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BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

DOCKET NO.

E - 01773 A 00 - 0227

IN THE MATTER OF THE APPLICATION OF
ARIZONA ELECTRIC POWER
COOPERATIVE, INC. FOR
AUTHORIZATION TO INCUR LONG TERM
DEBT AND ISSUE LIENS IN ITS PROPERTY
TO FINANCE ITS CONSTRUCTION WORK
PLAN

No.: E-01773A

APPLICATION

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

Pursuant to A.R.S. § 40-301 et. seq., the Arizona Electric Power
Cooperative, Inc. ("AEPCO"), by and through its attorneys undersigned, in support of its
Application states as follows:

1. AEPCO is an Arizona non-profit electric generation and
transmission cooperative which supplies the power needs of its Class A, Class B and
Class C members. AEPCO's address is Post Office Box 670, Benson, Arizona 85602.

2. AEPCO's Board of Directors is comprised of representatives of its
members. Attached hereto and incorporated herein by this reference as Exhibit A are two
resolutions of AEPCO's Board dated February 9, 2000 which authorize the acquisition of
the long-term debt which is the subject of this Application from the Rural Utilities
Service ("RUS")-Federal Financing Bank ("FFB") guaranteed loan program.

3. In conjunction with AEPCO's Construction Work Plan and its Long-
Range Engineering Plan in January 2000, AEPCO has identified a total of \$21,510,515 in

1 necessary transmission, substation, communications and generation projects. Of this total
2 amount, \$14,360,920 are for transmission projects and \$7,149,595 are for generation
3 projects.

4 4. Attached hereto and incorporated herein as Exhibit B is a two-page
5 schedule which provides more specific information concerning the nature of the
6 transmission and generation projects. Its first page identifies various new transmission,
7 substation, switching station, line and station changes, communications and replacement
8 capital project needs related to AEPCO's transmission system. The second page of the
9 schedule identifies various replacements, retirements and upgrades associated with its
10 generation capital project needs. A complete copy of the RUS loan application has been
11 delivered under separate cover to the Staff of the Commission's Utilities Division.

12 5. Each capital project identified in Exhibit B is necessary for
13 AEPCO's transmission and generation requirements and satisfies certain reliability,
14 cost/benefit and/or environmental standards. Each capital project has been approved by
15 AEPCO's Board of Directors in its Construction Work Plan.

16 6. In order to finance these projects, AEPCO proposes to borrow
17 \$21,510,515 from the RUS-FFB guaranteed loan program for a loan period ending
18 December 31, 2020. The RUS-FFB guaranteed loan program is the most economical
19 financing source available to AEPCO. Other financing sources result in a much higher
20 cost of debt--normally more than 200 basis points above the costs of loans available
21 through the RUS-FFB guaranteed loan program.

22 WHEREFORE, having fully stated its application, AEPCO requests that

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1 the Commission enter its Order:

2 1. Authorizing the long-term borrowing by AEPCO of \$21,510,515 for
3 the capital projects identified herein;

4 2. Authorizing AEPCO to grant liens in its property as required in
5 order to secure the borrowings authorized herein; and

6 3. Authorizing AEPCO to engage in any transactions and to execute
7 any documents necessary to effectuate the authorizations granted.

8 RESPECTFULLY submitted this 7th day of April, 2000

9 GALLAGHER & KENNEDY, P.A.

10
11 BY: Michael M. Grant
12 Michael M. Grant
13 Gallagher & Kennedy, P.A.
14 2575 East Camelback Road
15 Phoenix, Arizona 85016-9225
16 Attorneys for AEPCO

15 ORIGINAL and ten copies filed this
16 7th day of April, 2000
with Docket Control.

17 Linda Maguire
18 10421-0020/828692

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22

A

ARIZONA ELECTRIC POWER COOPERATIVE, INC.
Benson, Arizona

The following resolution was adopted at a regular meeting of the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCO), held in Benson, Arizona on February 9, 2000.

R E S O L U T I O N

***WHEREAS**, the Management of AEPCO has recommended and the Board of Director's has subsequently approved AEPCO's Construction Work Plan 1997-2000, inclusive of Amendment 3; and*

***WHEREAS**, the Management of AEPCO recommended and the Board of Directors authorized the funding of the Construction Work Plan 1997-2000 through the acquisition of long term debt from the Rural Utilities Service (RUS) - Federal Financing Bank (FFB) guaranteed loan program; and*

***WHEREAS**, it has been determined that the appropriate loan amount so authorized will total \$21,510,515 which principal and interest repayment shall not exceed beyond December 31, 2020; and*

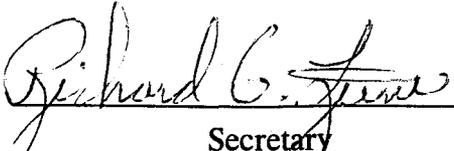
***WHEREAS**, as required by Arizona statutes AEPCO is required to obtain the necessary approvals from the Arizona Corporation Commission (ACC) prior to issuing or otherwise acquiring new long term debt.*

***NOW, THEREFORE, BE IT RESOLVED**, that Management of AEPCO is hereby authorized to seek and otherwise obtain the necessary approvals from the Arizona Corporation Commission to acquire additional long term debt in the amount of \$21,510,515 to fund the Cooperative's Construction Work Plan 1997-2000; and*

***BE IT FURTHER RESOLVED**, that the RUS is hereby authorized to release all such information necessary to the ACC for approval of AEPCO's FFB loan application in the aggregate amount of \$21,510,515; and*

***BE IT FURTHER RESOLVED**, that the Officers and Management of AEPCO are hereby authorized to submit all necessary applications and execute the necessary documentation as required by the ACC pertaining to the subject loan application and request authorization from the ACC to issue additional long term debt to support the Construction Work Plan 1997-2000.*

I, Richard G. Lunt, do hereby certify that I am Secretary of AEPCO, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a regular meeting held on February 9, 2000.


Secretary

(seal)

ARIZONA ELECTRIC POWER COOPERATIVE, INC.
Benson, Arizona

The following resolution was adopted at a regular meeting of the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCO), held in Benson, Arizona on February 9, 2000.

RESOLUTION

***WHEREAS**, the Management of AEPCO has recommended and the Board of Director 's has subsequently approved AEPCO's Construction Work Plan 1997-2000, inclusive of Amendment 3; and*

***WHEREAS**, Management recommends that it is in the best interest of the Cooperative and its Member-owners to fund the Construction Work Plan 1997-2000 through the use of long term debt acquired through a Rural Utilities Service (RUS) - Federal Financing Bank (FFB) loan; and*

***WHEREAS**, due to AEPCO's pending restructuring project it has been determined that the loan application to support the Construction Work Plan 1997-2000 be submitted in two parts separating Budget Purpose 2 (Transmission) and Budget Purpose 3 (Generation) projects; and*

***WHEREAS**, it has been determined that the appropriate loan amount for Budget Purpose 2 projects is \$14,360,920 and for Budget Purpose 3 projects is 7,149,595.*

***NOW THEREFORE BE IT RESOLVED**, that the Board of Directors of Arizona Electric Power Cooperative, Inc. authorizes and hereby directs the submittal of an application to the Rural Utilities Service pursuant to 7 CFR 1710 for a guaranteed FFB loan in the amount of \$14,360,920 for Budget Purpose 2 and \$7,149,595 for Budget Purpose 3 to be used in accordance with the provisions of 7 CFR Part 1710 to finance the capital facilities as specified in the Construction Work Plan 1997-2000; and*

***BE IT ALSO RESOLVED**, that the RUS guaranteed FFB loan shall bear a maturity date to cover a maximum approximate period of twenty-one years, such period ending on December 31, 2020; and*

***BE IT ALSO RESOLVED**, that the Board of Directors of Arizona Electric Power Cooperative, Inc. authorizes its officers and the Executive Vice President and CEO of AEPCO to execute and attest to all necessary papers, documents, and applications related to the aforementioned loan application; and*

BE IT FURTHER RESOLVED, that the President and/or the Executive Vice President and CEO are hereby authorized on behalf of AEPCO to: (1) execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing notices, in the form of such instruments attached to the note payable to FFB; and (2) to specify information and select the most appropriate and economical repayment option as provided in such instruments; and

BE IT FURTHER RESOLVED, that Arizona Electric Power Cooperative, Inc. hereby authorizes the RUS to release the appropriate information and data relating to the application to the FFB and any supplemental lenders as may be necessary in connection with the execution of the loan application or the issuance of debt through the advance requests, maturity extensions, prepayment and/or refinancing notices.

I, Richard G. Lunt, do hereby certify that I am Secretary of AEPCO, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a regular meeting held on February 9, 2000.


Secretary

(seat)

B

\$75,000 and Lower Deleted, no IDC

740C	800	App. A Pg.	Project	W/O	1997	1998	1999	2000	Total \$'s	AM#3 Chg.	IDC	Total - IDC
	Transmission Lines											
	800.1	Deleted							\$0			
	800.2	Deleted							\$0			
	800.4	A-8 RS 16 230KV Line	New Transmission Line Total	5000110010	\$0	\$944,160	\$0	\$0	\$944,160		\$0	\$944,160
									\$944,160		\$0	\$944,160
	900	New Substations, Switching Stations										
	900.2	A-1 Sahuarita Substation, 230/24.9 KV		500003201011			\$2,535,292		\$2,535,292		\$73,125	\$2,462,167
	900.3	Deleted							\$0			
	900.4	A-13 Topock Substation, 230 /69 KV		5000037010			\$4,206,535		\$3,466,162		\$152,844	\$3,313,218
	900.5	A-16 Thornydale(Tangerine) Substation, 138(or 46)/24.9 KV		5000202010					\$0	To 2001-4 CWP		
			New Substation Total		\$0	\$0	\$6,741,827	\$0	\$6,001,454		\$228,069	\$5,775,385
	1000	Line and Station Changes										
	1000.1	A-19 Morenci/Hackberry Str. 119, 121, 122, 123		942283				\$190,000	\$190,000		\$5,000	\$185,000
	1000.3	A-21 Dos Condados/Hackberry Str. 23, 24, 25		942295				\$190,000	\$190,000		\$5,000	\$185,000
	1000.12	Deleted							\$0			
	1000.13	Deleted							\$0			
	1000.14	Dos Condados Breaker for Stewart Tie-Line		5000034010	\$144,937				\$144,937		\$2,055	\$142,882
	1000.15	Dos Condados Second Transformer and Upgrade		5000036010	\$1,544,733				\$1,544,733		\$43,018	\$1,501,715
	1000.16	Anza Lines & Subs.(Cap. Bank at Idyllwild)		5000201010				\$0	\$0	To Future		
	1000.17	Second Greenlee Substation Transformer		JT5541	\$0				\$0			
	1000.18	A-37 Greenlee Tertiary Tap		5000209010	\$214,457				\$214,457		\$12,188	\$202,269
	1000.20	A-157 Greenlee-Greenlee 345KV Transmission Line Reroute		5000303010				\$500,000	\$500,000		\$16,091	\$483,909
	1000.22	A-196 Marana Transformer Replacement		5000250010				\$1,084,000	\$1,084,000	Added	\$10,000	\$1,074,000
	1000.23	A-198 Three-Points Capacitor Bank Replacement/Retire	Line and Substation Changes Total	5000343010/100	\$144,937	\$1,759,190	\$380,000	\$1,862,500	\$4,146,827	Added	\$1,078	\$277,422
											\$94,430	\$4,052,197
	1100	Other Transmission Items										
	1101	(Communications & SCADA)										
	1101.6	A-44 Telecommunications Upgrade	Communications & SCADA Total	5000029010	\$0		\$2,102,715	\$0	\$2,102,715		\$130,969	\$1,971,746
											\$130,969	\$1,971,746
	1102	(Line & Substation Ordinary Replacements)										
	1102.24	A-50 1998 Transmission Renewals/Replacements		5000266010		\$462,852			\$462,852		\$5,527	\$457,325
	1102.25	A-53 1999 Transmission Renewals/Replacements		5000267010			\$291,400		\$291,400		\$10,577	\$280,823
	1102.26	A-56 2000 Transmission Renewals/Replacements		5000268010				\$286,500	\$286,500		\$10,577	\$275,923
	1102.31	A-67 Davis Dam/Riveria Str. 205, 212, 278, 291, 303		5000207010		\$117,340			\$117,340		\$3,356	\$113,984
	1102.32	A-70 Davis Dam/Riveria Str. Replacement	Line & Substation Ordinary Replacements Total	5000208010	\$0	\$580,192	\$814,899	\$286,500	\$1,681,581		\$64,149	\$1,617,432
			Transmission, Substation and Communications Total		\$144,937	\$3,283,542	\$10,039,431	\$2,149,000	\$14,876,537		\$515,617	\$14,360,920

