

CORP COMMISSION

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

TOM FORESE, Chairman DOCKETED

BOB BURNS DOUG LITTLE

MAR 3 1 2017

DOCKETED BY

ANDY TOBIN BOYD W. DUNN

E-01749A-17-0091

IN THE MATTER OF THE APPLICATION OF GRAHAM COUNTY ELECTRIC COOPERATIVE,

INC. FOR AN ACCOUNTING ORDER

AUTHORIZING THE DEFERRAL OF COSTS

ASSOCIATED WITH THE COOPERATIVE'S POST-RETIREMENT BENEFIT OBLIGATION Docket No. E-01749A-17-

APPLICATION

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Graham County Electric Cooperative, Inc. ("GCEC" or the "Cooperative"), in support of its Application, states as follows:

- GCEC is an Arizona non-profit, electric distribution cooperative. GCEC 1. incorporated in 1945 and commenced operations in 1946. It currently supplies electric service to more than 6,000 members in Graham County, Arizona.
- In November 2000, the GCEC Board of Directors approved a change in the 2. Cooperative's benefit program, which eliminated retired employee spousal health care coverage effective for retirements after June 2001. The Cooperative recently discovered that, in connection with the prior change in spousal benefits, an error was made in the post-retirement actuarial valuation. Specifically, even though GCEC has been providing benefits to its retired employees in compliance with its program, 1 its books and records do not accurately reflect the full estimate of the Cooperative's obligation. Since this discovery, the Cooperative has been

¹ GCEC currently disburses approximately \$110,000 per year for current retirees.

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- 3. Traditional Generally Accepted Accounting Principles ("GAAP") would require the Cooperative to recognize the full anticipated benefit obligation (including the amounts inadvertently omitted in prior years) as a current liability. Effective for fiscal year ended September 30, 2017, GCEC will be required to recognize a significant increase in expected and accumulated post-retirement benefit obligation, which will result in \$351,405 of Net Periodic Postretirement Benefit Cost. Recognition of the additional cost under GAAP will cause the Cooperative to violate its Debt Service Coverage loan covenant with National Rural Utilities Cooperative Finance Corporation.
- 4. Accounting Standard Codification No. 980 provides an alternative accounting option pursuant to which the Cooperative would record the expenses associated with its post-retirement benefit obligation on a cash basis. This option provides an immediate solution and relief from the consequences of the GAAP requirements. Additionally, GCEC is working on a long-term solution to decrease the total obligation that will be fair and equitable to both its members and employees. The Cooperative anticipates having a long-term solution in place by its next rate case filing, which is slated for later this year.
- 5. In order to implement the alternative accounting treatment requested herein and avoid a violation of the Cooperative's loan covenant, GCEC respectfully requests that its Application be processed as soon as possible, but no later than necessary for the Commission's approval at the September 2017 Open Meeting.

Having fully stated its Application, GCEC requests that the Commission enter its Order:

(1) approving an accounting order allowing for the deferral of costs associated with the

1	Cooperative's post-retirement benefit obligation, and (2) granting the Cooperative such other and
2	further relief as the Commission deems appropriate under the circumstances.
3	RESPECTFULLY SUBMITTED this 31st day of March, 2017.
4	GALLAGHER & KENNEDY, P.A.
5	
6	By
7	Jenrifer A. Cranston 2575 East Camelback Road
8	Phoenix, Arizona 85016-9225 Attorneys for Graham County Electric
9	Cooperative, Inc.
10	Original and 13 copies filed this
11	31st day of March, 2017, with:
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