



0000146976

BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JUL 30 2013

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

DOCKETED BY NR

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. 74002

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 **Description of Graham Gas**

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

28

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

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

10 25. Graham Gas’s current rates and charges were approved in Decision No. 71690 (May
11 3, 2010), and are based on a test year ending September 30, 2008.

12 **GCU Proposals and Staff Recommendations**

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

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

20 Adjusted Test Year Rate Base, Operating Expenses and Operating Revenues

21 28. For the test year ended September 30, 2011, GCU proposes adoption of Staff’s
22 recommended Original Cost Less Depreciation Rate Base (“OCRB”) and Fair Value Rate Base
23 (“FVRB”) of \$2,369,529.⁵ The application had proposed a rate base of \$2,581,088, which included
24 construction work in progress (“CWIP”) in the amount of \$211,559. Staff removed the CWIP in its
25

26 ¹ Direct Testimony of Staff witness Alan Borne, Hearing Exhibit (“Exh.”) S-1 (Borne) at 2.

27 ² *Id.*

28 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.

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

5 Rate of Return

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

8 Revenue Requirement

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

12 Cost of Service Study

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

22 ...

24 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.

25 ⁸ Exh. A-1 at 6.

⁹ Exh. S-1 (Bozzo) at 6-7 and Schedule BKB-1 and Exh. A-3 at 1.

26 ¹⁰ *Id.*

¹¹ Exh. A-1 at 8-10 and Schedules G-6, G-7, and G-8.

27 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.

28 ¹⁵ Exh. A-3 at 1.

1 Financing Application – Long-Term Debt and Line of Credit

2 32. In its review of Graham Gas's books, Staff discovered that during the test year,
3 Graham Gas utilized monies loaned by its affiliate Graham Electric, with balances that remained
4 outstanding longer than twelve months. GCU did not obtain authority for the line of credit with
5 Graham Electric pursuant to A.R.S. § 40-301.¹⁶ Staff states that the outstanding balances of the loan
6 amounts due to Graham Electric were as follows: for fiscal year end 2009, \$1,096,716; for 2010,
7 \$675,544; and for 2011, \$1,001,059. Staff notes that Graham Gas does not generate sufficient cash
8 flow to pay off debt obligations of this magnitude with single year revenues.¹⁷

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

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

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

21 36. The financing application also requests approval of establishment of a line of credit
22 with Graham Electric for Graham Gas in the amount of \$500,000 with no maturity date and with a
23 variable interest rate equal to that provided by the National Rural Cooperative Finance Corporation
24

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

26 A public service corporation may issue stocks and stock certificates, bonds, notes and other evidences of
27 indebtedness payable at periods of more than twelve months after the date thereof, only when authorized
28 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.

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

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

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

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

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

25 41. Graham Gas is in agreement with all of Staff’s recommendations on the financing
26 application.²⁰

27

28 ²⁰ Tr. at 10-11.

1 TIER and DSC

2 42. Staff computed that with the proposed rates and approval of the financing request,
3 Graham Gas would have a Times Interest Earned Ratio ("TIER")²¹ of 2.46 and a Debt Service
4 Coverage ("DSC") ratio²² of 1.54.²³ Staff's recommended revenue requirement will provide
5 sufficient cash flow for Graham Gas to meet its debt service obligations, operating needs and
6 financial contingencies.²⁴

7 Line Extension Policy

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

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

18 ...

19 ...

20 ...

21 ...

22 _____
23 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.

24 ²² DSC measures an entity's ability to generate cash flow to pay its debt service obligations (interest and principal) from
25 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
26 obligations.

27 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.

28 ²⁷ Exh. A-3 at 1.

1 Demand Side Management ("DSM") Program

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

4 46. Staff states that conditions have not changed since the issuance of Decision No.
5 72396, and the current gas energy efficiency rules do not apply to Graham Gas. Staff recommends
6 that the feasibility of implementing a DSM program be reviewed again in Graham Gas's next rate
7 case. GCU agreed with Staff's recommendation.²⁸

8 **Conclusions**

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

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

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

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

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

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

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

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

27
28

²⁸ *Id.*

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 Staff²⁹ and agreed to by GCU³⁰ 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 \$42.71.³¹ 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 \$251.97.³²

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

27 ³⁰ Exh. A-3 at 3, Tr. at 10.

28 ³¹ 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.

³² *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
28

1 form acceptable to the Commission's Utilities Division, included in its next regularly scheduled
2 billing.

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

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

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

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

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

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

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

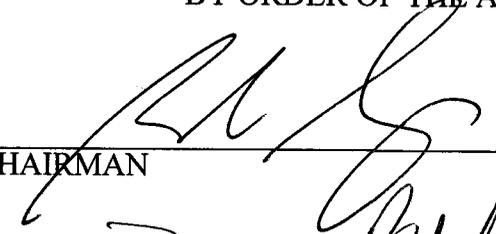
7 IT IS FURTHER ORDERED that Graham County Utilities, Inc. shall file with Docket
8 Control, as a compliance item in this docket, copies of any executed financing documents related to
9 this authority within 30 days after the date of execution.

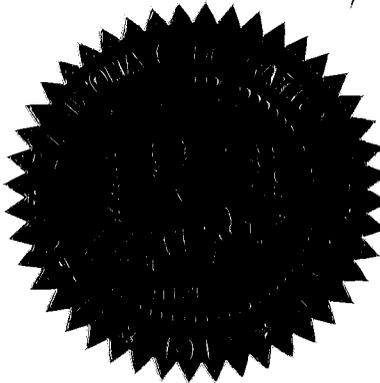
10 IT IS FURTHER ORDERED that Graham County Utilities, Inc. is authorized to pledge the
11 assets of its gas division pursuant to A.R.S. § 40-285 in connection with the indebtedness authorized
12 in this Decision.

13 ...
14 ...
15 ...
16 ...
17 ...
18 ...
19 ...
20 ...
21 ...
22 ...
23 ...
24 ...
25 ...
26 ...
27 ...
28 ...

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

5
6
7  CHAIRMAN  COMMISSIONER
8  COMMISSIONER  COMMISSIONER  COMMISSIONER
9



11 IN WITNESS WHEREOF, I, JODI JERICH, Executive
12 Director of the Arizona Corporation Commission, have
13 hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of Phoenix,
15 this 30th day of July 2013.

16 
17 JODI JERICH
18 EXECUTIVE DIRECTOR

19 DISSENT _____

20 DISSENT _____

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

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

4 Kirk Gray
5 Steve Lines
6 GRAHAM COUNTY ELECTRIC
7 COOPERATIVE, INC.
8 P.O. Drawer B
9 Pima, AZ 85543

10 John V. Wallace
11 GCSECA
12 2210 South Priest Drive
13 Tempe, AZ 85282

14 Janice Alward, Chief Counsel
15 Charles Hains, Staff Attorney
16 Brian E. Smith, Staff Attorney
17 Legal Division
18 ARIZONA CORPORATION COMMISSION
19 1200 West Washington Street
20 Phoenix, AZ 85007

21 Steve Olea, Director
22 Utilities Division
23 ARIZONA CORPORATION COMMISSION
24 1200 West Washington Street
25 Phoenix, AZ 85007

26
27
28

