

ORIGINAL



0000168382

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

COMMISSIONERS
DOUG LITTLE, CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

2016 FEB 12 P 4: 25

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF GARKANE ENERGY COOPERATIVE,
INC., AN ELECTRIC COOPERATIVE
NONPROFIT MEMBERSHIP
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS PROPERTY
FOR RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RETURN
THEREON, AND TO APPROVE RATES
DESIGNED TO DEVELOP SUCH RETURN
AND REQUEST FOR WAIVER.

DOCKET NO. E-01891A-15-0176

NOTICE OF FILING REBUTTAL
TESTIMONY

Garkane Energy Cooperative, Inc. by and through undersigned counsel, hereby gives
notice of the filing of Rebuttal Testimony of David Hedrick.

DATED this 12th day of February, 2016.

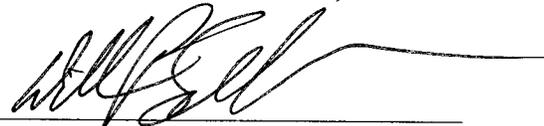
Law Offices of William P. Sullivan, P.L.L.C.

Arizona Corporation Commission

DOCKETED

FEB 12 2016

DOCKETED BY *MS*

By: 
William P. Sullivan
501 East Thomas Road
Phoenix, Arizona 85012-3205
Attorneys for Garkane Energy
Cooperative, Inc.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

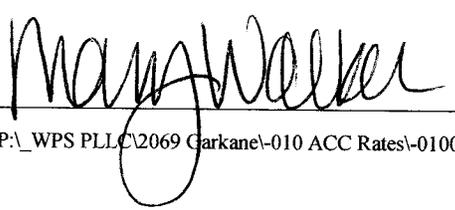
PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 13th day of February, 2016, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copy of the foregoing mailed
this 13th day of February, 2016 to:

Court Rich
Rose Law Group pc
7144 E. Stetson Drive, Suite 300
Scottsdale, Arizona 85251
Attorney for the Alliance for Solar Choice



P:_WPS PLLC\2069 Clarkane\010 ACC Rates\0100 2015 Rates (15-0176)\Pleadings Working\Notice of Filing Rebuttal Testimony.docx

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE
APPLICATION OF GARKANE
ENERGY COOPERATIVE, INC. FOR A
HEARING TO DETERMINE THE
FAIR VALUE OF ITS PROPERTY
FOR RATEMAKING PURPOSES,
TO FIX A JUST AND REASONABLE
RETURN THEREON, TO APPROVE
RATES DESIGNED TO DEVELOP
SUCH RETURN AND FOR
RELATED APPROVALS.

DOCKET NO. E-01891A-15-0176

REBUTTAL DIRECT TESTIMONY OF DAVID HEDRICK

**ON BEHALF OF GARKANE ENERGY
COOPERATIVE, INC.**

FEBRUARY 12, 2016

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is David W. Hedrick and my business address is 5555 North Grand
3 Boulevard, Oklahoma City, Oklahoma 73112-5507.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

6 A. I am employed by Guernsey, Engineers, Architects and Consultants. I am Senior
7 Vice-President and Manager of the Analytical Services group.

8
9 **Q. HAVE YOU PROVIDED DIRECT TESTIMONY IN THIS DOCKET?**

10 A. Yes, I provided direct testimony in support of Garkane Energy Cooperative, Inc.'s
11 (Garkane or GEC) application.

12
13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

14 A. I will provide Garkane's response to the direct testimony submitted by the Utility
15 Division Staff (Staff) of the Arizona Corporation Commission (Commission) on
16 December 21, 2015 and January 20, 2016.

17
18 **Q. WHAT IS GARKANE'S GENERAL RESPONSE TO COMMISSION
19 STAFF'S TESTIMONY?**

20 A. In general, Garkane is pleased that Staff has agreed with Garkane's proposed fair
21 value rate base and proposed a revenue requirement for Arizona that is only
22 \$23,000 less than that proposed by Garkane, or a difference of just one-half of one
23 percent of the total revenues generated within Arizona. Garkane is also pleased the
24 Staff has proposed rates for the Arizona portion of Garkane's system that, with the
25 exception of the rate for Residential Colorado City, are the same as those proposed

1 by Garkane. However, one of Garkane's primary objectives in this rate filing was
2 to develop Arizona base rates that are the same as those approved by the Garkane
3 Board of Directors for the members in Utah. With the exception of the Residential
4 Colorado City rate, Staff's recommendation accomplishes this objective.
5

6 **Q. WHAT IS THE DIFFERENCE BETWEEN GARKANE'S PROPOSED**
7 **RATE FOR RESIDENTIAL COLORADO CITY AND STAFF'S**
8 **RECOMMENDED RATE?**

9 A. The only difference between the two proposed rates is the level of the energy
10 charge. Garkane proposed an energy charge of \$0.0998 per kWh and Staff's
11 recommended rate is \$0.098 per kWh. The difference is \$0.0018 per kWh. Based
12 on the kWh billing units for Residential Colorado City shown on Schedule H-2.1.1
13 of 14,308,738 kWh, the \$0.0018 lower Staff rate results in \$25,766 less revenue
14 than the proposed Garkane rate. Given the very small difference between Staff's
15 rate and Garkane's proposed rate for Colorado City, Garkane requests that the
16 originally proposed rate be approved. This will allow all of Garkane's Arizona
17 base rate schedules to be the same as those approved by the Garkane Board of
18 Directors for Utah.
19

20 **Q. WHAT ARE SOME OF THE FACTORS THAT JUSTIFY ADOPTING THE**
21 **ENERGY RATE FOR COLORADO CITY PROPOSED BY THE**
22 **COOPERATIVE?**

23 A. As mentioned, the primary purpose for Garkane filing this rate application was to
24 bring its base rates in Arizona in line with those charged to 90% of its member-
25 customers located in Utah. The rate design and rate level are approved by a Board

1 of Directors elected by the member-customers served by the Cooperative.
2 Garkane's distribution system is operated as a single unified system without regard
3 to jurisdictional boundaries. Garkane's last general rate adjustment for its Arizona
4 customers was approved by Decision No. 61105, dated August 28, 1998, based on
5 test year ending December 31, 1996. In the years that followed, Garkane's Board
6 of Directors has modified the rate structure applied in Utah, but not in Arizona. It
7 is time to bring them into conformity.

8
9 Importantly, Colorado City, Arizona and Hildale, Utah are known as the Twin
10 Cities, jurisdictionally separated by the Arizona and Utah boundary. The system
11 that serves both cities was acquired by Garkane from the Twin Cities Power
12 Authority ("TCPA") after the TCPA had defaulted on both principal and interest
13 payments on its outstanding bonds. The Commission approved the acquisition of
14 the Arizona portion of the system by Decision No. 70979, dated May 5, 2009. The
15 Twin Cities have had uniform base rates since their acquisition by Garkane.

16
17 The small difference in revenue requirement requested by the Cooperative and
18 proposed by Staff does not warrant undermining the Cooperative's objective of
19 uniform base rate, the determination of the Cooperative's elected Board or the
20 nexus between the Twin Cities.

21
22 Increasing revenues by \$23,000 in Arizona, causes Garkane's return on the
23 Arizona portion of fair value rate base \$9,651,807 to increase 0.238% and the
24 return on its total system fair value rate base \$60,782,310 to increase just 0.0378%.

25

1 As a not for profit member owned cooperative, these additional margins flow back
2 to the benefit of the member customers as capital credits.

3

4 **Q. DOES GARKANE AGREE WITH ALL OF STAFF'S ADJUSTMENTS AND**
5 **METHODOLOGY FOR DETERMINING THE OVERALL SYSTEM**
6 **REVENUE REQUIREMENT?**

7 A. No. However, given the small difference between the Staff's proposed rates and
8 those proposed by Garkane and our understanding that Staff can and will support
9 Garkane's request to implement all rates as originally proposed, Garkane will
10 accept Staff's adjustments and methodology without rebuttal in this proceeding. In
11 doing so, Garkane reserves its right to contest the Staff's underlying rationale for
12 such adjustments and rate setting methodologies in future matters before this
13 Commission, whether or not the result thereof was accepted by Garkane in this
14 case.

15

16 **Q. DOES GARKANE AGREE WITH THE RECOMMENDATIONS**
17 **PROVIDED BY STAFF WITNESS ERIC VAN EPPS?**

18 A. Yes. Included with this filing of rebuttal testimony is a red-line of the Electric
19 Service Regulations as Exhibit DWH-8. Garkane will also revise its Prepaid
20 Service tariff to include the recommended language, work with Staff to develop an
21 application and file a bill estimation tariff as a compliance item for the
22 Commission within 60 days.

23

24

25

1 **Q. HAS GARKANE INCLUDED A DRAFT PLAN OF ADMINISTRATION**
2 **(POA) FOR ITS WPCA AS RECOMMENDED BY STAFF WITNESS ERIC**
3 **HILL?**

4 **A. Yes, a draft POA is being submitted with my rebuttal testimony as Exhibit DWH-**
5 **9.**

6
7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A. Yes, it does.**
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

GARKANE ~~POWER ASSOCIATION~~ENERGY COOPERATIVE, INC.

RiehfieldLoa, Utah -8470184747

ELECTRIC SERVICE REGULATIONS

STATE OF ARIZONA

1. These Rules and Regulations are designed to govern the supply, receipt and utilization of electric service from Garkane Energy Cooperative, Inc. ("Company" or "Cooperative") in Arizona consistent with the safe and reliable service practices.

2. These Rules and Regulations and all Rate Schedules are on file in the office of the Company, and copies are obtainable by any customer without charge upon request.

3. These Rules and Regulations are subject to revision from time to time and supersede all regulations which may heretofore have governed the supplying and taking of Company's electric service. They are subject to the jurisdiction of the Arizona Corporation Commission ("ACC" or "the Commission";").

DEFINITIONS

4. The following expressions, when used in these Rules and Regulations, in Rate Schedules, and in Service Agreements, shall, unless otherwise indicated, have the meanings given below:

5. **Customer.** Any individual, partnership, association, firm, public or private corporation or governmental agency receiving Company's service at any specified location.

6. **Company.** —Garkane ~~Power Association~~Energy Cooperative, Inc.

7. **Electric Service.** The availability of electric power and energy, irrespective of whether any electric power and energy is actually used. Supplying of service by Company consists of the maintenance by the Company at the point of delivery of approximately the established voltage and frequency by means of facilities adequate for carrying Customer's proper load.

8. **Point of Delivery.** Customer's service terminal, or the point where the Company's wires are joined to Customer's wires or apparatus, unless otherwise specified in Customer's Service Agreement.

9. **Customer's Installation.** In general, all wiring, appliances and apparatus of any kind or nature on Customer's side of the Point of Delivery (except Company's meter installation) useful in connection with Customer's ability to take electric service.

10. **Service Facilities.**

(a) **Service Drop.** The wires owned by Company connecting Company's distribution system to Customer's service entrance conductors.

(b) **Service Entrance Conductors.** The portion of Customer's installation to which Company's Service Drop is connected.

11. **Month.** An interval of approximately thirty (30) days between successive meter reading dates, except when the calendar month is specified.

12. **Service Agreement.** The agreement or contract between ~~company~~Company and Customer pursuant to which service is supplied and taken.

13. **Connected Load.** The combined nominal rated capacity of all motors, or other energy consuming devices, installed on Customer's premises, which may be operated with energy supplied by Company.

14. **Horsepower.** The term horsepower shall be construed to mean the equivalent to 750 watts.

15. **Notice.** Unless otherwise specified, a written notification delivered personally or mailed by one party to the other at such other party's last known address, the period of notice being computed from the date of such personal delivery or mailing.

16. **Meter.** The meter or meters, together with auxiliary devices, if any, constituting the complete installation needed to measure the power and energy supplied to any individual Customer at a single point of delivery.

17. **Customer Extension.** Any branch from, or continuation of, an existing line to the point of delivery to Customer, including increase in capacity of any of the Company's existing facilities, or the changing of any line to meet Customer's requirements and including all transformers, service drop, and meters.

18. **Standby Service.** Standby service shall be construed to mean service to a load for which Customer has available an alternative source of power other than that provided by Company.

SERVICE AGREEMENTS

19. **Form and Execution of Service Agreements.** Each applicant for service shall make a written application therefore, on the Company's standard form, or execute a formal contract. The Company's standard application form, when signed by the Company's authorized representative as well as the Customer, becomes a binding Service Agreement.

20. **Term of Service Agreement.** Unless otherwise provided, service agreements are to continue in effect for an initial period of one (1) year where a new service is provided.

21. **Expiration or Renewal of Service Agreements.** Unless otherwise provided, each Service Agreement will automatically extend its expiration date for additional successive periods of one (1) year each, unless and until either party has notified the other in writing not less than thirty (30) days prior to the end of any such period of its desire to terminate such agreement.

22. **Company's Right to Cancel Service Agreement or to Terminate or Suspend Service.** The Company may suspend or terminate service for the reasons and pursuant to the procedures specified in Commission Rule R14-2-~~22~~211.

23. **Change of Address of Customer.**

(a) When Customer changes his address he shall give notice thereof to Company at least three (3) working days prior to the date of change. Customer will be held responsible for all service supplied to the vacated premises until such notice has been received and Company has had a reasonable time, but not less than three (3) working days, to discontinue service.

(b) If Customer moves to an address at which he requires electric service for any purpose specified in this Service Agreement, and at which address Company has such service available under the same rate schedule, the notice shall be considered as Customer's request that Company transfer such service to the new address; but if Company does not have such service available at the new address the old Service Agreement shall be considered cancelled.

(c) If Company has service available at the new address to which a different rate schedule applies, a new Service Agreement, including the applicable Rate Schedule, will be offered to Customer. Company will make transfers of service as promptly as reasonably possible after receipt of notice.

24. **Successors and Assigns.** Service Agreements shall inure to the benefit of and be binding upon the respective heirs, legal representatives, and successors by operation of law, of the parties thereto, but shall be voluntarily assignable by either party ~~only~~ with the written consent of the other, except that Company may, without Customer's consent, assign any Service Agreement to any person or corporation, in any lawful way acquiring or operating all or any part of the Company's property used in supplying service under such agreement.

SUPPLYING AND TAKING OF SERVICE

25. **Power Supply.** Alternating current at approximately sixty (60) cycles. Secondary distribution voltages are available at nominal 120/240 volts, ~~12/~~ and 240/480 volts single phase, or 120/208 volts and 277/480 volts three phase. Loads shall be equally balanced between the available phases.

26. **Supply of Service.** Service will be supplied only under and pursuant to these service regulations, and any modifications or additions thereto lawfully made, and such applicable rate or rates as may from time to time be lawfully fixed. Service will be supplied under a given Rate Schedule only at such points of delivery as are adjacent to facilities of the Company adequate and suitable as to capacity and voltage for the service desired. Otherwise, special agreements between Customer and Company may be required.

27. **Continuity of Service.** Company will use reasonable diligence to supply steady and continuous service, but does not guarantee the service against irregularities or interruptions. Company shall not be liable to Customer for any damages occasioned by service irregularities or interruptions.

If compliance with orders or formal requests of any governmental agency, curtailing or diverting Company's available electric power resources make it impossible for Company to supply the full electric power requirements of all its Customers, Company shall not be liable for any injury or loss caused by the resultant curtailment, in whole or in part, of its supply to any Customer. If any such curtailment reduces the amount of power available to a Customer below the minimum amount contracted for, such Customer shall be relieved of the obligation to pay more than the amount of power from time to time made available by Company.

Inability on the part of the Company to meet its contractual obligations to any Customer, when such inability is due to Company's compliance with an order or formal request of a governmental agency, shall not constitute default on the part of Company as to any contract or agreement, and any contract or agreement affected by such compliance shall remain in full force and effect except as necessarily modified during the effective period of such order or formal request.

28. **Suspension of Service for Repairs and Changes.**

~~_____ (a) When necessary to make repairs to or changes in Company's plant, generating equipment, transmission or distribution system, or other property, Company may, without incurring any reasonable, necessary, and in such manner as not to inconvenience affected customers of scheduled service interruptions of longer than four (4) hours duration at least twenty four (24) hours in advance of the scheduled interruption.~~

~~_____ (b) There shall be no abatement of demand, minimum or similar charge for months in which such suspensions do not exceed an aggregate of twenty four (24) hours. There shall be a pro rata reduction in such charges for months in which such suspension do exceed that amount. Service interruptions may occur. Customer is responsible for installing and maintaining protective devices as are recommended or required by the most current edition of the National Electrical Code and other such devices as are necessary or advisable to protect Customer's equipment or process during irregular or interrupted service including, but not limited to, voltage and wave form irregularities, or the failure of part or all of the electrical service. When interruptions do occur the Cooperative shall re-establish service as soon as practicable.~~

The Cooperative may interrupt service to provide necessary civil defense or other emergency service in the event of a national emergency or local disaster. The Cooperative may also interrupt service as necessary for maintenance, repairs, construction, moving of buildings or oversized objects, relocation or changes of facilities, to prevent or alleviate an emergency which may disrupt operation of all or any portion of the Cooperative's system, to lessen or remove risk of harm to life or property, to aid in the restoration of electric service, and on occasions when the Cooperative's wholesale power suppliers, or any of them, fails to deliver sufficient power and/or energy to the Cooperative.

29. **Use of Service.**

(a) Service shall be supplied directly to Customer through Company's own meter, and shall be used by Customer only for the purposes specified in and in accordance with the provisions of the Service Agreement. Service shall be for Customer's use only, and under no circumstances may Customer or Customer's agent, or any other individual, association or corporation install meters for the purpose of remetering or reselling or otherwise disposing of service supplied Customer to lessees, tenants or others, except in accordance with the Service Agreement of Company which specifically authorizes such use of the service. In no case shall Customer, except with the consent of Company, extend or connect his installation to lines across or under any street, alley, lane, court or avenue, or other public or private space in order to obtain service for adjacent property through one (1) meter, even though such adjacent property may be owned by Customer. In case of such unauthorized re-metering, sale, extension, or other disposition of service, Company may immediately discontinue the supplying of service to Customer until such unauthorized remetering, sale, extension, or other disposition of service, ~~company~~Company may immediately discontinue the supplying of service to Customer until such unauthorized remetering, sale, or act is discontinued and full payment is made for all service supplied or used, billed on proper classification and rate schedules, and reimbursement in full is made to Company for all extra expenses incurred, including expenses for clerical work, testing and inspections.

30. **Right-of-Way.** Without reimbursement, Customer shall make or procure conveyance to the Company of right-of-way satisfactory to Company across the property owned by or controlled by Customer for Company's lines or extensions thereof necessary or incidental to the supplying of service to Customer.

31. **Access to Premises.** The duly authorized agents of Company shall have access at all reasonable hours to the premises of Customer for the purpose of inspecting wiring and apparatus, removing or replacing Company's property, reading of meter and all other purposes incident to the supplying of service.

32. **Location of Customer's Service Entrance Conductors.** Customer's service entrance conductors shall be located at a point readily accessible to Company's Service Drop, such point to be determined by Company.

CUSTOMER'S INSTALLATION

33. **Customer's Facilities for Receiving Service.** Customer's facilities for receiving shall be installed in accordance with Company's standard "Specifications for Electric Service and Meter Installations" and the National Electric Code. The Company's specifications mentioned above are on file at Company's office and are hereby made a part of these Rules and Regulations.

34. **Nature and Use of Installations.** Customer shall not employ or utilize any equipment, appliance, or device so as to affect adversely Company's service to Customer or to

others. ~~When polyphase service is supplied by Company,~~ Customer shall control the use thereof so that the load at the Point of Delivery will be maintained in reasonable electrical balance between the phases.

35. **Power Factor.** When motors, fluorescent, neon, zeon, or other hot or cold cathode types of gaseous tube lighting having similar power factor characteristics are installed and used, Customer may be required to furnish, install and maintain, at his own expense, corrective apparatus designed to maintain at not less than approximately ninety-five percent (~~90~~95%) lagging, the power factor of each unit of such equipment or group of such equipment controlled as a unit by a single switch or its equivalent which controls only such unit. ~~Leading power factors are not permitted.~~

The ~~company~~Company shall have the right to refuse or discontinue service to any such installation, until Customer has complied with the foregoing provisions.

The determination of power factor shall be made by the wattmeter-voltmeter method.

36. **Phase of Motors.**

(a) Individual motor installations requiring less than ~~five (5)~~ten (10) horsepower shall be single phase. Motors ~~not exceeding up to~~ one-half (1/2) horsepower shall be ~~for~~ ~~H~~operated at 120 volts; and motors ~~of over~~ one-half (1/2) horsepower to ~~five (5) under ten (10)~~ horsepower, ~~230~~operated at 240 volts. Exceptions may be served at the option of the Company.

(b) For installation of ~~five (5) ten (10)~~ horsepower and ~~over above~~ motors, ~~motors shall be operated on~~ three (3) phase alternating current ~~will be furnished~~ at the voltage stated in the Service Agreement; but single phase service, at the option of the Company may be furnished for installations of five (5) horsepower and over motors, where Company has only single phase available at the point where Customer desires service. ~~Motors above ten (10) horsepower shall be operated only with the specific approval of the Company.~~

37. **Current Limiting Devices.**

(a) Auto starters or other suitable starting devices shall be provided by Customer for all motors ~~having above five (5) ten (10) horsepower and above.~~

(b) All motors starting on other than light load shall be provided with suitable devices or be of a suitable type to limit the starting current.

(c) Starting current of all motors ten (10) horsepower and above shall be limited to no more than three and one half (3.5) times the full load rated current for no more than fifteen (15) seconds. Where Variable Frequency Drives (VFD) are used they must be equipped with fully functional IEEE519 compliant harmonic filters that limit the maximum voltage and current Total Harmonic Distortion to less than 10% current distortion and 5% voltage distortion. Maximum voltage drop at the meter will be limited to no more than ten (10) percent during motor starting.

38. **Changes in Installation.** As Company's service drop, transformers, meters, and other facilities used in supplying service to a Customer have a definite limited capacity, before making any material changes to or increases in Customer's installation, Customer shall give notice thereof to Company, and obtain Company's consent thereto. Company as promptly as possible after receipt of such notice will either give its approval to the proposed change or increase or will advise Customer upon what conditions service can be supplied for such change or increase.

39. **Inspection by Company.** Company shall have the right, but does not assume the duty, to inspect Customer's installation at any time, and from time to time, and to refuse to commence or to continue service whenever it does not consider such installation to be in good operating condition, but Company does not in any event assume any responsibility whatever in connection with Customer's installation.

40. **Customer's Responsibility.** Customer assumes all responsibility on Customer's side of the Point of Delivery for service supplied or taken, as well as for the electrical installation, appliances, and apparatus used in connection therewith, and shall save Company harmless from and against all claims for injury or damage to persons or property occasioned by or in any way resulting from such service or the use thereof on Customer's side of the Point of Delivery.

COMPANY'S INSTALLATION

41. **Installation and Maintenance.** Except as otherwise provided in ~~those rules~~ ~~these Rules~~ and ~~regulations~~ ~~Regulations~~, in Service Agreements, or Rate Schedules, Company will install and maintain its lines and equipment on its side of the Point of Delivery, but shall not be required to install or maintain any lines or equipment, except meters, on Customer's side of the Point of Delivery. Only Company's agents are authorized to connect Company's service drop to Customer's service entrance conductors ~~or to install or remove metering equipment.~~

42. **Connections to Customer's Service.** The service drop will ordinarily be installed overhead. If Customer desires to have the service drop installed in any other manner, special arrangement will be made between Customer and Company whereby such service drop will be installed and maintained at Customer's expense.

43. **Protection by Customer.** Customer shall protect Company's wiring and apparatus on Customer's premises and shall permit no one but Company's agents or persons authorized by law to inspect or handle same. In the event of any loss or damage to such property of Company caused by or arising out of carelessness, neglect, or misuse by Customer or other unauthorized persons, the cost of making good such loss or repairing such damage shall be paid by Customer.

METERING

44. **Installation.**

(a) **Meters.** Company will furnish and install necessary meter or meters, and Customer shall provide and maintain location for installation thereof free of expense and satisfactory to Company.

(b) **Accuracy Limits.** After being tested, meters shall be adjusted to as near zero error as practicable. Meters shall not remain in service with an error over two percent (2%) of tested capacity, or if found to register at no load.

(c) **Before Installation.** New meters shall be tested. ~~Removed or certified as to accuracy by the manufacturer. Reinstalled~~ meters shall be tested before or within sixty (60) days ~~of~~ prior to installation.

(d) **Periodic.** In service meters shall be periodically or sample tested ~~every five (5) years~~ in accordance with the most current version of the ANSI C12 Standard.

(e) **Request.** Upon written request, the Company shall promptly test the accuracy of Customer's meter. If the meter has been tested within twelve (12) months preceding the date of the request, the Company may require the Customer to make a deposit in the amount approved by the Commission for testing in the Company's tariff. If the meter is found to have an error of more than two percent (2%) capacity, the deposit shall be refunded; otherwise, the deposit shall be retained as a service charge.

(f) **Meter Error Correction.** If a meter tested pursuant to this section is more than two percent (2%) in error, either fast or slow, proper correction will be made and adjusted bills rendered ~~as specified in Commission Rule R14-2-210.~~

45. **Evidence of Service Use.** The registration of Company's meter shall be accepted and received at all times and places as prima facie evidence of the amount of power and energy taken by Customer.

46. **Voltage of Installation.** Metering will be at secondary voltage unless otherwise specified in service contracts.

BILLING

47. **Billing Periods.** Bills ordinarily will be rendered regularly at monthly intervals, but may be rendered more frequently at Company's option. Non-receipt of bills by Customer shall not release or diminish the obligation of Customer with respect to payment thereof.

48. **Minimums.** When a customer receives service for less than thirty (30) days during the billing period, the applicable monthly minimum shall apply.

49. **Separate Billing for Each Point of Delivery.** At each Point of Delivery, use of service shall be metered separately for each Customer service. Whenever for any reason Company furnished two (2) or more meter installations for a single Customer or supplies service under a Rate Schedule which does not require a meter, each point of metering and/or point of delivery where no meter is required shall be considered as a separate service. A separate Service

Agreement will be required, and bills will be separately calculated for each such separate service, except where Company may, under special circumstances, waive this requirement.

50. **Billing Seasonal Customers.** Seasonal customers shall be billed monthly as electric power is used. A Customer may elect to pay this bill in advance and forgo paying his bill monthly. Any deficit between the guaranteed amount and that actually received by the Company, from either monthly payments or advance payments, shall become payable at the beginning of the twelve (12) month period. The Company shall read the meters at the beginning of each seasonal year. Company readings indicating usage not billed shall be equally divided over the months since the last Company reading.

51. **Payment of Bills.** All bills for service become due and payable and DELINQUENT if not paid within twenty (20) days from date of bill, and service may be disconnected upon five (5) days written notice to Customer. When so disconnected, service will not be restored until all bills, together with any authorized charges of disconnecting and reconnecting the service are paid.

52. **Tax Adjustment Clause.** In the event any city, municipality or other governmental body shall impose a gross revenue, transaction privilege, occupation or franchise or other similar tax upon the Company for power supplied, the amount of such tax shall be billed to and paid by the Customer receiving power from the Company.

53. **Charge for Restoring Service.** If service to Customer is discontinued for non-payment of bill or other violation of the Service Agreement, then, before service is re-established, Customer shall pay the Company the authorized reconnect fee and any past due amounts.

54. **Theft of Service.** In any case of tampering with meter installation or interfering with the proper working thereof, or any other theft of service by any person, or evidence of any such tampering, interfering, theft or service diversion by whomsoever done, Customer shall be liable to immediate discontinuance of service as provided in paragraph 22 of the Service Agreements, and Company shall be entitled to collect from Customer at the appropriate rate for all power and energy not recorded on the meter by reason of such tampering, interfering, or other theft or service diversion, (the amount of which may be estimated by Company from the best available data) and also for all expenses incurred by Company on account of unauthorized act or acts.

55. **Cancellation Within Period of Service Agreement.** Where the Customer entirely suspends operations during the Service Agreement ~~Period~~period with the intention permanently to abandon them, the Service Agreement may be ~~canceled~~canceled by written notice to the Company not less than thirty (30) days before the effective date of the proposed cancellation, and by paying to the Company the amount of all balances due. No such cancellation shall release the Customer from his obligation under any term minimum guarantees based on special investment made by the Company to serve the Customer. If the discontinuance by

Customer is a breach of the Service Agreement, the right of the Company to collect the sums mentioned herein shall be in addition to all other rights it may have on account of such breach.

SELECTION AND APPLICATION OF RATE SCHEDULES

56. Selection of Rate Schedule.

(a) When a prospective Customer makes application for service, Company will, upon request, assist in the selection of the rate schedule most appropriate to Customer for the service requested. The selection will be based on the prospective Customer's statement as to the class of service desired, the amount and manner of use, and any other pertinent information. This statement will be recorded and filed with the application. Company shall not be liable for any errors in connection therewith and Company does not assure any particular bill result.

(b) If through error a Service Agreement is entered into specifying a Rate Schedule which is not applicable to the class of service taken, on discovery of the error, all bills rendered during the preceding twelve (12) months shall be recalculated in accordance with the lowest properly applicable rate schedule, and any excess paid shall be refunded by Company, or any balance due shall be paid by Customer, as the case may be.

57. **Distinction Between Residential and Commercial Service.** Private dwellings in which space is occasionally used for the conduct of business by a person residing therein will be served under the standard residential rate. Where a portion of a dwelling is regularly employed for the conduct of business the electricity used in that portion will be separately metered and billed on the appropriate commercial rate. If separate circuits are not provided by Customer, the entire premises will be classified as non-residential and billed accordingly. Service rendered through one (1) meter to apartment houses and to recognized rooming and/or boarding houses will be considered commercial service.

58. **Change to Optional Rate Schedule.** A Customer being billed under one of two or more optional Rate Schedules applicable to his class of service may elect to be billed on any other applicable Rate Schedule by notifying Company in writing and Company will bill Customer under such elected schedule from and after the date of the next meter reading. However, a Customer having made such a change of ~~rate schedule~~ Rate Schedule may not make another such change within the next twelve (12) months unless during such period there have been issued changed or additional Rate Schedules applicable to Customer's class of service.

59. **Lighting on Power Schedules.** Lighting service will not be supplied under any power Rate Schedules unless it is so specified in such power Rate Schedule, and when so supplied Customer will provide and maintain all auxiliary apparatus (transformers, regulators, etc.) that may be necessary. Service supplied to motor generators, any portion of the output of which is used for lighting purposes, shall be considered lighting service.

60. Temporary and Standby Service.

(a) Temporary and standby service shall not be rendered except under a special agreement between Company and Customer unless the temporary service is provided during construction where a permanent service will be established.

(b) In no event will Company supply power and energy for the purpose of starting or furnishing excitation or other auxiliary service necessary to the operation of any of Customer's generating plant or for parallel operation of Customer's generating equipment with Company's system except under a special agreement between Company and Customer.

DEPOSITS

61. **When Required.** Consistent with Commission Rule R14-2-203, the Company, at the time application for electric service is made or at any time thereafter, may require a cash deposit or guarantee satisfactory to the Company to secure the payment of bills as they become due. Such deposit or guarantee may be held in its entirety by the Company until final settlement of Customer's account, and any balance remaining will be held subject to settlement; provided, however, that residential deposits and accrued interest will be refunded or other guarantee terminated after twelve (12) months of service if the Customer has not been delinquent more than twice in the payment of utility bills. The amount of such deposit shall not exceed the estimated cost of service for ninety (90) days, and may be paid in three (3) equal monthly installments.

62. **Third Party Guarantees.** Third party guarantees in lieu of a deposit shall be permitted upon demonstration of a guarantor's satisfactory credit standing.

63. **Interest.** All cash deposits made by Customer to secure payment of bills will draw interest at the rate of six percent (6%) per annum or any other rate that may be set by the Commission. Interest due at date of discontinuance of service will be credited on final bills of Customer or included with the amount refunded.

64. **Refunds.** Subject to the provisions of Paragraph 61, deposits shall be refunded upon Customer's request after a satisfactory payment history of twelve (12) months. Interest will be earned in accordance with Paragraph 63. The original deposit and interest will be applied as credits toward the Customer's power bill. Non-residential customers not requesting a refund within three (3) years will automatically receive their deposit plus interest earned as credits provided they have maintained a satisfactory credit history. The Company presently refunds all deposits on a three (3) year rotation cycle for all deposits on the books of the Company. (Deposits paid in 1998 will be refunded in 2002, etc.)

APPLICATION OF AND CHANGES AND ADDITIONS TO SERVICE REGULATION REGULATIONS AND RATE SCHEDULES – CONFLICTS

65. **Application of Rules and Regulation and Rate Schedules.** All service agreements Service Agreements at present in effect or that may be entered into in the future are made expressly subject to these Rules and Regulation, any modifications hereof that may be lawfully made and subject to all applicable existing ~~rate-schedules~~ Rate Schedules and additions

thereto. When practicable, thirty (30) days notice, either by mail or by publication in local newspapers, will be given to any Customers affected by any such change, addition or substitution.

66. **Conflicts.** In case of conflict between any provision of these Rules and Regulations, Customer's Service Agreement, or a Rate Schedule, the provision of the Service Agreement takes precedence, followed by the provision of the Rate ScheduleSchedules.

GARKANE ENERGY COOPERATIVE, INC.
PLAN OF ADMINISTRATION FOR ITS
WHOLESALE POWER COST ADJUSTOR

This Plan of Administration (“POA”) relates to the administration of Garkane Energy Cooperative, Inc. (“GEC”) Wholesale Power Cost Adjustor (“WPCA”) and is filed for Arizona Corporation Commission (“Commission”) approval pursuant to Decision No. _____, dated _____, 2016. The purpose of the POA is to describe how GEC currently administers its WPCA and to provide GEC flexibility to adapt to changing conditions that may impact its administration of its WPCA.

Overview:

GEC is an electric distribution cooperative that is member owned and managed as a not-for profit entity. Its member-customers elect, from its membership, a nine member board of directors to set policy and oversee the management of the cooperative. Margins earned by GEC flow to patronage capital accounts of its members that are retired over a number of years, as permitted by GEC’s financial condition. Currently, GEC secures almost all of its power through long term contracts with Deseret Power Electric Cooperative, a generation cooperative, of which GEC is a member-owner.

Purchased power costs are a significant component of GEC’s cost of providing electric service to its members. The purpose of the WPCA is to allow an electric utility to recover or refund fluctuating power supply costs between rate cases.

The Commission has recognized that the distinctions between electric distribution cooperatives and investor owned utilities (“IOUs”) warrant different and less onerous regulation of a cooperative’s purchase power and fuel cost adjustor. See, e.g., Decision No. 50266, dated September 18, 1979. GEC has for decades been allowed to make adjustments to its WPCA rate as needed without securing Commission approval.

The WPCA Bank balance is tracked and adjustments made to the WPCA rate as necessary to move the WPCA Bank balance toward zero over a reasonable period of time. GEC and its members desire a predictable power cost from month to month, while avoiding an unreasonable over or under collected balance in the WPCA “Bank”. Because of extreme temperatures in the winter and the variable seasonal cost of power, the WPCA Bank balance can move rather significantly from month to month, but over the course of a rolling twelve (12) month period, barring any major change, such as change in costs from GEC’s power suppliers, the WPCA Bank balance tends to settle out without changing the WPCA rate. This POA continues the Commission’s longstanding practice of allowing GEC to make adjustments to its WPCA rate, up

or down, as it deems appropriate to address under or over collections of the WPCA bank balance, subject, of course, to more specific Commission orders.

Eligible Expenses:

Commencing _____, 2016 expenses booked in the following Rural Utilities Service Accounts in accordance with RUS procedures and protocols shall be eligible for inclusion in GEC's WPCA:

Account 555 (purchased power fuel costs, both demand and energy)

Account 557 (Other Expense)

Nothing herein shall preclude GEC from requesting the Commission authorize recovery of additional or different costs through the WPCA, but no such costs shall be included within the WPCA by GEC without specific Commission authorization.

The Base Cost of Fuel:

The Base Cost of Fuel (Authorized Base Cost) shall be established by order of the Commission. The current Authorized Base Cost is \$0.0 _____ of Fuel as established in Decision No. _____ and is effective for all electricity sold on and after _____, 2016 until adjusted by order of the Commission.

WPCA Rate:

The WPCA Rate shall be adjusted to zero effective for all electricity sold on and after _____, 2016 until adjusted in accordance with this POA or order of the Commission.

WPCA Bank Balance:

As of _____, 2016 the WPCA Bank Balance is \$ _____ ([under/over] collected).

Monthly Reporting:

A monthly report together with confidential invoices for all eligible expenditures and confidential supporting schedules shall be submitted to the Utilities Division. The report shall be submitted on the forms attached hereto, or as amended from time to time by GEC with the written consent of the Director of Utilities, which amended forms shall be docketed in GEC's most recent rate case docket that has resulted in a final rate decision from the Commission. The monthly report shall be filed no later than the 30th day of the second month following the month being reported (approximately 60 days).

Annual Report and Adjustment:

Each year following GEC's Board acceptance of its annual certified outside audit performed in accordance with RUS requirements, including specific review of the purchased power costs reported through the WPCA during the audit period, GEC shall file revised year end and monthly

reports to reflect all adjustments identified by the audit. The revised reports shall be clearly marked as "Revised" on the reporting forms and all adjustments shall be explained in a cover letter and footnotes to the schedules. Such adjusted reports shall be filed no later than six months after the end of the applicable audit period (June 30 for a calendar year audit).

Monitoring and Adjustment of WPCA Rate:

To avoid large monthly swings in the cost of electricity sold to members, GEC management shall monitor and adjust the WPCA Rate using the following general guidance:

- (i) Changes to the WPCA Rate should be minimized;
- (ii) The WPCA Bank balance should not become under or over collected in excess of \$600,000;
- (iii) In the event the WPCA Bank balance does equal or exceed \$600,000 GEC shall make an adjustment in its WPCA Rate in an effort to move the balance close to zero during the next twelve months;
- (iv) The level of adjustment shall be based upon a twelve month forward looking period commencing with the last period for which a monthly report was filed with the Commission; and
- (v) The prior twelve months prices and sales shall be used for the projection, adjusted for likely changes in both, provided no monthly adjustment shall be greater than percentage change for the same month a year earlier, unless based upon known and definite data (such as an approved rate change for a power supplier or a new customer load).

GEC management shall regularly review the status of the WPCA Bank balance with the GEC Board of Directors. All adjustments to the WPCA Rate shall be approved by the GEC Board of Directors.

FA-2					
GENERAL INFORMATION					
COMPANY NAME					
1	GARKANE ENERGY COOPERATIVE, INC				
	PO BOX 465				
	LOA, UTAH 84747				
			MONTH OF		MO/YR
2	CONTACT PERSON MARCUS LEWIS				
3	CONTACT TELEPHONE NUMBER 1-435-836-2795				
GENERATION					
4	HYDRO GENERATION COST				
5	TOTAL GENERATION COSTS				
				A.	\$ -
PURCHASED POWER					
6	BASE METER CHARGE				
	Less: Kanab City Acquisition Charge				
	Less: Colorado City/Hildale Acquisition Charge				
7	DEMAND CHARGE				
8	ENERGY CHARGE				
	TOTAL PURCHASED POWER COSTS				
				B.	\$0.00
9	TOTAL COST OF GENERATION & PURCHASED POWER				
				C.	-
10	KWH				
	GENERATED				
	PURCHASED				
	TOTAL KWH GENERATED / PURCHASED				
					0
11	COST PER KWH GENERATED /PURCHASED				
	(Line 9 / Line 10)				
	COST PER KWH SOLD (Monthly System kwh sold)				
					#DIV/0!
	COST PER KWH SOLD (Monthly System kwh sold)				
					#DIV/0!
12	UNACCOUNTED KWH				
	LINE LOSS				
	OWN USE				
		monthly average	MONTH	YTD	0

FA-3					
GENERAL INFORMATION					
COMPANY NAME					
1	GARKANE ENERGY COOPERATIVE, INC				
	PO BOX 465				
	LOA, UTAH 84747				
				MONTH OF	MO/YR
2	SALES (KWH)				
	RESIDENTIAL				0
	COMMERCIAL - SMALL				0
	COMMERCIAL - LARGE				0
	INDUSTRIAL				0
	IRRIGATION				0
	MUNICIPAL				0
	WHOLESALE				0
	OTHER SALES - STREET LIGHTS				0
	TOTAL SALES (KWH)				0
3	SALES (REVENUE \$)				
	RESIDENTIAL			\$	-
	COMMERCIAL - SMALL				-
	COMMERCIAL - LARGE				-
	INDUSTRIAL				-
	IRRIGATION				-
	MUNICIPAL				-
	WHOLESALE				-
	OTHER SALES - STREET LIGHTS				-
	TOTAL SALES (REVENUE \$)				\$ -
4	NUMBER OF CUSTOMERS				
	RESIDENTIAL				0
	COMMERCIAL - SMALL				0
	COMMERCIAL - LARGE				0
	INDUSTRIAL				0
	IRRIGATION				0
	MUNICIPAL				0
	WHOLESALE				0
	OTHER SALES - STREET LIGHTS				0
	TOTAL CUSTOMERS				0