

ORIGINAL

OPEN MEETING ITEM



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COMMISSIONERS
SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE



ARIZONA CORPORATION COMMISSION

AZ CORP COM
DOCKET CONTROL

DATE: JULY 10, 2015
DOCKET NO.: W-02527A-06-0505
TO ALL PARTIES:

2015 JUL 10 PM 1 10

Enclosed please find the recommendation of Administrative Law Judge Jane L. Rodda. The recommendation has been filed in the form of an Order on:

GRAHAM COUNTY UTILITIES, INC.
(EXTENSION OF DEADLINE IN DECISION NO. 69245)

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

JULY 20, 2015

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

AUGUST 18, 2015 and AUGUST 19, 2015

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

Arizona Corporation Commission

DOCKETED

JUL 10 2015

DOCKETED BY
BTM

JODI JERICH
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 SUSAN BITTER SMITH - Chairman
4 BOB STUMP
5 BOB BURNS
6 DOUG LITTLE
7 TOM FORESE

8 IN THE MATTER OF THE APPLICATION OF
9 GRAHAM COUNTY UTILITIES, INC. FOR
10 APPROVAL OF LONG TERM DEBT.

DOCKET NO. W-02527A-06-0505

DECISION NO. _____

ORDER EXTENDING TIME
DEADLINE IN DECISION NO. 69245

11 Open Meeting
12 August 18 & 19, 2015
13 Phoenix, Arizona

14 **BY THE COMMISSION:**

15 * * * * *

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

18 **FINDINGS OF FACT**

19 1. Graham County Utilities, Inc.'s ("GCU" or "Cooperative") is a nonprofit member-
20 owned Arizona corporation that provides water and natural gas distribution service in small
21 communities in and around Thatcher, Safford, and Pima in Graham County, Arizona.

22 2. In Decision No. 69245 (January 19, 2007), the Commission authorized GCU to
23 borrow up to \$1,100,000 for its water division from the United States Department of Agriculture
24 Rural Development with a term of 40 years, at an interest rate not to exceed 4.375 percent, subject to
25 certain conditions.

26 3. GCU was highly leveraged when it filed its 2006 finance application, with a capital
27 structure as of September 30, 2005, consisting of 5.77 percent short-term debt, 89.36 percent long-
28 term debt and 4.87 percent equity. In Decision No. 69245, the Commission ordered GCU to adopt an
equity accumulation plan, with an objective of increasing members' equity over the base position by

1 at least 2 percent per year, as measured at the end of each fiscal year, until equity reaches 30 percent
2 of total capital.¹

3 4. The Commission ordered GCU to file a rate case no later than June 30th of the year
4 subsequent to any fiscal year in which the equity goal is not achieved.

5 5. On June 15, 2015, GCU filed with the Commission a letter in which it reported that
6 GCU's gas division did not meet the two percent equity growth requirement for the fiscal year ended
7 September 30, 2014. GCU requested an extension of time from June 30, 2015, to September 30,
8 2015, in which to file the required rate application for the gas division.

9 6. In its request, GCU states that it uses internal staff, rather than hired consultants, to
10 prepare rate applications in order to save money, and that its Finance Manager has filed all previous
11 rate applications in addition to other required duties. The Cooperative also reports that in October
12 2013, GCU and its affiliate Graham County Electric Cooperative, Inc., initiated a software
13 conversion project which is expected to be completed in August 2015. Because this project required
14 a substantial time commitment from GCU's accounting and finance staff, GCU is seeking an
15 extension to file a rate application for the gas division.

16 7. On July 2, 2015, the Commission's Utilities Division ("Staff") filed a Memorandum in
17 Response to GCS's request for extension of compliance deadline. Staff states that based on the
18 application and GCU's June 15, 2015 request, Staff recommends an extension of time until
19 September 30, 2015, for GCU to file a rate case.

20 8. Under the circumstances, GCU's request for a relatively short extension of time to file
21 a rate case is reasonable, as a complete and accurate application is an important first step in the rate
22 case process. The public interest inherent in GCU maintaining a prudent and healthy capital structure
23 will not be substantially impaired by granting GCU an additional 90 days to file the rate application.

24 CONCLUSIONS OF LAW

25 1. GCU is a public service corporation within the meaning of Article XV of the Arizona
26 Constitution and A.R.S. §§40-301, 40-302 and 40-303.

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28

¹ Decision No. 69245 at 3 and 6.

1 SERVICE LIST FOR: GRAHAM COUNTY UTILITIES, INC.

2 DOCKET NO.: W-02527A-06-0505

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