ORIGINAL

OPEN MEETING ITEM

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COMMISSIONERS
BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

DATE: JUNE 25, 2013

DOCKET NOS.: G-02527A-12-0321 and G-02527A-13-0023

TO ALL PARTIES:

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

GRAHAM COUNTY UTILITIES, INC.
(RATES/FINANCE)

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

JULY 5, 2013

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

JULY 17, 2013 AND JULY 18, 2013

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

Arizona Corporation Commission
DOCKETED
JUN 25 2013
DOCKETED BY TM

Jodi A. Jerich
JODI JERICH
EXECUTIVE DIRECTOR

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF GRAHAM COUNTY UTILITIES, INC. (GAS DIVISION) FOR APPROVAL OF A RATE INCREASE.	DOCKET NO. G-02527A-12-0321
IN THE MATTER OF THE APPLICATION OF GRAHAM COUNTY UTILITIES, INC. (GAS DIVISION) FOR APPROVAL OF A LOAN.	DOCKET NO. G-02527A-13-0023 DECISION NO. ____________ **OPINION AND ORDER**

DATES OF HEARING:	September 27, 2012, March 27, 2013 (Procedural Conferences), and April 1, 2013.
PLACES OF HEARING:	Phoenix, Arizona and Tucson, Arizona.
ADMINISTRATIVE LAW JUDGE:	Teena Jibilian
APPEARANCES:	Mr. Kirk Gray, on behalf of Applicant; and Mr. Brian E. Smith and Mr. Charles Hains, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

Procedural History

1. On July 13, 2012, Graham County Utilities, Inc. ("GCU" or "Cooperative") filed with the Arizona Corporation Commission ("Commission") an application for an increase in rates for natural gas utility distribution service provided in Arizona by GCU's gas division ("Graham Gas").

2. On August 10, 2012, GCU filed revised schedules.

3. On August 13, 2013, GCU filed a Notice of Errata.

4. On August 13, 2013, the Commission's Utilities Division ("Staff") filed a Letter of Sufficiency indicating that GCU's rate application had met the sufficiency requirements in the Commission's rules and classifying Graham Gas as a Class B utility.

5. On August 30, 2013, Staff filed a Request for Procedural Schedule.

6. On September 6, 2012, a Rate Case Procedural Order was issued setting a hearing and associated procedural deadlines, and ordering publication and mailing of notice of the application and hearing.

7. On September 10, 2012, a filing was docketed that included a copy of a September 5, 2012, Board of Directors Resolution authorizing Steve Lines, GCU's General Manager, and Kirk Gray, GCU's Financial Manager, to represent GCU in this proceeding.

8. On September 27, 2012, a telephonic procedural conference was convened, at GCU's request, to discuss modifications to the customer notice proposed by GCU.

9. On September 28, 2012, a Procedural Order was issued modifying the notice requirements set forth in the September 6, 2012, Rate Case Procedural Order.

10. On November 13, 2012, GCU filed an affidavit of publication and certification of mailing indicating compliance with the notice requirements of the Procedural Order issued on September 28, 2012.

11. On February 7, 2013, GCU filed the above-captioned application for financing approval. The financing application included a request that it be consolidated with the rate application.

12. No requests for intervention were filed, and the Commission received no customer opinions opposed to the proposed rate increase.

13. On February 8 and 21, 2013, Staff filed the direct testimony of its witnesses Brian K. Bozzo, Ranelle Paladino, Alan Borne, Robert G. Gray, and Prem K. Bahl.

14. On March 6, 2013, GCU filed the rebuttal testimony of its witness John V. Wallace. Mr. Wallace's prefiled rebuttal testimony indicated that GCU was in agreement with all Staff's prefiled direct testimony recommendations.

15. On March 12, 2013, a Procedural Order was issued consolidating the above-captioned applications and vacating the pre-hearing conference.

16. On March 21, 2013, GCU filed the affidavit of public notice for the financing application.

17. On March 22, 2013, Staff filed the surrebuttal testimony of its witnesses Brian K. Bozzo and Robert G. Gray.

18. On March 25, 2013, Staff filed a Motion for Stipulated Admission of Testimony of Certain Witnesses and for Certain Witnesses to Appear Telephonically if Necessary.

19. On March 27, 2013, a telephonic procedural conference was convened. GCU appeared through its representative Kirk Gray and Staff appeared through counsel. GCU and Staff stipulated to the admission of the pre-filed testimonies of Staff witnesses Prem K. Bahl, Ranelle Paladino, and Alan Bourne. Staff was informed that it would not be necessary for those witnesses to be present at the hearing, either in person or telephonically.

20. Also on March 27, 2013, Staff filed supplemental surrebuttal testimony of its witness Brian K. Bozzo addressing GCU's proposed line of credit.

21. On April 1, 2013, the hearing convened as scheduled before a duly authorized Administrative Law Judge of the Commission. No members of the public appeared to provide public comment. GCU and Staff appeared through counsel, presented testimony of their witnesses, and were afforded an opportunity to cross-examine witnesses. At the close of the hearing, the matter was taken under advisement.

Description of Graham Gas

22. GCU, founded in 1989, is an Arizona public service corporation organized as an Arizona non-profit utility member cooperative. Through Graham Gas, GCU provides natural gas utility distribution service to rural areas of Graham County, Arizona. GCU is affiliated with Graham County Electric Cooperative, Inc. ("Graham Electric"), which provides management services to GCU through an affiliate agreement. GCU also provides water utility service through its water division. The instant application concerns only Graham Gas's rates.

23. Graham Gas operates a gas distribution system throughout Graham County that includes polyethylene and steel pipeline operating at various pressures between 10 and 100 pounds per square inch, gauge ("psig") and consisting of multiple taps. According to the testimony of Staff's pipeline safety witness, Graham Gas has consistently maintained and operated its system safely and competently and has always addressed outages, incidents, and any other items of concern in a conscientious and timely manner.[1] There are no items of outstanding non-compliance on file with the Commission's Office of Pipeline Safety for Graham Gas.[2]

24. As of December 31, 2012, Graham Gas provided natural gas utility distribution service to 5,162 customers, including 60 commercial services.

25. Graham Gas's current rates and charges were approved in Decision No. 71690 (May 3, 2010), and are based on a test year ending September 30, 2008.

GCU Proposals and Staff Recommendations

26. GCU's application states that the requested rate increase for Graham Gas is necessary due to investments in plant improvements and replacements, and increases in expenses such as purchased gas, salaries and benefits.

27. GCU and Staff are the only parties to this case. The parties did not present a formal settlement agreement. However, at the hearing, GCU's witness stated that GCU has no disagreement with any of the recommendations in Staff's prefiled testimony.[3] Counsel for Staff requested that the Commission adopt the agreement of the parties as reflected in their prefiled testimony.[4]

<u>Adjusted Test Year Rate Base, Operating Expenses and Operating Revenues</u>

28. For the test year ended September 30, 2011, GCU proposes adoption of Staff's recommended Original Cost Less Depreciation Rate Base ("OCRB") and Fair Value Rate Base ("FVRB") of $2,369,529.[5] The application had proposed a rate base of $2,581,088, which included construction work in progress ("CWIP") in the amount of $211,559. Staff removed the CWIP in its

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[1] Direct Testimony of Staff witness Alan Borne, Hearing Exhibit ("Exh.") S-1 (Borne) at 2.
[2] *Id.*
[3] Hearing Transcript ("Tr.") at 10.
[4] Tr. at 24-25.
[5] The application did not include Reconstruction Cost New less Depreciation ("RCND") schedules, and GCU stipulates to use of OCRB as FVRB for Graham Gas. Direct Testimony of GCU witness John V. Wallace, Exh. A-1 at 6.

calculation of recommended rate base, because CWIP by definition is not used and useful plant in service.[6] GCU agrees with Staff's CWIP adjustment.[7] GCU did not request a cash working capital allowance for Graham Gas, because it decided not to incur the additional expense required to conduct a lead/lag study.[8] Staff proposed no other adjustments to rate base.

Rate of Return

29. The parties agree to a rate of return of 10.18 percent,[9] which is reasonable under the circumstances of this case.

Revenue Requirement

30. GCU and Staff recommend adoption of GCU's proposed total Operating Revenue for Graham Gas of $3,466,484, an increase of $224,132, or 6.91 percent over Adjusted Test Year Revenues of $3,242,352, for a 10.18 percent return on FVRB.[10]

Cost of Service Study

31. GCU performed a cost of service study ("COSS") for Graham Gas.[11] Based on Staff's engineering evaluation and analysis of GCU's cost of service study results, Staff concluded that GCU used its cost of service model for the bundled rate filing appropriately, except for certain allocation factors, which Staff modified as set forth in Staff's testimony,[12] and that with the changes Staff made in the allocation factors, the cost of service results are satisfactory. Staff recommended that GCU's cost of service study for Graham Gas be accepted, with the changes set forth in Staff's testimony.[13] Staff further recommended that GCU continue to utilize the current COSS model for Graham Gas, including the allocation factors as revised by Staff.[14] GCU is in agreement with Staff's recommendations.[15]

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[6] Direct Testimony of Staff witness Brian K. Bozzo, Exh. S-1 (Bozzo) at 8-9 and Schedule BKB-5.
[7] Rebuttal Testimony of GCU witness John V. Wallace, Exh. A-3 at 1, Tr. at 10.
[8] Exh. A-1 at 6.
[9] Exh. S-1 (Bozzo) at 6-7 and Schedule BKB-1 and Exh. A-3 at 1.
[10] *Id.*
[11] Exh. A-1 at 8-10 and Schedules G-6, G-7, and G-8.
[12] Direct Testimony of Staff witness Prem K. Bahl, Exh. S-2 at 6-7.
[13] Exh. S-2 at 8.
[14] The revised allocation factors appear in Exh. S-2 at Schedule G-8.
[15] Exh. A-3 at 1.

Financing Application – Long-Term Debt and Line of Credit

32. In its review of Graham Gas's books, Staff discovered that during the test year, Graham Gas utilized monies loaned by its affiliate Graham Electric, with balances that remained outstanding longer than twelve months. GCU did not obtain authority for the line of credit with Graham Electric pursuant to A.R.S. § 40-301.[16] Staff states that the outstanding balances of the loan amounts due to Graham Electric were as follows: for fiscal year end 2009, $1,096,716; for 2010, $675,544; and for 2011, $1,001,059. Staff notes that Graham Gas does not generate sufficient cash flow to pay off debt obligations of this magnitude with single year revenues.[17]

33. GCU's February 7, 2013, application for financing approval for Graham Gas requests authorization of long-term debt from its affiliate Graham Electric in the amount of $1,000,000 for a term of ten years at an interest rate of 5.44 percent per annum in order to refinance its outstanding debt to Graham Electric, the proceeds of which were expended to fund construction of existing plant additions identified in the financing application.

34. Staff recommends approval of the $1,000,000 loan from Graham Electric for a term of ten years at an interest rate of 5.44 percent per annum, and that the proceeds be used exclusively for the purpose of refunding GCU's existing unauthorized loans for Graham Gas from Graham Electric.[18]

35. Staff examined Graham Gas's gas distribution system and equipment, and found the projects and equipment sought to be financed by the long-term loan from Graham Electric to be used and useful in provision of service to customers.[19]

36. The financing application also requests approval of establishment of a line of credit with Graham Electric for Graham Gas in the amount of $500,000 with no maturity date and with a variable interest rate equal to that provided by the National Rural Cooperative Finance Corporation

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[16] A.R.S. § 40-301(B) provides as follows:

> A public service corporation may issue stocks and stock certificates, bonds, notes and other evidences of indebtedness payable at periods of more than twelve months after the date thereof, only when authorized by an order of the commission.

[17] Exh. S-1 (Bozzo) at 11.

[18] Surrebuttal Testimony of Staff witness Brian K. Bozzo, Exh. S-3 at 5-6.

[19] Direct Testimony of Alan Borne, Exh. S-1 (Borne) at 3.

("CFC") for an intermediate line of credit (approximately 2.9 percent) to fund future construction of facilities and for financial contingencies.

37. Staff states that a line of credit, when properly used, is an appropriate form of financing for Graham Gas. Staff recommends that GCU be granted authority to establish a $500,000 line of credit with Graham Electric for Graham Gas, with a variable interest rate equal to the market rate available from the CFC (or equivalent provider) for an intermediate line of credit, to address Graham Gas's future capital needs.

38. Staff recommends that the line of credit be approved for exclusively short-term financing of seasonal cash shortfalls for Operations and Maintenance ("O&M") expenses, and for either short- or long-term financing of the following capital needs: under-collection of the purchased gas adjustor; construction work in progress; plant additions; and refunds of advance in aid of construction arrearages.

39. Staff further recommends that the term of the line of credit end with the Decision in Graham Gas's next rate case, at which time the Commission may re-evaluate the line of credit.

40. Staff developed a Line of Credit Compliance Report format, a copy of which is attached hereto and incorporated herein as Exhibit A. The Line of Credit Compliance Report segregates the uses of line of credit funds by column in order to highlight individual uses of line of credit funds. Under Staff's recommendation, unless Graham Gas obtains separate Commission authorization to use the line of credit to finance O&M costs for periods exceeding 12 months, the amount of the line of credit used for O&M expenses should fall to zero or less at least once every 13 months. Staff recommends that Graham Gas be required to file the Line of Credit Compliance Report monthly as an attachment to its fuel adjustor report, to assist Graham Gas in ensuring that it remains in compliance with A.R.S. § 40-301(B) in regard to line of credit funds used for O&M expenses.

41. Graham Gas is in agreement with all of Staff's recommendations on the financing application.[20]

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[20] Tr. at 10-11.

TIER and DSC

42. Staff computed that with the proposed rates and approval of the financing request, Graham Gas would have a Times Interest Earned Ratio ("TIER")[21] of 2.46 and a Debt Service Coverage ("DSC") ratio[22] of 1.54.[23] Staff's recommended revenue requirement will provide sufficient cash flow for Graham Gas to meet its debt service obligations, operating needs and financial contingencies.[24]

Line Extension Policy

43. Currently, Graham Gas's line extension policy requires all new customers requesting line extensions to pay the total cost of the line extension in the form of contributions in aid of construction ("CIAC"), including "overhead costs." In the rate application, GCU proposes to continue charging those customers the direct labor and material costs associated with the line extension but to only charge them half of the overhead costs associated with the line extension. Graham Gas states a concern that customers and developers will not connect natural gas services to homes if the costs to do so are too high.[25]

44. Staff recommends that Graham Gas not charge new customers requesting a line extension any of the overhead costs, because those costs are not directly attributable to a line extension.[26] Graham Gas agrees with Staff's recommendation.[27]

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[21] TIER represents the number of times operating income will cover interest on long-term debt. It is calculated by dividing (1) operating margin after interest on long-term debt plus interest on long-term debt by (2) interest on long-term debt. When the TIER is greater than 1.0, operating income is sufficient to cover interest expense.

[22] DSC measures an entity's ability to generate cash flow to pay its debt service obligations (interest and principal) from operating activities. It is calculated by dividing (1) earnings before interest, taxes, and depreciation expense by (2) the principal and interest payments. When the DSC is greater than 1.0, operating cash flow is sufficient to cover debt obligations.

[23] Exh. S-1 (Bozzo) at 6-7 and Schedule BKB-2.

[24] *See* Exh S-1 (Bozzo) at 16 and Schedule BKB-6.

[25] Exh. A-1 at 12-13.

[26] Direct Testimony of Staff witness Ranelle Paladino, Exh. S-1 (Paladino) at 3.

[27] Exh. A-3 at 1.

Demand Side Management ("DSM") Program

45. Decision No. 72396 (May 31, 2011) determined that the gas energy efficiency rules do not apply to Graham Gas because it is a Class B utility.

46. Staff states that conditions have not changed since the issuance of Decision No. 72396, and the current gas energy efficiency rules do not apply to Graham Gas. Staff recommends that the feasibility of implementing a DSM program be reviewed again in Graham Gas's next rate case. GCU agreed with Staff's recommendation.[28]

Conclusions

47. Graham Gas's FVRB is determined to be $2,369,529.

48. Graham Gas's present rates and charges produced adjusted test year operating income of $16,993, based on operating revenues of $3,242,352 and operating expenses of $3,225,359.

49. The rates and charges approved herein will increase revenues by $224,132, or a 6.91 percent increase, resulting in net operating income of $241,125.

50. The rates and charges approved herein will yield a rate of return of 10.18 percent on Graham Gas's FVRB, which is reasonable under the circumstances of this case.

51. The cost of service study presented by GCU for Graham Gas in this proceeding should be accepted, with the changes to the allocation factors set forth in Hearing Exhibit S-2 at 8.

52. Issuance of debt financing for the purposes stated in the application is within GCU's corporate powers, is compatible with the public interest, is consistent with sound financial practices and will not impair GCU's ability to provide service to its gas customers.

53. It is necessary for utilities to continue to invest in their systems in order to maintain adequate levels of service. GCU requires additional finance authority in order to continue to invest in and maintain its gas distribution infrastructure. We find Staff's recommendations for approval of the requested long-term financing and line of credit reasonable and adopt them.

54. Graham Gas should be required to submit monthly, as an attachment to its fuel adjustor report, a Line of Credit Compliance Report that includes the data set forth in Exhibit A.

[28] *Id.*

55. The line of credit authority should end with the Decision in Graham Gas's next rate case, so that the Commission may re-evaluate it at that time.

56. At the end of the test year, Graham Gas's operating TIER and DSC levels were 1.10 and 0.92, respectively.

57. With the rate increase and financing authorized herein, Graham Gas's operating TIER and DSC will increase to 2.46 and 1.54, respectively, and Graham Gas's cash flow will be adequate to support its debt service requirements, operating needs, and financial contingencies.

58. The rate design included in the rate application, Hearing Exhibit A-1, should be adopted.

59. Under the rates approved herein, a residential customer with average monthly usage of 36 therms, will experience a rate increase of $3.25 (7.90 percent), from the current amount of $41.15 to $44.40.[29] For a commercial customer with average monthly usage of 289 therms, the increase will be $6.00 (2.41 percent), from the current amount of $248.86 to $254.86.[30]

60. Graham Gas's updated Rules and Regulations, included in Hearing Exhibit A-1, should be approved, except that Part VI(C)(1) appearing on page 9 of the Rules and Regulations should be modified, as recommended by Staff and agreed to by Graham Gas, to exclude charges for overhead costs to new customers requesting a line extension, because overhead costs are not directly attributable to a line extension.

CONCLUSIONS OF LAW

1. Graham Gas is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-285, 40-301, 40-302, and 40-303.

2. The Commission has jurisdiction over Graham Gas and the subject matter of the consolidated applications.

3. Notice of the applications was given in accordance with law.

4. The rates and charges authorized herein are just and reasonable.

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[29] These rates are based on the most recently available cost of gas.
[30] *Id.*

5. It is just and reasonable and in the public interest to approve the tariffs and rate design appearing in Hearing Exhibit A-1.

6. Overhead costs are not directly attributable to line extensions. Therefore it is just and reasonable and in the public interest to approve Graham Gas's updated Rules and Regulations, included in Hearing Exhibit A-1, with a modification to Part VI(C)(1) appearing on page 9 of the Rules and Regulations, as recommended by Staff and agreed to by Graham Gas, to exclude charges for overhead costs.

7. The financing approved herein is for lawful purposes within GCU's corporate powers, is compatible with the public interest, with sound financial practices, and with the proper performance by GCU of service as a public service corporation, and will not impair GCU's ability to perform the service.

8. The financing approved herein is for the purposes stated in the application, is reasonably necessary for those purposes and such purposes may not be reasonably chargeable to operating expenses or to income.

9. It is reasonable and in the public interest to require Graham Gas to submit monthly, as an attachment to its fuel adjustor report, a Line of Credit Compliance Report that includes the data as set forth in Exhibit A, and for the line of credit authorization to end with the Decision in Graham Gas's next rate case, so that the Commission may re-evaluate it at that time.

ORDER

IT IS THEREFORE ORDERED that Graham County Utilities, Inc. is hereby directed to file, on or before July 31, 2013, tariffs with a new schedule of rates and charges consistent with the tariffs and rate design shown in the application, increasing its gas division's operating revenues by $224,132.

IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective for all service rendered on and after August 1, 2013.

IT IS FURTHER ORDERED that Graham County Utilities, Inc. shall notify its gas division customers of the revised schedules of rates and charges authorized herein by means of an insert, in a form acceptable to the Commission's Utilities Division, included in its next regularly scheduled billing.

IT IS FURTHER ORDERED that Graham County Utilities, Inc.'s updated Gas Division Rules and Regulations, included in Hearing Exhibit A-1 are hereby approved, with a modification to Part VI(C)(1) appearing on page 9 of the Rules and Regulations to exclude charges for overhead costs.

IT IS FURTHER ORDERED that Graham County Utilities, Inc. shall continue to use its current cost of service model for its gas division with the modification to the allocation factors appearing in Hearing Exhibit S-2 at 8.

IT IS FURTHER ORDERED that Graham County Utilities, Inc. is hereby authorized to obtain financing in an amount not to exceed $1,000,000 from its affiliate Graham County Electric Cooperative, Inc., for a term of ten years at an interest rate of 5.44 percent per annum, and that the proceeds shall be used exclusively for the purpose of refunding Graham County Utilities, Inc.'s existing unauthorized loans from Graham County Electric Cooperative, Inc. used to fund the construction of existing plant additions for its gas division described in the financing application.

IT IS FURTHER ORDERED that Graham County Utilities, Inc. is hereby authorized to establish a $500,000 line of credit for its gas division with Graham Electric Cooperative, Inc., with a variable interest rate equal to the market rate available from the National Rural Cooperative Finance Corporation or equivalent provider for an intermediate line of credit, to be used exclusively for short-term financing of seasonal cash shortfalls for its gas division's Operations and Maintenance expenses, and for either short- or long-term financing of the following capital needs for its gas division: under-collection of the purchased gas adjustor; construction work in progress; plant additions; and refunds of advance in aid of construction arrearages. The amount of outstanding funds drawn under the line of credit used for Operations and Maintenance expenses shall fall to zero at least once every 13 months.

IT IS FURTHER ORDERED that Graham County Utilities, Inc., Gas Division shall submit monthly, commencing in September of 2013, as an attachment to its fuel adjustor report, a Line of Credit Compliance Report that includes the data as set forth in Exhibit A.

IT IS FURTHER ORDERED that the authorization for the line of credit shall terminate on the date of the Decision in Graham County Utilities, Inc., Gas Division's next rate case, so that the Commission may re-evaluate the line of credit in Graham County Utilities, Inc. Gas Division's next rate case.

IT IS FURTHER ORDERED that Graham County Utilities, Inc. is authorized to engage in any transaction and execute any documents necessary to effectuate the authorizations granted.

IT IS FURTHER ORDERED that Graham County Utilities, Inc. shall file with Docket Control, as a compliance item in this docket, copies of any executed financing documents related to this authority within 30 days after the date of execution.

IT IS FURTHER ORDERED that Graham County Utilities, Inc.is authorized to pledge the assets of its gas division pursuant to A.R.S. § 40-285 in connection with the indebtedness authorized in this Decision.

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IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not constitute or imply approval or disapproval by the Commission of any particular expenditure of the proceeds derived thereby for purposes of establishing just and reasonable rates.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN		COMMISSIONER
COMMISSIONER	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this ______________ day of __________________ 2013.

____

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT ______________________

DISSENT ______________________

DECISION NO. __________

SERVICE LIST FOR: GRAHAM COUNTY UTILITIES, INC. (GAS DIVISION)

DOCKET NOS.: G-02527A-12-0321 AND G-02527A-13-0023

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Graham County Utilities, Inc.
Docket No. G-02527A-12-0321
Compliance per Dec. No. XXXXX

LINE OF CREDIT COMPLIANCE REPORT

Periodic (Monthly) Report as of: Date

A	B[1]	C[2]	D[3]	E	F[4]
Total Line of Credit Dollars Outstanding	Line of Credit Dollars - Purchased Gas Adjustor Balance	Line of Credit Dollars - Construction Work in Progress	Line of Credit Dollars - Plant Additions	Line of Credit Dollars - Refunds of Advance in Aid of Construction TYE Arrearages	Line of Credit Dollars - O & M / Cash Shortfalls
$ -	$ -	$ -	$ -	$ -	$ -

Data Presented:
Column A - LOC balance.
Column B - Gas Adjustor Balance Financed by the LOC.
Column C - CWIP Expenditures Financed by the LOC.
Column D - Plant Additions Financed by the LOC.
Column E - Advance in Aid of Construction Refund Arrearages Financed by the LOC.
Column F - Column A less Columns B, C, D and E. Deemed as the cummulative LOC used for O&M.

Note: Data in each colunn should be current as of the month of the report.

Footnotes:
Footnote [1] - Amount reflected in Column B is undercollected purchased gas adjustor balance, however, when the PGA balance is overcollected the value for Column B is zero.
Footnote [2] - CWIP amount reflected in Column C do not include any costs financed by Advances, Contributions or any debt other than the LOC.
Footnote [3] - Plant amount reflected in Column D excludes costs financed by Advances, Contributions or any debt other than the LOC.
Footnote [4] - Reflects cummulative LOC usage for O&M. A value exceding zero for 13 consecutive months indicates that the LOC was used to finance O&M for more than 12 months. A circumstance that requires Commission authorization per A.R.S § 40-301 (B).

Column F value for each of the previous 12 months (list most recent month first):

Date ______________ Amt. ______________
Date ______________ Amt. ______________
Date ______________ Amt. ______________
Date ______________ Amt. ______________
Date ______________ Amt. ______________
Date ______________ Amt. ______________
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Date ______________ Amt. ______________
Date ______________ Amt. ______________

EXHIBIT A