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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

2016 MAR 11 A 11: 34

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
DOCKETED

MAR 11 2016

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF  
GARKANE ENERGY COOPERATIVE, INC. 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 A WAIVER.

DOCKET NO. E-01891A-15-0176

PROCEDURAL ORDER

**BY THE COMMISSION:**

On June 1, 2015, Garkane Energy Cooperative, Inc. (“Garkane”) filed with the Arizona Corporation Commission (“Commission”) an Application and Request for Waivers requesting that the Commission determine the fair value of Garkane’s property for ratemaking purposes; fix a just and reasonable return thereon; approve rates, charges, and tariffs designed to result in such return; approve a Prepaid Service Tariff, a Net Metering Service Tariff, and a Line Extension Policy consistent with terms and conditions applicable to Garkane’s Utah member/customers; approve corrected and updated Garkane Electric Service Regulations; grant Garkane a waiver of Commission rules inconsistent with the rates, tariffs, and regulations for which approval is requested, including Arizona Administrative Code (“A.A.C.”) R14-2-207, R14-2-2301 *et seq.*, R14-2-203(B), R14-2-209(A), R14-2-210, and R14-2-211; and for purposes of Prepaid Service, grant Garkane a waiver of Garkane Electric Service Regulations 19, 20, 21, 22, 47, 51, and 53.

On June 18 and 30, 2015, Garkane filed Notices of Errata with replacement Schedules H-3 and H-2.1.1.

On June 30, 2015, the Commission’s Utilities Division (“Staff”) issued a Letter of Sufficiency informing Garkane that, as amended by the replacement schedules, Garkane’s application had met the sufficiency requirements outlined in A.A.C. R14-2-103. Staff further stated that Garkane had been

1 classified as a Class B utility.

2 On July 2, 2015, a Rate Case Procedural Order was issued scheduling a hearing in this matter  
3 to commence on March 7, 2016; scheduling a pre-hearing conference to be held on March 1, 2016;  
4 establishing other procedural requirements and deadlines; and ordering Garkane to file copies of the  
5 updated and corrected Garkane Electric Service Regulations referenced in its application.

6 On July 29, 2015, Garkane filed a Supplement to its Application and Request for Waivers,  
7 which included the updated and corrected Electric Service Regulations, a Curtailment Plan, and a  
8 Proposed Line Extension Policy.

9 On August 14, 2015, Staff filed a Request for Modification of the Procedural Order, stating that  
10 Staff needed additional time to formulate its rate design recommendations and including a proposed  
11 schedule.

12 On August 14, 2015, Garkane filed Comments on Staff's Request to Modify Procedural Order.

13 On August 26, 2015, The Alliance for Solar Choice ("TASC") filed an Application for Leave  
14 to Intervene.

15 On September 2, 2015, Garkane filed its Opposition to Intervention.

16 On September 3, 2015, a Procedural Order was issued adopting a revised procedural schedule,  
17 to include a hearing beginning on March 30, 2016; a pre-hearing conference to be held on March 23,  
18 2016; and a public comment proceeding to be held on the original hearing date of March 7, 2016. The  
19 Procedural Order also granted TASC's intervention and extended the timeclock in this matter by 25  
20 days.

21 On September 17, 2015, Garkane filed Certification of Compliance with Public Notice  
22 Requirements, stating that notice had been mailed beginning on August 6, 2015; published in the  
23 *Southern Utah News* on August 13, 2015; and posted on Garkane's website as of August 10, 2015. The  
24 Notice included the original hearing date of March 7, 2016.

25 On November 19, 2015, Garkane contacted the Hearing Division to request that a procedural  
26 conference be scheduled for the next day.

27 On November 20, 2015, a telephonic procedural conference was held, with Garkane, Staff, and  
28 TASC appearing through counsel. Garkane explained that the parties, in recognition of other matters

1 in which the Commission is considering net metering policy, had agreed for the net metering issues in  
2 this matter to be segregated to allow for the rest of the ratemaking proceeding to move forward, with  
3 two provisos: (1) Garkane would be required to file a standard Arizona Net Metering Tariff in a  
4 separate docket, for expedited review by Staff; and (2) the record in this matter would remain open for  
5 up to 12 months after issuance of the ratemaking decision, to allow for litigation of the net metering  
6 issues following the Commission's decisions in the currently pending matters involving net metering  
7 policy. The parties explained that they desired to have the net metering issues segregated so that those  
8 issues would not need to be addressed in pre-filed testimony.

9 On November 24, 2015, a Procedural Order was issued directing that Garkane's proposed Net  
10 Metering Service Tariff and the rule waiver requests associated therewith shall not be litigated during  
11 the initial ratemaking phase of this matter but instead in a separate phase; ordering that, to allow the  
12 parties to litigate the issues related to Garkane's proposed Net Metering Service Tariff and the  
13 associated rule waiver requests, the evidentiary record in this matter shall remain open for up to 12  
14 months after a ratemaking decision is issued in this matter; declaring that the parties have not waived  
15 their rights to litigate the issues related to the proposed Net Metering Service Tariff and associated rule  
16 waivers; requiring Garkane to file, by December 7, 2015, a standard Arizona Net Metering Tariff for  
17 the Commission's review and approval in a separate docket; and requiring Staff to process Garkane's  
18 standard Arizona Net Metering Tariff in an expedited fashion.<sup>1</sup>

19 On December 21, 2015, Staff filed the Direct Testimony of Phan Tsan, Margaret Little, Darron  
20 Carlson, and Eric Hill.

21 On January 20, 2016, Staff filed the Direct Testimony Regarding Rate Design and Cost of  
22 Service of Eric Hill, Eric Van Epps, and Margaret Little.

23 On February 12, 2016, Garkane filed the Rebuttal Testimony of David Hedrick.

24 On March 7, 2016, Staff filed the Surrebuttal Testimony of Eric Hill.

25 Also on March 7, 2016, a public comment session was held at the Commission's offices in  
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27 <sup>1</sup> Garkane made its proposed tariff filing in Docket No. E-01891A-15-0402 on December 1, 2015, and the Commission  
28 approved an Arizona Net Metering Tariff for Garkane in Decision No. 75408 (January 19, 2016).

1 Phoenix, with Garkane and Staff appearing and no members of the public attending to provide  
2 comment.<sup>2</sup> At the proceeding, Garkane requested that its witnesses be permitted to appear  
3 telephonically at the hearing, as the witnesses would otherwise need to fly to Arizona from Oklahoma.  
4 Staff expressed no objection to this request. Because Garkane had not yet spoken to TASC concerning  
5 the request, Garkane was instructed to do so and to make a filing including TASC's response.

6 On March 8, 2016, Garkane filed a Motion to Permit Telephonic Appearance and Adoption of  
7 Testimony ("Motion"), requesting that David Hedrick and/or Rebecca Payne be permitted to appear  
8 telephonically at the hearing to commence on March 30, 2016, and that David Hedrick be permitted to  
9 adopt the testimony of Rebecca Payne so that both witnesses would not need to appear. Garkane  
10 asserted that the witnesses, both consultants, would otherwise be required to fly from their offices in  
11 Oklahoma and to spend at least one night in Phoenix; that each witness has a basic understanding of  
12 the other's testimony and would be able to respond to most questions related thereto; that Garkane and  
13 Staff are both recommending the same base rates and charges for Garkane's Arizona member-  
14 customers, so extensive cross-examination is not expected; and that both Staff and TASC have no  
15 objection to the Motion. A Notice of Change of Firm Affiliation was also filed by Garkane's counsel.

16 Based upon the pre-filed testimony in this matter, Garkane and Staff currently exhibit no real  
17 dispute regarding the issues to be resolved in this phase of this matter. In light of this, and the fact that  
18 neither Staff nor TASC objects to Garkane's Motion, it is reasonable to allow Garkane to present its  
19 witness testimony telephonically. It is also reasonable, provisionally, to allow Mr. Hedrick to sponsor  
20 the testimony of Ms. Payne. If it should be determined at hearing that Ms. Payne's live testimony is  
21 needed, Garkane will be required to have Ms. Payne appear telephonically on the day of hearing.

22 IT IS THEREFORE ORDERED that Garkane's witness, David Hedrick, shall be permitted to  
23 appear and testify at the hearing on March 30, 2016, by telephone rather than in person.

24 IT IS FURTHER ORDERED that Garkane shall arrange for Mr. Hedrick to call into the  
25 hearing, at 1-800-689-9374, passcode 415962#, from a landline telephone, at least five minutes before  
26 he is to testify at the hearing.

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<sup>2</sup> TASC did not appear.

1 IT IS FURTHER ORDERED that Mr. Hedrick shall, provisionally, be permitted to sponsor the  
2 testimony of Rebecca Payne and that, should it be determined that Ms. Payne's live testimony is  
3 needed, Garkane shall have Ms. Payne appear and testify by telephone on the day of hearing.

4 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend, or  
5 waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at  
6 hearing.

7 DATED this 11<sup>th</sup> day of March, 2016.

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10 SARAH N. HARPRING  
11 ADMINISTRATIVE LAW JUDGE

11 Copies of the foregoing mailed/delivered  
12 this 11<sup>th</sup> day of March, 2016, to:

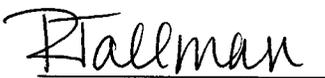
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