures for establishing the risk profile of a G&T cooperative. I  
5 believe that he is also reflecting findings of Mr. Mazzini when he references the long-  
6 term viability of generation resources. I will address this issue in my rebuttal of Mr.  
7 Mazzini.

8 **SUMMARY**

9 **Q. Please summarize your rebuttal of Mr. Vickroy.**

10 **A.** An evaluation of "Financial Performance and Metrics" provides support for AEPCO's  
11 rate filing and the proposed rate decrease. Mr. Vickroy acknowledges "the financial  
12 targets included in its rate request, if they were to be realized over a period of years,  
13 would probably qualify AEPCO for an investment grade credit rating and the ability  
14 to access capital markets." (Vickroy, Direct, p. 13, line 3).

15 He then goes on to evaluate four other criteria related to non-financial metrics or  
16 quantitative factors that he contends "...combine to give AEPCO very high levels of  
17 risk" (Vickroy, Direct, p. 16, line 3). As a result he concludes that the risk associated  
18 with these four factors trump his initial finding based on financial metrics and  
19 therefore a rate decrease is not justified.

20 While I support his conclusion with regard to Factor #1, I believe errors in his  
21 analysis of Factors #2, #3, and #4 of Moody's criteria undermine his conclusion  
22 rejecting AEPCO's rate decrease. I agree with Factor #5 finding with regard to size;  
23 however, Moody also recognizes an application of the criteria can recognize outliers  
24 associated with a particular factor. I believe the proper analysis of all five factors  
25

1 supports AEPCO's request for a proposed decrease. The following is a brief  
2 overview of the five criteria Mr. Vickroy used.

3 1. Financial Performance and Metrics (40%)

4 I agree with Mr. Vickroy's findings that the proposed coverage, if realized in  
5 future periods, will allow AEPCO to maintain investment grade status and have  
6 access to capital markets. The proposed coverage reflects the rate decrease and  
7 therefore does not support Mr. Vickroy's conclusion.

8 2. Long-term Wholesale Power Supply Contracts / Regulatory Status (20%)

9 Mr. Vickroy is in error in his assessment of the implications of the existing  
10 wholesale power contracts with the PRMs. The obligations established in these  
11 contracts decrease risk to AEPCO and do not increase risk as suggested by Mr.  
12 Vickroy. Factor #2, when properly evaluated, does not support his conclusion.

13 3. Rate Flexibility / Rate Shock (20%)

14 Mr. Vickroy has not accurately characterized the impact of the EPA compliance  
15 issue and the associated cost impact. The Members recognize that EPA  
16 compliance will impact rates to some degree; however, AEPCO's proposed rate  
17 decrease helps to mitigate the issues, whereas Staff recommendations  
18 exacerbate the issue. When properly evaluated Factor #3 does not support Mr.  
19 Vickroy's conclusion.

20 4. Member / Owner Profile (10%)

21 Mr. Vickroy has not properly computed the consolidated residential sales metric  
22 in application of the risk criteria. When computed properly this metric shows  
23 AEPCO to be in the "A" level. Calculation of the composite equity shows ranking  
24  
25

1 slightly below the "A" level. When properly evaluated, Factor #4 does not  
2 support Mr. Vickroy's conclusion.

3 5. Size (10%)

4 Mr. Vickroy is correct — AEPCO is small compared to other systems. This is a fact.  
5 However, this factor is only given 10% weight and when considered in  
6 connection with the remaining criteria is insufficient to support Mr. Vickroy's  
7 conclusion.

8 In summary, Mr. Vickroy believes that, after consideration of factors #2 - #5, there is  
9 sufficient risk and uncertainty to justify a recommendation to not decrease rates. I  
10 believe that, after recognition of actual contract obligations, recognition of more  
11 realistic capital requirements, and after correction for errors, the ACC should again  
12 reject Mr. Vickroy's recommendation and should accept AEPCO's proposed rate  
13 reduction. I will discuss each of the five criteria in more detail below.

14 **Q. Was Mr. Vickroy's analysis of the Moody's criteria used in establishing**  
15 **AEPCO's existing rates?**

16 **A.** No. In AEPCO's last rate case, Mr. Vickroy offered an evaluation of Moody's criteria  
17 very similar to that presented in this proceeding in support of a recommended 1.4  
18 DSC and a rate increase of \$231,014. At hearing, however, AEPCO and Staff  
19 stipulated to a 1.32 DSC and a rate decrease of \$1,172,317. The Commission found  
20 the stipulated DSC and revenue levels "is designed to yield adequate cash flow to  
21 meet the Cooperative's operating needs while considering the effect of rates on its  
22 member distribution cooperatives" and, therefore, just and reasonable. (Decision  
23 No. 72055, p. 8, lines 13-16).

---

1 **1. Financial Performance and Metrics**

2 **Q. What are your comments with regard to application of the first criteria?**

3 A. Based on Mr. Vickroy's analysis of first criteria "Financial Performance and Metrics,"  
4 he concludes:

5 We have determined that the financial targets included in its rate request,  
6 if they were to be realized over a period of years, would probably qualify  
7 AEPCO for an investment grade credit rating and the ability to access  
8 capital markets (*see* Vickroy, Direct, page 13, line 3).

9 This is the single most critical finding, weighted at 40%, and supports AEPCO's rate  
10 decrease. The question is the extent to which this finding is offset by other factors  
11 that relate to increased risk for AEPCO.

12 **Q. Do you have any other comments related to the financial metrics and in  
13 particular the DSC?**

14 A. Yes. The DSC requested in this proceeding of 1.32 is consistent with the value used  
15 to develop the current rates. The appropriate DSC was an issue in the last AEPCO  
16 rate case. Like in this case, despite determining a 1.32 DSC would maintain an  
17 investment grade rating, Mr. Vickroy supported 1.40 DSC based on various risk  
18 issues. As noted, Staff ultimately supported and the Commission approved rates  
19 based on a 1.32 DSC as requested by AEPCO. Now Mr. Vickroy claims his  
20 assessment of these same risks justifies the even greater 1.56 DSC. His testimony in  
21 this proceeding does not support his change in position or justify setting rates based  
22 on a 1.56 DSC, a level even above the upper end of what he concludes is the normal  
23 DSC range of 1.20 to 1.50. (Vickroy, Direct, p. 18, lines 31-32).

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1           **2. Long-Term Wholesale Power Supply Contracts/Regulatory Status**

2   **Q.     What statements are made by Mr. Vickroy related to power supply contracts**  
3   **that you believe are not correct?**

4   A.     Beginning on page 13, line 12, Mr. Vickroy describes the power supply contracts  
5     that AEPCO has in place with its Members, that all 555 MW of capacity at Apache  
6     Station is committed through 2035, and, "That commitment would generally be  
7     considered a strongly positive factor" (Vickroy, Direct, p. 13, line 17). He goes on to  
8     point out that 90% of the capacity and energy is sold to the three PRMs.<sup>3</sup> He then  
9     outlines the reasons why he concludes that the relationship with the PRMs "... adds  
10    for AEPCO substantial business risk above that typical of G&Ts with all-requirement  
11    contracts" (Vickroy, Direct, p. 13, line 26). In my opinion based on my experience  
12    with power supply planning for G&Ts, the contract obligation of AEPCO with the  
13    PRMs reduces the risk as compared to a typical G&T and does not increase the risk.

14 **Q.     What appears to be the basis for Mr. Vickroy's conclusion that the PRM**  
15 **contract obligations increase risk?**

16 A.     The reasons referenced in the testimony are:

- 17           1. The PRMs individually plan for and acquire incremental resources above  
18           their contractual commitments.
- 19           2. The PRMs control the acquisition of their energy needs on a daily basis.
- 20           3. The PRMs are not currently in AEPCO's system control area.

21 (Vickroy, Direct, p. 13, beginning on line 19).

22           With regard to #1, the reason the PRMs plan for resources above their contractual  
23           commitments is because AEPCO does not have the obligation to serve PRM load in

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24 <sup>3</sup> PRMs include Mohave Electric Cooperative, TRICO Electric Cooperative, and Sulphur Springs Valley Electric  
25 Cooperative.

1 excess of the existing contractual commitments. AEPCO's capacity obligations, as to  
2 PRMs, are fixed; AEPCO has no obligation to serve the PRMs load growth; and, as a  
3 result, there is no capital requirement imposed on AEPCO to provide future  
4 resources. A G&T with full-requirements service obligations has the obligation of  
5 having to serve Member load no matter what the load might be, must plan resources  
6 to meet the obligation, must obtain capital to finance the additional resources, and  
7 must accomplish all of this given the uncertainty of volume risk. Having no future  
8 obligations to serve PRM load growth does not increase risk, it reduces risk.

9 **Q. Why would Mr. Vickroy conclude that the PRM contract relationship increases**  
10 **risk if AEPCO has, in fact, minimized risk by not exposing itself to any future**  
11 **capital obligations associated with PRM load growth?**

12 **A.** I think we can get a sense of how he is thinking about risk when we look at his  
13 comments related to his issues #2 and #3 dealing with scheduling and dispatch of  
14 resources. He states that, "... and their dispatch scheduling for their energy needs  
15 above minimum requirements adds for AEPCO substantial business risk ...."  
16 (Vickroy, Direct, p. 13, line 26). I think Mr. Vickroy would have a point if any  
17 material portion of the AEPCO fixed costs, margins, or returns are recovered in the  
18 variable component of the AEPCO rate charged to the PRMs. Mr. Vickroy may not  
19 realize that essentially all of AEPCO's fixed costs are recovered through monthly  
20 charges paid by its members, and are recovered by AEPCO independent of how the  
21 energy is scheduled or dispatched. The variable component of the rate reflects the  
22 incremental cost associated with the service. Even if a PRM did not schedule a single  
23 MWh of energy from AEPCO resources, AEPCO would still collect from the PRM the  
24 fixed costs associated with that asset allocated to the PRM. When you consider the  
25

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1 rate design and cost recovery methodology approved by the ACC, I do not think  
2 there is an argument for increased risk related to scheduling.

3 **Q. Do you agree with Mr. Vickroy's statement related to PRMs' participation in**  
4 **AEPCO's control area?**

5 A. No. At the current time both Mohave and Sulphur Springs Valley Electric  
6 Cooperative ("SSVEC") are a part of AEPCO's control area. However, even if Mr.  
7 Vickroy were correct, it would not make any difference given how AEPCO recovers  
8 fixed costs associated with both owned and purchased power assets allocated to a  
9 PRM.

10 **Q. Do you agree with Mr. Vickroy's statement concerning a negative risk factor**  
11 **attributed to the fact that AEPCO is regulated by the ACC?**

12 A. My experience is that regulation is viewed as a negative by the capital markets and  
13 rating agencies; however, the extent to which it is negative is dependent on two  
14 factors. One is the ability to adjust rates and recover increased costs in a timely  
15 fashion. The ACC allows AEPCO (and the Member systems) to have a timely recovery  
16 of changes in fuel cost, purchased power cost, and non-member sales. These costs  
17 reflect a significant portion of AEPCO's total revenue requirement. This is a  
18 considerably different situation from that in which the regulator requires base rate  
19 changes to recover changes in all costs. The other factor referenced by Moody's is  
20 the relationship between the regulator and the applicant. I am not in a position to  
21 comment on how the ACC views the relationship with AEPCO. Hopefully, AEPCO's  
22 relationship with the ACC, as viewed by the capital markets, is not one that provides  
23 a justification to increase rates to the Members and the retail member consumers  
24 they serve.

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### 3. Rate Flexibility/Rate Shock

1  
2 **Q. What are the primary criteria to be considered for this metric?**

3 A. Mr. Vickroy identifies two factors that would create a high risk for the G&T:

- 4 1. New construction build exposure  
5 2. Rate competitiveness categories

6 **Q. What is the basis for new construction build exposure?**

7 A. As I have indicated in the discussion of PRM contract obligations, AEPCO has zero  
8 risk of new build exposure to serve PRM load growth in excess of the ACP. Mr.  
9 Vickroy's justification is, "AEPCO faces the prospect of at least \$190 million of capital  
10 expenditures to meet EPA requirements over the next 3 to 5 years" (Vickroy, Direct,  
11 p. 14, line 19). Mr. Vickroy did not provide any references or other data to support  
12 his testimony. I have participated in meetings involving AEPCO and the Members  
13 and I know of no requirement, commitment, or even a proposal by AEPCO to "spend  
14 at least \$190 million." It is true that AEPCO must deal with the EPA regional haze  
15 issue, and AEPCO has been working with EPA seeking a solution that meets the  
16 requirements of the various stakeholders. My understanding is that in rebuttal  
17 AEPCO will provide more current estimates and that they are substantially less than  
18 the figure used by Mr. Vickroy in his analysis of the Moody's criteria application to  
19 AEPCO.

20 **Q. What is the basis for the "rate shock" criteria and implications for increased  
21 risk?**

22 A. Mr. Vickroy states that, "AEPCO's rate shock exposure is very high because the EPA  
23 compliance requirements greatly increase this risk" (Vickroy, Direct, p. 15, line 3).  
24 The basis for the rate shock exposure is the "at least \$190" million which is in error.  
25

1 I agree that there will be some yet undetermined rate impact associated with  
2 meeting EPA requirements at some point in the future. That fact, however, does not  
3 justify withholding over \$4 million annually from ratepayers today. Only when such  
4 costs are known and measurable, are they subject to recovery through rates or an  
5 appropriate adjustor mechanism.

6 **Q. What is the basis for rate competitiveness risk?**

7 **A.** Mr. Vickroy states, "The Company's rates, as compared with other regional utilities,  
8 are currently high". (Vickroy, Direct, p. 14, line 28). He goes on to point out that the  
9 Board of Directors' presentations made in 2010, 2011, and 2012 observed this  
10 factor. Based on my dealings with Mohave, I know that Mohave has had a concern  
11 about competitive issues for a number of years. Mohave's approach to deal with the  
12 issue (along with the other Members) was to institute changes at AEPCO that would  
13 reduce costs and improve efficiencies that resulted in the rate decrease requested in  
14 this application. I agree with Mr. Vickroy's concern about potential risk associated  
15 with high non-competitive wholesale rates. AEPCO's proposal to reduce rates helps  
16 to mitigate the risk, whereas Mr. Vickroy's proposal does nothing but contribute to a  
17 self-fulfilling prophecy.

#### 18 **4. Member/Owner Profile**

19 **Q. What does Mr. Vickroy conclude with regard to application of the**  
20 **Member/Owner Profile criterion in his risk evaluation analysis?**

21 **A.** He concludes:

- 22 1. "AEPCO Members have residential sales factors below the average G&Ts  
23 nationally which would seem to be a negative for AEPCO". ( Vickroy, Direct,  
24  
25

1 p. 15, line 16). "A moderating factor is the small percentage of industrial  
2 revenue which neutralizes the risk factor". (Vickroy, Direct, p. 15, line 19).

3 2. "The below-average equity percentages of AEPCO's Members produce a  
4 negative influence". (Vickroy, Direct, p. 15, line 22).

5 **Q. Do you have any comments related to his analysis?**

6 **A.** Yes. Mr. Vickroy has not provided any specific exhibit or data supporting his  
7 statements, so it is difficult to evaluate the basis for his statements. One issue is that  
8 his analysis references RUS Key Performance Indicator comparisons which is not  
9 the reference used in the Moody's analysis. Statements such as: "AEPCO Members  
10 have a residential sales factor below average for G&Ts nationally, according to RUS  
11 Key Performance Indicator comparisons. This factor taken alone would seem to be  
12 negative for AEPCO" (Vickroy, Direct, p. 15, line 18) and "The below-average (again  
13 measured by RUS performance indicators nationally) equity percentages of AEPCO's  
14 members produce a negative influence" (Vickroy, Direct, p. 15, line 22) does not  
15 provide specific information required to make a reasoned judgment. I have  
16 developed specific data for the Members and have made a comparison with the  
17 specific references in the Moody's report to determine the extent to which the  
18 Factor #4 risk is significant.

19 **MEMBER CONSOLIDATED SALES:** Exhibit CNS-1, Schedule A1.0, includes a  
20 number of schedules showing the usage data by rate class for each of the AEPCO  
21 Member systems and the composite total for both 2011 and 2012. The data  
22 indicates that the residential class represents slightly more than 50% of the energy  
23 sales. The value has remained above 50% for the last two years. The metric used by  
24  
25

1 Moody's indicates that Residential Sales/Total sales of 50% to 75% is an A rating.  
2 Based on the data there is not the increased risk indicated by Mr. Vickroy.

3 **MEMBER CONSOLIDATED EQUITY:** Exhibit CNS-2, Schedule B1.0, shows the  
4 individual and composite equity as a percent of capitalization for the Member  
5 systems. The composite equity as of 12/31/2012 was 43.91%. The Moody's analysis  
6 has a lower boundary of 50% for an A rating. The analysis based on this metric  
7 indicates AEPCO slightly below investment grade, but certainly not by a significant  
8 amount.

#### 9 5. Size

10 **Q. Please summarize your evaluation of Mr. Vickroy's analysis based on the size**  
11 **criterion.**

12 **A.** AEPCO has energy sales of 2,327 GWh. This places it in the B level rating. The net  
13 plant is \$232 million which also places it in the B level rating. AEPCO is small  
14 compared to other utilities that Moody's rates. However, Moody's does recognize  
15 that, "Size, together with Factor 3, Member Profile, has the lowest weighting of the  
16 five key factors because it tends to be less important for entities, such as G&T coops,  
17 that are subject to limited competition." Moody also points out that in Ratings  
18 Mapping of Factor 5 there can be outliers. For example, the Moody's analysis  
19 reflected Golden Spread Electric Cooperative with a then current rating of A3;  
20 however, they also had a net plant of approximately \$200 million. Size is not an  
21 issue nor is it a problem — it is simply a fact for AEPCO given the characteristic of the  
22 Members' service area. The question for the ACC is whether or not this criterion  
23 with a 10% weighting is sufficient by itself to trump other criteria that support the  
24 reasonableness of the AEPCO proposed rate.

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**Other Comments**

1  
2 **Q. Do you have any other comments regarding Mr. Vickroy's testimony?**

3 A. Yes. On page 16, line 11, Mr. Vickroy states, "The partial requirements status of  
4 almost 90 percent of member requirements has caused operations issues and  
5 general member unrest." Mr. Vickroy does not provide specific references for either  
6 the operational issues or member unrest statements. AEPCO's restructuring,  
7 coupled with the creation of a partial requirements member in 2001 certainly  
8 presented different issues that needed to be examined and addressed. I have been  
9 involved in most of those discussions. However, AEPCO, the PRMs, the ARMs, and  
10 the ACC have been working through the issues together. I believe this is at least the  
11 third rate proceeding before the ACC in which PRM service is an element of the  
12 rates. Speaking from Mohave's perspective, I have found AEPCO and the ACC to be  
13 very accommodating in resolving issues as they come up.

14 I believe the most profound rebuttal to Mr. Vickroy's statement concerning member  
15 unrest is AEPCO witness Peter Scott statement that the "AEPCO Board of Directors  
16 approved the filing of this rate case by a unanimous vote during its June 2012  
17 meeting." (Scott, Direct, p. 4, line 22).

18 **REBUTTAL TO MR. MAZZINI TESTIMONY**

19 **Q. What are your comments related to Mr. Mazzini's testimony?**

20 A. Mr. Mazzini also recommends no rate reduction of any kind at this time (Mazzini,  
21 Direct, RAM-2, p. 9). The basis for his recommendation appears to be related to two  
22 issues. First is the issue of how the ACC should deal with a used and useful issue  
23 related to ST1 in this case. (Mazzini, Direct, RAM-2, p. 8). The second issue is the  
24 uncertainty of the long term viability of the Cooperative's generation resources.  
25

1 (Mazzini, Direct, RAM-2, p. 3). Mr. Mazzini's testimony raises the following  
2 questions:

- 3 1. Is there really a used and useful issue that needs to be addressed?
- 4 2. If so, is Mr. Mazzini's recommendation of no rate reduction the appropriate  
5 response?

6 I will address the first question.

7 **Q. How do you view the used and useful argument presented by Mr. Mazzini?**

8 **A.** ST1 is a used and useful asset from Mohave's perspective. I would like to explain  
9 how Mohave as a PRM utilizes the resources available to serve the wholesale power  
10 supply requirements of its retail member consumers from both a planning and  
11 operating perspective to explain why all of the AEPCO resources are used and  
12 useful.

### 13 **Planning Perspective**

14 Mohave utilizes all of the resources allocated by AEPCO to Mohave to meet its power  
15 supply objectives from a planning perspective. The following summarizes how  
16 Mohave utilizes the resources.

- 17 1. **Allocated Capacity:** Mohave is allocated a portion of each of the AEPCO  
18 resources. Mohave's share is 35.8%. Mohave pays the fixed cost associated with  
19 these resources independent of how the resource might be dispatched. Exhibit  
20 CNS-2, Schedule C1.0 shows the allocation of:

21 ST #2 & ST #3: 350 MW Coal-fired generation

22 Hydro Allocation: Capacity varies by season from 19 MW to 31 MW

23 ST #1 & GT #1: 82 MW Combined cycle gas generation<sup>4</sup>

24 <sup>4</sup> Mr. Mazzini references ST Unit 1 and Gas Turbine 1 operating in CC with a total capacity of 85 MW. For  
25 scheduling and dispatch purposes Mohave has been using a value of 82 MW.

1 GT #2, #3, and #4: 123 MW Simple cycle gas generation (Peaking units)

2 The Coal + Hydro is generally referred to as "Base Resource" capacity available.

3 The remaining gas-fired generation is referred to as "Other Resource" capacity

4 available. During the summer peak periods there is typically 133 MW of Base

5 Resource available to Mohave and 58 MW of Other Resource available to

6 Mohave. The ST1 capacity is a part of Other Resources. The allocation takes into

7 account responsibility for losses and reserves.

8 2. Hourly Capacity Available: AEPCO will provide to Mohave a schedule of

9 maintenance for the next year. Given this information, Mohave determines the

10 estimated hourly capacity available to serve retail load. AEPCO also provides

11 estimated performance data for the Other Resources (i.e., heat rate and

12 estimated gas prices). Mohave has the option of hedging gas prices for future

13 periods.

14 3. Load Forecast: Mohave prepares a forecast of retail load (adjusted for losses to

15 the transmission output) for the next forecast period. Exhibit CNS-2, Schedule

16 D1.0 shows the projected loads for CY2013.

17 4. Comparison of Loads and Resources (L&R): Mohave then develops a

18 comparison of load requirements and resources available to serve the load to

19 determine resource deficiency during a forecasted period. Exhibit CNS-2,

20 Schedule E1.0 is a representation of L&R for CY2013. Typically, the primary

21 focus is during the summer months when the Mohave peak load occurs. The

22 analysis shows capacity and energy deficiency under two conditions:

23 a. Mohave utilizes both Base Resources and Other Resources to serve load.

24 b. Mohave utilizes only Base Resources to serve load.

1 These two conditions typically define the bookends in defining resource  
2 deficiency. The capacity and energy deficiency are shown on Exhibit CNS-2,  
3 Schedules F1.0, F2.0 and F3.0 and provide a graphic representation of the  
4 deficiency in terms of a deficiency duration curve. The extent to which Mohave  
5 will utilize Other Resources depends on the cost of energy from Other Resources  
6 vs. market forward prices.

- 7 5. Mohave will then make decisions with regard to the extent that Mohave will  
8 utilize Other Resources, forward-market purchases, gas hedges, and spot market  
9 purchases to serve projected deficiencies. The amount of these products that  
10 Mohave would consider using is based on the amount of load in excess of  
11 Mohave resources. The 82 MW associated with ST1 provides an allocation of  
12 approximately 30 MW to Mohave to be used in planning resources to serve load.  
13 Without this 30 MW of planning capacity, exposure to unknown market  
14 conditions would be increased, and Mohave would be forced to incur additional  
15 cost to reduce that exposure. Mohave's system often peaked in late July, and  
16 Exhibit CNS-2, Schedule G1.0 shows how Mohave's projected exposure for 2013  
17 would change without ST1 generation available.

### 18 **Operating Activities**

19 Mohave is using AEPCO to schedule and dispatch resources to serve load. In the  
20 past, Mohave had retained Area Power Administration to provide this service.  
21 Effective 2/1/2013, AEPCO assumed these responsibilities on behalf of Mohave.  
22 AEPCO's objective is to utilize the resources available to provide energy to serve  
23 load at the lowest possible cost. The combined cycle GT #1 & ST #1 is one of the  
24  
25

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1 resources available. Mohave wishes to limit the exposure of the retail load to market  
2 prices. The capacity available from all of the allocated resources provides this hedge.

3 **Used and Useful**

4 **Q. Does Mohave view that a low capacity factor for one or more of the AEPCO**  
5 **resources allocated to Mohave is an indicative metric that the resource is not**  
6 **used or useful in serving Mohave's load?**

7 A. No. Assuming the low capacity factor is not a result of resource availability issues,  
8 Mohave would accept very low capacity factors for Other Resources if the units  
9 were not dispatched because market prices were lower than the cost of generation  
10 from the AEPCO Other Resources. Low capacity factors would mean low market  
11 prices, which mean low energy rates, which mean low wholesale rates, which mean  
12 lower retail rates charged to the retail member consumers. A great deal from  
13 Mohave's perspective is if the Other Resources were never dispatched because of  
14 low market prices.

15 **Q. Does Mohave have to pay the fixed costs associated with the Base Resources**  
16 **and Other Resource independent of the capacity factor at which the unit is**  
17 **dispatched?**

18 A. Yes. Mohave pays the fixed cost and thereby provides a revenue stream to AEPCO to  
19 recover fixed costs independent of unit generation. There is no risk that AEPCO will  
20 fail to recover the fixed cost approved by the ACC. The variable costs are intended to  
21 reflect the actual variable cost of the units. The access to the Other Resources  
22 provides a hedge against high market prices for the Mohave retail customers.

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1 **Q. Do you have any other comments related to Mr. Mazzini's testimony?**

2 A. Yes. Mr. Mazzini has many comments in his testimony related to the importance of  
3 AEPCO and its Members working together to develop a comprehensive power  
4 supply resource plan. From Mohave's perspective this is an ongoing activity through  
5 AEPCO's Strategic Resource Planning Group. Mohave, therefore, does not agree with  
6 Mr. Mazzini's suggestion that a separate study on the Apache facility's future needs  
7 to be done or completed within the next six (6) months.

8 **ADJUSTOR MECHANISMS**

9  
10 **Q. Staff is opposing AEPCO's proposal to recover carbon taxes, CO2 Cap and**  
11 **Trade Allowances or similar levies through the PPFAC. Do you have any**  
12 **comment?**

13 A. Mohave believes that this type of flow through is appropriate and believes Staff  
14 should provide specific objections and suggested changes at this time rather than  
15 recommend denial or a separate proceeding.

16 **Q. Mohave understands AEPCO will be proposing an Environmental Compliance**  
17 **Adjustment Rider ("ECAR") Surcharge in its rebuttal. Do you have any**  
18 **comments on this proposal?**

19 A. Yes. Acceptance of the ECAR will put in place a mechanism by which AEPCO can  
20 recover from the Members the costs associated with compliance with the  
21 environmental requirements (ECS Plan). This will provide a way for AEPCO to deal  
22 with financial risks and uncertainty associated with EPA compliance which is  
23 beneficial.

---

1 **Q. Are there fundamental elements Mohave believes should be built into these**  
2 **types of adjustor mechanisms?**

3 A. Yes. From Mohave's perspective it is important that prior to a flow through of any  
4 specific costs that:

- 5 1. A specific recovery plan be approved by the AEPCO board;
- 6 2. The plan then be subject to review by the ACC Staff; and
- 7 3. The ACC also allow the Member flow through any costs recovered by such  
8 AEPCO adjustor mechanism to the Member's retail customers.

9 **Q. Does this conclude your testimony?**

10 A. Yes.  
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ENGINEERS  
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CARL N. STOVER, JR., PE  
CHAIRMAN OF THE BOARD  
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**EDUCATION:**

M.S., Industrial Engineering, The University of Oklahoma, 1969  
B.S., Electrical Engineering, The University of Oklahoma, 1963  
Stanford University School of Business Administration, "Leading Change and Organizational Renewal," Summer 2001  
Harvard Business School Executive Education, "What's Next & So What? - Leading in the 21<sup>st</sup> Century," January 2000  
Harvard Graduate School of Business Administration, "Leadership in Professional Service Firms," June 1995

**REGISTRATIONS:**

Professional Engineer: Colorado - 12931, Iowa - 11754, Kansas - 6261, Oklahoma - 8526,  
Texas - 67676, Wyoming - 1215

**EXPERIENCE:**

Mr. Stover has provided consulting services to cooperatives and municipal systems for over 45 years. Mr. Stover's specializes in the areas of retail and wholesale rate analyses for regulated and unregulated systems, strategic planning, financial analysis and forecasting, power supply planning, negotiation of power supply contracts and purchase power agreements, and training for utility clients.

Mr. Stover has appeared before the Arizona, Arkansas, Colorado, Kansas, Oklahoma, Texas, Utah and Wyoming state commissions, as well as the Federal Energy Regulatory Commission.

**SPECIFIC CONSULTING EXPERIENCE:**

**Rate Proceedings**

**Arizona** (Arizona Corporation Commission)

- Mohave Electric Cooperative — Docket No. W-01750A-11-0136 (Direct, Rebuttal, and Rejoinder Testimony), Docket No. E-01773A-09-0472 (Rebuttal Testimony), Docket No. E-04100A-09-0496

**Arkansas** (Arkansas Public Service Commission)

- Arkansas Electric Cooperative Corporation — Docket Nos. U-3071, 83-023-U
- Ozarks Electric Cooperative Corporation — Docket 86-162-U

**Colorado** (Colorado Public Utilities Commission)

- Delta-Montrose Electric Association, Delta

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Corporate Office:  
5555 N. Grand Boulevard  
Oklahoma City, OK 73112-5507  
405.416.8100

[www.guernsey.us](http://www.guernsey.us)

Direct Contact:  
405.416.8268  
Cell: 405.823.1764  
[carl.stover@guernsey.us](mailto:carl.stover@guernsey.us)



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**Missouri**

- M & A Electric Power Cooperative

**New Mexico**

- Plains Electric G&T Cooperative, Inc. – Merger with Tri-State G&T Assn.

**Nebraska**

- McCook Public Power District, McCook
- Nebraska Electric G&T Cooperative, Inc., Columbus
- Panhandle Rural Electric Membership Corporation, Alliance
- Twin Valleys Public Power District, Cambridge

**North Carolina**

- North Carolina Electric Membership Corporation

**North Dakota**

- Basin Electric Cooperative, Inc.
- Central Power Electric Cooperative, Inc.

**Oklahoma** (Oklahoma Corporation Commission)

- Caddo Electric Cooperative, Binger
- Canadian Valley Electric Cooperative, Seminole
- Central Rural Electric Cooperative, Stillwater
- Cimarron Electric Cooperative, Kingfisher
- Cookson Hills Electric Cooperative, Inc., Stigler
- Cotton Electric Cooperative, Walters
- East Central Oklahoma Electric Cooperative, Inc., Okmulgee
- Harmon Electric Association, Inc., Hollis
- Indian Electric Cooperative, Inc., Cleveland
- Kay Electric Cooperative, Blackwell
- Kiwash Electric Cooperative, Inc., Cordell
- Lake Region Electric Cooperative, Inc., Hulbert
- Northeast Oklahoma Electric Cooperative, Inc., Vinita
- Northfork Electric Cooperative, Sayre
- Northwestern Electric Cooperative, Inc., Woodward
- Oklahoma Electric Cooperative, Norman
- Oklahoma Gas & Electric Company, Cause No. 29450
- People's Electric Cooperative, Ada
- Red River Valley Rural Electric Association, Marietta
- Rural Electric Cooperative, Inc., Lindsay
- Southwest Rural Electric Association, Inc., Tipton
- Sun Oil vs. Arkansas Louisiana Gas Company
- Verdigris Valley Electric Cooperative, Inc., Collinsville



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**South Dakota**

- Rushmore Electric Power Cooperative, Inc., Rapid City
- West Central Electric Cooperative, Inc., Murdo

**Texas** (Public Utility Commission of Texas)

- Bailey County Electric Cooperative Association – Docket Nos. 2915, 5003, 7900
- Bandera Electric Cooperative, Inc. – Docket Nos. 2786, 4279
- Big County Electric Cooperative (formerly Midwest) – Docket Nos. 2717, 3711, 6983
- Bluebonnet Electric Cooperative, Inc. – Docket Nos. 266, 4070, 7415, 12126
- Brazos Electric Cooperative, Waco – Docket Nos. 4079, 8868, 12757, 13100, 22531
- Central and South West Corp. / American Electric Power Company – Docket No. 19265
- Central Texas Electric Cooperative, Inc. – Docket Nos. 3170, 6363, 7661, 10325, 12127
- Cherokee County Electric Cooperative Association – Docket No. 817
- City of Austin (6560 - in behalf of Bergstrom AFB
- Coleman County Electric Cooperative, Inc. – Docket Nos. 4875, 13335
- Comanche County Electric Cooperative, Inc. – Docket Nos. 5272, 8272
- Concho Valley Electric Cooperative, Inc. – Docket Nos. 3550, 4797, 6540, 9056, 13334
- Cooke County Electric Cooperative Association – Docket No. 9240
- CoServ Electric – Docket Nos. 3470, 4189, 5165, 9892, 21669
- Deaf Smith Electric Cooperative, Inc. – Docket Nos. 4481, 5019, 8354
- Department of Defense (Bergstrom AFB v. City of Austin – Docket No. 6560
- Fannin County Electric Cooperative, Inc. – Docket Nos. 3747, 4940, 9992
- Farmers Electric Cooperative, Inc. – Docket Nos. 3780, 4422, 5259, 6475
- Fort Belknap Electric Cooperative, Inc. – Docket Nos. 4396, 6558, 9944
- Golden Spread Electric Cooperative – Docket Nos. 13444, 14980, 15100, 16738
- Grayson-Collin Electric Cooperative, Inc. – Docket Nos. 3945, 6510
- Greenbelt Electric Cooperative, Inc. – Docket Nos. 5038, 9930, 10405
- Guadalupe Valley Electric Cooperative, Inc. (398, 3397, 4516, 6338, 7550)
- Hamilton County Electric Cooperative Association – Docket No. 5971
- HILCO Electric Cooperative, Inc. – Docket No. 7154
- Houston Lighting and Power Company – Docket Nos. 5779, 8425
- Jackson Electric Cooperative, Inc. – Docket Nos. 2753, 4710, 10561
- Lamb County Electric Cooperative, Inc. – Docket No. 3270
- Lighthouse Electric Cooperative, Inc. – Docket Nos. 2995, 4612, 8097
- Lower Colorado River Authority, Austin – Docket Nos. 366, 1521, 2503, 3522, 3838, 6027, 7512, 8032, 8400, 9427
- Lyntegar Electric Cooperative, Inc. – Docket Nos. 2988, 4564



- Magic Valley Electric Cooperative, Inc. — Docket Nos. 1991, 3212, 5477, 20281, 20314
- Medina Electric Cooperative, Inc. — Docket Nos. 4113, 11048
- Navarro County Electric Cooperative, Inc. — Docket No. 3116
- Navasota Valley Electric Cooperative, Inc. — Docket No. 7355
- North Plains Electric Cooperative, Inc. — Docket Nos. 2934, 4958, 5214
- Nueces Electric Cooperative, Inc. — Docket Nos. 3936, 5203, 23454
- Pedernales Electric Cooperative, Inc. — Docket Nos. 2247, 3437, 5109
- Rayburn Country Electric Cooperative, Inc. — Docket No. 7361
- Rio Grande Electric Cooperative, Inc. — Docket Nos. 521, 3681
- Rita Blanca Electric Cooperative, Inc. — Docket Nos. 2527, 8422
- Rusk County Electric Cooperative, Inc. — Docket No. 3383
- San Bernard Electric Cooperative, Inc. — Docket Nos. 2699, 3692, 4534, 5467, 6218
- San Miguel Electric Cooperative — Docket Nos. 4127, 5351
- South Plains Electric Cooperative, Inc. — Docket Nos. 2936, 4822, 6985
- South Texas Electric Cooperative (Docket Nos. 4128, 5077, 5387, 5440, 8952, 22344)
- Southwest Texas Electric Cooperative, Inc. — Docket No. 5335
- Southwestern Electric Service Company — Docket No. 2817
- Southwestern Public Service Company — Docket Nos. 4387, 6055
- Swisher Electric Cooperative, Inc. — Docket Nos. 3062, 6796
- Taylor Electric Cooperative, Inc. — Docket Nos. 3679, 5767, 9159
- Texas Electric Service Company — Docket Nos. 527, 1903, 2606, 3250, 4097, 5200
- Texas Power & Light Company — Docket Nos. 3006, 3780, 4321
- Texas Utilities Electric Company — Docket Nos. 5640, 9300, 13100
- Texland Electric Cooperative — Docket No. 3896
- Victoria Electric Cooperative Company — Docket Nos. 770, 3949, 6680
- Wharton County Electric Cooperative, Inc. — Docket Nos. 4541, 6685
- West Texas Utilities Company — Docket No. 4716

**Utah** (Utah Public Service Commission)

- Deseret G&T Cooperative — Docket Nos. A97-3-000 and 98-203504 - Pacific Corp/ Scottish Power Merger
- Empire Electric Association, Inc., Cortez, Colo.
- Moon Lake Electric Association, Inc., Roosevelt

**Wyoming** (Wyoming Public Service Commission)

- Big Horn Rural Electric Company — Docket No. 9076
- Bridger Valley Electric Association, Inc. — Docket No. 9447
- Carbon Power & Light, Inc. — Docket No. 9022
- Garland Power & Light, Inc. — Docket No. 9575
- High Plains Power



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- Niobrara Electric Association, Inc. – Docket No. 9572
- Wheatland Rural Electric Association – Docket No. 9574
- Wyrulec Company – Docket No. 9097

**Rate Proceedings – Municipal Utilities**

- Altus, Okla.
- AWC of LCRA, Texas
- Blackwell, Okla.
- Braman, Okla.
- Bryan, Texas
- Chanute, Kans.
- Chatham, Ill.
- Cody, Wyo.
- Cushing, Okla.
- Fredericksburg, Texas (7661, Certification - Central Texas EC)
- Lamar, Mo. vs. SWPA
- Larned, Kans.
- New Braunfels Utilities, Texas
- Oklahoma Municipal Power Authority, Okla.
- Osborne, Kans.
- Piedmont Municipal Power Authority, S. Car.
- Ponca City, Okla.
- Raton, N. Mex.
- Riverton, Ill.
- Stillwater, Okla.
- Torrington, Wyo.
- Vernon, Texas
- Wellington, Kans.

**Rate Proceedings - Federal Power Commission (Federal Energy Regulatory Commission)**

- Cajun Electric Power Cooperative vs. Gulf States Utilities Company  
Docket Nos. EL87-051, ER88-477
- Central and SouthWest Services Docket No. ER84-031
- Central Power & Light Company Docket Nos. ER77-331, ER81-387, ER86-721
- El Paso Electric Company Docket Nos. ER76-409, ER77-488, ER79-526, ER81-426, ER84-236, ER86-368
- Navopache Electric Cooperative vs. PNM Transmission Filing, ER11-1915-000, et. al.
- Oklahoma Gas & Electric Company Docket Nos. ER77-127, ER77-215, ER78-423, ER80-421, ER82-256, ER84-541
- Public Service Company Colorado Docket Nos. ER76-381, ER76-687, ER78-507, ER80-407
- Public Service Company Oklahoma Docket Nos. ER77-422, ER78-511, ER82-545
- Southwestern Public Service Co. Docket Nos. ER84-604, ER85-477, EL89-051
- West Texas Utilities Company Docket Nos. ER80-038, ER82-023, ER82-708, ER83-694, ER84-236, ER85-081, ER87-065

**Transmission Wheeling / Interconnection Analysis**

- Navopache Electric Cooperative
- Central and South West Services Docket No. EL79-008, ER82-545, et.al.



- LCRA Wheeling Case Texas PUC Docket No. 6995

### **Power Supply Planning**

#### **A. System Resource Planning:**

- Golden Spread Electric Cooperative, Inc.: Notice of Intent – PUCT Docket No. 13444
- Golden Spread Electric Cooperative, Inc.: Exempt Wholesale Generation Contract Certification – PUCT Docket No. 15100
- Holy Cross Energy and Yampa Valley Electric Association, Colorado
- South Texas Electric Cooperative, Texas

#### **B. Long-Range Power Cost - 20-Year Forecast:**

- Golden Spread Electric Cooperative, Inc. Southwestern Public Service Company
- Mid-Tex G&T Electric Cooperative, Inc. West Texas Utilities Company and Brazos Electric Cooperative
- Magic Valley Electric Coop., Inc. South Texas Electric Coop., Inc.
- Rio Grande Electric Cooperative, Inc. Central Power & Light Company
- Magic Valley Electric Cooperative, Inc. City of Brownsville/Central Power & Light Co.

#### **C. Other Power Supply Planning Projects:**

- Golden Spread Electric Cooperative, Texas Mustang Station
- Magic Valley Electric Cooperative, Texas Magic Valley Station
- Navapache Electric Cooperative, Arizona PNM Transmission

### **Training – NRECA**

“Financial Planning and Strategies Workshop.” Written and presented by Stover annually in May 2005, 2006, and 2007. NRECA’s Management Internship Program, Madison, Wisconsin.

“Financial Strategy and Rate Design for a Competitive World.” Written and presented by Stover annually in May 2000, 2001, 2002 and 2004. NRECA’s Financial Planning and Strategies Workshop; Lincoln, Nebraska.

“Rate Design in a Restructured Environment.” Written and presented by Stover annually in 1999-2001. NRECA’s Management Internship Program; Lincoln, Nebraska.

“Financial Strategy and Rate Issues for the Changing Utility Industry.” Written and presented by Stover annually in 1997-1999. NRECA’s Advanced Financial Planning; Lincoln, Nebraska.

“Rate Issues and Strategy for the Changing Utility Industry.” Written and presented by Stover annually in 1987-1998. NRECA’s Management Internship Program; Lincoln, Nebraska.



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- "Identifying Revenues and Costs Associated with Marketing Solutions." Written and presented by Stover annually in 1996 and 1997. NRECA's Strategic Marketing Planning for Management Conference; Lincoln, Nebraska.
- "Application of Market-Based Rates in a Competitive Utility Industry." Written and presented by Stover, March 15, 1997. NRECA's Tech Advantage '97 Annual Meeting; Las Vegas, Nevada.
- "Power Supply Issues in the U.S. and Abroad - Increasing Competition and Deregulation." Written and presented by Stover, March 23, 1996. Management and Technical Issues Conference for International Guests at 1996 NRECA Annual Meeting; Houston, Texas.
- "Rates and Related Issues," for Management and Technical Issues Conference for International Guests at 1996 NRECA Annual Meeting; Houston, Texas; March 23, 1996.
- "Rate Issues and Philosophies," Written and presented by Stover annually in 1986-1996. NRECA's Management Internship Program; Lincoln, Nebraska.
- "Competitive Strategies: The Economics of Serving Large Loads." Written and presented in New Orleans, La., June 30-August 1, and Hilton Head, S.Car., July 18-19, 1995. NRECA's Summer School.
- "Competitive Strategies: The Economics of Serving Large Loads" Written and presented by Stover in Lincoln, Nebr., June 20-21, 1995 and June 14-15, 1994. NRECA G&T Rates Conference.
- "Competing in the '90s and Beyond," 1994 NRECA G&T Rates Conference; San Antonio, Texas; June 5-8, 1994.
- "Implementation of Demand-Side Component of IRP." Written and presented by Stover annually 1993-1995. NRECA's Finance for Marketing Professionals Workshop; Lincoln, Nebraska.
- "Competing for Retail Loads." Written and presented by Stover on November 10, 1994. NRECA's 1994 G&T Legal Seminar; New Orleans, Louisiana.
- "Transmission Access Revolution." Written and presented by Stover on December 2, 1993. NRECA's 1993 G&T Director's Update Conference; Nashville, Tenn.
- "Coordination of IRP and Marketing Strategy with G&T Wholesale Rate Design." Written and presented by Stover on June 8, 1993. NRECA's G&T Rates & G&T Marketing Conference; Lexington, Kentucky.
- "Rates as a Marketing Tool." Written and presented on September 10, 1992. NRECA's G&T Marketing Seminar; Denver, Colorado.
- "Development of a Rate Strategy for the Cooperative System." Written and presented on February 2-3, 1991. NRECA's 1991 Rural Electric Expo; New Orleans, Louisiana.
- "Innovative Rate Forms." Written and presented by Stover on January 31, 1991. NRECA's 1991 Engineering and Operations Conference; New Orleans, Louisiana.
- "Making Sense of Your System's Rate Structure." Written and presented by Stover on July 31, 1990. NRECA's 1990 Member Services Communication Conference; Charlotte, N. Car.
- "Service to Large Industrial Customers." Written and presented by Stover on May 17, 1989. NRECA's Rural Electric Management Council; Fargo, N. Dak.



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- "Rate Design for Attracting and Maintaining Loads." Written and presented by Stover on October 1, 1986. NRECA's Management Internship Program; Lincoln, Nebraska.
- "Preconference Workshop: Basic Issues in Rate Design." Written and presented by Stover on September 9, 1986. NRECA's 1986 National Accounting and Finance Conference; Tampa, Florida.
- "Marketing: Distribution Benefits Through Sale of Surplus Power and Jointly Designed Marketing Rates." Written and presented by Stover on November 20, 1987. NRECA's 1987 Engineering and Operations Conference; Denver, Colorado.

#### **Training - International**

- Rate Training Course presented for electric utility executives of Russia, coordinated through Institute of International Education; Moscow, Russia; November 1994.
- Rate Training Course presented for electric utility executives of India, coordinated through Institute of International Education; Hyderabad, India; November 1994.
- Rate Training Course presented for members of Bangladesh REB coordinated through NRECA; Oklahoma City, Okla.; October 28-November 8, 1991.
- "Development of Rate Schedules for an Electric Utility." CAST/CSEE/NRECA Workshop; Kunming, Republic of China; May 14-19, 1984.
- "A Planning Model for the Analysis of Long Range Distribution System Design Alternatives." IEEE PES Summer Meeting and EHV/UHV Conference; Vancouver, Canada; July 1973.

#### **Presentations and Papers**

##### **Articles**

- Stover, Carl N. "Development of a Rate Analysis." *NRECA's Management Quarterly* (Summer 1983) Washington, D.C.
- Stover, Carl N. "Cost Allocation Considerations and Methods for Electric Rate Analysis and Design for Rural Distribution Systems." *IEEE Transactions on Industry Application* (1977) Volume 1A-13, No. 2.
- Stover, Carl N. "The Development of Design Objectives for Electric Utility Rate Schedules." Master's Thesis; University of Oklahoma, Norman; 1969.

##### **Presentations**

- "Rate Analysis and Cost of Service Study." Presented April 12, 2002, with Judy Lambert to Region VIII Electric Cooperative Accountants' Association, in Oklahoma City, Okla.
- "How to Position Cooperatives to Compete in a Customer-Choice Environment." Presented April 11, 2002 to the Texas Statewide group in Austin, Texas.
- "Positioning The Member Distribution Cooperative to Deal with a Customer Choice Environment." Panel discussion on October 5, 2001, at Brazos Electric Cooperative's Strategic Planning Workshop; Waco, Texas.
- "Restructuring Issues for the G&T." Presented June 19, 2000. G&T Accounting and Finance Association's 2000 Conference; Breckenridge, Colorado.



- 
- "The Restructuring of the Electric Power Industry in Oklahoma and in the Southwest." Panel Discussion Participant on December 10, 1999. Institute for Energy Economics and Policy, et al; Sarkeys Energy Center, The University of Oklahoma, Norman.
- "Application of Leadership Skills." Presented on April 22 and December 2, 1999, for Dr. Jerry Holmes' engineering students at The University of Oklahoma, Norman.
- "Rate Design and the Changing Electric Industry." Presented on September 24, 1998. WREA Annual Meeting; Cheyenne, Wyoming.
- "Rate Design and the Changing Electric Industry." Presented on July 3, 1998. CFC's Annual Meeting; Colorado Springs, Colorado.
- "Preparing for the Future Cooperative Electric Service in Texas." Presented on December 5, 1996. Texas Electric Cooperatives' Managers' Conference; Austin, Texas.
- "Industry Restructuring Implications for Cooperatives." Presented on July 1, 1996. Texas Electric Cooperatives' Government Relations Committee; Austin, Texas.
- "The Economics of Serving Large Loads." Presented on August 15-16, 1995. Electric Cooperatives of South Carolina's Competitive Strategies Workshop, Columbia, S.Car.
- "Evolving Cooperative Structures." Presented on July 11, 1995. CFC's Cooperative Financing Forum; Chicago, Illinois.
- "Takeover Workshop." Presented on April 6-7, 1995. Texas Electric Cooperatives, Inc.; Lubbock and Cleburne, Texas.
- "The Power in the Partnership: Changing the Co-Op Power Supply." Presented on August 2, 1994. TEC 54th Annual Meeting; Fort Worth, Texas.
- "Implementation of Demand-Side Component of IRP." Presented on April 27, 1994. Georgia EMC in coordination with NRECA; Georgia.
- "The Transmission Access Revolution." Presented on March 21-22, 1994. Special G&T Director's Update Program for Brazos Electric Power Cooperative, DFW Airport Marriott Hotel, Texas.
- "Buy-Out and Refinancing of REA Loans: Factors to Consider in Evaluation Analysis." Presented on December 3, 1993. Texas Electric Cooperatives, Inc.; Austin, Texas.
- "Update on Current Issues — Texas RECs and PUCT." Presented on November 15, 1993. Texas Electric Cooperatives, Inc.; Austin, Texas.
- "The Co-Op Power Picture in Texas." Presented on July 28, 1992. TEC's 52nd Annual Meeting; Houston, Texas.
- "Ratemaking Activities for Rural Electric Cooperatives." Presented on October 18, 1991. TEC's Seminar on Electric Cooperatives; Austin, Texas.
- "Cost of Service Major Points." Presented on April 20, 1990. TEC Accounting Association Annual Meeting; San Antonio, Texas.
- "Rate Design for Large Power Service and Options for Marketing and Incentive Rates." Presented on September 27, 1989. TEC Engineering Association; Austin, Texas.
- "Revenue Requirements and Cost of Service Considerations at the PUC." Presented on April 28, 1988. TEC Engineering Association; Austin, Texas.
- "Course 495.3 - Rate Issues and Philosophies." Presented on December 1-3, 1987. Wisconsin Electric Cooperative Association; Wisconsin Rapids, Wisconsin.



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- "Cost Bases for Incentive Rates Applicable to Industrial Loads." Presented on September 16-17, 1987, for 1987 Conference on Industrial Energy Technology; Houston, Texas.
- "Considerations in Cooperative Consolidations." Presented with Martin Lowery on September 9, 1987. NRECA's 1987 Accounting and Finance Conference; Lexington, Kentucky.
- "Rates to Attract Attractive Loads." Presented on July 1-2, 1987. Association of Louisiana Electric Cooperatives, in coordination with AHP Systems, Inc.; Baton Rouge, Louisiana.
- "Rates to Attract Attractive Loads." Presented on February 12, 1987. Wisconsin Electric Cooperative Association in Coordination with AHP Systems, Inc.; Stephens Point, Wis.
- "Rate Seminar." Presented with David Hedberg on September 25, 1986. Indiana Statewide Association of REC, Inc.; Indianapolis, Indiana.
- "Cost of Service and Rate Design Issues Affecting Industrial Customers in Retail Rate Proceedings." Presented by Stover June 1986. Public Utility Commission of Texas 1986 Industrial Energy Technology Conference; Houston, Texas.
- "The Importance of the Impact of Rates." Presented by Stover on April 17-18, 1986, and May 14-15, 1986. NRECA's Management Services Conference -- Preparing Now to Prevent a Takeover or Sellout; Denver, Colorado and New Orleans, Louisiana.
- "Energy Cost for Industrial Customers." Co-Authored by M.K. Moore and presented on March 26, 1986. ACEC Research & Management Foundation's Industrial Energy Management Forum; Tempe, Arizona.
- "Analysis of Financial and Operating Ratios." Presented by Stover on July 10, 1985. REA National Conference; San Antonio, Texas.
- "Coordination of Wholesale/Retail Rate Design for Effective Marketing Strategy." Presented by Stover on June 5, 1985. NRECA's National Marketing Conference; Kansas City, Missouri.
- "Cost Allocation Considerations for Rural Distribution Systems." Presented by Stover on October 19, 1978. NARUC's Biennial Regulatory Information Conference; Columbus, Ohio.
- "Design of Irrigation Rates Under Load Management Program." Co-Authors: S.P. Patwardhan and B.E. Smith. Presented by Stover on May 16, 1977. IEEE Rural Power Conference; Kansas City, Missouri.
- "Cost Allocation Considerations and Methods for Electric Rate Analysis and Design for Rural Distribution Systems." Presented by Stover on April 1975. IEEE Rural Electric Power Conference; Omaha, Nebraska.
- "A Financial Forecasting Model for Rural Electric Distribution Systems." Presented by Stover in July 1974. IEEE PES Summer Power Meeting and Energy Resources Conference; Anaheim, Calif.

#### **PROFESSIONAL ACTIVITIES / HONORS:**

- Associate Member, National Rural Electric Cooperative Association, 1998 - Present  
Associate Member, American Public Power Association, 1997 - Present  
Member, College of Engineering Board of Visitors, The University of Oklahoma, 1989 - Present  
Member, Chairman; Electric Power Advisory Board, School of Electrical Engineering and Computer Science, The University of Oklahoma, 1985 - Present



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Member, Institute of Electrical and Electronics Engineers, 1970 – Present  
Distinguished Graduates Society Inductee, College of Engineering, The University of Oklahoma, 1998

**EXPERIENCE RECORD:**

1966-Present – C. H. Guernsey & Company, Oklahoma City, Okla.

- 2005-Present, Chairman of the Board
- 1990-2005, Chairman of the Board, CEO and President
- 1989-1990, President, Board of Directors
- 1980-1989, Executive Vice President, Board of Directors
- 1972-1980, Vice President, Board of Directors

1963-1966 – USAF. Assigned to Inertial Guidance Laboratory at Holloman AFB, New Mexico.

Lt. Stover served as engineer in testing and evaluation of inertial guidance systems, and received an honorable discharge as 1st Lieutenant.

Mohave Electric Cooperative, Incorporated

Summary of AEPCO Class Member System Sales By Rate Class							
Year	Residential	Small Commercial	Large Commercial	Irrigation	Public Authority	Special Rate	Total
-----	-----	-----	-----	-----	-----	-----	-----
<b>Energy Sales - GWh</b>							
2011	1,266	495	276	188	4	148	2,376
2012	1,291	494	284	207	3	153	2,434
<b>Class as % of Total</b>							
2011	53.29%	20.83%	11.60%	7.91%	0.15%	6.22%	100.00%
2012	53.06%	20.29%	11.69%	8.52%	0.14%	6.30%	100.00%
<b>AEPCO Class A Member Systems</b>							
<b>Residential as percent of Sales-CY2012</b>							
		Residential	Small Comm	Other	Total Sales	Residential	
		MWH	MWH	MWH	MWH	%	
		-----	-----	-----	-----	-----	
	Anza	35,416	10,082	1,920	47,417	74.69%	
	Duncan	17,737	5,930	3,672	27,340	64.88%	
	Graham	78,186	30,202	57,090	165,479	47.25%	
	Mohave	385,783	159,261	137,864	682,908	56.49%	
	SSVEC	360,947	206,144	280,834	847,925	42.57%	
	Trico	413,365	82,292	167,255	662,912	62.36%	
	<b>Total</b>	<b>1,291,433</b>	<b>493,911</b>	<b>648,635</b>	<b>2,433,979</b>	<b>53.06%</b>	

Mohave Electric Cooperative, Incorporated

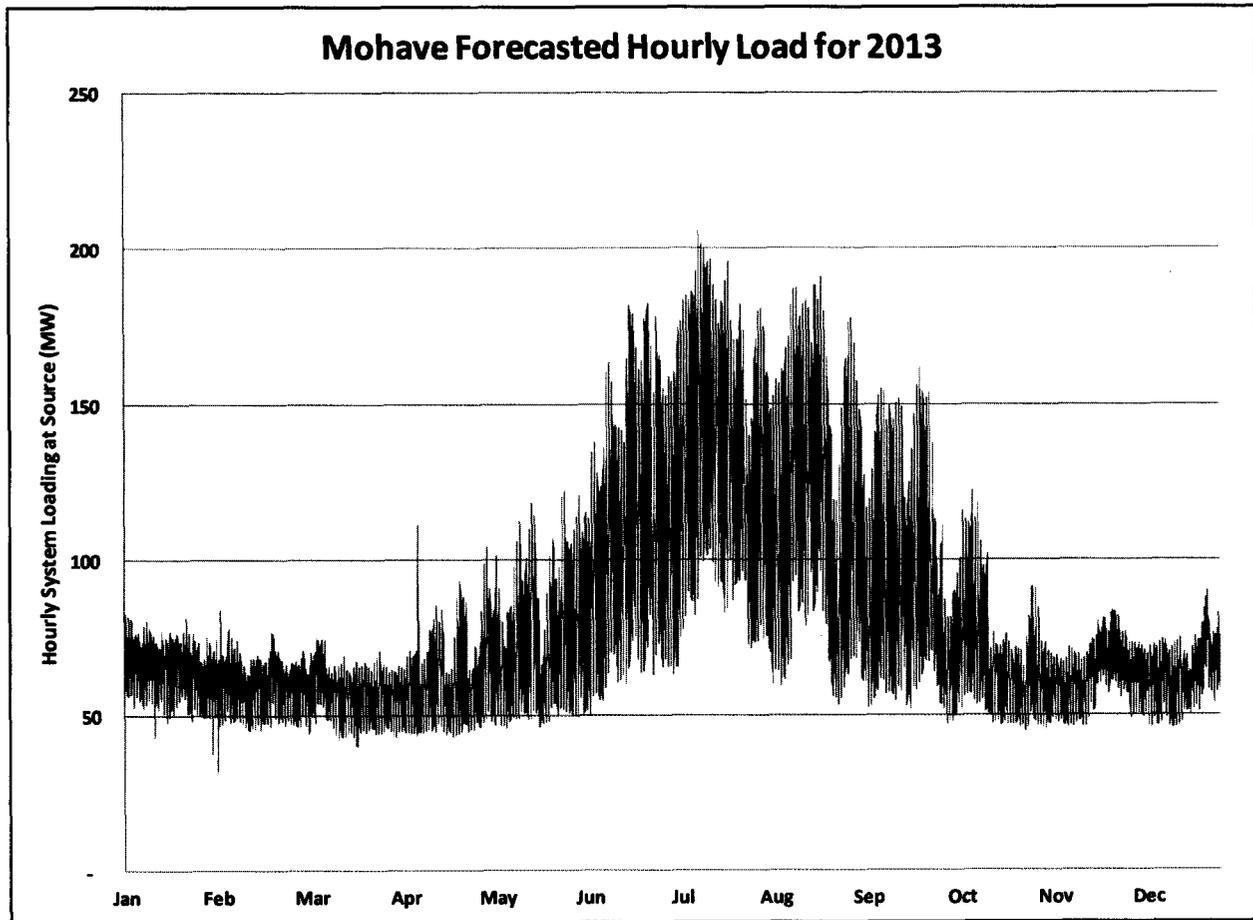
AEP CO Class A Member Systems					
Equity as % of Capitalization					
		(a)	(b)	(c)	(d)
		Equity \$000	LTD \$000	Capitalization \$000	Equity %
		-----	-----	-----	-----
1	Anza	9,386	10,298	19,684	47.68%
2	Duncan	7,111	-	7,111	100.00%
3	Graham	17,291	21,502	38,793	44.57%
4	Mohave	75,130	33,673	108,803	69.05%
5	SSVEC	89,363	162,397	251,760	35.50%
6	Trico	73,624	119,439	193,063	38.13%
7					
8	Total	271,905	347,309	619,214	43.91%

Mohave Electric Cooperative, Incorporated

Mohave's Allocation of AEPCO Capacity

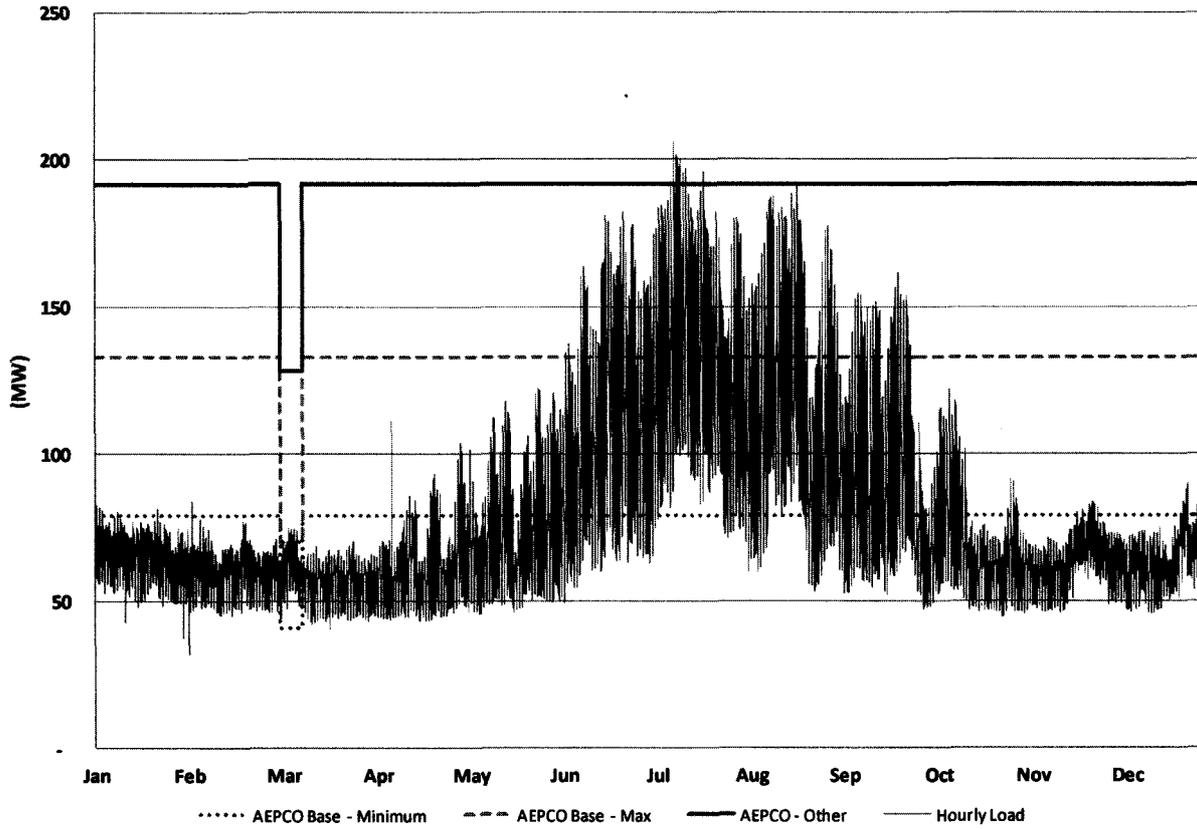
	<b>Total Capacity</b>	<b>Losses</b>	<b>Losses</b>	<b>Reserves</b>	<b>Net Capacity</b>	<b>Mohave</b>	<b>Mohave</b>
	(MW)	(%)	(MW)	(MW)		(%)	(%)
<b>Base Resources</b>							
ST-2	175	2.31%	4.0		171	35.80%	61
ST-3	175	2.31%	4.0		171	35.80%	61
Hydro (Jul on-peak)	<u>31</u>	-	<u>-</u>		31	35.80%	<u>11</u>
<b>Total Base</b>	<b>381</b>		<b>8</b>		<b>373</b>		<b>133</b>
<b>Other Resources</b>							
ST-1	82	2.31%	1.9				
GT-2	20	2.31%	0.5				
GT-3	65	2.31%	1.5				
GT-4	<u>38</u>	2.31%	<u>0.9</u>				
<b>Total Other</b>	<b>205</b>		<b>5</b>	<b>37</b>	<b>163</b>	<b>35.80%</b>	<b>58</b>
<b>Total Resources</b>	<b>586</b>		<b>13</b>	<b>37</b>	<b>536</b>		<b>192</b>

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#### Mohave Forecasted 2013 Hourly Loads and Available Resource

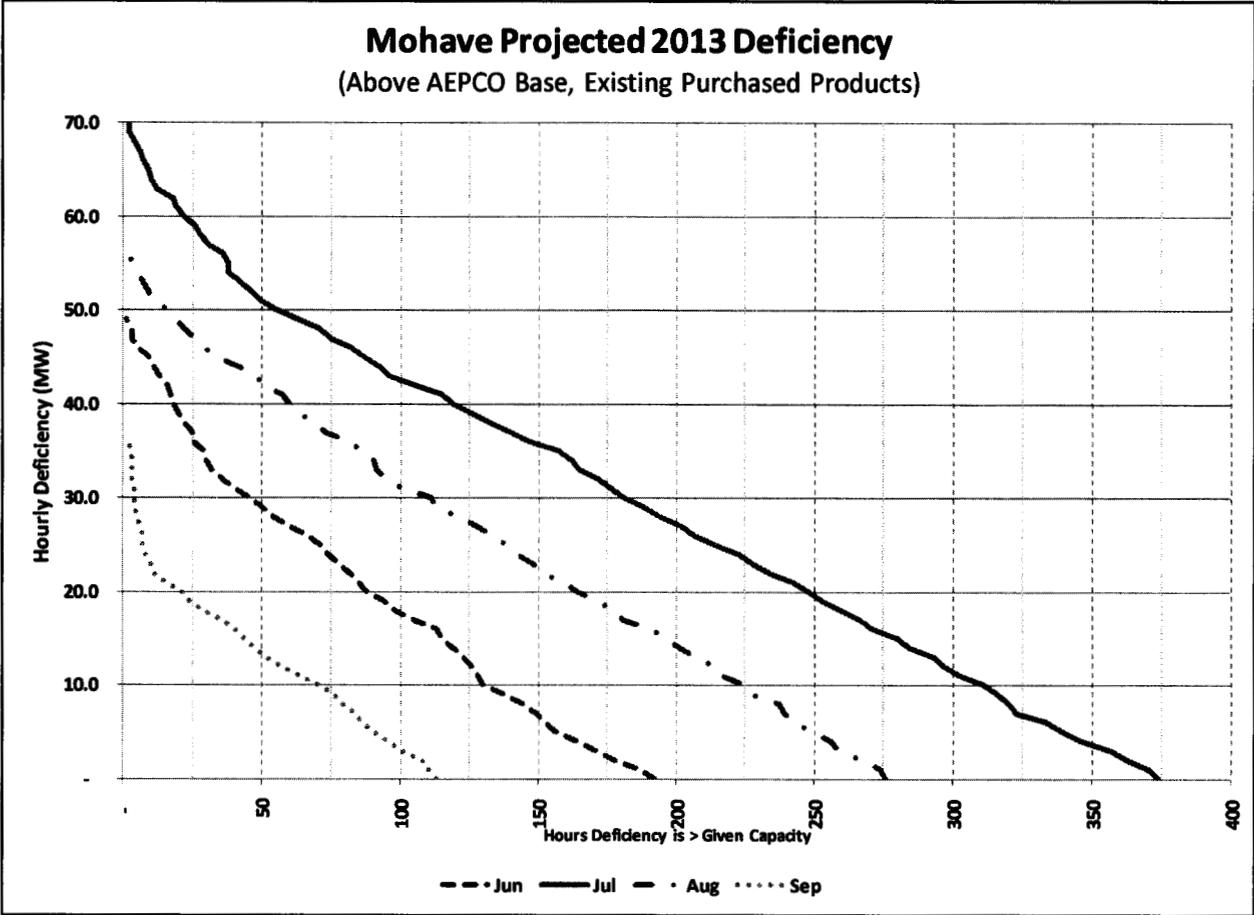


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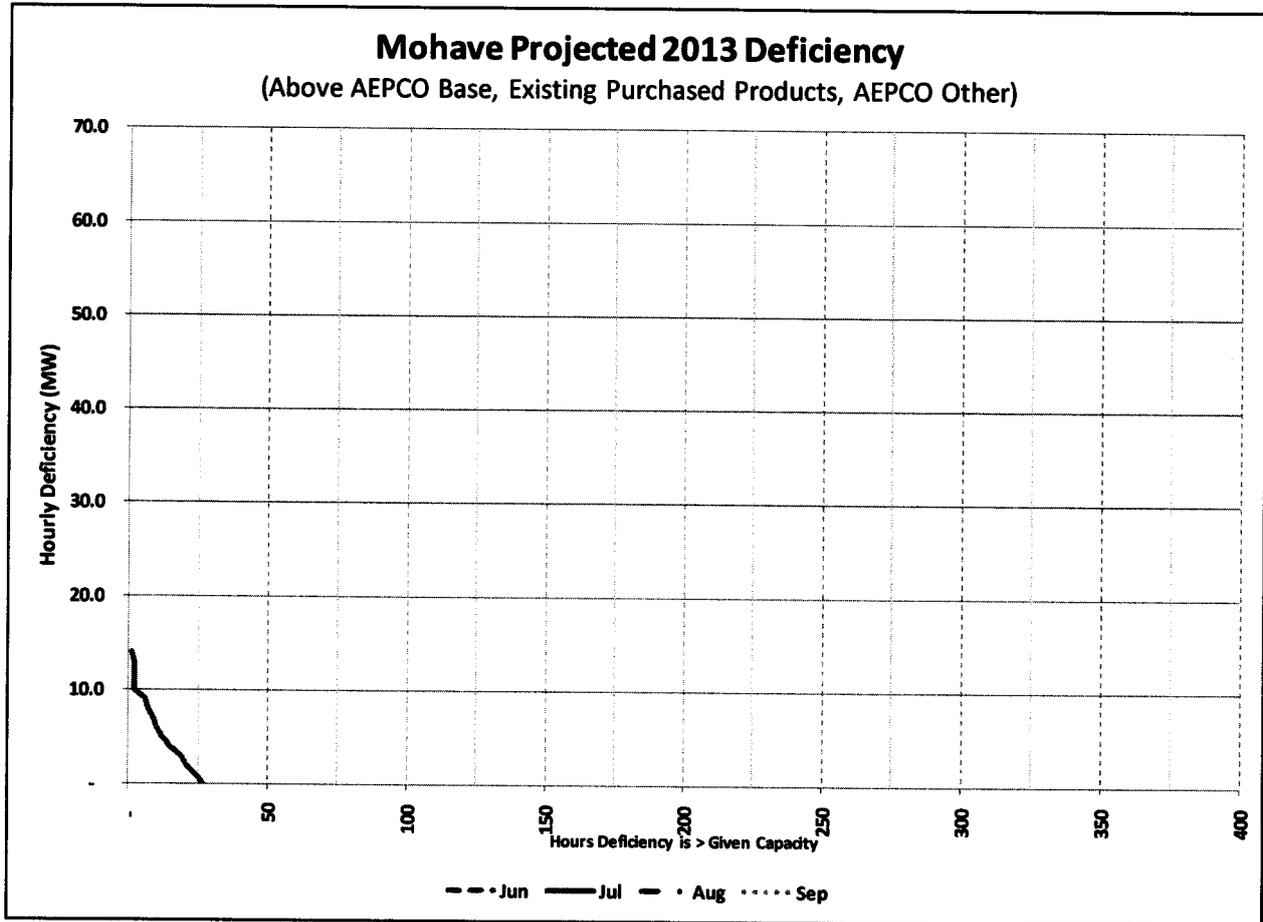
**Projected Resource Deficiency for 2013**

	<b>Deficiency above Base and Blocks</b>			<b>Deficiency above Base, Blocks, and Other</b>		
	<b>(MW)</b>	<b>(MWh)</b>	<b>(Load Factor)</b>	<b>(MW)</b>	<b>(MWh)</b>	<b>(Load Factor)</b>
January	-	-	-	-	-	-
February	-	-	-	-	-	-
March	5	43	1%	-	-	-
April	-	-	-	-	-	-
May	-	-	-	-	-	-
June	49	3,789	11%	-	-	-
July	73	11,216	21%	14	144	1%
August	58	7,066	16%	-	-	-
September	37	1,464	6%	-	-	-
October	-	-	-	-	-	-
November	-	-	-	-	-	-
December	-	-	-	-	-	-
<b>Total</b>	<b>73</b>	<b>23,577</b>	<b>4%</b>	<b>14</b>	<b>144</b>	<b>0%</b>

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## Mohave Projected 2013 Deficiency (Above AEPCO Base, Existing Purchased Products, AEPCO Other)

