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BEFORE THE ARIZONA CORPORATION COMMISSION

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JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION
OF ARIZONA ELECTRIC POWER
COOPERATIVE, INC. FOR A RATE
INCREASE

DOCKET NO.E-01773A-04-0528

IN THE MATTER OF THE
APPLICATION OF SOUTHWEST
TRANSMISSION COOPERATIVE, INC.
FOR A RATE INCREASE.

DOCKET NO. E-04100A-04-0527

**NOTICE OF FILING OF
TESTIMONY SUMMARIES**

Staff hereby provides notice of filing the summaries of testimony for Staff Witnesses,
Barbara Keene, Erin Casper, Alejandro Ramirez, Crystal Brown, and Jerry D. Smith.

RESPECTFULLY SUBMITTED this 12 day of April 2005.

Timothy J. Sabo
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Arizona Corporation Commission
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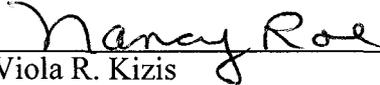
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WITNESS SUMMARY
Testimony of Barbara Keene
Arizona Electric Power Cooperative, Inc.
Docket No. E-01773A-04-0528

Ms. Keene's testimony recommends that a fuel and purchased power cost adjustor be established for AEPCO but only with certain features and conditions. The base cost of fuel and purchased power be set at \$0.01687 per kWh for full requirements customers and \$0.01603 per kWh for the partial requirements customer.

Ms. Keene's testimony recommends that AEPCO engage in cost-effective DSM programs. AEPCO should be allowed to recover its program costs for pre-approved DSM projects through a DSM adjustment mechanism. AEPCO should submit annual and quarterly DSM reports to the Commission.

Ms. Keene's testimony recommends new rates for AEPCO in order for AEPCO to recover Staff's recommended revenue requirements. These rates would result in an overall increase for Class A members of 10.9 percent. Mohave Electric's increase would be 15.5 percent, while the increase for the other distribution cooperatives would range from 8.6 to 8.9 percent each.

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WITNESS SUMMARY
Testimony of Alejandro Ramirez
Arizona Electric Power Cooperative, Inc.
Docket No. E-01773A-04-0528

The testimony of Staff witness Mr. Alejandro Ramirez's addresses Arizona Electric Power Cooperative, Inc.'s ("AEPCO" or "Applicant") recommended operating income, APECO's times interest earned ("TIER") and debt service coverage ("DSC") ratios that result from of the recommended operating income and the Applicant's capital structure.

Operating Income – Staff recommends operating revenues no less than the \$148,397,723 proposed by AEPCO.

TIER and DSC Ratios – AEPCO's proposed revenues would provide a TIER of 1.50 and a DSC ratio of 0.99. The Applicant's proposed revenue fails to provide sufficient internally generated operating cash flow to meet its debt service obligations.

Capital Structure – Staff recommends that the Applicant improve its equity position to 30 percent of the capital structure in a reasonable timeframe.

Staff also recommends that the Commission adopt a patronage distribution restriction for AEPCO that is no less restrictive than the Applicant's existing debt covenants.

Staff further recommends that the Commission require AEPCO to file another rate case within five (5) years after the effective date of a decision in this proceeding.

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WITNESS SUMMARY
Testimony of Crystal Brown
Arizona Electric Power Cooperative, Inc.
Docket No. E-01773A-04-0528

I will appear on behalf of the Arizona Corporation Commission Staff and will testify concerning Staff's position and recommendations regarding Arizona Electric Power Cooperative, Inc.'s ("AEPCO") application for a permanent rate increase in the areas of rate base, operating income, and revenue requirement. My testimony is summarized below:

Staff recommends total annual operating revenue of no less than that proposed by AEPCO, which is \$148,397,723, an increase of \$9,477,998, or 6.82 percent, over Staff adjusted Test Year revenues of \$138,919,725. The recommended revenue would produce an operating margin of \$19,903,441 for a 10.50 percent rate of return on the original cost and fair value rate base of \$189,637,810 to provide a 1.50 times interest earned ratio ("TIER") and a 0.99 debt service coverage ratio ("DSC").

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WITNESS SUMMARY
Testimony of Jerry D. Smith
Arizona Electric Power Cooperative, Inc.
Docket No. E-01773A-04-0528

Commission witness, Jerry D. Smith's direct testimony deals solely with Arizona Electric Power Cooperative's ("AEPCO") rate based utility plant. AEPCO adjusted its 2003 rate based utility plant to include a coal blending facility constructed following the test-year but preceding its July 2004 rate application. The justification of need for all AEPCO rate based utility plant constructed since October 2002 is addressed in Mr. Smith's testimony. Mr. Smith also reaffirms the justification of need for such facilities established in prior Commission proceedings. His testimony concludes that all utility plant contained in AEPCO's rate application is used and useful.

1 the projected schedule set forth in Decision No. 62758.

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