

NEW APPLICATION



0000024970

ORIGINAL

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2000 OCT 16 P 3:41

CARL J. KUNASEK
COMMISSIONER - CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01787A-00-0820
NAVOPACHE ELECTRIC COOPERATIVE,)
INC., AN ARIZONA NON-PROFIT) APPLICATION FOR
CORPORATION, FOR APPROVAL TO OBTAIN) APPROVAL TO OBTAIN
AN UNSECURED PERPETUAL LINE OF) LINE OF CREDIT
CREDIT TOTALING \$10,000,000 FROM THE)
NATIONAL RURAL UTILITIES) (Expedited Review Requested)
COOPERATIVE FINANCE CORPORATION.)
_____)

Navopache Electric Cooperative, Inc. ("Navopache"), through its counsel undersigned, hereby files with the Arizona Corporation Commission ("Commission") an Application for approval to obtain an unsecured Line of Credit ("LOC") totaling \$10,000,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC"). This CFC LOC is required so that Navopache can perform necessary construction to provide continued adequate, efficient, and reliable electric service to all of the Cooperative's consumers. In support of its Application, Navopache states as follows:

1. Navopache is a nonprofit, rural electric distribution cooperative and public service corporation.
2. The Commission has issued Navopache a Certificate of Convenience and Necessity ("CC&N"), as modified in Decision No. 62612, to provide standard offer service and electric distribution service to consumers in Navajo, Apache, Greenlee, and Gila Counties in Arizona. Navopache also provides electric service to consumers in Catron

1 County, New Mexico.

2 3. The Commission has jurisdiction over Navopache and the subject
3 matter of this Application.

4 4. Navopache currently provides electric service to approximately 29,682
5 consumers through 2,855 miles of distribution and transmission line within its 10,000 square
6 mile service area. This equates to less than eleven consumers served per mile of distribution
7 line, and less than three consumers served per square mile of service area.

8 5. Navopache is experiencing robust growth within its service area. For
9 example, during the last two-year period, Navopache has connected 2,632 new services, or
10 about 1,316 new services per year. By 2003, Navopache expects to provide service to almost
11 35,000 consumers. Navopache's low-density service area requires that the cooperative build
12 far-reaching line extensions to serve new customers. Although new customers reimburse
13 Navopache for some of the costs associated with the line extensions, customer contributions
14 do not nearly cover the entire cost of these line extensions, thus leaving Navopache to absorb
15 the substantial remaining costs of constructing the new customer line extensions.

16 6. Navopache retained engineering consultant SGS Witter, Inc. to review
17 Navopache's transmission and distribution system and identify any needs and weaknesses that
18 affect the adequacy, efficiency and reliability of this system and prepare a work plan designed
19 to cure these needs and weakness. Exhibit A shows the specifics of Navopache's Work Plan
20 as outlined in completed REA Form 740c. (Because the actual "Four Year Construction
21 Work Plan 2000 - 2003" including maps, as prepared by SGS Witter, Inc., is very
22 voluminous, one copy (Exhibit A1) is being filed with the Commission Docket Control and
23
24
25
26

1 one copy is being provided to the Utilities Division Staff person Jerry Smith. Navopache will
2 provide additional copies of the "Work Plan" to any interested party upon request.)

3 7. In the Four Year Work Plan ("Work Plan"), SGS Witter, Inc. identified
4 several needs and weakness in Navopache's distribution and transmission system, and
5 methods for Navopache to correct these needs and weaknesses over the next two to four years
6 to ensure continued system adequacy, efficiency and reliability.
7

8 8. As identified in the Work Plan, at present only one delivery point
9 serves Navopache's entire eastern 69 kV transmission system. This system supplies power to
10 St. Johns, Concho, Greer, Green's Peak, Round Valley, Saffel Canyon, Nutrioso, Alpine,
11 Jenk's Ranch, Luna, Frisco Ridge, and Stevens Substations. Voltage levels on Navopache's
12 69 kV system, under projected load conditions, drop below 0.95 per-unit for Alpine, Jenk's
13 Ranch, Luna Frisco Ridge, and Stevens. Losses on Navopache's transmission system are 845
14 kW.
15

16 9. In the Work Plan, SGS Witter, Inc. recommends that Navopache build
17 a new delivery point at the Springerville Power Plant. The Springerville Power Plant is
18 approximately 20 miles northeast of Springerville and Eagar. The Springerville Substation
19 will require a 34.5 kV and a step up to 69 kV using a 30/40/50 MVA transformer. A 69 kV
20 line using 795 MCM ACSR conductors must also be built from Springerville to the Round
21 Valley Switching Station, a distance of 20 miles. The Round Valley Switching Station must
22 be modified to accommodate the new feed from the Springerville Substation.
23

24 10. Upon completion of the proposed Springerville/Round Valley
25 transmission line extension, voltage levels on Navopache's system will improve dramatically.
26

1 The worst voltage condition on the system will be 1.004 and losses will be reduced to 183
2 kW. The savings of 662 kW justifies approximately 47% of the total cost of this particular
3 construction project.

4 11. The Coronado Transformer serves the eastern portion of Navopache's
5 distribution system and is essential to providing reliable service. Until Navopache builds the
6 Springerville/Round Valley transmission line extension, the reliability of Navopache's entire
7 eastern transmission system is in jeopardy in the event that the Coronado Transformer goes
8 down. The Coronado Transformer was manufactured in 1978. The now defunct Plains
9 Electric Generation and Transmission Cooperative, Inc. ("Plains") owned, and had
10 responsibility to maintain, the Coronado Transformer for the past twenty-two years. Public
11 Service Company of New Mexico ("PNM") acquired ownership of the Transformer this
12 summer. Navopache believes that no internal inspection has been performed on the Coronado
13 Transformer since 1978. Navopache also believes that the Coronado Transformer's insulating
14 oil has not been processed since 1978, and that the Transformer is experiencing minor oil
15 leaks. Navopache believes that there is only one other transformer in the world similar to the
16 Coronado Transformer.
17
18

19 12. In the event that the Coronado Transformer goes down, Navopache
20 estimates that repairs to the Transformer would take from nine to twelve months to complete.
21
22 Meanwhile, Navopache's eastern distribution system would be without service. The
23 proposed construction of the Springerville/Round Valley transmission line, however, would
24 allow Navopache to continue servicing its eastern system without the Coronado Transformer,
25 thus solving Navopache's eastern system reliability problem.
26

1 13. Consistent with its corporate powers and sound financial and
2 managerial practices, Navopache's Board of Directors approved the Four-Year Work
3 Construction Plan ("Work Plan") for Navopache to perform construction to its transmission
4 and distribution lines to cure the needs and weaknesses as identified by SGS Witter, Inc., and
5 to continue building line extensions to serve new customers. Exhibit B is the Board
6 Resolution approving the Work Plan and associated construction and loan fund requirements.
7

8 14. Navopache will soon have insufficient funds to continue the Four Year
9 Work Plan including construction of the Springerville/Round Valley transmission line
10 extension and building distribution line extensions to serve new customers.
11

12 15. Navopache has in the past, borrowed money from the Rural Utilities
13 Service ("RUS") and CFC to fund construction of its transmission and distribution system
14 pursuant to Orders of the Commission approving such borrowings. As of December 31,
15 1999, the total amount of the unpaid principal balance of Navopache's loans from RUS and
16 CFC was \$24,171,861 and \$8,019,304 respectively. Exhibit C is Navopache's most recent
17 Financial and Statistical Report (REA Form 7).
18

19 16. The Rural Electrification Act, as amended in 1973, allows RUS to
20 make loans to electric cooperatives to finance construction of electric transmission and
21 distribution lines or systems in rural areas. *7 USCA §§ 931 and 904*. At present, however,
22 due to the large quantity of applications from cooperatives to borrow these funds, there is a
23 delay of up to two years from the time the borrower's application with RUS is filed until the
24 time that the loan is consummated and funding is made available to the borrower.
25

26 ...

1 17. CFC recognizes Navopache's pressing need to fulfill its obligations
2 under the Work Plan and immediate need for funding the Work Plan. Thus, CFC has agreed
3 to provide Navopache with an unsecured LOC totaling \$10,000,000 to fund the first two years
4 of the Work Plan, while Navopache makes application to RUS and waits for long-term
5 financing funds to become available to fund the entire Work Plan. Exhibit D is CFC's letter
6 statement approving the LOC.
7

8 18. The intent of the LOC is to act as a "bridge loan" to fund the first two
9 years of Navopache's Work Plan, and to allow Navopache to continue to build line extensions
10 for new customers, until Navopache secures RUS funding. All amounts outstanding under
11 the CFC LOC are due and payable to CFC upon Navopache's receipt of the proceeds from its
12 long-term RUS financing as this financing becomes available to Navopache. Exhibit E is a
13 copy of the LOC Agreement signed by Navopache and CFC. Exhibit F is the Motion passed
14 by Navopache's Board of Directors approving the CFC \$10,000,000 LOC as contained in an
15 excerpt from the Minutes of Navopache's Regular Board Meeting held on June 27, 2000.
16

17 19. Navopache intends to file a Rate Adjustment Application with the
18 Commission within 30 to 60 days. Navopache has retained rate consultants C.H. Guernsey
19 and Navigant Consulting, Inc. to prepare the Rate Adjustment Application.
20

21 20. Navopache's CFC LOC request is for lawful purposes, within
22 Navopache's corporate powers, compatible with the public interest, within sound financial
23 practices, and within the proper performance by Navopache as a public service corporation.
24

25 ...

26 ...

1 WHEREFORE, Navopache having fully stated its Application and showing
2 that it is in the public interest for it to obtain funding under the CFC LOC to ensure an
3 adequate, efficient and reliable transmission and distribution system to serve its consumers,
4 Navopache requests that the Commission enter its expedited Order:
5

6 1. Approving Navopache's request to borrow monies totaling \$10,000,000
7 from CFC under an unsecured LOC, on condition that Navopache comes before the
8 Commission with a Rate Adjustment Application; and

9 2. Authorizing Navopache to use the proceeds from the CFC LOC to fund
10 its Work Plan as described in this Application.

11 RESPECTFULLY SUBMITTED this 16th day of October, 2000.

12 MARTINEZ & CURTIS, P.C.

13
14 By Paul R. Michaud

15 Michael A. Curtis, Esq.
16 Paul R. Michaud, Esq.
17 2712 North Seventh Street
18 Phoenix, Arizona 85006-1090
19 Attorneys for Navopache Electric
 Cooperative, Inc.

20 **The original and ten (10) copies**
21 **of Navopache's Application for**
22 **Approval To Obtain Line Of**
 Credit are filed this 16th day
 of October, 2000, with:

23 DOCKET CONTROL
24 Arizona Corporation Commission
25 1200 West Washington Street
 Phoenix, Arizona 85007

26 ...

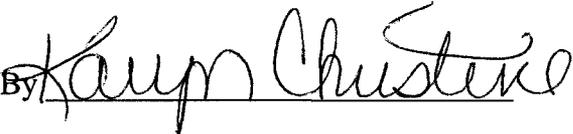
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

**The original only of Navopache's
Four-Year Construction Work Plan,
as prepared by SGS Witter, Inc., is
filed this 16th day of October, 2000,
with:**

DOCKET CONTROL
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**A copy of Navopache's Application
for Approval To Obtain Line Of
Credit is mailed this 16th day
of October, 2000, to:**

COMPLIANCE SECTION
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By 

109/-12-9/pleadings/finance application.091200

SECTION A. COST ESTIMATES (cont.)			BORROWER'S COST ESTIMATES	RUS USE ONLY
100 b. New Substation, Switching Station, etc.				
<u>Station Designation</u>	<u>kVA</u>	<u>kV TO kV</u>		
900.01 Springerville Substation	30/40/50 MVA	34.5-69	\$1,600,000	
			0	
			0	
			0	
			0	
			0	
			0	
			0	
Subtotal			\$1,600,000	
1000 c. Line and Station Changes				
<u>Line/Station Designation</u>	<u>Description of Changes</u>			
1000.01 Round Valley Substation	Modify to accommodate new feed from Springerville Power Plant		\$600,000	
			0	
			0	
			0	
			0	
			0	
			0	
			0	
			0	
Subtotal			\$600,000	
1100 d. Other Transmission Items				
1101	(1) R/W Procurement		\$0	
1102	(2) Engineering Fees		0	
1103	(3) Ordinary Replacements - All Transmission Units; Poles, Crossarms, Bells & Grounds		334,010	
1104	(4) Reimbursement of General Funds		0	
Subtotal			\$334,010	
TOTAL TRANSMISSION.....			\$4,734,010	
1200 3. GENERATION (including Step-up Station at Plant)				
1201	a. Fuel	Nameplate Rating	kW	\$0
1202	b.			0
TOTAL GENERATION.....			\$0	
1300 4. HEADQUARTERS FACILITIES				
1301	a. New or additional Facilities	(Attach RUS Form 740g)		\$0
1302	b.			0
TOTAL HEADQUARTERS FACILITIES.....			\$0	

SECTION A. COST ESTIMATES (cont.)		BORROWER'S COST ESTIMATES	RUS USE ONLY
1400	5. ACQUISITIONS		
	a. _____ Consumers _____ Miles	\$0	
	b. _____	0	
	TOTAL ACQUISITIONS.....	\$0	
1500	6. ALL OTHER		
	a. _____	\$0	
	b. _____	0	
	c. _____	0	
	TOTAL ALL OTHER.....	\$0	

SECTION B. SUMMARY OF AMOUNTS AND SOURCES OF FINANCING

1. GRAND TOTAL - ALL COSTS		\$17,333,772	
2. FUNDS AND MATERIALS AVAILABLE FOR FACILITIES			
a. Loan Funds	\$0		
b. Materials and Special Equipment	0		
c. General Funds			
Purpose 1	\$0.00		
Purpose 2	0.00		
Purpose 3	0.00		
Purpose 4	0.00		
	\$0		
d. Total Available Funds and Materials		\$0	
3. NEW FINANCING REQUESTED FOR FACILITIES		\$17,333,772	
4. RUS LOAN REQUESTED FOR FACILITIES.....	100%	\$17,334,000	
5. TOTAL SUPPLEMENTAL LOAN REQUESTED	0%	\$0	
	<i>Name of Supplemental Lender</i>		
6. CAPITAL TERM CERTIFICATE PURCHASES (CFC Loan only) ..	0%	\$0	
7. SUPPLEMENTAL LOAN REQUESTED FOR FACILITIES.....		\$0	
8. 100% SUPPLEMENTAL LOANS (SEE RUS Bulletin 20-40, Art. C)*		\$0	

* Identify in section A by budget purpose and separate subtotals.

SECTION C. CERTIFICATION

We, the undersigned, certify that:

1. Upon completion of the electrical facilities contained herein and any others uncompleted at this time but for which financing is available, the system will be capable of adequately and dependably serving the projected load for the loan period as contained in our current RUS approved Power Requirement Study and Construction Work Plan.
2. Negotiations have been or will be initiated with our power supplier, where necessary, to obtain new delivery points and/or additional capacity at existing ones to adequately supply the projected load upon which this loan application is based.
3. The data contained herein and all supporting documents have, to the best of my knowledge, been prepared correctly and in accordance with RUS Bulletin 20-2.

Date

Signature of Borrower's Manager

Date

Signature of Borrower's President

Navopache Electric Cooperative, Inc.

Corporate Name of Borrower

GFR Initials _____

Supplemental 740c Attachment
Navopache Electric Cooperative, Inc
Arizona 13 Navajo
2000 - 2003 Four Year Construction Work Plan

DISTRIBUTION FACILITIES		Loan Funds	Other Sources	General Funds	Total Costs
<u>New Line (Excluding Tie Lines) - Series 100</u>					
101	URD service to 2045 consumers - 46.4 miles.....	\$1,213,994	\$606,118	\$0	\$1,820,112
102	OH service to 3755 consumers - 190.73 miles.....	\$4,118,645	\$495,004	\$0	\$4,613,649
<u>Conversions and Line Changes - Series 300</u>					
+ 300.23	Convert 5.3 miles; 4.16/2.4 kV to 24.9/14.4 kV, Saffel Canyon Ckt 185.....	\$221,000	\$0	\$0	\$221,000
- 300.27	Inset 70 poles, Springer Mountain Ckt 171.....	\$68,000	\$0	\$0	\$68,000
+ 300.28	Inset 63 poles, Concho Ckt 163.....	\$62,000	\$0	\$0	\$62,000
300.33	Convert 2.0 miles, 2.4 kV Delta to 24.9/14.4 kV, McNary Ckt 111.....	\$83,400	\$0	\$0	\$83,400
300.34	Convert 8.8 miles, 1-ph to 3-ph 1/0 ACSR, Concho Ckt 163.....	\$387,200	\$0	\$0	\$387,200
300.35	Convert 1.6 miles, 1/0 ACSR and #6 Cu to 477 MCM ACSR, Heber Ckt 192.....	\$120,000	\$0	\$0	\$120,000
300.36	Convert 2.0 miles, V-ph to 3-ph #2 ACSR, Heber Ckt 192.....	\$90,000	\$0	\$0	\$90,000
300.37	Convert 0.8 miles, V-ph to 3-ph #2 ACSR, Pinetop Lakes Ckt 2.....	\$40,000	\$0	\$0	\$40,000
300.38	Relocate 1.5 miles, 3-ph line in Woodland area, Lakeside Ckt 71.....	\$45,000	\$0	\$0	\$45,000
<u>Miscellaneous Distribution Equipment - Series 600</u>					
601.1a	UG consumers - 753 transformers.....	\$1,256,004	\$0	\$0	\$1,256,004
601.1b	OH consumers - 2543 transformers.....	\$2,026,771	\$0	\$0	\$2,026,771
601.1c	Meters - 5684 regular & 116 three-phase.....	\$880,556	\$0	\$0	\$880,556
602	Increased Capacity Service Wire Sets - 300.....	\$145,500	\$0	\$0	\$145,500
603	VT's and CT's - 440.....	\$62,040	\$0	\$0	\$62,040
604	Sectionalizing Equipment - Assorted Equipment.....	\$563,000	\$0	\$0	\$563,000
605	Voltage Regulators - One regulator, and two sets of three regulators.....	\$77,000	\$0	\$0	\$77,000
606	Capacitors - None.....	\$0	\$0	\$0	\$0
+ 607	Ordinary Replacements - All distribution units.....	\$93,980	\$0	\$0	\$93,980
608	Conversion Transformers - 30 for McNary & 66 for Saffel Canyon.....	\$76,512	\$0	\$0	\$76,512
609	Cable Curo - 7.4 miles.....	\$391,000	\$0	\$0	\$391,000
<u>Other Distribution Items - Series 700</u>					
702	Security Lights - 660 new installations.....	\$578,160	\$0	\$0	\$578,160
704	Reimbursement of General Funds.....	\$0	\$0	\$0	\$0
2. TRANSMISSION FACILITIES					
<u>New Line - Series 800</u>					
800.01	Build 20 mi of 69 kV 795 MCM ACSR, Springerville to Round Valley.....	\$2,200,000	\$0	\$0	\$2,200,000
<u>New Substations, Switching Stations, etc. - Series 900</u>					
900.01	Springerville Substation - 34.5-69 kV, 30/40/50 MVA.....	\$1,600,000	\$0	\$0	\$1,600,000
<u>Line and Station Changes - Series 1000</u>					
1000.08	Modify Round Valley Substation for new feed from Spingerville.....	\$600,000	\$0	\$0	\$600,000
<u>Other Transmission Items - 1100</u>					
1103	Ordinary Replacements - All transmission units.....	\$334,010	\$0	\$0	\$334,010
TOTALS: 2000 - 2003 CONSTRUCTION WORK PLAN		\$17,333,772	\$1,101,122	\$0	\$18,434,894

* - These projects are carryovers from 1995 - 1998 CWP.

+ - Loan funds for ordinary replacement items do not include original costs or cost of removal.

V. SUMMARY OF SYSTEM IMPROVEMENTS

	Year 2000	Year 2001	Year 2002	Year 2003	Total
A. Distribution					
1. New Member Line Extensions - 100					
101	a. Underground Consumers				
	1) 1-Ph Underground				
	1982 consumers, 44.17 miles of line, loan fund cost of \$19,012 and an actual cost of \$29,376 per mile				
	44.17 miles @ \$29,376/mile	\$324,385	\$324,385	\$324,385	\$1,297,538
	2) V-Ph Underground				
	2 consumers, 0.02 miles of line, loan fund cost and an actual cost of \$336,117 per mile				
	0.02 miles @ \$336,117/mile	\$1,681	\$1,681	\$1,681	\$8,722
	3) 3-Ph Underground				
	61 consumers, 2.21 miles of line, loan fund cost of \$166,295 and an actual cost of \$233,417 per mile				
	2.21 miles @ \$233,417/mile	\$128,963	\$128,963	\$128,963	\$515,852
	b. Aerial Consumers				
102	1) 1-Ph Overhead				
	3700 consumers, 184.50 miles of line, loan fund cost of \$20,233 and an actual cost of \$22,881 per mile				
	184.50 miles @ \$22,881/mile	\$1,055,386	\$1,055,386	\$1,055,386	\$4,221,546
	2) 3-Ph Overhead				
	5 consumers, 6.23 miles of line, loan fund cost of \$61,903 and an actual cost of \$62,938 per mile				
	6.23 miles @ \$62,938/mile	\$98,026	\$98,026	\$98,026	\$392,104
	c. Total - New Construction				
	\$1,608,440	\$1,608,440	\$1,608,440	\$1,608,440	\$6,433,761
2. New Tie Lines - 200					
	None	\$0	\$0	\$0	\$0
3. Conversion and Line Changes - 300					
300.23	a. Convert 5.3 miles 4.16/2.4 kV to 24.9/14.4 kV, Eagar area, Saffel Canyon Circuit 185				
	5.3 miles @ \$42,000/mile	\$221,000			\$221,000
300.27	b. Inset 70 poles, Springer Mountain Circuit 171				
	70 poles @ 972 each	\$17,000	\$17,000	\$17,000	\$68,000
300.28	c. Inset 63 poles, Concho Circuit 163				
	63 poles @ 972 each	\$15,500	\$15,500	\$15,500	\$62,000

* - Carryover project from previous Construction Work Plan.

V. SUMMARY OF SYSTEM IMPROVEMENTS

	Year 2000	Year 2001	Year 2002	Year 2003	Total
300.33					
d. Convert 2.0 miles of 2.4 kV delta to 24.9/14.4 kV operation, north part of McNary, McNary Circuit 111					
2.0 miles @ \$41,700/mile		\$83,400			\$83,400
300.34					
e. Convert 8.8 miles of 1-ph to 3-ph 1/0 ACSR, nodes 6532 to 6542					
8.8 miles @ \$44,000/mile	\$387,200				\$387,200
300.35					
f. Convert 1.6 miles of 3-ph 1/0 ACSR to 477 MCM ACSR, Heber Circuit 192, sub to node 2610					
1.6 miles @ \$75,000/mile		\$120,000			\$120,000
300.36					
g. Convert 2.0 miles of V-Ph to 3-Ph #2 ACSR Heber Circuit 192, nodes 2644 to 2648					
2.0 miles @ \$45,000/mile			\$90,000		\$90,000
300.37					
h. Convert 0.8 miles of V-Ph to 3-Ph #2 ACSR line, Pinetop Lakes Circuit 2, nodes 7006 to 7008					
0.8 miles @ \$50,000/mile				\$40,000	\$40,000
300.38					
i. Relocate 1.5 miles, 3-ph line in Woodland area, Lakaside Circuit 71					
1.5 miles @ \$30,000/mile				\$45,000	\$45,000
m. Total - Conversions, etc.	\$640,700	\$235,900	\$122,500	\$117,500	\$1,116,600
4. New Substations & Switching - 400					
None	\$0	\$0	\$0	\$0	\$0
5. Substation Changes - 500					
None	\$0	\$0	\$0	\$0	\$0
6. Miscellaneous Dist. Equip. - 600					
a. Transformers and Meters					
1) 753 URD Transformers @ \$1,668 each	\$314,001	\$314,001	\$314,001	\$314,001	\$1,256,004
2) 2543 OH Transformers @ \$797 each	\$506,693	\$506,693	\$506,693	\$506,693	\$2,026,771
601 3) 5,684 Regular Meters @ \$142 each	\$201,782	\$201,782	\$201,782	\$201,782	\$807,128
4) 116 Special Meters @ \$633 each	\$18,357	\$18,357	\$18,357	\$18,357	\$73,428
5) Total - Transformers & Meters	\$1,040,833	\$1,040,833	\$1,040,833	\$1,040,833	\$4,163,331
b. Increased Capacity Services					
1) 300 Increased Capacity Service Wire Sets @ \$485 each	\$36,375	\$36,375	\$36,375	\$36,375	\$145,500
602 2) Total - Increased Capacity Services	\$36,375	\$36,375	\$36,375	\$36,375	\$145,500

V. SUMMARY OF SYSTEM IMPROVEMENTS

	Year 2000	Year 2001	Year 2002	Year 2003	Total
c. VTs and CTs					
603					
1) 440 Service VTs and CTs @ \$141 each	\$15,510	\$15,510	\$15,510	\$15,510	\$62,040
2) Total - VTs and CTs	\$15,510	\$15,510	\$15,510	\$15,510	\$62,040
d. Sectionalizing Equipment					
604					
1) 4 VVVE's @ \$27,000 each	\$27,000	\$27,000	\$27,000	\$27,000	\$108,000
2) 10 E reclosers @ \$4,400 each	\$11,000	\$11,000	\$11,000	\$11,000	\$44,000
3) 350 Tap Fuses @ \$460 each	\$40,250	\$40,250	\$40,250	\$40,250	\$161,000
4) 15 VXE's @ \$13,000 each	\$48,750	\$48,750	\$48,750	\$48,750	\$195,000
5) 10 VFI's @ \$5,500 each	\$13,750	\$13,750	\$13,750	\$13,750	\$55,000
6) Totals - Sectionalizing Equipment	\$140,750	\$140,750	\$140,750	\$140,750	\$563,000
e. Voltage Regulators					
1) 7 Regulators @ \$11,000 each	\$19,250	\$19,250	\$19,250	\$19,250	\$77,000
2) Totals - Voltage Regulators	\$19,250	\$19,250	\$19,250	\$19,250	\$77,000
f. Capacitors					
None	\$0	\$0	\$0	\$0	\$0
g. Ordinary Replacements					
607					
1) 140 Dist Poles @ \$391 each	\$13,685	\$13,685	\$13,685	\$13,685	\$54,740
2) 250 Crossarms @ \$120 each	\$7,500	\$7,500	\$7,500	\$7,500	\$30,000
3) 120 Arresters @ \$77 each	\$2,310	\$2,310	\$2,310	\$2,310	\$9,240
4) Total - Ordinary Replacements	\$23,495	\$23,495	\$23,495	\$23,495	\$93,980
h. Conversion Transformers					
608					
1) 99 Transformers on 24.94 conversion 30 for McNary and 66 Saffel Canyon 99 Transformers @ \$773 each	\$19,128	\$19,128	\$19,128	\$19,128	\$76,512
2) Total - Conversion Transformers	\$19,128	\$19,128	\$19,128	\$19,128	\$76,512
i. Cable Cure					
609					
1) Cable Cure about 7.4 miles of line in the various location on the system 7.4 miles @ \$54,800/mile	\$150,000	\$141,000	\$100,000		\$391,000
2) Total - Cable Cure	\$150,000	\$141,000	\$100,000	\$0	\$391,000
j Total - Miscellaneous	\$1,445,341	\$1,436,341	\$1,395,341	\$1,295,341	\$5,572,363
7. Other Distribution Items - 700					
a Engineering Fees - Included in line estimates	\$0	\$0	\$0	\$0	\$0

V. SUMMARY OF SYSTEM IMPROVEMENTS

	Year 2000	Year 2001	Year 2002	Year 2003	Total
b. Security Lights - 660 new installations @ \$876 each	\$144,540	\$144,540	\$144,540	\$144,540	\$578,160
c. Total - Other Distribution	\$144,540	\$144,540	\$144,540	\$144,540	\$578,160
8. Grand Total Distribution	\$3,839,021	\$3,425,221	\$3,270,821	\$3,165,821	\$13,700,884
B. Transmission					
1. New Line - 800					
800.01 a. Build 20.0 miles of 795 MCM ACSR 69 kV line from Springerville Generation Plant to Round Valley Substation 20.0 miles @ \$110,000 per mile	\$2,200,000				\$2,200,000
b. Total - New Line	\$2,200,000	\$0	\$0	\$0	\$2,200,000
2. New Substations & Switching - 900					
900.01 a. Build Springerville Substation, 34.5 to 69 kV using a 30/40/50 MVA transformer, with one outgoing circuit, new delivery point Springerville Substation @ \$1,600,000	\$1,600,000				\$1,600,000
b. Total - New Substations & Switching	\$1,600,000	\$0	\$0	\$0	\$1,600,000
3. Line & Station Changes - 1000					
1000.08 a. Modify Round Valley Substation for new feed from Springerville Generation Plant Modifications @ \$600,000	\$600,000				\$600,000
b. Total - Line & Station Changes	\$600,000	\$0	\$0	\$0	\$600,000
4. Other Transmission Items - 1100					
1101 1) 70 Dist Poles @ \$1,985 each	\$34,738	\$34,738	\$34,738	\$34,738	\$138,950
2) 90 Crossarms @ \$1,060 each	\$23,850	\$23,850	\$23,850	\$23,850	\$95,400
3) 220 Insulators @ \$453 each	\$24,915	\$24,915	\$24,915	\$24,915	\$99,660
4) Total - Ordinary Replacements	\$83,503	\$83,503	\$83,503	\$83,503	\$334,010
5. Grand Total Transmission	\$4,483,503	\$83,503	\$83,503	\$83,503	\$4,734,010
C. Generation					
None	\$0	\$0	\$0	\$0	\$0
D. Warehouse & Associated Structures - 1300					
None	\$0	\$0	\$0	\$0	\$0
E. Grand Total - All Costs	\$8,322,524	\$3,508,724	\$3,354,324	\$3,249,324	\$18,434,894

Navopache Electric Co-op

EXHIBIT

tabbles

B

BOARD RESOLUTION FOUR YEAR WORK PLAN

BE IT RESOLVED, by the Board of Directors of Navopache Electric Cooperative, Inc. that we have reviewed the Four Year Work Plan covering the period 2000 and 2003, prepared by SGS Witter, Inc. for our Cooperative.

This Plan is hereby approved by the Directors, and it is recognized as the construction and loan fund requirements for the planning period.

BE IT FURTHER RESOLVED, that the Directors recognize the loan funds outlined in the Work Plan are to be expended for those designated items and projects within the planning period; that management is directed to complete the projects on a timely basis, and to use sub-contractors when necessary; that any deviations from this Plan have prior approval and be in accordance with REA Bulletin 40-6, Construction Methods and Purchase of Materials and Equipment.

NOW, THEREFORE, BE IT RESOLVED that the Directors recognize the Four Year Work Plan shall be updated on an annual basis thus providing a continuous Plan on a four year funding and construction guideline, and hereby directs management to use this Plan as a working tool, in construction and operation of the system.

I, Joseph W. Kay, Jr. Secretary of Navopache Electric Cooperative, Inc. do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of that organization held on the 24th day of May, 2000

Joseph W. Kay, Jr.
Joseph W. Kay, Jr., Secretary

tables

C

This data will be used by: to review your financial situation. Your response is required (7 U.S.C. 21 et seq.) and is not confidential.

<p>USDA-RUS</p> <h2 style="text-align: center;">FINANCIAL AND STATISTICAL REPORT</h2>	<p>BORROWER DESIGNATION AZ013</p> <p>BORROWER NAME AND ADDRESS NAVOPACHE ELEC COOP INC P O BOX 308 LAKESIDE, AZ 85929-0000</p>
---	--

<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717R-2</p>	<p>PERIOD ENDED 1999 Annual</p>	<p>RUS USE ONLY</p>
---	--	----------------------------

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

<p style="text-align: center;">SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p> <p style="text-align: center;">SIGNATURE OF MANAGER</p>	<p style="font-size: 1.5em;">2/22/00</p> <p style="font-size: 1.5em;">2-22-00</p> <p style="text-align: center; font-size: 0.8em;">DATE DATE</p>
--	--

ITEM	YEAR-TO-DATE		BUDGET (c)	THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)		
1. Operating Revenue and Patronage Capital.....	28,930,619	29,268,552	28,358,913	2,823,928
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	17,575,249	17,658,627	17,184,746	1,712,078
4. Transmission Expense.....	58,288	135,671	8,840	11,612
5. Distribution Expense - Operation.....	2,229,271	2,068,194	1,470,497	223,019
6. Distribution Expense - Maintenance.....	1,234,185	1,114,243	1,101,889	109,860
7. Consumer Accounts Expense.....	1,755,720	1,959,100	1,527,092	242,585
8. Customer Service and Informational Expense.....	244,873	331,376	164,421	38,756
9. Sales Expense.....	0	83,182	1,932	8,801
10. Administrative and General Expense.....	2,768,836	2,925,199	3,630,747	315,370
11. Total Operation & Maintenance Expense (2 thru 10).....	25,816,422	26,275,592	25,090,164	2,662,031
12. Depreciation and Amortization Expense.....	1,961,424	2,013,777	2,032,961	169,168
13. Tax Expense - Property & Gross Receipts.....	2,216	11,420	0	848
14. Tax Expense - Other.....	9,366	(7,516)	0	40
15. Interest on Long-Term Debt.....	1,612,483	1,684,979	1,777,198	144,506
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	37,340	39,500	31,510	2,127
18. Other Deductions.....	49,017	7,452	23,844	543
19. Total Cost of Electric Service (11 thru 18).....	29,491,268	30,025,204	28,955,677	2,979,313
20. Patronage Capital & Operating Margins (1 minus 19).....	(560,649)	(756,652)	(596,764)	(155,385)
21. Non Operating Margins - Interest.....	180,034	141,412	185,600	11,603
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	(298,382)	(128,376)	0	(11,627)
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	83,791	117,567	30,000	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins (20 thru 27).....	(595,206)	(626,049)	(361,164)	(155,409)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	1,346	1,286	5. Miles Transmission	229.00	229.00
2. Services Retired	180	227	6. Miles Distribution - Overhead	2,361.00	2,373.00
3. Total Services in Place	32,897	33,959	7. Miles Distribution - Underground	246.00	253.00
4. Idle Services (Exclude Seasonal)	1,336	1,399	8. Total Miles Energized (5 + 6 + 7)	2,836.00	2,855.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION AZ013	PERIOD ENDED 1999 Annual	RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B-2			

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 64,161,549	30. Memberships..... 126,670
2. Construction Work In Progress..... 4,829,777	31. Patronage Capital..... 11,577,283
3. Total Utility Plant (1+2)..... 68,991,326	32. Operating Margins - Prior Years..... (886,363)
4. Accum. Provision for Depreciation and Amort..... 27,137,098	33. Operating Margins - Current Year..... (639,085)
5. Net Utility Plant (3-4)..... 41,854,228	34. Non-Operating Margins..... 13,036
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 687,653
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35)..... 10,879,194
8. Invest. In Assoc. Org. - Patronage Capital..... 1,350,735	37. Long-Term Debt - RUS (Net)..... 24,171,861
9. Invest. In Assoc. Org. - Other - General Funds..... 240,718	(Payments-Unapplied \$..... 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,364,249	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects..... 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 43,380	40. Long-Term Debt - Other (Net)..... 8,218,821
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 32,390,682
14. Total Other Property and Investments (8 thru 13)..... 2,999,082	42. Obligations Under Capital Leases - Noncurrent..... 0
15. Cash - General Funds..... 63,027	43. Accumulated Operating Provisions..... 341,256
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 341,256
17. Special Deposits..... 39,485	45. Notes Payable..... 1,500,000
18. Temporary Investments..... 1,088,235	46. Accounts Payable..... 2,088,298
19. Notes Receivable (Net)..... 13,762	47. Consumers Deposits..... 431,797
20. Accounts Receivable - Sales of Energy (Net).. 1,470,775	48. Other Current and Accrued Liabilities..... 685,245
21. Accounts Receivable - Other (Net)..... 350,937	49. Total Current & Accrued Liabilities (45 thru 48)..... 4,705,340
22. Materials and Supplies - Electric and Other..... 1,123,222	50. Deferred Credits..... 1,366,458
23. Prepayments..... 198,917	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 145,762	52. Total Liabilities and Other Credits..... 49,682,930
25. Total Current and Accrued Assets (15 thru 24)..... 4,494,142	
	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
25. Regulatory Assets..... 0	53. Balance Beginning of Year..... 7,056,810
27. Other Deferred Debits..... 335,478	54. Amounts Received This Year (Net)..... 312,061
28. Accumulated Deferred Income Taxes..... 0	55. Total Contributions in Aid of Construction..... 7,368,871
29. Total Assets and Other Debits (5+14+25 thru 28)..... 49,682,930	

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

**FINANCIAL AND
STATISTICAL REPORT**

This data will be used to determine your operating results and financial situation. Your response is required (5.C.901 et seq.) and is not confidential.

BORROWER DESIGNATION
AZ013

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-2.

YEAR ENDING
1999 Annual

PART E. CHANGES IN UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)	DEPRECIATION RATE (f)
1. Land and Land Rights (360).....	56,326	0	0	0	56,326	
2. Structures and Improvements (361).....	996	0	0	0	996	2.69 %
3. Station Equipment (362).....	4,335,011	7,824	6,181	0	4,336,654	2.69 %
4. Storage Battery Equipment (363).....	0	0	0	0	0	0.00 %
5. Poles, Towers, and Fixtures (364).....	9,717,956	139,656	25,874	0	9,831,738	2.69 %
6. Overhead, Conductors and Devices (365).....	9,732,612	90,375	21,422	0	9,801,565	2.69 %
7. Underground Conduit (366).....	0	0	0	0	0	0.00 %
8. Underground Conductor & Devices (367).....	4,051,596	489,214	16,656	0	4,524,154	2.69 %
9. Line Transformers (368).....	10,462,833	978,128	62,349	(5,870)	11,372,791	2.69 %
10. Services (369).....	3,718,307	80,278	15,570	0	3,783,015	2.69 %
11. Meters (370).....	4,597,543	280,906	24,700	(38)	4,853,711	2.69 %
12. Installation on Consumers' Premises (371).....	0	0	0	0	0	0.00 %
13. Leased Prop. on Consumers, Premises (372)	0	0	0	0	0	0.00 %
14. Street Lighting (373).....	361,895	17,890	23,006	0	356,779	2.69 %
15. SUBTOTAL - Distribution (1 thru 14).....	47,038,121	2,084,271	195,758	(5,908)	48,920,729	
16. Land and Land Rights (389).....	296,246	0	0	0	296,246	
17. Structures and Improvements (390).....	1,174,777	7,597	0	0	1,182,374	3.93 %
18. Office Furniture & Equipment (391).....	970,206	76,426	0	0	1,046,632	5.54 %
19. Transportation Equipment (392).....	1,423,208	253,588	181,650	0	1,495,146	4.62 %
20. Stores, Tools, Shop, Garage, and Laboratory Equipment (393, 394, 395).....	743,728	15,184	0	0	758,912	2.16 %
21. Power - Operated Equipment (396).....	1,209,045	0	0	0	1,209,045	3.82 %
22. Communication Equipment (397).....	2,218,381	59,972	0	0	2,278,353	1.95 %
23. Miscellaneous Equipment (398).....	108,592	1,615	0	0	110,207	1.95 %
24. Other Tangible Property (399).....	0	0	0	0	0	0.00 %
25. SUBTOTAL - General Plant (16 thru 24).....	8,144,183	414,412	181,650	0	8,376,945	
26. Intangibles (301, 302, 303).....	228,075	0	0	0	228,075	
27. Land and Land Rights, Roads and Trails (350, 359).....	18,037	0	0	0	18,037	
28. Structures and Improvements (352).....	0	0	0	0	0	0.00 %
29. Station Equipment (353).....	951,048	0	0	0	951,048	2.32 %
30. Towers and Fixtures and Poles and Fixtures (354, 355).....	2,507,823	0	0	0	2,507,823	2.32 %
31. Overhead Conductors & Devices (356).....	2,934,815	0	0	0	2,934,815	2.32 %
32. Underground Conduit (357).....	0	0	0	0	0	0.00 %
33. Underground Conductors and Devices (358)	0	0	0	0	0	0.00 %
34. SUBTOTAL - Transmission Plant (27 thru 33)	6,411,723	0	0	0	6,411,723	
35. Production Plant - Steam (310 thru 318).....	0	0	0	0	0	
36. Production Plant - Nuclear (320 thru 329).....	0	0	0	0	0	
37. Production Plant - Hydro (330 thru 336).....	0	0	0	0	0	
38. Production Plant - Other (340 thru 346).....	0	0	0	0	0	
39. All Other Utility Plant (102, 104-106, 114, 118)	224,077	0	0	0	224,077	
40. SUBTOTAL (15 + 25 + 26 + 34 + 35 thru 39)	62,046,182	2,498,683	377,408	(5,908)	64,161,549	
41. Construction Work in Progress (107).....	2,366,304	2,463,473			4,829,777	
42. TOTAL UTILITY PLANT (40 + 41).....	64,412,486	4,962,156	377,408	(5,908)	68,991,326	

PART F. ANALYSIS OF ACCUMULATED PROVISIONS FOR DEPRECIATION - TOTAL ELECTRIC PLANT

ITEM	DISTRIBUTION PLANT (a)	GENERAL PLANT (b)	TRANSMISSION PLANT (c)	OTHER PLANT (d)
1. Balance Beginning of Year.....	15,899,547	5,398,817	3,779,065	319,646
2. Additions - Depreciation Accruals Charged to:				
a. Depreciation Expense.....	1,541,909	280,991	169,431	21,446
b. Clearing Accounts and Others.....	0	102,801	0	0
c. Subtotal (a + b).....	1,541,909	383,792	169,431	21,446
3. Less - Plant Retirements:				
a. Plant Retired.....	101,244	0	0	0
b. Removal Cost.....	52,500	0	0	0
c. Subtotal (a + b).....	153,744	0	0	0
4. Plus Salvaged Materials.....	6,794	0	0	0
5. TOTAL (2c - 3c + 4).....	1,394,959	383,792	169,431	21,446
6. Other Adjustments - Debit or Credit.....	235,812	150	6,507	0
7. Balance End of Year (1 + 5 + 6).....	17,530,318	5,782,759	3,955,003	341,092

PART G. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	1,171,339	1,351,444	9,760	1,486,277	4,263	28,600	1,070,603
2. Other (155 + 156)	42,914	294,211	0	20,726	275,869	12,089	52,619
3. Ratio of Inventory Turnover - Electric Item 1d / $\frac{1a + 1g}{2} =$ 1.3259				4. Inventory - Electric as Percent of Total Utility Plant $\frac{1g}{\text{Item 42e, Part E}} \times 100 =$ 1.55			

PART H. SERVICE INTERRUPTIONS

ITEM	AVERAGE HOURS PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	EXTREME STORM (b)	PREARRANGED (c)	ALL OTHER (d)	
1. Present Year	0.09	0.61	0.09	2.04	2.83
2. Five - Year Average	0.32	1.76	0.14	1.56	3.78

PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	107	4. Payroll Expensed	3,535,610
2. Man-Hours Worked - Regular Time	233,157	5. Payroll Capitalized	1,213,801
3. Man-Hours Worked - Overtime	12,274	6. Payroll Other	349,089

PART J. PATRONAGE CAPITAL

PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

ITEM	THIS YEAR (a)	CUMULATIVE (b)	AMOUNT
1. General Retirement	0	2,368,600	1. AMOUNT DUE OVER 60 DAYS 56,387
2. Special Retirements	58,613	805,636	
3. Total Retirements (1 + 2)	58,613	3,174,236	
4. Patronage Capital Assigned		11,577,283	2. AMOUNT WRITTEN OFF DURING YEAR \$33,432
5. Patronage Capital Assignable		0	

PART L. kWh PURCHASED AND TOTAL COST

ITEM (a)	RUS USE ONLY SUPPLIER CODE (b)	kWh PURCHASED (c)	TOTAL COST (d)	AVERAGE COST PER kWh (cents) (e)	INCLUDED IN TOTAL COST	
					FUEL COST ADJUSTMENT (f)	WHEELING AND OTHER CHARGES (or Credits) (g)
Plains G&T	0	323,885,153	17,658,627	5.45	0	0
	0	0	0	0.00	0	0
	0	0	0	0.00	0	0
	0	0	0	0.00	0	0
Total		323,885,153	17,658,627	5.45	0	0

USDA - RUS FINANCIAL AND STATISTICAL REPORT <small>INSTRUCTIONS - See RUS Bulletin 1717B-2</small>	BORROWER DESIGNATION AZ013 YEAR ENDING 1999 Annual	RUS USE ONLY
---	---	--------------

PART M. LONG - TERM LEASES
(If additional space is needed use a separate sheet.)

LIST BELOW ALL "RESTRICTED PROPERTY" * HELD UNDER "LONG - TERM" LEASE. (If none, state "NONE".)		RENTAL THIS YEAR (c)
NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	
1. City of Springerville	land	\$ 75
2. Phillip Swapp	land	\$ 1,000
3. TOTAL		\$ 13,475

* "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, trailers, tractors, other vehicles (including without limitation aircraft and ship), office, garage and warehouse space and office equipment (and without limitation computers). "LONG - TERM" means leases having unexpired terms of more than 12 months (taking into account terms of rental at the option of the lessor, whether or not such leases have been removed).

PART N. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 09/11/1999	2. Total Number of Members 25,334	3. Number of Members Present at Meeting 226	4. Was Quorum Present? Proxy or Mail <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5. Number of Members Voting by Proxy or Mail 2,228	6. Total Number of Board Members 8	7. Total Amount of Fees and Expenses for Board Members \$108,066	8. Does Manager Have Written Contract? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

PART O. LONG - TERM DEBT AND SERVICE REQUIREMENTS

ITEM	BALANCE END OF YEAR (a)	BILLED THIS YEAR			RUS USE ONLY (e)
		INTEREST (b)	PRINCIPAL (c)	TOTAL (d)	
1. Rural Utilities Service (Excludes RUS - Economic Development Loans)	24,171,861	1,171,545	741,143	1,912,688	1
2. National Rural Utilities Cooperative Finance Corporation	8,019,304	513,434	216,268	759,702	2
3. Bank for Cooperatives	0	0	0	0	3
4. Federal Financing Bank	0	0	0	0	4
5. RUS - Economic Development Loans	0	0	0	0	5
6. NRECA Past Service Adjustment	199,517				6
7.					
8.					
9.					
10.					
11.					
12.					
13. TOTAL (Sum of 1 thru 12)	32,390,682	1,684,979	987,411	2,672,390	

FINANCIAL AND STATISTICAL REPORT

AZ013

YEAR ENDING

1999 Annual

INSTRUCTIONS - See RUS Bulletin 1717B-2

PART M. LONG - TERM LEASES (Continued)
(If additional space is needed use a separate sheet.)

LIST BELOW ALL "RESTRICTED PROPERTY" * HELD UNDER "LONG - TERM" LEASE. (If none, state "NONE".)

NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1. Jeanne Hatch	land	\$ 3,600
2. Evelyn Jeffries	land	\$ 3,600
3. Jefferson Larson	land	\$ 7,200
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24.		

* "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, trailers, tractors, other vehicles (including without limitation aircraft and ship), office, garage and warehouse space and office equipment (and without limitation computers). "LONG - TERM" means leases having unexpired terms of more than 12 months (taking into account terms of rental at the option of the lessor, whether or not such leases have been removed).

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

AZ013

PERIOD ENDED

1999 Annual

RUS USE ONLY

INSTRUCTIONS - See RUS Bulletin 1717B-2

PART R. POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
		(a)	(b)	(c)	(d)	(e)	(f)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	16,570	16,576	16,598	16,652	16,690	16,740
	b. kWh Sold	13,440,043	11,751,194	10,831,643	10,678,071	9,697,163	8,674,976
	c. Revenue	1,185,016	1,116,397	1,044,873	1,024,803	948,582	932,414
2. Residential Sales Seasonal	a. No. Consumers Served	10,021	10,020	10,035	10,039	10,072	10,711
	b. kWh Sold	2,438,961	1,903,635	1,738,892	1,650,215	1,814,873	2,407,002
	c. Revenue	311,362	271,451	258,607	249,580	263,224	329,365
3. Irrigation Sales	a. No. Consumers Served	205	205	205	203	206	207
	b. kWh Sold	352,187	353,019	381,498	481,304	589,773	1,030,236
	c. Revenue	37,612	39,804	41,241	47,635	56,868	98,727
4. Comm. and Ind. 1000 kVA or Less	a. No. Consumers Served	2,796	2,791	2,798	2,798	2,805	2,822
	b. kWh Sold	10,681,979	10,028,276	9,294,171	9,634,638	9,337,898	9,523,408
	c. Revenue	895,730	885,806	829,470	826,271	819,528	891,453
5. Comm. and Ind. Over 1000 kVA	a. No. Consumers Served	4	4	4	4	4	4
	b. kWh Sold	2,161,705	2,123,425	2,015,365	1,861,405	1,808,185	1,664,245
	c. Revenue	155,342	155,091	126,122	109,561	107,928	114,082
6. Public Street and Highway Lighting	a. No. Consumers Served	23	23	23	23	23	23
	b. kWh Sold	77,700	77,700	77,700	77,743	71,479	71,479
	c. Revenue	5,536	5,760	5,850	5,820	5,246	5,666
7. Other Sales to Public Auth.	a. No. Consumers Served	0	0	0	0	0	0
	b. kWh Sold	0	0	0	0	0	0
	c. Revenue	0	0	0	0	0	0
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served	0	0	0	0	0	0
	b. kWh Sold	0	0	0	0	0	0
	c. Revenue	0	0	0	0	0	0
9. Sales for Resale - Others	a. No. Consumers Served	0	0	0	0	0	0
	b. kWh Sold	0	0	0	0	0	0
	c. Revenue	0	0	0	0	0	0
10. TOTAL No. Consumers (lines 1a - 9a)		29,619	29,619	29,663	29,719	29,800	30,009
11. TOTAL kWh Sold (lines 1b - 9b)		29,555,578	26,237,249	24,339,269	24,383,376	23,319,371	23,371,346
12. TOTAL Revenue Received From Sales of Electric Energy (lines 1c - 9c)		2,588,598	2,474,309	2,306,163	2,263,670	2,201,376	2,371,707
13. Other Electric Revenue		73,037	21,456	21,406	29,935	25,990	24,041
14. kWh - Own Use		130,351	112,436	99,027	99,294	74,300	47,792
15. TOTAL kWh Purchased		29,988,456	25,657,164	26,468,976	25,980,591	25,545,372	25,605,192
16. TOTAL kWh Generated		0	0	0	0	0	0
17. Cost of Purchases and Generation		1,589,299	1,540,612	1,439,961	1,599,420	1,336,830	1,459,770
18. Interchange - kWh - Net		0	0	0	0	0	0
19. Peak - Sum All kW Input (Metered)		48,625	49,598	45,709	46,730	40,454	49,004

 Coincident Non-Coincident

USDA-RU/
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGN
AZ013

PERIOD ENDED

1999 Annual

RUS USE ONLY

INSTRUCTIONS - See RUS Bulletin 1717B-2

PART R. POWER REQUIREMENTS DATA BASE (Continued)
(SEE PRECEDING PAGE 6 OF RUS FROM 7 FOR HEADINGS OF LINE ITEM NUMBERS BELOW.)

LINE ITEM NUMBER	JULY (g)	AUGUST (h)	SEPTEMBER (i)	OCTOBER (j)	NOVEMBER (k)	DECEMBER (l)	TOTAL (Contains a thru l)
1.	a. 16,860	16,968	17,051	17,114	17,172	17,229	
	b. 8,439,193	8,826,632	8,917,548	8,741,019	9,380,504	11,957,730	121,535,716
	c. 913,693	914,402	899,280	936,473	1,016,199	1,205,676	12,140,308
2.	a. 10,283	10,320	10,337	10,331	10,270	10,198	
	b. 2,761,730	3,008,439	3,062,136	2,458,503	2,156,994	2,426,628	27,928,011
	c. 361,911	371,657	367,191	332,040	307,601	327,744	3,751,733
3.	a. 204	206	206	205	205	207	
	b. 1,083,786	750,251	597,626	637,229	649,313	502,054	7,408,279
	c. 103,536	72,270	56,630	64,250	66,996	55,190	741,059
4.	a. 2,823	2,836	2,852	2,885	2,876	2,877	
	b. 9,995,117	10,351,154	8,103,620	9,350,742	8,871,522	9,572,550	114,748,075
	c. 923,410	901,322	752,327	881,132	852,798	904,264	10,365,511
5.	a. 4	4	4	5	5	5	
	b. 1,017,925	1,995,185	4,213,065	7,324,365	2,329,465	2,602,265	27,319,800
	c. 122,419	117,851	248,874	157,912	161,529	167,444	1,742,158
6.	a. 23	23	23	23	23	23	
	b. 71,513	71,513	71,709	71,743	71,709	71,743	883,731
	c. 5,645	5,335	5,170	5,672	5,811	5,825	67,366
7.	a. 0	0	0	0	0	0	
	b. 0	0	0	0	0	0	0
	c. 0	0	0	0	0	0	0
8.	a. 0	0	0	0	0	0	
	b. 0	0	0	0	0	0	0
	c. 0	0	0	0	0	0	0
9.	a. 0	0	0	0	0	0	
	b. 0	0	0	0	0	0	0
	c. 0	0	0	0	0	0	0
10.	30,197	30,357	30,473	30,563	30,551	30,539	
11.	24,269,264	25,006,377	24,965,704	23,583,601	23,659,507	27,132,970	299,823,612
12.	2,432,614	2,383,240	2,329,472	2,377,479	2,410,964	2,666,443	28,806,035
13.	17,492	67,500	11,393	1	12,777	157,489	462,517
14.	43,232	43,838	41,101	42,524	68,742	108,117	910,763
15.	27,249,415	26,533,722	25,438,176	26,096,081	26,293,018	33,008,990	323,885,153
16.	0	0	0	0	0	0	0
17.	1,507,433	1,435,553	1,393,173	1,448,935	1,500,091	1,723,690	17,791,297
18.	0	0	0	0	0	0	0
19.	50,603	41,217	40,273	41,612	45,134	53,293	53,293

**INVESTMENTS, LOAN GUARANTEES
AND LOANS - DISTRIBUTION**

AZ013

YEAR ENDING

1999 Annual

RUS USE ONLY

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N identify investments primarily for Rural Development with "RD" in column (e). Both "Included" and "Excluded" Investments must be reported. See Bulletin 1717B-2, Guide For Preparing Financial and Statistical Reports, for complete instructions.

PART I. INVESTMENTS

DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RD (e)
1. NON-UTILITY PROPERTY (NET)				
a.	0	0		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	0	0		
2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS				
a. Plains C&F	0	767,271	0	
b. CFC Patronage Capital	310,204	0	48,466	
c. ERMCO Patronage Capital	25,698	0	1,962	
d. CSI Patronage Capital	247,562	0	0	
e. Totals	824,182	2,131,520	50,428	
3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS				
a.	0	0	0	
b.	0	0	0	
c.	0	0	0	
d.	0	0	0	
e. Totals	0	0	0	
4. OTHER INVESTMENTS				
a. RUS ERC weatherization loans	43,380	0	0	
b.	0	0	0	
c.	0	0	0	
d.	0	0	0	
e. Totals	43,380	0	0	
5. SPECIAL FUNDS				
a.	0	0		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	0	0		
6. CASH - GENERAL				
a. NEC working funds	2,250	0		
b. Bank One bank accounts	0	(8,175)		
c. First Interstate bank accounts	0	16,935		
d. Catron County bank accounts	0	3,083		
e. Totals	2,250	60,777		
7. SPECIAL DEPOSITS				
a. Arizona Corporation Commission ACC/DSM	39,485	0		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	39,485	0		

USDA-RUS INVESTMENTS, LOAN GUARANTEES AND LOANS CONTINUATION SHEET	BORROWER DESIGNATION AZ013	
	YEAR ENDING 1999 Annual	RUS USE ONLY

INVESTMENTS, LOAN GUARANTEES AND LOANS

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717. Subpart Identify investments primarily for Rural Development with "RD" in column (e).

PART	ITEM	DESCRIPTION (a)	INCLUDED	EXCLUDED	INCOME OR LOSS	RD
			(\$) (b)	(\$) (c)	(\$) (d)	(e)
I	2	CSI Equity	166,541	0	0	
I	2	CSI building	20,400	0	0	
I	2	Grand Canyon Statewide	(7,153)	0	0	
I	2	Federated Insurance	60,530	0	0	
I	2	Plains membership	100	0	0	
I	2	CSI membership	100	0	0	
I	2	GCSWA membership	100	0	0	
I	2	ERMCO membership	100	0	0	
I	2	CFC Capital Term Certificates	0	1,364,249	0	

USDA-RUS INVESTMENTS, LOAN GUARANTEES AND LOANS CONTINUATION SHEET		BORROWER DESIGNATION AZ013				
		YEAR ENDING 1999 Annual			RUS USE ONLY	
		INVESTMENTS, LOAN GUARANTEES AND LOANS INSTRUCTIONS - Reporting of Investments is required by 7 CFR 1717, Subpart N identify investments primarily for Rural Development with "RD" in column (e)				
PART	ITEM	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RD (e)
1	6	Community First bank accounts		48,934		

INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION

AZ013

YEAR ENDING

1999 Annual

RUS USE ONLY

PART I. INVESTMENTS (Continued)

DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RD (e)
8. TEMPORARY INVESTMENTS				
a. Bank One Trust account	0	1,088,235		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	0	1,088,235		
9. ACCOUNTS & NOTES RECEIVABLE (NET)				
a. Notes receivable	13,762	0	1,012	
b. Accounts receivable other	350,957	0	0	
c.	0	0	0	
d.	0	0	0	
e. Totals	364,719	0	1,012	
10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED				
a.	0	0		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	0	0		
11. TOTAL OF INVESTMENTS (1 thru 10)	1,274,016	3,280,532	51,440	

PART II. LOAN GUARANTEES

ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RD (e)
1.	0	0	0	
2.	0	0	0	
3.	0	0	0	
4. TOTALS		0	0	
5. TOTALS (Included Loan Guarantees Only)		0	0	

PART III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Farm 7, Part C, Line 3)] 1.85 %

PART IV. LOANS

ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RD (e)
1. Employees, Officers, Directors	//	23,109	13,767	
2. Energy Resource Conservation Loans	//	53,078	43,380	
3.	0	0	0	
4.	0	0	0	
5.	0	0	0	
6.	0	0	0	
7. TOTALS		76,187	57,147	

PLAINS COMMERCIAL WORKSHEET
 NAVOPACHE ELECTRIC COOPERATIVE INC.
 FORM 7 WORKSHEET
 December 1999
 This Month

Year to Date

	Count	KWH	Revenue	Count	KWH	Revenue
less than 50kva	2689	4,328,413	\$406,701.32	2652	49,405,550	\$4,753,055.15
50 to 350 kva	161	2,569,031	\$238,961.19	151	30,739,113	\$2,875,254.47
351 to 1000kva	27	2,675,106	\$211,415.82	27	34,055,812	\$2,656,836.40
RE A Form 7 total	2877	9,572,550	\$857,078.33	2831	114,200,475	\$10,285,146.02

Loads over 1000 kva

FATCO- CB	136,300	\$8,993.41	1,487,040	\$104,165.73
FATCO-new primary interruptable	1,047,600	\$49,711.92	11,278,800	\$662,238.43
FATCO- primary firm-Day	237,600	\$19,907.79	2,448,000	\$215,933.63
FATCO- primary firm nite	93,600	\$2,726.57	936,000	\$27,730.08
FATCO Remanufacturing plant	63,600	\$4,157.86	687,600	\$48,227.83
Sub total for FATCO	1,579,200	\$85,497.55	16,837,440	\$958,295.70
Imperial Components	50,100	\$7,282.29	559,500	\$83,927.94
Navapache Health Care- Day	201,205	\$18,712.56	2,231,100	\$196,073.82
Navapache Health Care-Nite	106,560	\$3,417.38	1,136,160	\$36,824.03
Stone Forest- Day	93,600	\$7,172.25	1,796,400	\$197,206.14
Stone Forest-Nite	61,200	\$1,782.76	907,200	\$26,865.93
Wal-MAT--Day	327,600	\$24,922.14	2,816,000	\$225,986.14
Wal-MAT--Nite	182,800	\$5,862.40	1,583,600	\$50,776.07
Total >1000 kva	2,602,265	\$154,649.33	27,967,400	\$1,775,955.77

Please attach to REA Form 7.



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
Powerful Financial Solutions

2201 Cooperative Way · Herndon, Virginia 20171-3025
<http://www.nrucfc.org>
703-709-6700

EXHIBIT

tabbles

D

July 24, 2000

RECEIVED

AUG 3 - 2000

TINEZ & CURTIS

Mr. Wayne A. Retzlaff
Executive VP/General Manager
Navopache Electric Cooperative, Inc.
P.O. Box 308
Hwy. 260 - 1878 W. White Mtn. Blvd.
Lakeside, AZ 85929-0308

Dear Mr. Retzlaff:

Re: AZ 013-R-5100

I am happy to inform you that your cooperative's application for a perpetual line of credit has been approved in the amount of \$10,000,000.00. A copy of the approved Perpetual Line of Credit Agreement is enclosed. Also enclosed is with a funds requisition statement that should be faxed to CFC each time Navopache wants to advance under this facility.

Please review the standard terms and conditions of the Perpetual Line of Credit Agreement. In addition, please note the Effective Date and the Additional Terms and Conditions, if any, associated with the approval of this loan, as stated in the Perpetual Line of Credit Agreement.

We are pleased to serve you and appreciate your interest in CFC. If you have any questions regarding the line of credit or any of CFC's other financial products and services, please feel free to call me at (800) 424-2954.

Sincerely,

Elaine M. MacDonald

Elaine M. MacDonald
Associate Vice President

EMM/rls

Enclosure (s)



National Rural Utilities Cooperative Finance Corporation
Perpetual Line of Credit Agreement
("Agreement")

Name of Borrower: NAVOPACHE ELECTRIC COOPERATIVE, INC.

Address: PO BOX 308, LAKESIDE, AZ 85929-0308

National Rural Utilities Cooperative Finance Corporation ("CFC"), a District of Columbia corporation, has approved Borrower for a revolving line of credit loan in an amount not to exceed ten million Dollars (\$10,000,000.00) (hereinafter referred to as the "CFC Commitment"). Borrower hereby agrees that the terms and conditions herein, plus any additional terms and conditions agreed to in writing by the parties, shall constitute a valid and binding agreement between Borrower and CFC. In consideration of their mutual promises hereunder and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CFC and Borrower agree to the following terms and conditions:

1. **Revolving Credit and Term.** CFC agrees to advance funds to the Borrower pursuant to the terms and conditions hereof (each such advance of funds is referred to herein as an "Advance"), provided, however, that the amount at any time outstanding under this line of credit shall not exceed the CFC Commitment. The Borrower may borrow, repay and reborrow funds at any time or from time to time for a period up to twelve (12) months from the effective date hereof. This Agreement shall thereafter automatically renew for subsequent periods of twelve (12) months each. Either party may terminate this Agreement at the end of any period by providing written notice to the other party at least ninety (90) days prior to the expiration of such period.
2. **Requisitions.** Requests for Advances shall be in such written form as CFC may reasonably require from time to time.
3. **Interest Rate and Payment.** The Borrower unconditionally promises and agrees to pay, as and when due, interest on all amounts advanced hereunder from the date of each Advance and to repay all amounts advanced hereunder with interest on the date this Agreement terminates as provided herein. Interest shall be due and payable in accordance with CFC's regular billing cycles as may be in effect from time to time. CFC shall send a payment notice to the Borrower at least five days prior to the due date of any interest payment. All amounts shall be payable at CFC's main office at Woodland Park, 2201 Cooperative Way, Herndon, Virginia 20171-3025 or at such other location as designated

by CFC from time to time. The interest rate on all Advances will be equal to the total rate per annum as may be fixed by CFC from time to time, which shall not exceed the Prevailing Bank Prime Rate (as defined herein), plus one percent per annum. Interest will be computed on the basis of a 365 day year for the actual number of days that any Advance is outstanding. The effective date of an interest rate adjustment will be determined from time to time by CFC, provided that no such adjustment may be effective on a date other than the first or sixteenth day of any month, and any such adjustment shall remain in effect until any subsequent change in the interest rate occurs.

The "Prevailing Bank Prime Rate" is that bank prime rate published in the "Money Rates" column of the eastern edition of *The Wall Street Journal* on the publication day immediately preceding the day on which an adjustment in the interest rate hereof shall become effective. If *The Wall Street Journal* shall cease to be published, then the Prevailing Bank Prime Rate shall be determined by CFC by reference to another publication reporting bank prime rates in a similar manner.

4. **CFC Accounts.** CFC shall maintain in accordance with its usual practices an account or accounts evidencing the indebtedness of the Borrower resulting from each Advance and the amounts of principal and interest payable and paid hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts (whether stored on computer memory, microfilm, payment notices or otherwise) shall be presumptive evidence (absent manifest error) of the existence and amounts of the Borrower's transactions therein recorded.
5. **Corporate and Regulatory Approvals.** Borrower represents and warrants that it has obtained any and all necessary corporate and regulatory approvals for Borrower to execute, deliver and perform its obligations under this Agreement.
6. **Reports.** During the term of this Agreement, Borrower agrees (a) to provide CFC, within 120 days of the end of Borrower's fiscal year, its annual financial statements, prepared in accordance with generally accepted accounting principles ("GAAP") and audited by an independent certified public accountant, or otherwise in form and substance satisfactory to CFC, and (b) to provide CFC with any other reports or information which CFC may from time to time reasonably request.
7. **Fees.** If any amount outstanding and due hereunder shall not be paid when due, Borrower agrees to pay on demand CFC's reasonable costs of collection or enforcement of this Agreement, or preparation therefor, including reasonable fees of counsel. If payment of any principal and/or interest due under the terms of this Agreement is not received at CFC's office in Herndon, Virginia, or such other location designated by CFC within 5 business days after the due date thereof, then Borrower shall pay to CFC, on demand, and in addition to all other amounts due under the terms of this Agreement, any late-payment and additional interest charges as may then be in effect pursuant to CFC's then current policies without setoff or counterclaim. For purposes of this Agreement, a "business day" means a day that both CFC and the financial institution it employs for funds remittance are open for business.

8. **Limitation on Advances.** While an Advance is outstanding, CFC reserves the right to limit further Advances if the sum of (a) all Advances outstanding, (b) the amount of any further Advance requested, and (c) the total amount of Borrower's other unsecured outstanding debt, would exceed the CFC Commitment.
9. **Reduce Balance to Zero.** Each 12-month period while this Agreement is in effect, Borrower shall, for a period of at least five consecutive business days, reduce to zero all amounts outstanding hereunder. Borrower shall make the first balance reduction within 360 days of the first Advance hereunder. Each subsequent balance reduction shall be made within 360 days of the last day of such five-day period.
10. **Credit Support.** With CFC's prior written approval, this Agreement may be used as credit support for other financings.
11. **Notices, Acceleration of Debt and Waivers.** While an Advance is outstanding, Borrower agrees to notify CFC in writing of (a) any delinquency or default on any of its financial obligations, (b) any material adverse change in its financial or business condition, and (c) if any representation or warranty made in this Agreement is no longer true in any material respect. If any delinquency, default, or any other event as a result of which any holder of indebtedness may declare the same due and payable shall occur and continue uncorrected for more than any applicable grace period, or any representation or warranty herein shall no longer be true, or Borrower shall fail to perform or to comply with any term of this Agreement, or if the financial condition of Borrower shall have changed to the extent that such change, in the reasonable judgment of CFC, materially increases CFC's risk of repayment hereunder, then CFC may declare at any time all outstanding principal, interest and other amounts due hereunder immediately due and payable in full with accrued interest, without presentment or demand, and may withhold Advances. The Borrower waives the defense of usury and all rights to setoff, counterclaim, deduction or recoupment.
12. **Survival of Representations and Warranties and Payment Obligations.** Borrower agrees that its obligation to repay principal, interest and all other amounts due hereunder, and the representations and warranties made herein, shall survive termination of this Agreement. Borrower further agrees that such repayment obligations shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower is rescinded, set aside or must be otherwise restored, whether as a result of any proceeding in bankruptcy or reorganization or otherwise.
13. **Representations and Warranties.** Borrower represents and warrants that as of the date of its application for this line of credit, and on the date of each Advance hereunder:
 - a) the Borrower is not in default of any of its financial obligations;
 - b) there has been no material adverse change in the Borrower's business or financial condition from that set forth in its most recent audited financial statements;

- c) no litigation is pending or, to the best of Borrower's knowledge, threatened against the Borrower which, if adversely determined, would have a material adverse effect on the Borrower's ability to perform under this Agreement;
- d) the information contained in Borrower's audited financial statements, its other financial reports and information otherwise submitted in connection with this Agreement is complete and accurate, and said financial statements and financial reports fairly represent the financial condition of the Borrower as of the dates reflected thereon;
- e) the execution, delivery and performance of this Agreement has been duly authorized by the Borrower, which authorization has not been rescinded or modified; and
- f) all Advances hereunder will be used only for proper corporate purposes

14. Conditions of Lending. As a condition to CFC making Advances hereunder, each of the following conditions shall be satisfied at the time of each Advance:

- a) CFC shall have received the Borrower's most recent annual financial statements, prepared in accordance with GAAP and audited by an independent certified public accountant, or otherwise in form and substance satisfactory to CFC;
- b) all representations and warranties set forth herein shall be true and correct; and
- c) the Borrower shall have obtained any and all necessary corporate, regulatory and governmental approvals for the Borrower to execute, deliver and perform its obligations under this Agreement.

15. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

- (a) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.
- (b) BORROWER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.
- (c) EACH OF THE BORROWER AND CFC HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL

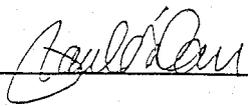
RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

16. **Severability.** If any term, provision or condition, or any part thereof, of this Agreement shall for any reason be found or held invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained herein.
17. **Setoff.** CFC is hereby authorized at any time and from time to time without prior notice to the Borrower to exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing hereunder. CFC agrees to notify the Borrower promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have.
18. **Additional Terms and Conditions.** Additional terms and conditions as set forth herein or attached hereto are an integral part of this Agreement.
19. **Termination and Cancellation of Existing Agreement.** Borrower agrees that its existing line(s) of credit No(s). none with CFC, if any, and any agreement(s) relating thereto shall be terminated and any outstanding principal, interest and other amounts outstanding thereunder shall be transferred to the line of credit established pursuant to this Agreement and deemed an Advance hereunder.
20. **Miscellaneous.** (a) This Agreement contains the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby, and no other agreement, statement or promise made in connection with this line of credit by any party hereto, or by any employee, officer, agent or attorney of any party hereto which is not contained herein shall be valid and binding. (b) Any amendment to this Agreement must be in writing signed by both parties. (c) No failure or delay by CFC in exercising any right or remedy hereunder shall operate as a waiver or preclude the future exercise thereof or of any other right or remedy. (d) If any payment is due from Borrower on a day which CFC is not open for business, then such payment shall be made on the next succeeding day on which CFC is open for business.

21. Additional Terms and Conditions.

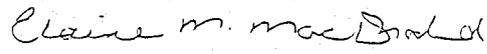
1. The proceeds of this Line of Credit shall be used solely for costs incurred in connection with Navopache Electric Cooperative's work plan.
2. All necessary regulatory approvals shall be obtained prior to advancing any funds under this Line of Credit.
3. For so long as any amounts remain outstanding under this Agreement, Borrower shall not incur any additional unsecured indebtedness, other than indebtedness to CFC, without the prior written consent from CFC.
4. All amounts outstanding under this Agreement are due and payable upon receipt of proceeds from a long term financing as they become available to Navopache Electric Cooperative.

Name of Borrower: Navopache Electric Cooperative, Inc.

Signed By: 

Title: Manager of Financial Services

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION _____

By: 
Assistant Secretary-Treasurer

Loan Number: 5100

(To be filled in by CFC) The effective date of this Agreement is: 7/24/00

Regular Minutes Cont'd
June 27, 2000

Paul O'Dair, Manager of Financial Services, was present to explain and discuss the application process to CFC for a \$10mm line of credit. This has been discussed before. The financial strategy associated with this application was reiterated. It was moved, seconded and passed to submit this application and approach our Commission(s) on the necessity for this type of financing.

GENERAL
MANAGER
REPORT

CFC