



0000210547

BEFORE THE ARIZONA CORPORATION COMMISSION

JIM O'CONNOR
Chairman
LEA MÁRQUEZ PETERSON
Commissioner
ANNA TOVAR
Commissioner
KEVIN THOMPSON
Commissioner
NICK MYERS
Commissioner

Arizona Corporation Commission

DOCKETED

JAN 24 2024

DOCKETED BY

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-23-0256

DECISION NO. 79268

ORDER

Open Meeting
January 9, 2024
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

*Duncan Valley Electric Cooperative's Gas Division's Streamlined Arizona Administrative Code
R14-2-107 Rate Case*

1. Pursuant to Arizona Administrative Code ("A.A.C.") R14-2-107 ("Rule 107"), on
August 3, 2023, Duncan Valley Electric Cooperative's Gas Division ("DVEC" or "Cooperative")
began the process of a rate application under Rule 107 by submitting a Request for Pre-Filing
Eligibility Review in accordance with subsection (E), which states:

Before filing a rate application under this Section, a cooperative
shall:

- 1 1. Analyze the cooperative's eligibility under subsection (B);
- 2 2. Submit to Staff, both in hard copy and electronic (with
- 3 formulae intact) formats, a Request for Pre-Filing Eligibility
- 4 Review, which shall include a draft application including the
- 5 items and information described in subsections (G)(1)
- 6 through (6), and a copy of the Proposed Form of Notice to
- 7 be sent to the cooperative's customers;
- 8 3. No sooner than 30 days after the date Staff receives the
- 9 Request for Pre-Filing Eligibility Review, meet with Staff to
- 10 discuss the cooperative's eligibility under subsection (B) and
- 11 any Staff modifications to the Proposed Form of Notice; and
- 12 4. After meeting with Staff, if the cooperative decides to pursue
- 13 a rate application under this Section, file a Request for
- 14 Docket Number and Proposed Form of Notice for Staff
- 15 approval.
- 16 2. Subsequently, the pre-filing eligibility review included a draft application and a
- 17 proposed form of customer notice.
- 18 3. Over the next 30 days, Arizona Corporation Commission ("Commission") Utilities
- 19 Division Staff ("Staff") reviewed the draft application assessing Rule 107 compliance and also
- 20 worked with DVEC to revise the customer notice which highlighted the implication of a filing under
- 21 Rule 107 and the potential bill impacts of the rate increase.
- 22 4. On September 6, 2023, DVEC met with Staff, in accordance with Rule 107
- 23 subsection (E)(3), to review the eligibility under subsection (B) and discuss the proposed form of
- 24 customer notice, as well as discuss any corrections to the application. At that meeting, Staff advised
- 25 DVEC that it meets the eligibility requirements of Rule 107(B) and approved the form of notice as
- 26 required by Rule 107(F)(2).
- 27 5. After meeting with Staff, DVEC filed a request for Docket Number and Notice of
- 28 Filing Proposed Form of Customer Notice on September 8, 2023, in accordance with Rule 107(E)(4).
- The docket number in this docket was assigned that same day.
6. On September 19, 2023, DVEC filed an affidavit of mailing for the Customer Notice.
- The Customer Notice was mailed via first class mail to all DVEC customers on September 15, 2023.
- The Customer Notice inadvertently indicated that objections were required to be filed with the

Commission by October 3, 2023. After discussions with Staff, DVEC posted the correct deadline of October 16, 2023, for filing objections, on the Cooperative's website. DVEC filed its Application for a Rate Increase ("Application") on October 5, 2023. On October 19, 2023, and October 20, 2023, the Cooperative filed amendments to its Application to correct schedules A-1 and B-2.

7. Pursuant to A.A.C. R14-2-107(B)(12), to proceed with processing a rate case under Rule 107 the number of objections submitted by the indicated deadline must represent no more than five percent of all customer accounts or no more than 1,000 customer accounts, whichever is fewer. As of the filing of this Staff Report, no objections were received and there have been no requests for intervention filed in this case.

DVEC Eligibility and Sufficiency

8. On October 23, 2023, Staff filed its Notice of Eligibility in this docket indicating that Staff believed DVEC had met all of the requirements outlined in Rule 107 to be eligible to file its rate case application under Rule 107. On the same date, Staff filed a Notice of Sufficiency indicating the data provided by DVEC in its rate application were sufficient in meeting the requirements of a cooperative rate application under Rule 107.

Duncan Valley Electric Cooperative's Gas Division Background

9. DVEC is an Arizona member-owned, non-profit natural gas distribution cooperative headquartered in Duncan, Arizona. The Cooperative provides natural gas distribution service to approximately 704 members/customers located in Greenlee County. The majority of DVEC's customers are residential customers.

10. DVEC's eight-member Board of Directors ("Board") is elected by the Cooperative's members and oversees all aspects of DVEC's operations. All of DVEC's customers residing within its service area are eligible to be members of the Cooperative and vote for its Board. DVEC has indicated that at a regular meeting of the Board, held on June 19, 2023, the Board approved the filing of this Application.

11. According to its annual report filed with the Commission on April 25, 2023, DVEC is classified as a Class D Utility under A.A.C. R14-2-103(A)(3)(q). DVEC's existing rates were approved in Decision No. 77837, dated December 17, 2020, with usage billed on or after December

1 typical bill analysis detail for each rate schedule. DVEC and Staff are in agreement on the proposed
2 rates.

3 *Rate Base, Revenues, and Expenses*

4 21. The Cooperative proposed a Test Year rate base of \$1,304,934, test year total
5 revenues of \$783,930 (or base revenues of \$485,483), and test year expenses of \$688,935 in Arizona.
6 Staff recommends adoption of the Cooperative's proposed rate base, revenues, and expenses.

7 *Revenue Requirement and Rate of Return*

8 22. Staff finds that DVEC's request to adjust its rates to increase its annual gross revenue
9 requirement by \$27,501, from test year total revenues of \$783,930 to \$811,430, or from test year
10 base revenues of \$458,343 to \$485,843, an increase of six percent over the Test Year base revenues,
11 is appropriate. The rate increase would yield an operating income of \$44,588, resulting in a 3.42
12 percent rate of return on FVRB. Staff recommends adoption of DVEC's proposed base revenue
13 requirement of \$485,843 (or a total revenue requirement of \$811,430) as proposed by the
14 Cooperative. No adjustments were made by Staff.

15 23. Staff reviewed the Cooperative's proposed revenue which would produce a 2.70
16 TIER and a 5.09 DSC ratio, as shown on Gas Schedule CHJ-1 of Attachment A of the Staff Report
17 which is Staff's Financial and Regulatory Analysis Report. A DSC ratio greater than 1.0 indicates
18 that cash flow from operations is sufficient to cover debt obligations. A TIER greater than 1.0
19 indicates that cash flow from operations is sufficient to cover interest payment obligations. Staff
20 believes that the revenue increase will allow the Cooperative to meet the CFC debt covenants.

21 *Pipeline Safety Review*

22 24. During 2022 and 2023, the Commission's Office of Pipeline Safety ("AZOPS")
23 conducted its annual audits of DVEC's gas operations. The audit consisted of a review of the
24 Operation and Maintenance Plan, Emergency Plan, Anti-Drug and Alcohol Prevention Programs,
25 Operator Qualification Program, a random review of records, and a field inspection of pipeline
26 facilities. There were no unresolved compliance issues noted during this audit. Attachment B to the
27 Staff Report is a copy of the AZOPS Pipeline Safety Audit and Inspection Report.

28 ...

Consumer Services Review

25. The Consumer Services review of DVEC included an examination of the complaint history, bill format compliance, miscellaneous service charges, and DVEC's status with the Corporations Division of the Commission. Staff reviewed the Commission's records from January 1, 2020, through October 25, 2023, and found one billing complaint during that time period. The single complaint has been resolved and closed. DVEC proposed no changes to miscellaneous services charges.

26. As noted, Staff's Consumer Services Section had received zero objections to the rate increase, as of the October 16, 2023, the objection due date. There have been no requests for intervention filed, as of the filing date of this Staff Report. Consumer Services also indicated the Cooperative's bill format is in compliance with A.A.C. R14-2-310(B)(2) and the Corporations Division of the Commission finds the Cooperative in "Good Standing." Attachment C to the Staff Report is a copy of the consumer services memorandum.

Staff Conclusions and Recommendations

27. As discussed, Staff has found that DVEC is eligible to proceed with its rate application under Rule 107 and found the Cooperative's supporting documentation sufficient to support its requested six percent increase in test year base revenues.

28. Staff concludes that DVEC's OCRB and FVRB are determined to be \$1,304,934.

29. Staff has reviewed DVEC's proposed rate increase for each customer class and determined that they are within the guidelines established in Rule 107.

30. Staff further concludes that during the 30-day timeframe that customers had in which to object to the rate case application, no customer objections were filed. No DVEC customers filed for intervention in the docket.

31. Staff further concludes that DVEC's proposed Test Year rate base of \$1,304,934, test year total revenues of \$783,930 and test year expenses of \$688,935, are appropriate.

32. Staff further concludes that the rates and charges approved herein will produce an operating income of \$44,588. DVEC's proposal results in a 3.42 percent rate of return on an FVRB of \$1,304,934.

33. Staff further concludes that the rates and charges approved herein will produce a TIER of 2.70 and a DSC ratio of 5.09.

34. Staff further concludes that the rates and charges approved herein will increase revenues by \$27,501 or a six percent increase.

35. Staff further concludes that a residential customer with average usage of 59 therms will experience a rate increase in the winter of \$0.83 per month and a residential customer with average usage of 13 therms will experience a rate increase in the summer of \$4.76 per month.

36. Staff recommends the adoption of DVEC's proposed Test Year rate base of \$1,304,934, Test Year total revenues of \$811,430, and Test Year expenses of \$688,935. Staff recommends a base revenue requirement of \$485,843 (or a total revenue requirement of \$811,430) as proposed by DVEC. Staff has recommended an increase in total revenue equal to six percent over adjusted test year base revenue yielding a revenue requirement increase of \$27,501 as filed in DVEC's Application. Staff has reviewed the proposed rate increase for each customer class and is in agreement with the proposed increases.

37. Staff further recommends that DVEC file with Docket Control, as a compliance item in this Docket, tariffs consistent with the rates and charges approved in this Docket on or before February 1, 2024.

38. Staff further recommends that DVEC provide notice to its customers of the rate increase approved by the Commission in the next regularly scheduled billing cycle in a form acceptable to Staff and by posting a notice on its website.

39. Staff further concludes that the rate design proposed by DVEC and agreed to by Staff is reasonable and should be adopted.

40. Neither DVEC nor Staff is requesting that a hearing be held in this matter.

CONCLUSIONS OF LAW

1. Duncan Valley Electric Cooperative's Gas Division is a public service corporation within the meaning of Article XV of the Arizona Constitution and Arizona Revised Statutes §§ 40-250 and 40-251.

...

2. The Commission has jurisdiction over Duncan Valley Electric Cooperative's Gas Division and the subject matter of the Application.

3. Duncan Valley Electric Cooperative's Gas Division's application meets the requirements of Arizona Administrative Code R14-2-107(B).

4. Notice of the Application was given in accordance with the law.

5. The rates and charges authorized herein are just and reasonable.

6. It is just and reasonable and in the public interest to approve the rates and charges set forth in Exhibit A of this Order.

ORDER

IT IS THEREFORE ORDERED that Duncan Valley Electric Cooperative's Gas Division's rates and charges as shown in Exhibit A are hereby approved.

IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective for January 2024 usage billed on or after February 1, 2024.

IT IS FURTHER ORDERED that Duncan Valley Electric Cooperative's Gas Division shall file with Docket Control, as a compliance item in this Docket, tariffs consistent with the rates and charges approved in this Decision within 30 days of the effective date of this Decision.

...

...

...

...

...

...

...

...

...

...

...

...

IT IS FURTHER ORDERED that Duncan Valley Electric Cooperative's Gas Division shall provide notice to its customers of the rate increase approved by the Commission in the next regularly scheduled billing cycle in a form acceptable to Staff and by posting a notice on its website.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN O'CONNOR


COMMISSIONER MÁRQUEZ PETERSON


COMMISSIONER TOVAR


COMMISSIONER THOMPSON


COMMISSIONER MYERS



IN WITNESS WHEREOF, I, DOUGLAS R. CLARK, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 24th day of January, 2024.


DOUGLAS R. CLARK
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

RSP BAB:TBH:elr/NML

1 Duncan Valley Electric Cooperative's Gas Division
2 Docket No. G-02528A-23-0256

3 Kassi Mortensen
4 Duncan Valley Electric Cooperative
5 379597 AZ 75
6 Post Office Box 440
7 Duncan, Arizona 85534
8 kassi@dvec.org

9 **Consented to Service by Email**

10 Robin Mitchell
11 Director/Chief Counsel, Legal Division
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007
15 legaldiv@azcc.gov
16 utildiverservicebyemail@azcc.gov

17 **Consented to Service by Email**

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-23-0256
Test Year Ended December 31, 2022

	Present Rates	Proposed Rates	\$ Change	% Change
Small Meter <250 CFH				
Winter				
System Charge	\$28.00	\$32.00	\$4.00	14.29%
Therm Charge	0.67704	0.62340	(0.05364)	-7.92%
Summer				
System Charge	\$28.00	\$32.00	\$4.00	14.29%
Therm Charge	0.38736	0.44637	0.05901	15.23%
Medium Meter >250 <425 CFH				
Winter				
System Charge	\$40.00	\$44.00	\$4.00	10.00%
Therm Charge	0.67704	0.62340	(0.05364)	-7.92%
Summer				
System Charge	\$40.00	\$44.00	\$4.00	10.00%
Therm Charge	0.38736	0.44637	0.05901	15.23%
Large Meter >425 CFH				
Winter				
System Charge	\$56.00	\$60.00	\$4.00	7.14%
Therm Charge	0.67704	0.62340	(0.05364)	-7.92%
Summer				
System Charge	\$56.00	\$60.00	\$4.00	7.14%
Therm Charge	0.38736	0.44637	0.05901	15.23%