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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE – CHAIRMAN
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ANDY TOBIN

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF DUNCAN VALLEY ELECTRIC
COOPERATIVE, INC. – GAS DIVISION 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. G-02528A-14-0361

COMPLIANCE -
GAS THROUGHPUT VARIANCE

In compliance with Decision No. 74996 Duncan Valley Electric Cooperative, Inc. – Gas Division ("DVEC" or the "Cooperative") submits the following report regarding the gas throughput variance occurring at the city gates.

BACKGROUND

In DVEC's last rate case, ACC staff were concerned about possible future liabilities from the under-measurement and under-billing of gas delivered through its interstate pipeline carrier (Kinder Morgan) meters at the cooperative's city gates.

DVEC reported to staff in discussions about the rate filing that "the difference was due to city gate meters not correctly registering total throughput. DVEC also indicated that it has had discussions with the interstate pipeline company concerning the variance in throughput. The interstate pipeline company acknowledges the issue and is exploring a different type of metering that should correct the problem."¹

The issue with the meters is in their design. In periods of low flow they do not properly measure the gas that passes through the meter. This does not present a problem during DVEC's peak usage months in the winter, since most of the gas used is for heating, a situation that creates large peak demands based on temperatures that affect all heating customers at about the same time. While

¹Decision No. 74996 Order - Staff Analysis, paragraph 24, page 5, lines 9-12

1 some of the summer months do have high monthly volumes, the big summer users are natural gas
2 pumps that typically have a smaller constant use over extended periods of the month.

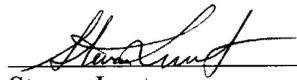
3 **REPORT**

4 Attached as Exhibit A is a chart that shows the purchases and sales through the cooperative's
5 city gate meters for the past two years, and the resulting under-measurement. When only considering
6 the winter months, DVEC therms purchases are in alignment with its therms sales. DVEC's rates
7 provide for a different rate per therm for winter and summer time frames. The rationale behind the
8 differential, is that the distribution pipeline system has to be designed for peak capacity, and the
9 winter users drive the peak of the system. DVEC's tariffs define November through March as winter
10 months with April through October as summer months. In the calculations for winter months in
11 Exhibit A, a leading and lagging month are included to accommodate the differences between DVEC
12 meter reading dates and Kinder Morgan meter reading dates.

13 As of the date of this report, Kinder Morgan has not replaced nor reconfigured the city gate
14 meters to better measure low flow periods.

15 RESPECTFULLY SUBMITTED this 8th day of February 2016.

16
17 By:


18 Steven Lunt
19 Chief Executive Officer
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23 Duncan, Arizona 85534

24 ORIGINAL and 13 copies filed
25 this 8th day of February, 2016, with:

26 Docket Control
27 ARIZONA CORPORATION COMMISSION
28 1200 West Washington
Phoenix, Arizona 85007

EXHIBIT A

Month	City Gate Purchases	Sales through City Gates	Short(Over)	Winter Months*	
				City Gate Purchases	Short(Over)
Jan 2014	40,420	42,132	(1,712)	40,420	(1,712)
Feb 2014	23,790	28,281	(4,491)	23,790	(4,491)
Mar 2014	15,930	17,634	(1,704)	15,930	(1,704)
Apr 2014	18,770	21,620	(2,850)	18,770	(2,850)
May 2014	12,750	15,079	(2,329)		
Jun 2014	18,470	19,042	(572)		
Jul 2014	20,260	23,838	(3,578)		
Aug 2014	2,750	11,622	(8,872)		
Sep 2014	5,600	7,365	(1,765)		
Oct 2014	5,570	7,132	(1,562)	5,570	(1,562)
Nov 2014	27,310	14,214	13,096	27,310	13,096
Dec 2014	39,280	35,216	4,064	39,280	4,064
Jan 2015	45,020	43,706	1,314	45,020	1,314
Feb 2015	25,240	30,696	(5,456)	25,240	(5,456)
Mar 2015	17,670	21,770	(4,100)	17,670	(4,100)
Apr 2015	9,580	12,158	(2,578)	9,580	(2,578)
May 2015	13,960	14,469	(509)		
Jun 2015	14,620	15,659	(1,039)		
Jul 2015	10,750	19,607	(8,857)		
Aug 2015	5,790	12,215	(6,425)		
Sep 2015	3,950	7,493	(3,543)		
Oct 2015	7,450	9,109	(1,659)	7,450	(1,659)
Nov 2015	27,790	22,791	4,999	27,790	4,999
Dec 2015	46,770	39,268	7,502	46,770	7,502
Totals	459,490	492,116	(32,626)	350,590	4,863
				Line Loss	1.39%

*Leading/Lagging months are included in the calculation to account for differences in meter reading dates.

DVEC reads its meters 2 to 7 days before the end of the month.

Kinder Morgan reads their meters on the last day of the month.