

OPEN MEETING AGENDA ITEM



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**COMMISSIONERS**  
**BOB STUMP - Chairman**  
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**BOB BURNS**  
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**ORIGINAL**



**ARIZONA CORPORATION COMMISSION**

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AZ CORP COMMISSION  
DOCKET CONTROL

July 2, 2013

2013 JUL 2 PM 1 09

TO: ALL PARTIES OF RECORD

RE: IN THE MATTER OF THE APPLICATION OF GRAHAM COUNTY UTILITIES, INC. (GAS DIVISION) FOR APPROVAL OF A RATE INCREASE, ET AL.

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

The Recommended Opinion and Order in the above-captioned matter that was mailed to you on June 25, 2013, has been corrected in the following manner:

Pages 10 and 11 have been replaced with the attached replacement pages 10 and 11 in order to reflect the agreement of the parties on rate design.

The Recommended Opinion and Order now reflects these changes.

  
Teena Jibilian  
Administrative Law Judge

Arizona Corporation Commission

**DOCKETED**

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SERVICE LIST FOR:

GRAHAM COUNTY UTILITIES, INC. (GAS  
DIVISION)

DOCKET NOS.:

G-02527A-12-0321 AND G-02527A-13-0023

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

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

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

8           58.    The rate design proposed by Staff<sup>29</sup> and agreed to by GCU<sup>30</sup> should be adopted.

9           59.    Under the rates approved herein, a residential customer with annual average usage of  
10 34 therms per month, will experience a rate increase of \$3.12 (7.9 percent), from the current amount  
11 of \$39.59 to \$42.71.<sup>31</sup> For a commercial customer with annual average usage of 281 therms per  
12 month, the increase will be \$9.34 (3.8 percent), from the current amount of \$242.63 to \$251.97.<sup>32</sup>

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

### CONCLUSIONS OF LAW

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

21          2.    The Commission has jurisdiction over GCU and the subject matter of the consolidated  
22 applications.

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

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

25          5.    It is just and reasonable and in the public interest to approve the tariffs appearing in

26 <sup>29</sup> Direct Testimony of Staff witness Robert G. Gray, Exh. S-2 (Gray) at Exhibit RGG-2 at 4.

27 <sup>30</sup> Exh. A-3 at 3, Tr. at 10.

28 <sup>31</sup> These bill impacts assume a constant cost of gas of \$0.43075 per therm. See Customer Bill Estimates appearing in Exh. S-2 at Exhibit RGG-3.

<sup>32</sup> *Id.*

1 Hearing Exhibit A-1, modified to reflect the agreed-upon rate design appearing in Hearing Exhibit S-  
2 2 at Exhibit RGG-2 at 4.

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

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

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

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

19 **ORDER**

20 IT IS THEREFORE ORDERED that Graham County Utilities, Inc. is hereby directed to file,  
21 on or before July 31, 2013, tariffs with a new schedule of rates and charges consistent with the tariffs  
22 shown in the application, modified to reflect the agreed-upon rate design appearing in Hearing  
23 Exhibit S-2 at Exhibit RGG-2 at 4, increasing its gas division's operating revenues by \$224,132.

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

26 IT IS FURTHER ORDERED that Graham County Utilities, Inc. shall notify its gas division  
27 customers of the revised schedules of rates and charges authorized herein by means of an insert, in a  
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