

OPEN MEETING



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MEMORANDUM

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TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

ORIGINAL

DATE: February 4, 2014

RE: NAVOPACHE ELECTRIC COOPERATIVE, INC.'S APPLICATION FOR A DETERMINATION OF THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN, AND FOR RELATED APPROVALS. (DOCKET NO. E-01787A-14-0302)

Attached is the Staff Report and Proposed Order for Navopache Electric Cooperative, Inc.'s application for a rate increase for a cooperative pursuant to A.A.C. R14-2-107. A.A.C. R14-2-107 is the streamlined processing of cooperative rate applications. Staff recommends an increase in system-wide base revenue equal to 4.0% over actual test year base revenue resulting in a system-wide rate increase of \$1,908,652 (the rate increase compared to adjusted test year base revenue would be \$1,646,693 which represents a 3.43% increase over adjusted test year base revenue). Staff is not requesting that a hearing be held in this matter.

SMO:RSP:vsc\RWG

Originator: Ranelle S. Paladino

Attachment: Original and Thirteen copies

Arizona Corporation Commission
DOCKETED

FEB 04 2015

DOCKETED BY

Service List for: NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

NAVOPACHE ELECTRIC COOPERATIVE, INC.

DOCKET NO. E-01787A-14-0302

IN THE MATTER OF THE APPLICATION OF NAVOPACHE ELECTRIC
COOPERATIVE, INC., FOR A DETERMINATION OF THE FAIR VALUE OF ITS
PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE
RATE OF RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP
SUCH RETURN, AND FOR RELATED APPROVALS.

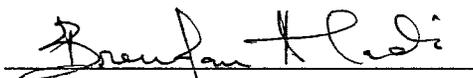
FEBRUARY 4, 2015

STAFF ACKNOWLEDGMENT

The Staff Report for Navopache Electric Cooperative, Inc. ("NEC" or "Cooperative"), Docket No. E-01787A-14-0302, was the responsibility of the Staff members listed below. Ranelle Paladino was responsible for the review and analyses of the Cooperative's application and rate design. Brendan Aladi was responsible for the recommended revenue requirement and rate base. Jeff Francis was responsible for the engineering and technical analysis. Trish Meeter was responsible for reviewing the Commission's records on the Cooperative, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.



Ranelle Paladino
Utilities Consultant



Brendan Aladi
Public Utilities Analyst III



Jeff Francis
Utilities Consultant



Trish Meeter
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
NAVOPACHE ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01787A-14-0302

Navopache Electric Cooperative, Inc. ("NEC" or "Cooperative") is a member-owned Arizona non-profit rural electric distribution cooperative. NEC is a public service corporation providing electric distribution service to approximately 38,399 meters in Navajo, Apache, Greenlee and Gila Counties in Arizona and approximately 1,553 meters in Catron County, New Mexico. NEC is a Class A Utility under A.A.C. R14-2-103(A)(3)(q). 15 customers filed oppositions to the rate increase.

NEC operates a service territory that spans over 10,000 square miles. Unlike other Arizona cooperatives, NEC is typically a winter-peaking system and has a substantial segment of its residential load as seasonal homeowners. Over the past five years, growth in terms of number of customers has been relatively flat and load has been declining.

NEC proposed a \$1,908,652 or a 4.0% system-wide revenue increase from actual test year base revenues (the proposed increase is a 3.43% increase from adjusted test year base revenue of \$1,646,693). The proposed system-wide revenue would produce an operating margin of \$1,886,594, resulting in a 2.16% rate of return and a system-wide operating income of \$4,465,647.¹ The Cooperative's requested rates would increase an average residential customer's bill (with usage of 443 kWh) by \$2.67 (4.76%) from \$56.05 to \$58.72. The median residential customer with a monthly consumption of 349 kWh would see an increase in his/her bill of \$2.67 (5.69%) from \$46.92 to \$49.59. The entire bill increase for residential and small commercial customers will be in the monthly customer charge from \$19.50 to \$22.17.

Staff and NEC are in agreement on all issues in this case. Staff recommends adoption of NEC's proposed revenue requirement of \$56,657,818.

STAFF'S RECOMMENDATIONS

Staff makes the following recommendations:

1. The Commission should approve NEC's rates as proposed in the rate application filed on September 11, 2014.
2. The Cooperative should file with Docket Control, as a compliance item in this Docket, tariffs with a new schedule of rates and charges on or before April 1, 2015.
3. The Cooperative should notify its customers of the revised schedules of rates and charges in a form acceptable to Staff included in its next regularly scheduled billing and by posting on its website.
4. The Cooperative's base cost of power should remain at \$0.066160 per kWh.

¹ Staff calculated the rate of return on operating margin leading to a 2.16% rate of return while NEC calculated the rate of return on operating income leading to a 5.11% rate of return.

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Introduction

On February 6, 2013, the Arizona Corporation Commission (“Commission”) adopted a new section in the Arizona Administrative Code (“A.A.C.”) R14-2-107, entitled “Electric or Natural Gas Cooperative Alternative Rate Application Filing Requirements and Process” (“Rule 107”), and amended A.A.C. R14-2-103 (“Rule 103”). Rule 103 is the existing rule establishing the filing and processing requirements for rate applications of public service corporations. The overall purpose of Rule 107 was to establish a more streamlined approach to processing rate applications of member-owned cooperatives, who elect their own governing boards. The intent was to reduce regulatory lag and mitigate rate case expense.

Rule 107 establishes definitions, eligibility requirements, pre-filing requirements, notice requirements, filing requirements, and deadlines for objections and intervention requests; establishes the process and timeline for Staff analysis and processing of a cooperative’s rate application filed under Rule 107; and allows a cooperative to request processing of its application under Rule 103 if it is determined to be ineligible for processing under Rule 107.

Rule 107 also allows for Staff, a cooperative, or an intervenor to request an evidentiary hearing. A cooperative is allowed to request withdrawal of its rate application, and the Hearing Division is required to rule on a request for hearing or request for withdrawal and to preside over all further proceedings if an evidentiary hearing is granted. In addition, Rule 107 caps a revenue increase in a rate case at 6% of a cooperative’s actual test year total base revenue; permits a cooperative to have a maximum of five Rule 107 rate cases within a 15-year period between Rule 103 rate cases; permits a cooperative to file only one Rule 107 rate application in any 12-month period; and allows the Commission at any stage of a Rule 107 rate case to determine that a cooperative’s rate application must instead proceed under Rule 103.

On July 9, 2014, Navopache Electric Cooperative, Inc. (“NEC” or “Cooperative”) began the process of a rate application under Rule 107. On that day, NEC submitted a Request for Pre-Filing Eligibility Review in accordance with A.A.C. R14-2-107(C). The pre-filing eligibility review included a draft application, a proposed form of customer notice, and a proposed form of recommended order.

Over the next 30 days, Staff reviewed the draft application assessing Rule 107 compliance and also worked with NEC to revise the customer notice to highlight the implications of a filing under Rule 107 and the possible bill impacts of the rate increase.

On August 14, 2014, NEC met with Staff in accordance with A.A.C. R14-2-107(C)(3) to review eligibility under A.A.C. R14-2-107(B), finalize the proposed form of customer notice, and discuss the proposed form of recommended order. After that meeting, NEC filed a Request for Docket Number and Notice of Filing Proposed Form of Customer Notice.

On August 29, 2014, NEC filed a certification of mailing for the Customer Notice. The Customer Notice was mailed via first class mail to all NEC customers on August 21, 2014. The Customer Notice stated that objections needed to be filed with the Commission by September 24,

2014. The Customer Notice also indicated that NEC anticipated filing its rate application on or around September 15, 2014. On September 11, 2014, NEC docketed its application for a rate increase ("the Application") under Rule 107 in Docket No. E-01787A-14-0302.

By the close of business on September 24, 2014, the Commission had received 15 objections to the rate increase. There were no intervention requests filed. As defined in A.A.C. R14-2-107(B)(14), to proceed with processing a cooperative rate case under Rule 107 the number of objections submitted by the indicated deadline must represent no more than 5% of all customer accounts or no more than 1,000 customer accounts, whichever is fewer. The 15 objections received were below the required threshold, so Staff proceeded with processing the case under Rule 107.

On October 8, 2014, Staff filed a notice of eligibility in the docket indicating that NEC had met all of the requirements outlined in Rule 107 to be eligible to file under the streamlined rules. At the same time, Staff filed a notice of sufficiency indicating the data provided by NEC in its rate application were sufficient in meeting the requirements of a cooperative rate application.

Background

NEC is a member-owned Arizona non-profit rural electric cooperative with its principal business office in Lakeside, Arizona. NEC is a public service corporation providing electric distribution service to approximately 38,399 meters in Navajo, Apache, Greenlee and Gila Counties in Arizona and approximately 1,553 meters in Catron County, New Mexico. Of that total in Arizona, approximately 90% are Residential customers. The remainder is a mix of Commercial, Industrial, Irrigation and Lighting customers. NEC's Board of Directors oversees all aspects of NEC's operations and approves the annual operating budget. On June 18, 2014, NEC's Board of Directors approved the filing of this application. NEC is a Class A Utility under A.A.C. R14-2-103(A)(3)(q).

NEC's last rate case was filed on April 29, 2011. In Decision No. 73255 dated July 30, 2012, the Commission determined a revenue increase of 7.16% was justified and reasonable. This rate increase went into effect August 1, 2012.

The Application

NEC is requesting a system-wide rate increase of 4.0% over actual test year base revenue (3.43% over adjusted test year base revenue). NEC's test year is the 12 months ending December 31, 2013. Actual test year base revenue was \$47,720,186 (adjusted test year base revenue was \$47,982,300). NEC's proposed rate increase of 4.0% is equal to \$1,908,652 over actual test year base revenue (the increase is \$1,646,693 when compared to adjusted test year base revenue). The annual gross revenue for NEC inclusive of the increase will be \$56,657,818.

The requested rate increase for all residential and small commercial customers is represented by an increase in the monthly customer charge. For residential customers in the NEC service area this rate change represents an increase to the customer monthly bill of \$2.67.

NEC indicated the rate increase is necessary to cover increased operating costs in such areas as: operation and maintenance, consumer accounts, customer service and information, sales, administrative and general, depreciation and amortization, taxes, interest and payroll and to maintain the financial integrity of the Cooperative.

Eligibility

As discussed above, several eligibility requirements must be met for a cooperative to use Rule 107. As documented in the notice of eligibility, Staff agrees that NEC has taken the necessary steps to comply with the eligibility requirements of Rule 107.

Staff Analysis

To complete analysis of the Application, Staff reviewed the purchased power costs; the fuel bank balance; the base revenue increase and test year data; the level of increase requested for each rate schedule/class; the applicability of the capital projects and plant in service ("PIS"); the acceptability of system losses and reliability indices; the proposed rate base, revenue, and expenses; and the proposed revenue requirement. Staff also completed a compliance review.

NEC reported actual purchased power costs for the test year equal to \$28,264,346. Several adjustments to purchased power costs were included increasing purchased power costs by \$4,424,136. The majority of the increase in purchased power costs was related to transmission refunds processed during the test year equal to \$4,209,262, which reduced purchased power costs during the test year. The additional \$214,874 in adjustments to purchased power costs are related to adjustments in billing units and rates that are necessary to make the test year more representative of NEC purchased power costs in the future. Staff was able to track and verify the purchased power costs through a sampling of invoices provided by NEC to support the reported costs.

In addition, Staff was able to track monthly fuel adjustor filings for the test year with those costs and volumes reported in the Application within a negligible amount which Staff attributed to rounding.

NEC did not calculate a new base cost of power in the Application. Rule 107 specifies that the increase request of a maximum of 6% is in base revenue not attributed to revenue from an adjustor mechanism. The base cost of power (\$0.066160 per kWh) established in Decision No. 73255 remains unchanged for the purpose of calculating the Purchased Power Cost Adjustor ("PPCA"). The PPCA is designed to recover or refund the difference between the base cost of power included in the Cooperative's base rates and the actual cost of power.

However, in the Application, the adjustments to purchased power costs noted above were originally processed through the PPCA. Because these costs flowed through the PPCA during the test year, it was necessary to re-calculate the PPCA revenue and restate the PPCA for purposes of the adjusted test year revenue. A PPCA revenue adjustment was incorporated in the adjusted test year PPCA revenue to account for what should have been collected by the PPCA when comparing

adjusted purchased power costs to the revenue already collected through base rates. Staff matched the \$1,921,006 PPCA revenue adjustment in NEC's application.

In addition, as the PPCA revenue was re-calculated based on the adjusted purchased power costs, it was necessary to neutralize the effect of revenue from the adjustor during the test year. As a result, the PPCA over/under recovery balance from the beginning of 2013 to the end of 2013 resulted in an over recovery of revenue from the PPCA. A corresponding adjustment for the same dollar amount in the opposite direction was necessary to zero out the effect of the PPCA balance during the test year.

Staff was also able to verify the increase in base revenue from the test year reported revenue. The \$262,114 increase to base revenue was directly related to the fact that the new rates approved in New Mexico were not in effect throughout all of calendar year 2013. New Mexico base revenue was increased \$324,216 to account for a full year of new rates in effect. At the same time, Arizona revenue was decreased \$62,102. The majority of the decrease was attributable to billing adjustments.

As can be seen in Schedule RSP-1, NEC provided proof of revenue broken down by rate schedule. All residential monthly customer charge increases are less than 25%, the overall base revenue increase, excluding PPCA revenue, is less than 6%, and all rate class increases are within 150% of the base revenue increase requested.

Test year sales data were broken down into volumes sold by rate schedule and rate class. NEC did not make adjustments to test year volumes and indicated those volumes were reflective of future sales information. All data was provided for Arizona, New Mexico, and Total System.

Typical bill analysis detail for each rate schedule can be seen in Schedule RSP-2. As indicated earlier, RSP-2 details a 4.76% increase in base revenue for Residential customers resulting in an increase in an average customer's monthly bill of \$2.67. Staff historically has been in favor of a rate increase being partly comprised of an increase in the monthly customer charge and an increase in the energy charge. Doing this gives customers the ability to minimize the impact of the rate increase by decreasing customer usage. However, Staff has not recommended modifications in this streamlined rate case to spread the increase over the monthly customer charge and the energy charge. Staff retains the option of recommending modifications to the structure of the rate increase in future filings.

Attachment A details Staff's Engineering Report for the Application. Included in the Engineering Report is a detailed review of the construction expenditures added to PIS over the past three years. A field inspection was completed, and Staff found all of the facilities inspected were in service, operating, and the costs of the projects were reasonable. Staff concluded that NEC has a robust process for identifying and approving needed capital projects.

Staff also completed a review of the Cooperative's system losses and reliability indices. Staff concluded that NEC's system losses and reliability indices were within acceptable limits.

Attachment B details the Financial and Regulatory Analysis Review of the Application. Staff reviewed the Cooperative's proposed rate base, revenues, and expenses. No adjustments were

requested by Staff. However, Staff highlighted the need for future filings to incorporate lower rate case expense as a result of the streamlined rate case process. Staff retains the option of recommending adjustments to rate case expense in future filings.

The Financial and Regulatory Analysis Review also looked at the proposed revenue requirement which would produce a system-wide operating margin of \$1,886,594 for a 2.16% rate of return on an original cost rate base of \$87,400,193 and system-wide operating income of \$4,465,647 (Staff calculated the rate of return on operating margin leading to a 2.16% rate of return while NEC calculated the rate of return on operating income leading to a 5.11% rate of return). Staff agreed with NEC's revenue requirement of \$56,657,818.

The Consumer Services Review of NEC included an examination of the complaint history, bill format compliance, and the Corporations Division of the Commission status. Staff reviewed the Commission's records from January 1, 2011, to December 31, 2014, and found 55 complaints during that period of time. All of those complaints have been resolved and closed.

As noted above, Consumer Services received 15 customer opinions in opposition to the Application which is within the limits to proceed under Rule 107. Consumer Services also indicated the Cooperative's bill format is in compliance with A.A.C. R14-2-210(B)(2) and the Corporations Division of the Commission finds the Cooperative in "Good Standing".

Staff Recommendations

Staff recommends an increase in total system-wide revenue equal to 4.0% over actual test year base revenue yielding a rate increase of \$1,908,652 (the rate increase is \$1,646,693 or 3.43% when compared to adjusted test year base revenue) as filed in its rate application.

Staff has reviewed the proposed rate increase for each customer class and is in agreement with the proposed increases. Staff does not agree that every rate schedule increase for residential and small commercial customers in the future should be limited to increases in just the customer charge.

Staff concludes that NEC's system losses and reliability indices are within acceptable limits and recommends that the projects constructed and included in PIS since NEC's last rate case be found used and useful.

Staff recommends adoption of NEC's proposed rate base of \$87,400,193, adjusted test year revenues of \$55,011,125 and expenses of \$52,192,171.

As has been detailed above, Staff found that NEC is eligible to process a rate increase request under Rule 107 and found the Cooperative's supporting documentation sufficient to support its requested 4.0% increase in actual base revenue.

Staff recommends that NEC file with Docket Control, as a compliance item in this Docket, a tariff consistent with the rates and charges approved in this Docket on or before April 1, 2015.

Staff recommends that NEC provide notice to its customers of the rate increase approved by the Commission in the next regularly scheduled billing cycle in a form acceptable to Staff and by posting a notice on its website.

Staff is not requesting that a hearing be held in this matter.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302
Test Year Ended December 31, 2013

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT AND PROPOSED RATES

CUSTOMER CLASS	TEST YEAR ENDED 12/31/2013		STAFF AND COMPANY PROPOSED RATES		% INCREASE OVER ADJUSTED REVENUE (EXCLUDING PCA & OTHER REVENUE)	INCREASE OVER ADJUSTED REVENUE
	PRESENT RATES	PRESENT REVENUE	PROPOSED RATES	PROPOSED REVENUE		
RESIDENTIAL						
Consumers (12-month sum)	371,852	\$ 7,251,114	\$ 22.17	\$ 8,243,959		\$
First	96,987,855	\$ 7,621,306	\$ 0.078580	\$ 7,621,306		\$
Over	66,500,699	\$ 7,918,238	\$ 0.119070	\$ 7,918,238		\$
Subtotal	163,488,554	\$ 22,790,658		\$ 23,783,503		\$
PCA		\$ 2,551,893		\$ 2,551,893		\$
Total		\$ 25,342,551		\$ 26,335,396		\$
Residential TOU 6 Month						
Consumers (12-month sum)	11,857	\$ 308,282	\$ 28.87	\$ 339,940		\$
kWh - On Peak	3,864,472	\$ 557,991	\$ 0.144390	\$ 557,991		\$
kWh - Off Peak	11,094,780	\$ 619,533	\$ 0.055840	\$ 619,533		\$
Subtotal	14,959,252	\$ 1,465,806		\$ 1,517,464		\$
PCA		\$ 233,499		\$ 233,499		\$
Total		\$ 1,719,305		\$ 1,750,963		\$
Residential TOU 12 Month						
Consumers (12-month sum)	48,824	\$ 1,269,424	\$ 28.87	\$ 1,399,784		\$
kWh - On Peak	18,673,376	\$ 2,696,249	\$ 0.144390	\$ 2,696,249		\$
kWh - Off Peak	36,075,956	\$ 2,014,481	\$ 0.055840	\$ 2,014,481		\$
Subtotal	54,749,332	\$ 5,960,154		\$ 6,110,514		\$
PCA		\$ 854,582		\$ 854,582		\$
Total		\$ 6,834,736		\$ 6,965,096		\$
Total Base Revenue	233,197,138	\$ 30,256,618		\$ 31,411,481		\$
Total PCA Revenue		\$ 3,639,974		\$ 3,639,974		\$
Total Residential Revenue		\$ 33,896,592		\$ 35,051,455		\$ 1,154,863
						3.82%
COMMERCIAL AND INDUSTRIAL						
Commercial & Industrial						
Consumers (12-month sum)	2,812	\$ 337,440	\$ 124.00	\$ 348,688		\$
Billed kW	195,956	\$ 1,939,969	\$ 10.15	\$ 1,968,958		\$
First	46,132,640	\$ 3,677,566	\$ 0.081400	\$ 3,755,197		\$
Over	13,230,468	\$ 383,848	\$ 0.030460	\$ 403,000		\$
Subtotal	59,363,108	\$ 6,238,943		\$ 6,495,843		\$
PCA		\$ 926,599		\$ 926,599		\$
Total		\$ 7,165,542		\$ 7,422,442		\$
Commercial & Industrial P1						
Consumers (12-month sum)	22	\$ 5,368	\$ 252.00	\$ 5,544		\$
Billed kW	3,149	\$ 31,172	\$ 10.15	\$ 31,959		\$
First	452,594	\$ 35,099	\$ 0.081400	\$ 36,841		\$
Over	88,966	\$ 2,582	\$ 0.030460	\$ 2,710		\$
Primary Discount - Demand & Energy		\$ (2,066)	\$ -3.00%	\$ (2,145)		\$
Subtotal	541,560	\$ 72,155		\$ 74,909		\$
PCA		\$ 8,453		\$ 8,453		\$
Total		\$ 80,608		\$ 83,362		\$

Decision No. _____

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302
Test Year Ended December 31, 2013

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT AND PROPOSED RATES

CUSTOMER CLASS	TEST YEAR ENDED 12/31/2013		STAFF AND COMPANY PROPOSED		% INCREASE OVER ADJUSTED REVENUE (EXCLUDING PCA & OTHER REVENUE)	INCREASE OVER ADJUSTED REVENUE
	PRESENT RATES	PRESENT REVENUE	PROPOSED RATES	PROPOSED REVENUE		
Commercial & Industrial-TOU						
Consumers (12-month sum)	619	\$ 155.00	\$ 160.00	\$ 99,040		\$ 99,040
Billed kW	77,108	\$ 9.80	\$ 10.05	\$ 774,940		\$ 774,940
Billed kW On Peak	77,553	\$ 14.50	\$ 14.50	\$ 1,124,519		\$ 1,124,519
kWh	32,530,668	\$ 0.025520	\$ 0.026790	\$ 871,497		\$ 871,497
Subtotal	32,530,668			\$ 2,869,996		\$ 2,869,996
PCA				\$ 507,771		\$ 507,771
Total				\$ 3,377,767		\$ 3,377,767
Commercial & Industrial-TOU-Pri						
Consumers (12-month sum)	60	\$ 244.00	\$ 252.00	\$ 15,120		\$ 15,120
Billed kW	25,196	\$ 9.80	\$ 10.05	\$ 253,216		\$ 253,216
Billed kW On Peak	24,434	\$ 14.50	\$ 14.50	\$ 354,300		\$ 354,300
kWh	8,894,400	\$ 0.025520	\$ 0.026790	\$ 238,281		\$ 238,281
Primary Discount - Demand & Energy		\$ -3.00%	\$ -3.00%	\$ (25,374)		\$ (25,374)
Subtotal	8,894,400			\$ 635,943		\$ 635,943
PCA				\$ 138,833		\$ 138,833
Total				\$ 974,376		\$ 974,376
Total Base Revenue	101,329,736			\$ 10,276,290		\$ 10,276,290
Total PCA Revenue				\$ 1,581,656		\$ 1,581,656
Total Commercial & Industrial Revenue				\$ 11,857,946	3.43%	\$ 340,887
SMALL COMMERCIAL						
Consumers (12-month sum)	38,138	\$ 25.00	\$ 27.23	\$ 1,038,498		\$ 1,038,498
kWh	51,388,268	\$ 0.098260	\$ 0.098260	\$ 5,049,411		\$ 5,049,411
Subtotal	51,388,268			\$ 6,087,909		\$ 6,087,909
PCA				\$ 802,119		\$ 802,119
Total				\$ 6,890,028		\$ 6,890,028
Small Commercial-TOU 6 Month						
Consumers (12-month sum)	970	\$ 34.55	\$ 36.78	\$ 35,677		\$ 35,677
kWh - On Peak (Billed Nov-April)	523,868	\$ 0.155100	\$ 0.155100	\$ 81,252		\$ 81,252
kWh - Off Peak (Billed Nov-April)	1,015,126	\$ 0.065540	\$ 0.065540	\$ 66,531		\$ 66,531
kWh (Billed May-October)	1,177,620	\$ 0.098260	\$ 0.098260	\$ 115,713		\$ 115,713
Subtotal	2,716,614			\$ 297,010		\$ 297,010
PCA				\$ 42,404		\$ 42,404
Total				\$ 339,414		\$ 339,414
Small Commercial-TOU 12 Month						
Consumers (12-month sum)	589	\$ 34.55	\$ 36.78	\$ 21,663		\$ 21,663
kWh - On Peak	464,461	\$ 0.155100	\$ 0.155100	\$ 72,038		\$ 72,038
kWh - Off Peak	883,701	\$ 0.065540	\$ 0.065540	\$ 57,918		\$ 57,918
Subtotal	1,348,162			\$ 150,306		\$ 150,306
PCA				\$ 21,043		\$ 21,043
Total				\$ 171,349		\$ 171,349
Total Base Revenue	55,453,044			\$ 6,450,177		\$ 6,450,177
Total PCA Revenue				\$ 865,566		\$ 865,566
Total Small Commercial Revenue				\$ 7,315,743	1.37%	\$ 88,524

Decision No. _____

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302
Test Year Ended December 31, 2013

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT AND PROPOSED RATES

CUSTOMER CLASS	TEST YEAR ENDED 12/31/2013		STAFF AND COMPANY PROPOSED		INCREASE OVER ADJUSTED REVENUE (EXCLUDING PCA & OTHER REVENUE)	INCREASE OVER ADJUSTED REVENUE
	PRESENT RATES	PRESENT REVENUE	PROPOSED RATES	PROPOSED REVENUE		
IRRIGATION AND WATER PUMPING						
<u>Irrigation & Water Pumping</u>						
Consumers (12-month sum)						
Billed kW	1,076	\$ 36.00	\$ 40,888	\$ 43,287	\$ 43,287	
kWh	25,213	5.00	126,066	132,117	132,117	
Subtotal	6,586,052	0.090020	592,876	621,065	621,065	
PCA			759,830	796,469	796,469	
Total			102,802	102,802	102,802	
			862,632	899,271	899,271	
<u>Irrigation & Water Pumping IOU</u>						
Consumers (12-month sum)						
Billed kW	144	43.00	6,192	6,513	6,513	
kWh	6,142	5.25	32,243	33,779	33,779	
Subtotal	5,553	9.00	49,978	52,365	52,365	
PCA	1,191,741	0.040230	47,944	50,220	50,220	
Total			136,357	142,877	142,877	
			18,602	18,602	18,602	
			154,959	161,479	161,479	
Total Base Revenue			896,187	939,347	939,347	
Total PCA Revenue			121,404	121,404	121,404	
Total Irrigation & Water Pumping Revenue			1,017,591	1,060,751	1,060,751	
						4.82%
						\$ 43,160
LIGHTING						
<u>Security Lights - Consumer Owned</u>						
175 Watt MVL	465	8.72	4,229	4,409	4,409	
250 Watt MVL	24	11.29	271	282	282	
400 Watt MVL	36	18.49	666	694	694	
100 Watt HPS	3,324	5.65	18,781	19,578	19,578	
150 Watt HPS	600	7.99	4,794	4,998	4,998	
250 Watt HPS	816	10.51	8,576	8,943	8,943	
Subtotal	5,285		37,317	38,905	38,905	
<u>Security Lights - Cooperative Owned</u>						
175 Watt MVL	2,920	10.53	30,748	32,062	32,062	
250 Watt MVL	-	13.74	-	-	-	
400 Watt MVL	108	22.23	2,401	2,503	2,503	
100 Watt HPS	27,306	8.75	238,928	249,304	249,304	
150 Watt HPS	-	11.09	-	-	-	
250 Watt HPS	5,115	13.61	69,615	72,562	72,562	
Subtotal	35,449		341,691	356,451	356,451	
<u>Security Lights - Pole Charges</u>						
175 Watt MVL	10,100	4.00	40,400	42,117	42,117	
<u>Street Lights - Cooperative Owned</u>						
175 Watt MVL	-	10.53	-	-	-	
250 Watt MVL	12	12.74	153	159	159	
400 Watt MVL	-	22.23	-	-	-	
1000 Watt MVL	12	40.18	153	159	159	
Subtotal						

Decision No. _____

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302
Test Year Ended December 31, 2013

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT AND PROPOSED RATES

CUSTOMER CLASS	TEST YEAR ENDED 12/31/2013		STAFF AND COMPANY PROPOSED		% INCREASE OVER ADJUSTED REVENUE (EXCLUDING PCA & OTHER REVENUE)	INCREASE OVER ADJUSTED REVENUE
	PRESENT RATES	PRESENT REVENUE	PROPOSED RATES	PROPOSED REVENUE		
Street Lighting - Consumer Owned						
100 Watt HPS	580	\$ 3,334	\$ 5.89	\$ 3,475		
150 Watt HPS	2,520	\$ 20,135	\$ 8.33	\$ 20,992		
250 Watt HPS	84	\$ 883	\$ 10.96	\$ 921		
Subtotal	3,194	\$ 24,351		\$ 25,387		
Total Base Revenue	2,008,440	\$ 443,912		\$ 463,019		
Total PCA Revenue		\$ 31,350		\$ 31,350		
Total Lighting Revenue		\$ 475,262		\$ 494,369	4.30%	\$ 19,108
TOTAL						
Base Revenue	399,766,151	\$ 47,982,297		\$ 49,628,838		
PCA Revenue		\$ 6,239,950		\$ 6,239,950		
Other Revenue		\$ 788,876		\$ 788,876		
Total Revenue		\$ 55,011,123		\$ 56,657,664	3.43%	\$ 1,646,541

Decision No. _____

NAVAPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302
Test Year Ended December 31, 2013
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

Docket No. E-01787A-14-0302

RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS
STANDARD RATE

kWh USAGE		EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE
Customer Charge		\$ 19.50	\$ 22.17	\$ 2.67	13.69%
Energy Charge, per kWh					
First	400 kWh per month	\$ 0.07858	\$ 0.07858	\$ -	.0%
Over	400 kWh per month	\$ 0.11907	\$ 0.11907	\$ -	0%
	50	\$ 23.43	\$ 26.10	\$ 2.67	11.40%
	100	\$ 27.36	\$ 30.03	\$ 2.67	9.76%
	250	\$ 39.15	\$ 41.82	\$ 2.67	6.82%
	500	\$ 62.84	\$ 65.51	\$ 2.67	4.25%
	750	\$ 92.61	\$ 95.28	\$ 2.67	2.88%
	1,000	\$ 122.37	\$ 125.04	\$ 2.67	2.18%
	1,500	\$ 181.91	\$ 184.58	\$ 2.67	1.47%
	2,000	\$ 241.44	\$ 244.11	\$ 2.67	1.11%
	3,000	\$ 360.51	\$ 363.18	\$ 2.67	0.74%
	5,000	\$ 598.65	\$ 601.32	\$ 2.67	0.45%
Average	443	\$ 56.05	\$ 58.72	\$ 2.67	4.76%
Median	349	\$ 46.92	\$ 49.59	\$ 2.67	5.69%

RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS
OPTIONAL TIME-OF-USE ("TOU") RATE

kWh USAGE TOTAL	ON PEAK 34%		OFF PEAK 66%		EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE
	Customer Charge					\$ 26.00	\$ 28.67	\$ 2.67
Energy Charge, per kWh								
On Peak kWh					\$ 0.144390	\$ 0.144390	\$ -	0%
Off Peak kWh					\$ 0.055840	\$ 0.055840	\$ -	0%
	50	17	33		\$ 30.30	\$ 32.97	\$ 2.67	8.81%
	100	34	66		\$ 34.59	\$ 37.26	\$ 2.67	7.72%
	250	85	165		\$ 47.49	\$ 50.16	\$ 2.67	5.62%
	500	170	330		\$ 68.97	\$ 71.64	\$ 2.67	3.87%
	750	255	495		\$ 90.46	\$ 93.13	\$ 2.67	2.95%
	1,000	340	660		\$ 111.95	\$ 114.62	\$ 2.67	2.39%
	1,500	510	990		\$ 154.92	\$ 157.59	\$ 2.67	1.72%
	2,000	680	1,320		\$ 197.89	\$ 200.56	\$ 2.67	1.35%
	3,000	1,020	1,980		\$ 283.84	\$ 286.51	\$ 2.67	0.94%
	5,000	1,700	3,300		\$ 455.74	\$ 458.41	\$ 2.67	0.59%
Average	1,125	383	742		\$ 122.73	\$ 125.40	\$ 2.67	2.18%
Median	898	349	549		\$ 107.05	\$ 109.72	\$ 2.67	2.49%

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NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302
Test Year Ended December 31, 2013
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

Docket No. E-01787A-14-0302

COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA
SECONDARY LEVEL SERVICE

LOAD FACTOR	KW	KWh	EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE	
Customer Charge			\$ 120.00	\$ 124.00	\$ 4.00	3.33%	
Demand Charge, per Billing kW			\$ 9.90	\$ 10.15	\$ 0.25	2.53%	
Energy Charge, per kWh							
First	300 kWh per billing kW		\$ 0.07755	\$ 0.08140	\$ 0.00385	4.96%	
Over	300 kWh per billing kW		\$ 0.02902	\$ 0.03046	\$ 0.00144	4.96%	
20.00%	50	7,300	\$ 1,181.12	\$ 1,225.72	\$ 44.60	3.78%	
40.00%	50	14,600	\$ 1,747.23	\$ 1,819.94	\$ 72.71	4.16%	
60.00%	50	21,900	\$ 1,978.49	\$ 2,062.67	\$ 84.18	4.25%	
80.00%	50	29,200	\$ 2,190.33	\$ 2,285.03	\$ 94.70	4.32%	
20.00%	100	14,600	\$ 2,242.23	\$ 2,327.44	\$ 85.21	3.80%	
40.00%	100	29,200	\$ 3,374.46	\$ 3,515.88	\$ 141.42	4.19%	
60.00%	100	43,800	\$ 3,836.98	\$ 4,001.35	\$ 164.37	4.28%	
80.00%	100	58,400	\$ 4,260.67	\$ 4,446.06	\$ 185.39	4.35%	
20.00%	250	36,500	\$ 5,425.58	\$ 5,632.60	\$ 207.02	3.82%	
40.00%	250	73,000	\$ 8,256.15	\$ 8,603.70	\$ 347.55	4.21%	
60.00%	250	109,500	\$ 9,412.44	\$ 9,817.37	\$ 404.93	4.30%	
80.00%	250	146,000	\$ 10,471.67	\$ 10,929.16	\$ 457.49	4.37%	
20.00%	500	73,000	\$ 10,731.15	\$ 11,141.20	\$ 410.05	3.82%	
40.00%	500	146,000	\$ 16,392.30	\$ 17,083.40	\$ 691.10	4.22%	
60.00%	500	219,000	\$ 18,704.88	\$ 19,510.74	\$ 805.86	4.31%	
80.00%	500	292,000	\$ 20,823.34	\$ 21,734.32	\$ 910.98	4.37%	
Average	42.08%	70	21,371	\$ 2,441.80	\$ 2,544.26	\$ 102.46	4.20%
Median	38.39%	45	12,610	\$ 1,543.41	\$ 1,607.20	\$ 63.79	4.13%

COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA
OPTIONAL TIME-OF-USE ("TOU") RATE

LOAD FACTOR	KW	ON PEAK KW	KWh	EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE	
Customer Charge				\$ 155.00	\$ 160.00	\$ 5.00	3.23%	
Demand Charge, per Billing kW				\$ 9.80	\$ 10.05	\$ 0.25	2.55%	
On Peak Demand Charge, per On Peak kW				\$ 14.50	\$ 14.50	\$ -	0.00%	
Energy Charge, per kWh				\$ 0.02552	\$ 0.02679	\$ 0.00127	4.98%	
20.00%	50	50	7,300	\$ 1,556.30	\$ 1,583.07	\$ 26.77	1.72%	
40.00%	50	50	14,600	\$ 1,742.59	\$ 1,778.63	\$ 36.04	2.07%	
60.00%	50	50	21,900	\$ 1,928.89	\$ 1,974.20	\$ 45.31	2.35%	
80.00%	50	50	29,200	\$ 2,115.18	\$ 2,169.77	\$ 54.59	2.58%	
20.00%	100	100	14,600	\$ 2,957.59	\$ 3,006.13	\$ 48.54	1.64%	
40.00%	100	100	29,200	\$ 3,330.18	\$ 3,397.27	\$ 67.09	2.01%	
60.00%	100	100	43,800	\$ 3,702.78	\$ 3,788.40	\$ 85.62	2.31%	
80.00%	100	100	58,400	\$ 4,075.37	\$ 4,179.54	\$ 104.17	2.56%	
20.00%	250	250	36,500	\$ 7,161.48	\$ 7,275.34	\$ 113.86	1.59%	
40.00%	250	250	73,000	\$ 8,092.96	\$ 8,253.17	\$ 160.21	1.98%	
60.00%	250	250	109,500	\$ 9,024.44	\$ 9,231.01	\$ 206.57	2.29%	
80.00%	250	250	146,000	\$ 9,955.92	\$ 10,208.84	\$ 252.92	2.54%	
20.00%	500	500	73,000	\$ 14,167.96	\$ 14,390.67	\$ 222.71	1.57%	
40.00%	500	500	146,000	\$ 16,030.92	\$ 16,346.34	\$ 315.42	1.97%	
60.00%	500	500	219,000	\$ 17,893.88	\$ 18,302.01	\$ 408.13	2.28%	
80.00%	500	500	292,000	\$ 19,756.84	\$ 20,257.68	\$ 500.84	2.54%	
Average	57.54%	126	127	52,841	\$ 4,570.78	\$ 4,674.34	\$ 103.56	2.27%
Median	46.72%	61	57	20,805	\$ 2,110.24	\$ 2,156.92	\$ 46.68	2.21%

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NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302
Test Year Ended December 31, 2013
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

**SMALL COMMERCIAL
STANDARD RATE**

<u>kWh USAGE</u>	<u>EXISTING RATE</u>	<u>PROPOSED RATE</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Customer Charge	\$ 25.00	\$ 27.23	\$ 2.23	8.92%
Energy Charge, per kWh	\$ 0.09826	\$ 0.09826	\$ -	0.00%
50	\$ 29.91	\$ 32.14	\$ 2.23	7.46%
100	\$ 34.83	\$ 37.06	\$ 2.23	6.40%
250	\$ 49.57	\$ 51.80	\$ 2.23	4.50%
500	\$ 74.13	\$ 76.36	\$ 2.23	3.01%
750	\$ 98.70	\$ 100.93	\$ 2.23	2.26%
1,000	\$ 123.26	\$ 125.49	\$ 2.23	1.81%
1,500	\$ 172.39	\$ 174.62	\$ 2.23	1.29%
2,000	\$ 221.52	\$ 223.75	\$ 2.23	1.01%
3,000	\$ 319.78	\$ 322.01	\$ 2.23	0.70%
5,000	\$ 516.30	\$ 518.53	\$ 2.23	0.43%
Average				
1,370	\$ 159.62	\$ 161.85	\$ 2.23	1.40%
Median				
650	\$ 88.87	\$ 91.10	\$ 2.23	2.51%

**SMALL COMMERCIAL
OPTIONAL TIME-OF-USE ("TOU") RATE**

<u>kWh USAGE</u>		<u>EXISTING RATE</u>	<u>PROPOSED RATE</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
<u>TOTAL</u>	<u>ON PEAK 38%</u>	<u>OFF PEAK 62%</u>			
Customer Charge			\$ 26.00	\$ 28.67	\$ 2.67 10.27%
Energy Charge, per kWh					
On Peak kWh			\$ 0.14439	\$ 0.14439	\$ - 0%
Off Peak kWh			\$ 0.05584	\$ 0.05584	\$ - 0%
50	19	31	\$ 30.47	\$ 33.14	\$ 2.67 8.76%
100	38	62	\$ 34.95	\$ 37.62	\$ 2.67 7.64%
250	95	155	\$ 48.37	\$ 51.04	\$ 2.67 5.52%
500	190	310	\$ 70.74	\$ 73.41	\$ 2.67 3.77%
750	285	465	\$ 93.12	\$ 95.79	\$ 2.67 2.87%
1,000	380	620	\$ 115.49	\$ 118.16	\$ 2.67 2.31%
1,500	570	930	\$ 160.23	\$ 162.90	\$ 2.67 1.67%
2,000	760	1,240	\$ 204.98	\$ 207.65	\$ 2.67 1.30%
3,000	1,140	1,860	\$ 294.47	\$ 297.14	\$ 2.67 0.91%
5,000	1,900	3,100	\$ 473.45	\$ 476.12	\$ 2.67 0.56%
Average					
2,928	1,117	1,811	\$ 288.41	\$ 291.08	\$ 2.67 0.93%
Median					
1,302	553	749	\$ 147.67	\$ 150.34	\$ 2.67 1.81%

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NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-14-0302
Test Year Ended December 31, 2013
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

**IRRIGATION AND WATER PUMPING
STANDARD RATE**

LOAD FACTOR	KW	KWh	EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE	
Customer Charge			\$ 38.00	\$ 40.23	\$ 2.23	5.87%	
Demand Charge, per Billing kW			\$ 5.00	\$ 5.24	\$ 0.24	4.80%	
Energy Charge, per kWh			\$ 0.09002	\$ 0.09430	\$ 0.00428	4.75%	
5.00%	50	1,825	\$ 452.29	\$ 474.33	\$ 22.04	4.87%	
25.00%	10	1,825	\$ 252.29	\$ 264.73	\$ 12.44	4.93%	
45.00%	10	3,285	\$ 383.72	\$ 402.41	\$ 18.69	4.87%	
65.00%	10	4,745	\$ 515.14	\$ 540.08	\$ 24.94	4.84%	
5.00%	25	913	\$ 245.19	\$ 257.33	\$ 12.14	4.95%	
25.00%	25	4,563	\$ 573.76	\$ 601.52	\$ 27.76	4.84%	
45.00%	25	8,213	\$ 902.33	\$ 945.72	\$ 43.39	4.81%	
65.00%	25	11,863	\$ 1,230.91	\$ 1,289.91	\$ 59.00	4.79%	
5.00%	50	1,825	\$ 452.29	\$ 474.33	\$ 22.04	4.87%	
25.00%	50	9,125	\$ 1,109.43	\$ 1,162.72	\$ 53.29	4.80%	
45.00%	50	16,425	\$ 1,766.58	\$ 1,851.11	\$ 84.53	4.78%	
65.00%	50	23,725	\$ 2,423.72	\$ 2,539.50	\$ 115.78	4.78%	
5.00%	100	3,650	\$ 866.57	\$ 908.43	\$ 41.86	4.83%	
25.00%	100	18,250	\$ 2,180.87	\$ 2,285.21	\$ 104.34	4.78%	
45.00%	100	32,850	\$ 3,495.16	\$ 3,661.99	\$ 166.83	4.77%	
65.00%	100	47,450	\$ 4,809.45	\$ 5,038.77	\$ 229.32	4.77%	
Average	26.58%	32	6,178	\$ 753.34	\$ 789.66	\$ 36.32	4.82%
Median	21.37%	16	2,418	\$ 333.17	\$ 349.47	\$ 16.30	4.89%

**IRRIGATION AND WATER PUMPING
OPTIONAL TIME-OF-USE ("TOU") RATE**

LOAD FACTOR	KW	ON PEAK KW	KWh	EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE	
Customer Charge		0.9		\$ 43.00	\$ 45.23	\$ 2.23	5.19%	
Demand Charge, per Billing kW				\$ 5.25	\$ 5.50	\$ 0.25	4.76%	
On Peak Demand Charge, per On Peak kW				\$ 9.00	\$ 9.43	\$ 0.43	4.78%	
Energy Charge, per kWh				\$ 0.04023	\$ 0.04214	\$ 0.00191	4.75%	
5.00%	10	9	365	\$ 191.18	\$ 200.48	\$ 9.30	4.86%	
25.00%	10	9	1,825	\$ 249.92	\$ 262.01	\$ 12.09	4.84%	
45.00%	10	9	3,285	\$ 308.66	\$ 323.53	\$ 14.87	4.82%	
65.00%	10	9	4,745	\$ 367.39	\$ 385.05	\$ 17.66	4.81%	
5.00%	25	23	913	\$ 413.48	\$ 433.38	\$ 19.90	4.81%	
25.00%	25	23	4,563	\$ 560.32	\$ 587.19	\$ 26.87	4.80%	
45.00%	25	23	8,213	\$ 707.16	\$ 741.00	\$ 33.84	4.79%	
65.00%	25	23	11,863	\$ 854.00	\$ 894.81	\$ 40.81	4.78%	
5.00%	50	45	1,825	\$ 783.92	\$ 821.49	\$ 37.57	4.79%	
25.00%	50	45	9,125	\$ 1,077.60	\$ 1,129.11	\$ 51.51	4.78%	
45.00%	50	45	16,425	\$ 1,371.28	\$ 1,436.73	\$ 65.45	4.77%	
65.00%	50	45	23,725	\$ 1,664.96	\$ 1,744.35	\$ 79.39	4.77%	
5.00%	100	90	3,650	\$ 1,524.84	\$ 1,597.74	\$ 72.90	4.78%	
25.00%	100	90	18,250	\$ 2,112.20	\$ 2,212.99	\$ 100.79	4.77%	
45.00%	100	90	32,850	\$ 2,699.56	\$ 2,828.23	\$ 128.67	4.77%	
65.00%	100	90	47,450	\$ 3,286.91	\$ 3,443.47	\$ 156.56	4.76%	
Average	26.58%	43	39	8,276	\$ 946.90	\$ 992.18	\$ 45.28	4.78%
Median	21.10%	43	37	6,622	\$ 863.65	\$ 904.98	\$ 41.33	4.79%

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SECURITY LIGHTS

		<u>EXISTING</u> <u>RATE</u>	<u>PROPOSED</u> <u>RATE</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Consumer Owned Security Lights					
175 Watt MVL	75	\$ 8.72	\$ 9.09	\$ 0.37	4.24%
250 Watt MVL	110	\$ 11.29	\$ 11.77	\$ 0.48	4.25%
400 Watt MVL	175	\$ 18.49	\$ 19.28	\$ 0.79	4.27%
100 Watt HPS	34	\$ 5.65	\$ 5.89	\$ 0.24	4.25%
150 Watt HPS	50	\$ 7.99	\$ 8.33	\$ 0.34	4.26%
250 Watt HPS	85	\$ 10.51	\$ 10.96	\$ 0.45	4.28%
Pole Charge		\$ 4.00	\$ 4.17	\$ 0.17	4.25%
Cooperative Owned Security Lights					
175 Watt MVL	75	\$ 10.53	\$ 10.98	\$ 0.45	4.27%
250 Watt MVL	110	\$ 13.74	\$ 14.33	\$ 0.59	4.29%
400 Watt MVL	175	\$ 22.23	\$ 23.18	\$ 0.95	4.27%
100 Watt HPS	34	\$ 8.75	\$ 9.13	\$ 0.38	4.34%
150 Watt HPS	50	\$ 11.09	\$ 11.57	\$ 0.48	4.33%
250 Watt HPS	85	\$ 13.61	\$ 14.19	\$ 0.58	4.26%
Pole Charge		\$ 4.00	\$ 4.17	\$ 0.17	4.25%

STREET LIGHTING

		<u>EXISTING</u> <u>RATE</u>	<u>PROPOSED</u> <u>RATE</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
175 Watt MVL	75	\$ 10.53	\$ 10.98	\$ 0.45	4.27%
250 Watt MVL	110	\$ 12.74	\$ 13.29	\$ 0.55	4.32%
400 Watt MVL	175	\$ 22.23	\$ 23.18	\$ 0.95	4.27%
1000 Watt MVL	435	\$ 40.18	\$ 41.90	\$ 1.72	4.28%
100 Watt HPS	34	\$ 5.65	\$ 5.89	\$ 0.24	4.25%
150 Watt HPS	50	\$ 7.99	\$ 8.33	\$ 0.34	4.26%
250 Watt HPS	85	\$ 10.51	\$ 10.96	\$ 0.45	4.28%

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MEMORANDUM

TO: Ranelle Paladino
T&E Consultant
Utilities Division

FROM: Jeff Francis 
Utilities Engineer
Utilities Division

DATE: January 20, 2015

SUBJECT: ENGINEERING REPORT – NAVOPACHE ELECTRIC COOPERATIVE,
INC.'S RATE CASE APPLICATION DATED SEPTEMBER 11, 2014 – DOCKET
No. E-01787A-14-0302

I. INTRODUCTION

Navopache Electric Cooperative, Inc. (“NEC” or “Cooperative”) submitted an application on September 11, 2014 to the Arizona Corporation Commission (“Commission”) for authorization to increase rates under Arizona Administrative Code §14-2-107 (“Rule 107”). NEC is the second cooperative to file under Rule 107, which provides for a shortened timeframe for processing a cooperative’s rate application if the cooperative meets certain requirements.

II. NEC OVERVIEW

NEC is a non-profit member-owned distribution cooperative and purchases its power from Public Service Company of New Mexico (“PNM”) along with a small allocation of hydro power from the Western Area Power Administration (“WAPA”). NEC takes delivery of this purchased power at the Cholla, Coronado, and Springerville substations. NEC serves its roughly 32,000 members and approximately 40,000 meters across the White Mountains of eastern Arizona and western New Mexico with 3,500 miles of sub-transmission and distribution lines. The NEC service territory is over 10,000 square miles, which covers parts of Navaho, Apache, Gila, Greenlee counties in Arizona, and Catron counties in New Mexico and includes the communities of Pinetop-Lakeside, Springerville, St. Johns, and parts of Show Low. A map of the NEC service area and sub-transmission system is shown in Attachment A. NEC’s retail peak load was 76.8 MW in 2013.

III. ENGINEERING REVIEW

Staff’s engineering review focused on key metrics for NEC and on NEC’s construction expenditures added to plant in service (“PIS”) over the past three years. Over those three years, NEC construction expenditures included in PIS were: 2011 – \$6,177,339; 2012 – \$13,406,125; and

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2013 – \$8,719,245 for a total of \$28,302,709. This engineering review includes analysis of data provided by NEC through discovery, as well as face-to-face discussion and field inspection of specific major projects included in PIS.

NEC Customers, Peak Demand, & System Energy

Overall, NEC's total number of customers was essentially flat over the past five years with 40,010 in 2009 and 40,241 in 2013, or growth of 0.1 percent per year. Growth by customer class over that period was: Residential 0.1 percent per year, Commercial 0.1 percent per year, Industrial (2.2) percent per year, and Other¹ 3.5 percent per year.

The actual system peak demand, which includes the effects of weather variation, decreased from 78.94 MW in 2009 to 76.77 MW in 2013, representing an average decrease of 0.5 percent per year over the past five-year period. Annual system energy excluding system losses decreased from 458,951 MWh in 2009 to 422,262 MWh in 2013, or an average decrease of 1.6% per year over the five-year period.

Table 1 provides the Annual Number of Customers and Table 2 provides the Annual Peak Demand and Energy Data. Figure 1 shows the Annual Number of Customers plotted with the Annual Energy by Year.

Table 1 - Annual Number of Customers

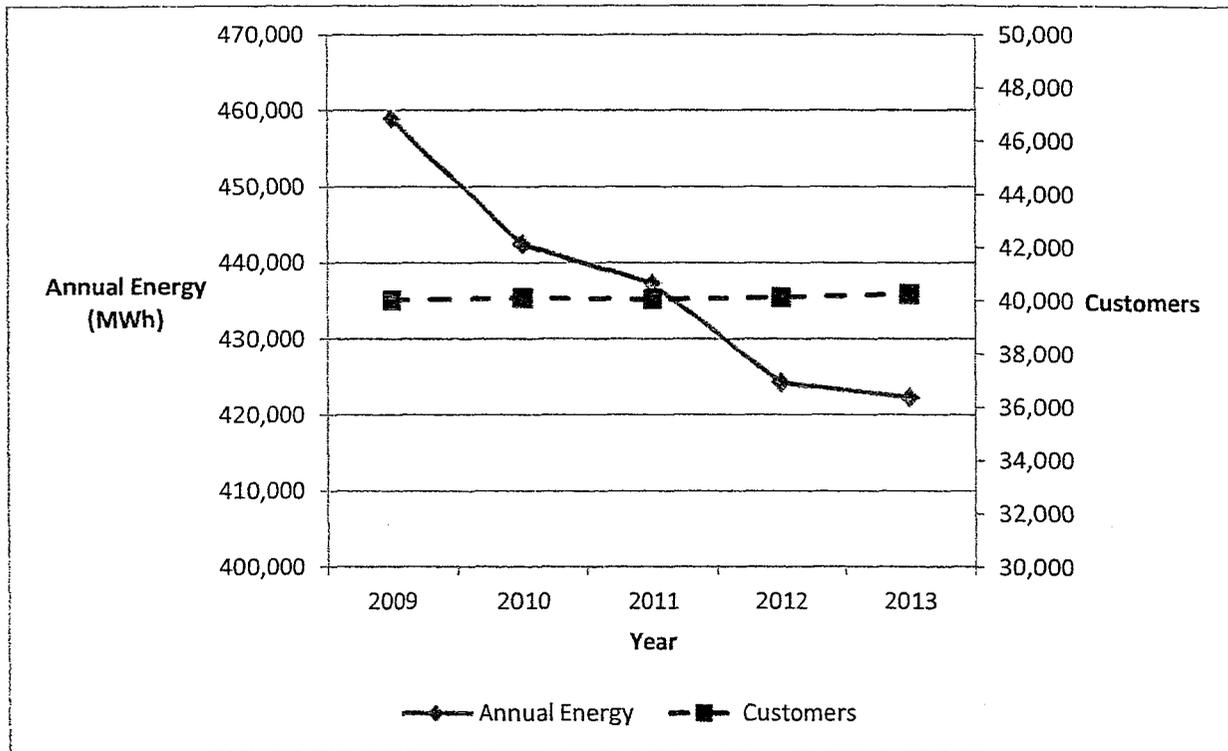
Year	Residential	Commercial	Industrial	Other	Total
2009	36,134	3,709	9	158	40,010
2010	36,260	3,663	7	166	40,096
2011	36,191	3,677	7	165	40,040
2012	36,206	3,726	7	182	40,121
2013	36,315	3,732	8	186	40,241

¹ Other category includes Irrigation, and Public Street & Highway Lighting customers.

Table 2 - Annual Peak Demand & Energy

Year	Peak Month	Peak (MW)	Annual Energy Excluding Losses (MWh)
2009	Jan	78.94	458,951
2010	Nov	75.51	442,437
2011	Feb	87.23	437,260
2012	Dec	72.06	424,235
2013	Jan	76.77	422,262

Figure 1 - Annual Number of Customers & Energy by Year



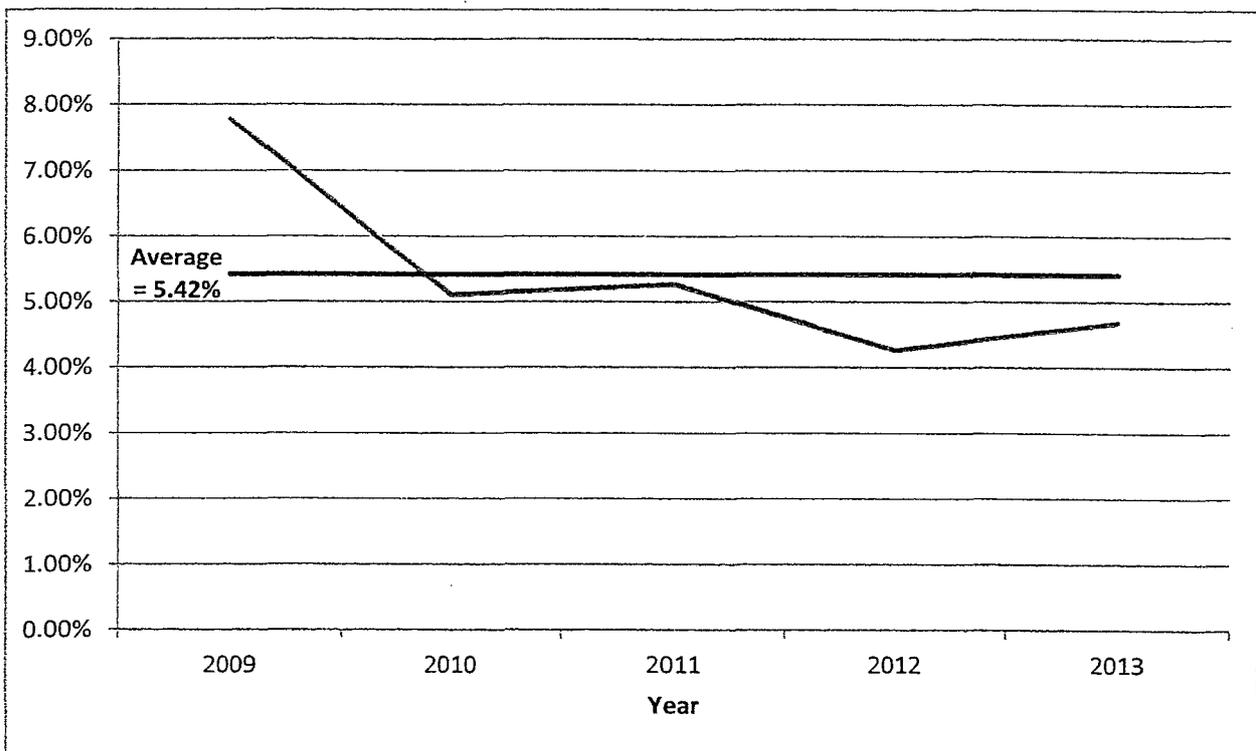
As the data show, NEC has had a steady reduction in load over the past five years. This is due to two primary reasons. First, NEC's service territory is winter peaking and has been experiencing milder than normal winters. Second, NEC's retail customer base consists of approximately 25-28% seasonal/second homeowners whose usage has continued to be adversely affected by the economic downturn.

Annual System Losses

NEC's annual historic system losses average 5.42 percent of total system energy per year for the most recent five-year period (2009-2013). The losses for NEC's system are lower than the reasonable limits specified in the guidelines provided by the American Public Power Association's Distribution System Loss Evaluation Manual given NEC's mix of rural and urban electrical systems. Typical distribution system loss values indicated in the Manual range between 6 percent for urban systems to 10 percent for rural systems.

NEC's annual historic system energy losses as a percentage of total system energy are shown in Figure 2.

Figure 2 - Annual System Energy Losses as Percent of Total System Energy



System Reliability

Table 4 shows NEC's system reliability indices for the period 2009 through 2013, as measured by the System Average Interruption Duration Index ("SAIDI"), which measures the average outage minutes per customer on an annual basis. According to the Rural Utilities Service ("RUS") Bulletins 1730A-119 and 1730-1 Exhibit A, which Staff uses to judge the adequacy of a

cooperative's reliability, a concern would exist when the SAIDI for the cause of "All Other" exceeds 200 minutes². NEC's service quality over the five-year period in terms of this metric has ranged from 62.6 minutes to 355.2 minutes with an average of 178.2 minutes. While the five-year average is within RUS guidelines, the SAIDI "All Other" for the year 2012 is significantly higher. Looking at Figure 3 it would seem this is somewhat of an aberration, and during the NEC site visit this topic was discussed. NEC indicated that many reliability-related projects were delayed in 2012 while the Engineering Manager position was in transition. That position was staffed in March of 2013 and the renewed focus on reliability has contributed to a dramatic improvement in the SAIDI "All Other" for 2013. Also of note are the "Major Events" outage minutes in 2011, which were primarily due to the Wallow Fire in June of that year. Additionally, Staff pointed out to NEC that no outage reports³ have been seen for at least the past two years. NEC investigated and acknowledged it had not been sending outage reports to the Commission, and NEC indicated it has taken action to correct this situation.

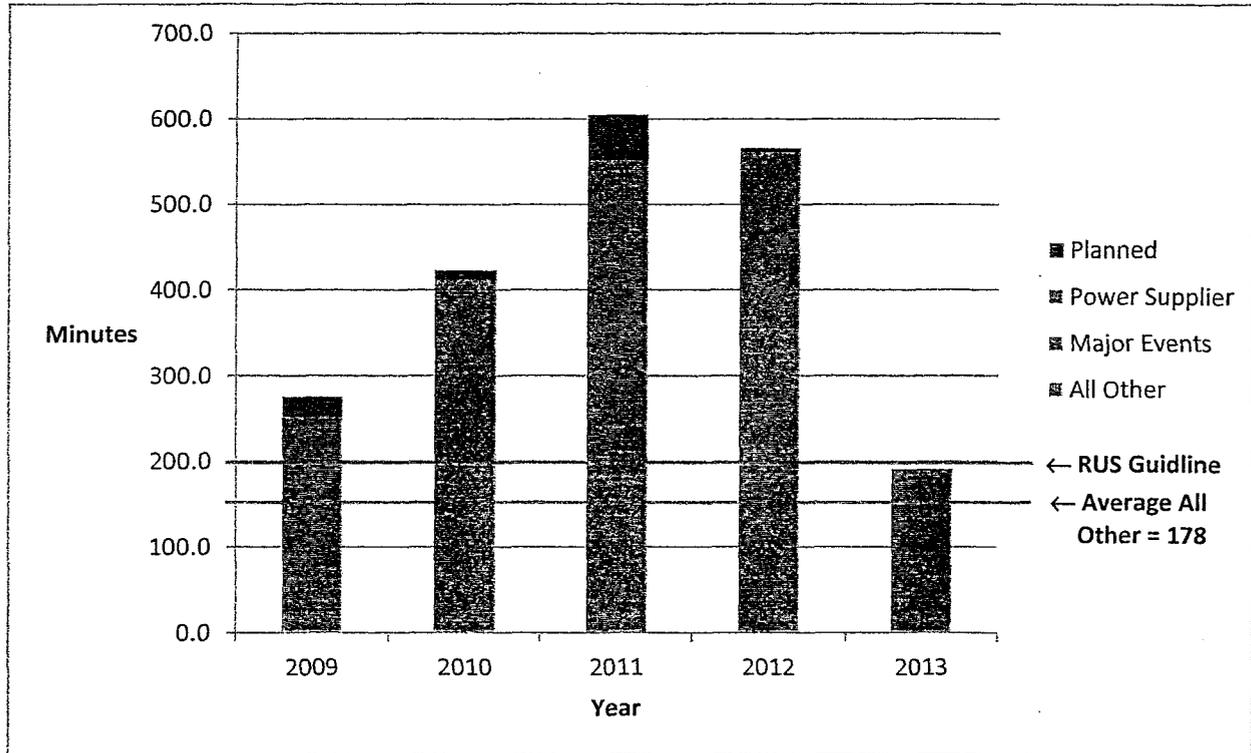
Table 4 - Annual System Average Interruption Duration Index in Minutes

Year	System Average Interruption Duration Index - Minutes					
	<i>Power Supplier</i>	<i>Planned</i>	<i>All Other</i>	<i>Total Excluding Major Events</i>	<i>Major Events</i>	<i>All Events</i>
2009	37.3	24.0	62.6	123.9	151.7	275.6
2010	1.0	12.2	196.0	209.2	214.4	423.6
2011	14.0	53.6	183.9	251.5	354.0	605.5
2012	100.6	4.6	355.2	460.4	106.0	566.4
2013	0.0	1.2	93.1	94.3	96.4	190.7
Five-Year Average	30.6	19.1	178.2	227.9	184.5	412.4

² As shown in Table 4, outage statistics are categorized into four major causes. Power Supplier and Planned causes are separated because they represent causes over which the cooperative has virtually no control or total control, respectively, and should be analyzed separately. Major Events include outages on major event days which are days when the daily average outage minutes per customer exceed a threshold value. The threshold is determined based upon a formula specified in the RUS Bulletin 1703A-119, can change over time, and is specific to each cooperative. That leaves all other outages included in the All Other cause category. The All Other and Major Events categories are segregated to better reveal trends in daily operation in the All Other cause category that would be hidden by the large statistical effect of Major Events.

³ Per A.A.C. 14-2-208.D.5

Figure 3 - Annual System Average Interruption Duration Index



Capital Projects

Staff's detailed review of capital projects added to PIS during 2011, 2012, and 2013 focused on projects with an actual cost of \$500,000 or greater. There was one project identified by NEC in response to Data Request STF 1.10 meeting this criterion for inclusion in PIS, which was the Round Valley to Greer Distribution New Line Construction.

One other project, St. Johns to Concho Distribution line Re-build, was identified in response to STF 1.10. However, it was not completed and placed in service until February of 2014, and therefore is not included in the PIS proposed by the Cooperative for inclusion in rate base for this application.

The majority of construction funds spent were not on large projects, but instead were for routine capital maintenance and upgrades to the NEC system. Key examples include:

- AMI deployment
 - Approximately 75% deployed to-date
 - Target for full deployment is mid-2015

- Pole inspection and replacement program
 - Contracted with outside firm for this program
 - Adding test results, including pictures, into NEC GIS system
 - Currently testing approximately 5,000 poles (half 69kV, half distribution)
- Sectionalization improvements
 - Reclosures and line fuses
- 69kV line inspection program
 - Infrared camera purchased for hotspot identification
 - Program goal is to inspect entire NEC system every 5 years
- Polymer and brown glass insulator replacement
 - Replacing these obsolete insulators when service personnel are performing other work on a pole

Other key projects completed include:

- Communications upgrades
 - New tower and pre-fab building constructed
- New maintenance facility
 - Two of three planned buildings completed, and all maintenance operations relocated into these new facilities including fleet maintenance
 - Ongoing construction at this site includes a new PV-solar covered parking lot, and a future planned third building to be used for NEC headquarters (not included in PIS proposed for inclusion in rate base for this application)

Project Review Meeting and Field Inspection

On October 15, 2014, Staff met with NEC personnel to discuss the system and to physically inspect the larger projects placed in service during 2011, 2012, and 2013. Projects discussed as to their need and costs were:

- Round Valley to Greer Distribution New Construction. This project adds a new distribution circuit between the Round Valley and Greer substations. It spans approximately 10 miles, and a majority of it was viewed. The project consists of poles, conductor, and substation breakers placed in service in May of 2012 at a cost of \$528,661. This cost is comparable to industry averages for the type of construction used.
- St. Johns to Concho Distribution line Re-build. This project is a re-conductor of an existing distribution circuit between the St. Johns and Concho substations and consists of new

Decision No. _____

conductor and pole replacements/upgrades as needed at a cost of \$1,189,549. This cost is comparable to industry averages; however the project was not completed and placed in service until February of 2014, and therefore is not included in the PIS proposed by the Cooperative for inclusion in rate base.

- New Maintenance Facility. This facility accounts for approximately \$8 million of the total construction expenditures.

Staff found that all of the facilities inspected were in service and operating.

In summary, Staff believes that since NEC's last rate case NEC has developed its system with a focus on improving reliability, including the pole inspection and replacement program, reconductoring projects, and sectionalization improvements.

IV. CONCLUSIONS & RECOMMENDATIONS

Based upon Staff's discussions with NEC and the selected site inspections, Staff concludes that NEC has a robust process for identifying and approving needed capital projects. Further, Staff found that all of the projects inspected were in service and being used and that the costs of the projects were reasonable. Finally, Staff concludes that NEC's system losses and reliability indices are within acceptable limits.

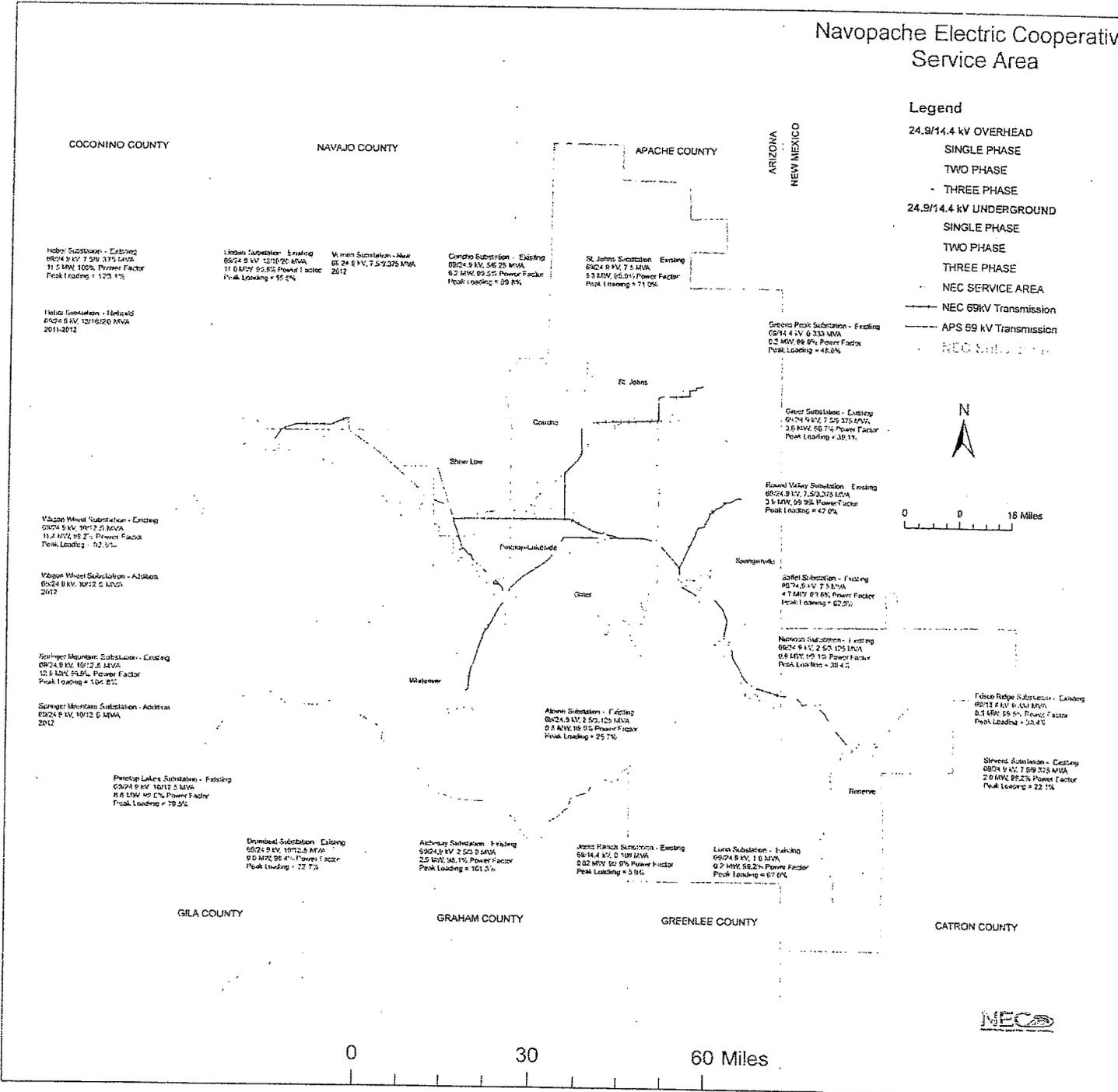
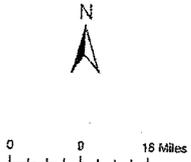
Staff finds the projects constructed and included in PIS since NEC's last rate case to be used and useful to the Cooperative's provision of service.

ATTACHMENT A

Navopache Electric Cooperative Service Area

Legend

- 24.9/14.4 kV OVERHEAD
- SINGLE PHASE
- TWO PHASE
- THREE PHASE
- 24.9/14.4 kV UNDERGROUND
- SINGLE PHASE
- TWO PHASE
- THREE PHASE
- NEC SERVICE AREA
- NEC 69kV Transmission
- APS 69 kV Transmission
- NEC Substation



MEMORANDUM

TO: Ranelle Paladino
Utilities Consultant
Utilities Division

FROM: Brendan Aladi *BA*
Public Utilities Analyst
Utilities Division

DATE: November 28, 2014

RE: IN THE MATTER OF THE APPLICATION OF NAVOPACHE ELECTRIC COOPERATIVE, INC., FOR A DETERMINATION OF THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN, AND FOR RELATED APPROVALS (DOCKET NO. E-01787A-14-0302)

Test Year Rate Base, Revenues, and Expenses

Navopache Electric Cooperative, Inc. ("NEC" or "Cooperative") proposed a system-wide test year rate base of \$87,400,193, adjusted test year revenues of \$55,011,125, and adjusted test year expenses of \$52,192,171. Staff reviewed the Cooperative-proposed rate base, revenues, and expenses and recommends adoption of these proposed rate base, revenues and expense levels.

Proposed Revenue Requirement

NEC requests authorization from the Commission to adjust its rates to produce an additional \$1,531,245 in base revenue from Arizona customers, reflecting a 3.29 percent increase.

Applied system-wide, NEC proposed a \$1,908,652¹, or 4.00 percent, base revenue increase over the actual test year revenue of \$47,720,186 (the rate increase compared to adjusted test year base revenue would be \$1,646,693). The \$1,908,652 includes that increase applicable to NEC's New Mexico customers. The proposed revenue requirement of \$56,657,818 (the proposed increase of \$1,646,693 added to the adjusted test year revenues of \$55,011,125) would produce a system-wide operating margin of \$1,886,594 for a 2.16 percent rate of return on an original cost rate base² of \$87,400,193. However, the Cooperative calculated a rate of return of 5.11 percent on its system-wide operating income of \$4,465,647, which concurs with Staff's calculation of operating income. NEC proposed revenue would produce a 1.75 times interest earned ratio ("TIER") and a 1.67 debt service coverage ratio ("DSC").

¹ Schedule A-1.0.

² The Cooperative did not prepare a schedule showing the elements of Reconstruction Cost New Rate Base. The Cooperative's filing treats the OCRB the same as the fair value rate base.

Staff recommends approval. However, in the Cooperative's response to Staff's data request BCA-1.1, Navopache claimed an actual and projected rate case expense of \$149,768. Whereas the Cooperatives' rate increase filing assumes that total rate case expense would be \$200,000. Staff notes that reducing rate case expense by \$50,232 from \$200,000 to \$149,768 would reduce adjusted test year operating expense by \$16,744 annually (normalized over three years). Capturing this lower rate case expense level would have resulted in a corresponding increase in operating income to \$4,482,391 for a 5.13 percent rate of return on original cost rate base of \$87,400,193. Staff believes that recognizing the lower rate case expense level is conceptually sound, but the impact is immaterial. However, in future rate case filings Staff retains its option of recommending that such adjustments actually be recognized.

Recommendation

Staff recommends a system-wide revenue requirement of \$56,657,818 which concurs with the Cooperative's proposed revenue requirement.

BEFORE THE ARIZONA CORPORATION COMMISSION

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SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

IN THE MATTER OF THE APPLICATION)
OF NAVOPACHE ELECTRIC)
COOPERATIVE, INC., FOR A)
DETERMINATION OF THE FAIR VALUE)
OF ITS PROPERTY FOR RATEMAKING)
PURPOSES, TO FIX A JUST AND)
REASONABLE RATE OF RETURN)
THEREON, TO APPROVE RATES)
DESIGNED TO DEVELOP SUCH)
RETURN, AND FOR RELATED)
APPROVALS.)

DOCKET NO. E-01787A-14-0302

DECISION NO. _____

ORDER

Open Meeting
March 2 and March 3, 2015
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes and orders that:

FINDINGS OF FACT

1. In Decision No. 73649, dated February 6, 2013, the Commission adopted a new section in the Arizona Administrative Code ("A.A.C.") R14-2-107, establishing an alternative streamlined ratemaking application and process for non-profit cooperatives providing electric or natural gas utility service ("Rule 107"). This Decision also amended the existing rule establishing the filing and processing requirements for a public service corporation rate application ("Rule 103").

...
...

1 2. On July 9, 2014, Navopache Electric Cooperative, Inc. ("NEC" or "the Cooperative")
2 began the process of a rate application under Rule 107 by submitting to the Commission's Utilities
3 Division ("Staff") a Request for Pre-Filing Eligibility Review in accordance with A.A.C. R14-2-107(C).

4 3. On August 14, 2014, NEC met with Staff in accordance with A.A.C. R14-2-107(C)(3)
5 to review eligibility in filing under Rule 107, finalize the form of customer notice and discuss a
6 proposed form of recommended order.

7 4. On August 14, 2014, NEC filed a Request for Docket Number and Notice of Filing
8 and a Proposed Form of Customer Notice. A Docket Number was assigned opening this rate
9 application docket.

10 5. On August 29, 2014, NEC filed a certification of mailing for the Customer Notice.
11 The Customer Notice was mailed via first class mail to all NEC customers on August 21, 2014. The
12 customer notice set a deadline of September 24, 2014, for customers of NEC to file intervention
13 requests and/or objections to the rate application that NEC anticipated filing no later than September
14 15, 2014.

15 6. On September 11, 2014, NEC filed its application for a rate increase ("the
16 Application") under Rule 107 in Docket No. E-01787A-14-0302.

17 7. By the close of business on September 24, 2014, the Commission had received 15
18 objections to the rate increase, below the 1,000 required to make NEC ineligible for the Rule 107
19 process. There were no intervention requests filed.

20 8. On October 8, 2014, Staff filed a notice of eligibility in the docket indicating that NEC
21 met all of the requirements outlined in Rule 107.

22 9. On October 8, 2014, Staff filed a notice of sufficiency indicating the data provided by
23 NEC in the Application were sufficient in meeting the requirements of a cooperative rate application.

24 **DESCRIPTION OF NEC**

25 10. NEC is a member-owned Arizona non-profit rural electric cooperative with its
26 principal business office in Lakeside, Arizona. NEC is a public service corporation providing electric
27 distribution service to approximately 38,399 meters in Navajo, Apache, Greenlee and Gila counties in
28 Arizona and approximately 1,553 meters in Catron County, New Mexico.

1 11. NEC is a Class A Utility under A.A.C. R14-2-103(A)(3)(g).

2 12. NEC receives its power supply under a power supply contract with Public Service
3 Company of New Mexico.

4 13. NEC has an 8-member Board of Directors ("Board") elected to oversee all aspects of
5 the Cooperative's operations and approve the annual operating budget. The Board approved the
6 filing of this application at a special meeting of the Board held on June 18, 2014.

7 14. NEC's last rate case was filed on April 29, 2011 (based on a test year ending April 30,
8 2010) and approved in Decision No. 73255 on July 30, 2012. The current rates went into effect
9 August 1, 2012, for NEC's Arizona customers.

10 **NEC PROPOSALS**

11 15. In the Application, NEC utilized a test year ending December 31, 2013.

12 16. Also in the Application, NEC requested to increase its rates to produce an additional
13 \$1,908,652 in system-wide base revenue over actual test year base revenues of \$47,720,186. This
14 increase represents an increase of 4.0% over actual test year base revenue (the increase is \$1,646,693
15 when compared to adjusted test year base revenue and represents an increase of 3.43% over adjusted
16 test year base revenue).

17 17. In its filing, NEC stated the rate application would result in system-wide Operating
18 Income of \$4,465,647 and Net Income of \$2,114,358.

19 18. NEC stated the rate increase is necessary to recover increased operating costs in the
20 categories of operation and maintenance, consumer accounts, customer service and information, sales,
21 administrative and general, depreciation and amortization, taxes, interest and payroll. The rate
22 increase would allow NEC to maintain the financial integrity of the Cooperative.

23 19. As attachments to the Application, NEC submitted audited financial statements for
24 the year ended April 30, 2014, and a copy of its certified annual financial and statistical report to the
25 National Rural Utilities Cooperative Finance Corporation ("CFC") for calendar year 2013.

26 **COOPERATIVE ELIGIBILITY**

27 20. For a cooperative to utilize the streamlined rate case process referred to as Rule 107,
28 several eligibility requirements must be met prior to beginning the process. As documented in the

1 notice of eligibility, Staff agrees that NEC has taken the necessary steps to comply with the eligibility
2 requirements of Rule 107.

3 **STAFF ANALYSIS**

4 21. As part of its review of the Application, Staff reviewed the purchased power costs; the
5 fuel bank balance; the base revenue increase and test year data; the level of increase requested for each
6 rate schedule/class; the applicability of the capital projects and plant in service ("PIS"); the
7 acceptability of system losses and reliability indices; the proposed rate base, revenue, and expenses;
8 and the proposed revenue requirement. Staff also completed a compliance review.

9 22. NEC and Staff, the only parties to this case, are in agreement on all issues in this case.

10 Purchased Power Costs

11 23. NEC reported actual purchased power costs for the test year equal to \$28,264,346.
12 Several adjustments to purchased power costs were included increasing purchases power costs by
13 \$4,424,136. The majority of the increase in purchased power costs was related to transmission
14 refunds processed during the test year equal to \$4,209,262 which reduced purchased power during the
15 test year. The additional \$214,874 in adjustments to purchased power costs are related to adjustments
16 in billing units and rates that are necessary to make the test year more representative of NEC
17 purchased power costs in the future. Staff was able to track and verify the purchased power costs
18 through a sampling of invoices provided by NEC to support the reported costs.

19 24. NEC and Staff agree on the adjusted purchased power costs filed in the Application.

20 25. NEC did not calculate a new base cost of power in the Application. Rule 107 specifies
21 that the increase request of a maximum of 6% is in base revenue not attributed to revenue from an
22 adjustor mechanism. The base cost of power (\$0.066160 per kWh) established in Decision No. 73255
23 remains unchanged for the purpose of calculating the Purchased Power Cost Adjustor ("PPCA").
24 The PPCA is designed to recover or refund the difference between the base cost of power included in
25 the Cooperative's base rates and the actual cost of power.

26 26. However, in the Application, the adjustments to purchased power costs noted above
27 were originally processed through the PPCA. Because these costs flowed through the PPCA during
28 the test year, it was necessary to re-calculate the PPCA revenue and restate the PPCA for purposes of

1 the adjusted test year revenue. A PPCA revenue adjustment was incorporated in the adjusted test year
2 PPCA revenue to account for what should have been collected by the PPCA when comparing
3 adjusted purchased power costs to the revenue already collected through base rates. Staff matched the
4 \$1,921,006 PPCA revenue adjustment in NEC's application.

5 27. In addition, as the PPCA revenue was re-calculated based on the adjusted purchased
6 power costs, it was necessary to neutralize the effect of revenue from the adjustor during the test year.
7 As a result, the PPCA over/under recovery balance from the beginning of 2013 to the end of 2013
8 resulted in an over recovery of revenue from the PPCA. A corresponding adjustment for the same
9 dollar amount in the opposite direction was necessary to zero out the effect of the PPCA balance
10 during the test year.

11 28. Staff was also able to verify the increase in base revenue from the test year reported
12 revenue. The \$262,114 increase to base revenue was directly related to the fact that the new rates
13 approved in New Mexico were not in effect throughout all of calendar year 2013. New Mexico base
14 revenue was increased \$324,216 to account for a full year of new rates in effect. At the same time,
15 Arizona revenue was decreased \$62,102. The majority of the decrease was attributable to billing
16 adjustments.

17 29. NEC and Staff agree on the definition of base revenue and agree the base cost of
18 power should remain unchanged from that established in Decision No. 73255.

19 30. NEC and Staff agree on the methodology utilized to re-state the PPCA.

20 Rate Design

21 31. NEC's proposed increase is below the maximum increase of 6% permitted under Rule
22 107. Also in accordance with Rule 107, monthly customer charge increases for the residential rate
23 class are less than 25% and there are no changes requested to the percentage relationship of the rate
24 blocks. NEC did not propose any rate structure change or non-price tariff change.

25 32. NEC and Staff agree on the rates set forth in Exhibit A, which is attached hereto and
26 incorporated herein.

27 ...

28 ...

1 Staff Engineering

2 33. Staff physically inspected NEC's distribution facilities on October 15, 2014. Staff
3 evaluated the Cooperative from an engineering perspective based on key metrics, an analysis of
4 construction expenditures included in PIS, analysis of data provided by NEC through discovery as
5 well as a facilities inspection.

6 34. Based on its analysis, Staff concluded that NEC:

- 7 A. has a robust process for identifying and approving needed capital projects;
8 B. is operating and maintaining its electrical system properly and all projects
9 inspected were in service and being used and that the costs of the projects
10 are reasonable;
11 C. has, since its last rate case, developed its system with a focus on improving
12 reliability, including pole inspection and replacement program,
13 reconductoring projects, and sectionalization improvements; and
14 D. has an acceptable level of system losses, consistent with industry guidelines
15 along with reliability indices being within acceptable limits.

16 35. Staff has recommended the projects constructed and included in PIS since NEC's last
17 rate case be found used and useful in the Cooperative's provision of service.

18 Rate Base, Revenues, and Expenses

19 36. The Application requested a system-wide rate base of \$87,400,193, adjusted test year
20 total revenues of \$55,011,125 and expenses of \$52,192,171.

21 37. NEC and Staff are in agreement on the proposed rate base, revenues, and expenses
22 and Staff recommends adoption. However, Staff highlighted the need for future filings to incorporate
23 lower rate case expense as a result of the streamlined rate case process.

24 Revenue Requirement and Rate of Return

25 38. NEC proposed a revenue requirement of \$56,657,818. The proposed revenue
26 requirement would produce an operating margin of \$1,886,594 for a 2.16% rate of return on an
27 original cost rate base of \$87,400,193 and system-wide operating income of \$4,465,647 (Staff
28

1 39. calculated the rate of return on operating margin leading to a 2.16% rate of return
2 while NEC calculated the rate of return on operating income leading to a 5.11% rate of return).

3 40. NEC's proposed revenue would produce a 1.75 times interest earned ratio and a 1.67
4 debt service coverage ratio.

5 41. Staff has recommended adoption of NEC's proposed revenue requirement.

6 Consumer Services

7 42. Staff reviewed the Commission's records between January 1, 2011, and December 31,
8 2014, and found 55 complaints during that period of time. All of those complaints have been
9 resolved and closed. To date in 2015, Consumer Services has not received any additional complaints.

10 43. As noted above, Consumer Services received 15 customer opinions in opposition to
11 the Application which was within the limits to proceed under Rule 107. The Corporations Division of
12 the Commission finds the Cooperative in "Good Standing".

13 **CONCLUSIONS**

14 44. NEC's application is in compliance with Rule 107 allowing NEC's rate case to be
15 processed under the alternative streamlined process.

16 45. NEC and Staff are not requesting a hearing in this matter.

17 46. NEC's OCRB and FVRB are determined to be \$87,400,193.

18 47. NEC's proposed rate increases for each customer class are within the guidelines
19 established in Rule 107.

20 48. During the thirty (30) days customers had in which to object to the rate increase, only
21 15 customers filed objections which is below the number required to cease processing under Rule 107.

22 49. Staff is in agreement with NEC's proposed rate base of \$87,400,193, adjusted test year
23 total revenues of \$55,011,125, and expenses of \$52,192,171.

24 50. The rates and charges approved herein will produce an operating margin of \$1,886,594
25 for a 2.16% rate of return on an original cost rate base of \$87,400,193 and system-wide operating
26 income of \$4,465,647 (Staff calculated the rate of return on operating margin leading to a 2.16% rate
27 of return while NEC calculated the rate of return on operating income leading to a 5.11% rate of
28 return).

1 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall notify its
 2 customers of the revised schedules of rates and charges authorized herein by means of an insert, in a
 3 form acceptable to Staff, included in its next scheduled billing after a Decision in this case is effective
 4 and by posting on its website.

5 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc.'s base cost of
 6 power remains at \$0.066160 per kWh.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9
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 11 CHAIRMAN COMMISSIONER
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14 COMMISSIONER COMMISSIONER COMMISSIONER

15 IN WITNESS WHEREOF, I, JODI JERICH, Executive
 16 Director of the Arizona Corporation Commission, have
 17 hereunto, set my hand and caused the official seal of this
 Commission to be affixed at the Capitol, in the City of
 Phoenix, this _____ day of _____, 2015.

18
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 20 _____
 21 JODI JERICH
 EXECUTIVE DIRECTOR

22
 23 DISSENT: _____

24 DISSENT: _____

25 SMO:RSP:vsc\RWG
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1 SERVICE LIST FOR: Navopache Electric Cooperative, Inc.
2 DOCKET NO. E-01787A-14-0302

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4 Mr. William P. Sullivan
5 Attorneys for Navopache Electric Cooperative, Inc.
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24 Phoenix, Arizona 85007

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NAVOPACHE ELECTRIC COOPERATIVE, INC.

	<u>Approved Rates</u>		
	<u>Power Supply</u>	<u>Dist Wires</u>	<u>Total</u>
RESIDENTIAL			
<u>Residential</u>			
Customer Charge	\$0.000000	\$ 22.17	\$ 22.17
Energy Charge 1-400 kWh	\$ 0.05400	\$ 0.02458	\$ 0.07858
Energy Charge Over 400 kWh	\$ 0.08500	\$ 0.03407	\$ 0.11907
<u>Time of Use (TOU)</u>			
Customer Charge	\$ -	\$ 28.67	\$ 28.67
Energy Charge On-Peak kWh	\$ 0.13480	\$ 0.00959	\$ 0.14439
Energy Charge Off-Peak kWh	\$ 0.02900	\$ 0.02684	\$ 0.05584
<u>Residential TOU 12 Month</u>			
Customer Charge	\$ -	\$ 28.67	\$ 28.67
Energy Charge On-Peak kWh	\$ 0.13480	\$ 0.00959	\$ 0.14439
Energy Charge Off-Peak kWh	\$ 0.02900	\$ 0.02684	\$ 0.05584
COMMERCIAL AND INDUSTRIAL			
<u>Commercial & Industrial</u>			
Customer Charge	\$ -	\$ 124.00	\$ 124.00
Demand Charge (kW)	\$ 2.50	\$ 7.65	\$ 10.15
Energy Charge First 300 kWh per kW	\$ 0.07500	\$ 0.00640	\$ 0.08140
Energy Charge Over 300 kWh per kW	\$ 0.02600	\$ 0.00446	\$ 0.03046
<u>Commercial & Industrial-Primary</u>			
Customer Charge	\$ -	\$ 252.00	\$ 252.00
Demand Charge (kW)	\$ 2.50	\$ 7.65	\$ 10.15
Energy Charge First 300 kWh per kW	\$ 0.07500	\$ 0.00640	\$ 0.08140
Energy Charge Over 300 kWh per kW	\$ 0.02600	\$ 0.00446	\$ 0.03046
Primary Discount - Demand & Energy	-3.00%	-3.00%	-3.00%
<u>Commercial & Industrial-TOU</u>			
Customer Charge	\$ -	\$ 160.00	\$ 160.00
Demand Charge (kW)	\$ 2.35	\$ 7.70	\$ 10.05
Demand Charge - On Peak (kW)	\$ 14.50	\$ -	\$ 14.50
Energy Charge (kWh)	\$ 0.02350	\$ 0.00329	\$ 0.02679
<u>Commercial & Industrial-TOU-Primary</u>			
Customer Charge	\$ -	\$ 252.00	\$ 252.00
Demand Charge (kW)	\$ 2.35	\$ 7.70	\$ 10.05
Demand Charge - On Peak (kW)	\$ 14.50	\$ -	\$ 14.50
Energy Charge (kWh)	\$ 0.02350	\$ 0.00329	\$ 0.02679
Primary Discount - Demand & Energy	-3.00%	-3.00%	-3.00%

NAVOPACHE ELECTRIC COOPERATIVE, INC.

	<u>Approved Rates</u>		
	<u>Power Supply</u>	<u>Dist Wires</u>	<u>Total</u>
<i>SMALL COMMERCIAL</i>			
<u>Small Commercial</u>			
Customer Charge	\$ -	\$ 27.23	\$ 27.23
Energy Charge (kWh)	\$ 0.06380	\$ 0.03446	\$ 0.09826
 <u>Small Commercial-TOU 6 Month</u>			
Customer Charge	\$ -	\$ 36.78	\$ 36.78
Energy Charge - kWh On Peak (Billed Nov-April)	\$ 0.12380	\$ 0.03130	\$ 0.15510
Energy Charge - kWh Off Peak (Billed Nov-April)	\$ 0.02880	\$ 0.03674	\$ 0.06554
Energy Charge kWh (Billed May-Oct)	\$ 0.06380	\$ 0.03446	\$ 0.09826
 <u>Small Commercial-TOU 12 Month</u>			
Customer Charge	\$ -	\$ 36.78	\$ 36.78
Energy Charge - kWh On Peak	\$ 0.12380	\$ 0.03130	\$ 0.15510
Energy Charge - kWh Off Peak	\$ 0.02880	\$ 0.03674	\$ 0.06554
 <i>IRRIGATION AND WATER PUMPING</i>			
<u>Irrigation & Water Pumping</u>			
Customer Charge	\$ -	\$ 40.23	\$ 40.23
Demand Charge (kW)	\$ 5.00	\$ 0.24	\$ 5.24
Energy Charge (kWh)	\$ 0.04980	\$ 0.04450	\$ 0.09430
 <u>Irrigation & Water Pumping-TOU</u>			
Customer Charge	\$ -	\$ 45.23	\$ 45.23
Demand Charge (kW)	\$ 2.40	\$ 3.10	\$ 5.50
Demand Charge - On Peak (kW)	\$ 8.80	\$ 0.63	\$ 9.43
Energy Charge (kWh)	\$ 0.02230	\$ 0.01984	\$ 0.04214

NAVOPACHE ELECTRIC COOPERATIVE, INC.

	<u>Approved Rates</u>		
	<u>Power Supply</u>	<u>Dist Wires</u>	<u>Total</u>
LIGHTING			
<u>Security Lights - Consumer Owned</u>			
175 Watt MVL - 75 kWh/Month	\$ 4.35	\$ 4.74	\$ 9.09
250 Watt MVL - 110 kWh/Month	\$ 6.38	\$ 5.39	\$ 11.77
400 Watt MVL - 175 kWh/Month	\$ 10.15	\$ 9.13	\$ 19.28
100 Watt HPS - 34 kWh/Month	\$ 1.97	\$ 3.92	\$ 5.89
150 Watt HPS - 50 kWh/Month	\$ 2.90	\$ 5.43	\$ 8.33
250 Watt HPS - 85 kWh/Month	\$ 4.93	\$ 6.03	\$ 10.96
<u>Security Lights - Cooperative Owned</u>			
175 Watt MVL - 75 kWh/Month	\$ 4.35	\$ 6.63	\$ 10.98
250 Watt MVL - 110 kWh/Month	\$ 6.38	\$ 7.95	\$ 14.33
400 Watt MVL - 175 kWh/Month	\$ 10.15	\$ 13.03	\$ 23.18
100 Watt HPS - 34 kWh/Month	\$ 1.97	\$ 7.16	\$ 9.13
150 Watt HPS - 50 kWh/Month	\$ 2.90	\$ 8.67	\$ 11.57
250 Watt HPS - 85 kWh/Month	\$ 4.93	\$ 9.26	\$ 14.19
<u>Security Lights - Pole Charges</u>			
Pole Charges	\$ -	\$ 4.17	\$ 4.17
<u>Street Lights - Cooperative Owned</u>			
175 Watt MVL - 75 kWh/Month	\$ 4.35	\$ 6.63	\$ 10.98
250 Watt MVL - 110 kWh/Month	\$ 6.38	\$ 6.91	\$ 13.29
400 Watt MVL - 175 kWh/Month	\$ 10.15	\$ 13.03	\$ 23.18
1000 Watt Lamp - 435 kWh/Month	\$ 25.23	\$ 16.67	\$ 41.90
<u>Street Lights - Consumer Owned</u>			
100 Watt HPS - 34 kWh/Month	\$ 1.97	\$ 3.92	\$ 5.89
150 Watt HPS - 50 kWh/Month	\$ 2.90	\$ 5.43	\$ 8.33
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Decision No. _____

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