

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

2009 OCT 12 A 4 16

COMMISSIONERS

AZ CORP COMMISSION  
DOCUMENT CONTROL

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

IN THE MATTER OF THE APPLICATION OF )  
NAVOPACHE ELECTRIC COOPERATIVE, INC.)  
AN ARIZONA NON-PROFIT COPORATION, )  
FOR APPROVAL OF A RUS GUARANTEED )  
FFB LOAN IN THE AMOUNT OF \$33,231,000 )  
TO FUND THE CONSTRUCTION OF )  
FACILITIES )

DOCKET NO. E-01787A-05-0719

FINANCE APPLICATION

Pursuant to A.R.S. § 40-301 *et seq.*, Navopache Electric Cooperative, Inc. ("Navopache"), through its counsel undersigned, hereby files with the Arizona Corporation Commission ("Commission") an Application ("Finance Application") for authorization to borrow \$33,231,000 from the United States of America, Rural Utilities Service, Guaranteed Federal Financing Bank ("RUS Loan") to finance construction of plant in accordance with Navopache's four year construction work plan. In support of its Finance Application, Navopache states as follows:

1. Navopache is a non-profit corporation and public service corporation.
2. Navopache holds a Certificate of Convenience and Necessity, as modified in Decision No. 62612, to provide Standard Offer Service and Electric Distribution Service to its member-customers in Navajo, Apache, Greenlee, and Gila Counties in Arizona. Navopache also provides electric service to its member-customers in Catron County, New Mexico.
3. The Commission has jurisdiction over Navopache and the subject

1 matter of this Finance Application.

2 4. Navopache currently provides electric service to approximately 30,000  
3 member-customers over 3,178 miles of distribution and transmission line within the  
4 Cooperative's 10,000 square mile service area. In 2004, Navopache delivered approximately 366  
5 gigawatt hours in retail sales to its member-customers.  
6

7 5. Navopache is currently an all-requirements wholesale power contract customer of  
8 Public Service Company of New Mexico ("PNM").

9 6. On July 27, 2005, Navopache's Board of Directors approved a Resolution to make  
10 application to the Rural Utilities Services ("RUS") for a Treasury rate loan in the approximate  
11 amount of \$33,231,000 to finance facilities projects presented in Navopache's RUS Form 740c,  
12 Cost Estimates and Loan Budget for Electric Borrowers. A copy of Navopache's Board of  
13 Director's resolution is attached hereto as **Exhibit A**.  
14

15 7. A copy of Navopache's Construction Work Plan has been submitted to the  
16 Commission's Engineering Division. Additional copies will be provided to the Commission on  
17 request. Navopache's RUS Form 740c is based upon its four-year Construction Work Plan.  
18 Among other things, Navopache's Work Plan calls for the Cooperative to expend funds on new  
19 lines, substations and miscellaneous distribution equipment at strategic locations along  
20 Navopache's transmission and distribution system in order to improve local transmission and  
21 distribution system voltage stability and system reliability.  
22

23 8. If the Commission is unable to approve this Finance Application by February 28,  
24 2006, Navopache will immediately need to file an application with the Commission for the  
25 authority to obtain an extended Line of Credit (LOC) in order to maintain the level of cash flow  
26

1 needed to fund the system projects for the years 2005 and 2006 as shown in the Cost Estimates  
2 **(Exhibit B)**. Navopache will use this LOC until such time that this Finance Application is  
3 approved.

4 9. Pursuant to 7 CFR Part 1710, Navopache submitted an application for long-term  
5 financing to RUS in the amount of \$33,231,000, with a maturity date to cover a period of thirty-  
6 five (35) years, to fund the construction of the facilities identified in the Navopache's  
7 Construction Work Plan. Navopache expects RUS approval of this application before November  
8 30, 2005 and will file such approval with the Commission when it is received.

10 10. Navopache proposes to execute and deliver to RUS a promissory Federal  
11 Financing Bank (FFB) note. Navopache will provide a copy of the RUS FFB note to the  
12 Commission Utilities Division Staff when it becomes available to the Cooperative. The RUS  
13 Loan will be secured by a mortgage dated as of October 4, 1974, as it may have been or will be  
14 amended or supplemented from time to time by Navopache and the United States of America.  
15 Said mortgage encumbers all of Navopache's real estate holdings, including all substations and  
16 corporate headquarters.

18 11. Navopache intends to repay, in substantial part, the cost of the RUS Loan  
19 over thirty-five (35) year period through the use of its general funds.

21 12. Navopache's RUS Loan request is : (1) for lawful purpose; (2) within  
22 Navopache's corporate powers; (3) compatible with the public interest; (4) within sound financial  
23 practices; and (5) within the proper performance of the Cooperative as a public service  
24 corporation. The RUS Loan will improve Navopache's ability to continue to provide safe and  
25 reliable electric distribution service to its member-customers.

26

1           13.    The RUS Loan is dependant upon authorization by this Commission.

2           14.    The aggregate amount of securities outstanding, and proposed to be  
3 outstanding, will not exceed the fair market value of Navopache's properties and business, A  
4 copy of Navopache's most recent Financial and Statistical Report (REA Form7) is attached hereto  
5 as **Exhibit C** and is incorporated herein by reference.

6  
7           15.    All correspondence with regard to this Finance Application should be  
8 sent to:

9                           Michael Curtis, Esq.  
10                           William P. Sullivan, Esq.  
11                           Larry K. Udall, Esq.  
12                           Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.  
13                           2712 North Seventh Street  
14                           Phoenix, Arizona 85006-1090  
15                           E-mail: MCurtis401@aol.com

16           With a copy to:

17                           Paul O'Dair, Manager of Finance  
18                           NAVOPACHE ELECTRIC COOPERATIVE, INC.  
19                           Post Office Box 308  
20                           Lakeside, Arizona 85929  
21                           Email: [podair@navopache.org](mailto:podair@navopache.org)

22           WHEREFORE, Navopache, having fully stated its Application and showing  
23 that it is in the public interest for the Cooperative to obtain the RUS Loan to fund construction  
24 of facilities to serve its member-customers, hereby requests that the Commission:

- 25           1.    Accept Navopache's Finance Application for filing;  
26           2.    Issue a procedural order authorizing Navopache to provide notice to its customers  
              by publishing notice thereof substantially complying with

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the Commission's form attached as **Exhibit D** in the White Mountain Independent;

3. Establish an expedited procedure for reviewing and authorizing the finance request;

4. Authorize Navopache to borrow \$33,231,000 from RUS for the lawful purposes set forth in this Finance application, and to authorize the Cooperative to take such actions necessary and appropriate to execute a mortgage to secure the RUS Guaranteed FFB note before February 28, 2006; and

5. Grant such other relief as may be in the public interest.

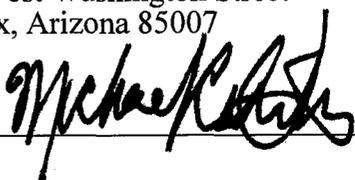
RESPECTFULLY SUBMITTED this 11 day of October 2005.

CURTIS, GOODWIN, SULLIVAN,  
UDALL & SCHWAB, P.L.C.

By   
Michael A. Curtis  
William P. Sullivan  
Larry K. Udall  
2712 North Seventh Street  
Phoenix, Arizona 85006-1090  
Attorneys for Navopache Electric  
Cooperative, Inc.

Original and fifteen (15) copies of Navopache's Financial Application filed this 11 day of October, 2005 with:

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

By 

# **EXHIBIT A**

BOARD RESOLUTION

REQUESTING TREASURY RATE LOAN "AD44"

WHEREAS, It has been determined on the basis of the current Construction Work Plan that financing is needed for electric facilities as shown on Rural Utilities Service (RUS) Form 740c, *Cost Estimates and Loan Budget for Electric Borrowers*, as follows:

*RUS Treasury Rate Loan Requested: \$33,231,000 for Facilities*

NOW THEREFORE BE IT RESOLVED, That Navopache Electric Cooperative, Inc., 1878 West White Mountain Blvd., Lakeside, Arizona 85929 make application to RUS for a Treasury rate loan in the approximate amount of \$33,231,000 to be used in accordance with the provisions of 7 CFR Part 1710 and 7 CFR Part 1714, to finance facilities included in the above mentioned Construction Work Plan.

BE IT ALSO RESOLVED, That the RUS Treasury rate note shall bear a maturity date to cover a period of 35 years and shall provide for repayment of the loan *in periodic installments, including interest and principal payments, which are equal in amount to every other such periodic installment (level payment method).*

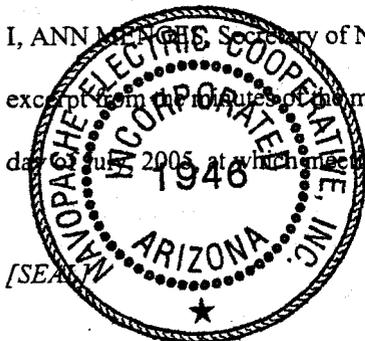
BE IT FURTHER RESOLVED, That the Board of Directors of Navopache Electric Cooperative, Inc. authorizes its officers to execute and attest all necessary papers, documents and applications related to the foregoing.

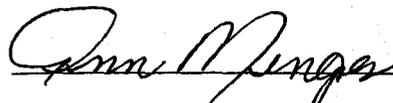
BE IT FURTHER RESOLVED, That Navopache Electric Cooperative, Inc. hereby authorizes RUS to release appropriate information and data relating to the application to any existing supplemental lenders.

BE IT FURTHER RESOLVED, That the RUS Treasury rate note shall be in the full amount of the Treasury rate loan and provide for repayment of principal to begin two years from the date thereof.

CERTIFICATION OF SECRETARY

I, ANN MENGES, Secretary of Navopache Electric Cooperative, Inc. do hereby certify that the above is a true and correct except from the minutes of the meeting of the Board of Directors of Navopache Electric Cooperative, Inc. held on the 27th day of July, 2005, at which meeting a quorum was present.



  
ANN MENGES, Secretary

# **EXHIBIT B**





SECTION A. COST ESTIMATES (cont.)			BORROWER'S COST ESTIMATES	RUS USE ONLY
900	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
	<i>Subtotal</i> .....			\$1,600,000
1000	c. Line and Station Changes			
	<u>Line/Station Designation</u>	<u>Description of Changes</u>		
* 1000.08	Round Valley Substation	Modify to accommodate new feed from Springerville Power Plant		\$2,200,000
1000.1	Coronado Delivery	Add oil containment and fire detection equipment		50,000
	_____	_____		0
	_____	_____		0
	_____	_____		0
	_____	_____		0
	_____	_____		0
	_____	_____		0
	_____	_____		0
	_____	_____		0
	<i>Subtotal</i> .....			\$2,250,000
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			304,694
1104	(4) Reimbursement of General Funds			0
	<i>Subtotal</i> .....			\$304,694
	<b>TOTAL TRANSMISSION.....</b>			<b>\$7,299,694</b>
1200	3. GENERATION (including Step-up Station at Plant)			
1201	a Fuel _____	Nameplate Rating _____	_____ kW	\$0
1202	b. _____			
	<b>TOTAL GENERATION.....</b>			<b>\$0</b>
1300	4. HEADQUARTERS FACILITIES			
1301	a. New or additional Facilities _____ (Attach RUS Form 740g)			\$0
1302	b. _____			0
	<b>TOTAL HEADQUARTERS FACILITIES.....</b>			<b>\$0</b>

\* - Carryover project from CWP 2000-2003

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

**SECTION B. SUMMARY OF AMOUNTS AND SOURCES OF FINANCING**

1. GRAND TOTAL - ALL COSTS .....		\$39,854,000	
2. FUNDS AND MATERIALS AVAILABLE FOR FACILITIES			
a. Loan Funds .....	\$6,623,036		
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		
Total General Funds Applied .....	\$0		
d. Total Available Funds and Materials .....		\$6,623,036	
3. NEW FINANCING REQUESTED FOR FACILITIES .....		\$33,230,964	
4. RUS LOAN REQUESTED FOR FACILITIES .....	100%	\$33,231,000	
5. TOTAL SUPPLEMENTAL LOAN REQUESTED .....	0%	\$0	
Name of Supplemental Lender			
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, Att. C)*		\$0	

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

**SECTION C. CERTIFICATION**

We, the undersigned, certify that:

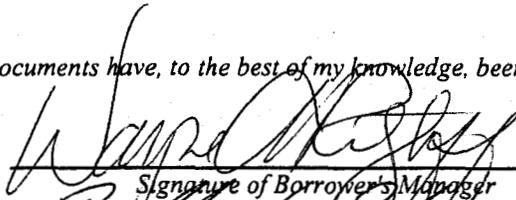
1. Upon completion of the electrical facilities contained herein and any others uncompleted at this time but for which financing is available, the system will be capable of adequately and dependably serving the projected load for the loan period as contained in our current RUS approved Power Requirement 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.

7/27/2005

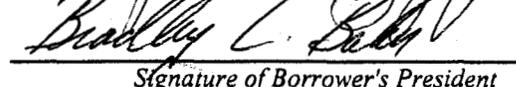
Date

7/27/2005

Date



Signature of Borrower's Manager

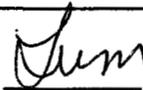


Signature of Borrower's President

Navopache Electric Cooperative, Inc.

Corporate Name of Borrower

GFR Initials



# **EXHIBIT C**

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION AZ0013

PERIOD ENDED 5/2005

**FINANCIAL AND STATISTICAL REPORT**

BORROWER NAME AND ADDRESS  
Navopache Electric Cooperative, Inc.  
1878 West White Mountain Blvd.  
Lakeside, AZ 85929-

INSTRUCTIONS - For detailed instructions, see RUS Bulletin 1717B-2.

*This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.*

**CERTIFICATION**

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

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.**

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**  
*(check one of the following)*

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

  
\_\_\_\_\_  
Paul O'Dair, Manager of Financial Services

07/13/2005  
\_\_\_\_\_  
DATE

  
\_\_\_\_\_  
Wayne Retzlaff, General Manager

07/13/2005  
\_\_\_\_\_  
DATE

## FINANCIAL AND STATISTICAL REPORT

AZ0013

5/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

## Part A. Statement of Operations

ITEM	Year-to-date Last Year (a)	Year-to-date This Year (b)	Year-to-date Budget (c)	This Month (d)
1. Operating Revenue and Patronage Capital	13,702,012	14,858,495	13,305,011	2,755,612
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	6,421,630	7,272,586	6,185,098	1,354,257
4. Transmission Expense	34,607	47,409	56,571	6,969
5. Distribution Expense - Operation	1,074,914	1,340,151	1,109,247	234,669
6. Distribution Expense - Maintenance	675,855	750,462	726,259	93,869
7. Customer Accounts Expense	919,564	1,016,206	963,305	157,324
8. Customer Service and Informational Expense	114,610	122,335	135,989	20,684
9. Sales Expense	65,737	75,213	57,749	12,064
10. Administrative and General Expense	1,504,715	1,429,807	1,456,410	235,768
11. Total Operation & Maintenance Expense (2 thru 10)	10,811,632	12,054,169	10,690,628	2,115,604
12. Depreciation and Amortization Expense	1,083,702	1,128,612	1,113,850	220,470
13. Tax Expense - Property & Gross Receipts	64,084	2,550	7,057	( 5,011)
14. Tax Expense - Other	13,825	23,911	7,659	3,895
15. Interest on Long-Term Debt	591,638	742,610	711,344	173,269
16. Interest Charged to Construction - Credit	0	0	0	0
17. Interest Expense - Other	8,312	11,272	7,853	2,391
18. Other Deductions	6,342	2,713	13,652	542
19. Total Cost of Electric Service (11 thru 18)	12,579,535	13,965,837	12,552,043	2,511,160
20. Patronage Capital & Operating Margins (1 minus 19)	1,122,477	892,658	752,968	244,452
21. Non Operating Margins - Interest	31,702	74,750	43,247	9,850
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	( 2,795)	( 56,261)	( 8,544)	3,173
25. Generation and Transmission Capital Credits	0	0	0	0
26. Other Capital Credits and Patronage Dividends	14,346	25,828	10,779	0
27. Extraordinary Items	0	0	0	0
28. Patronage Capital or Margins (20 thru 27)	1,165,730	936,975	798,450	257,475

## Part B. Data on Transmission and Distribution Plant

ITEM	Year-to-date Last Year (a)	Year-to-date This Year (b)
1. New Services Connected	0	0
2. Services Retired	0	0
3. Total Services in Place	0	0
4. Idle Services (Exclude Seasonal)	0	0
5. Miles Transmission	0.00	0.00
6. Miles Distribution - Overhead	0.00	0.00
7. Miles Distribution - Underground	0.00	0.00
8. Total Miles Energized (5 + 6 + 7)	0.00	0.00

## FINANCIAL AND STATISTICAL REPORT

AZ0013

PERIOD ENDED

5/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

## Part C. Balance Sheet

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	86,077,810	29. Memberships	147,380
2. Construction Work in Progress	5,641,113	30. Patronage Capital	15,636,410
3. Total Utility Plant (1 + 2)	91,718,923	31. Operating Margins - Prior Years	( 3,887,296)
4. Accum. Provision for Depreciation and Amort.	37,247,970	32. Operating Margins - Current Year	918,486
5. Net Utility Plant (3 - 4)	54,470,953	33. Non-Operating Margins	18,488
6. Non-Utility Property (Net)	0	34. Other Margins and Equities	797,821
7. Investments in Subsidiary Companies	0	35. Total Margins & Equities (29 thru 34)	13,631,289
8. Invest. in Assoc. Org. - Patronage Capital	317,452	36. Long-Term Debt - RUS (Net)	36,008,142
9. Invest. in Assoc. Org. - Other - General Funds	104,758	(Payments - Unapplied)	0
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	1,352,541	37. Long-Term Debt - RUS - Econ. Devel. (Net)	0
11. Investments in Economic Development Projects	0	38. Long-Term Debt - FFB - RUS Guaranteed	0
12. Other Investments	58,651	39. Long-Term Debt - Other - RUS Guaranteed	0
13. Special Funds	0	40. Long-Term Debt Other (Net)	9,557,926
14. Total Other Property & Investments (6 thru 13)	1,833,402	41. Total Long-Term Debt (36 thru 40)	45,566,068
15. Cash - General Funds	74,765	42. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	5	43. Accumulated Operating Provisions and Asset Retirement	
17. Special Deposits	147,156	Obligations	716,574
18. Temporary Investments	6,496,187	44. Total Other Noncurrent Liabilities (42 + 43)	716,574
19. Notes Receivable (Net)	15,339	45. Notes Payable	0
20. Accounts Receivable - Sales of Energy (Net)	2,050,041	46. Accounts Payable	1,439,477
21. Accounts Receivable - Other (Net)	210,942	47. Consumers Deposits	512,346
22. Materials and Supplies - Electric & Other	2,098,019	48. Current Maturities Long-Term Debt	0
23. Prepayments	100,386	49. Current Maturities Long-Term Debt-Economic	
24. Other Current and Accrued Assets	72,550	Development	0
25. Total Current and Accrued Assets (15 thru 24)	11,265,390	50. Current Maturities Capital Leases	0
26. Regulatory Assets	0	51. Other Current and Accrued Liabilities	1,179,836
27. Other Deferred Debits	54,416	52. Total Current & Accrued Liabilities (45 thru 51)	3,131,659
28. Total Assets and Other Debits (5+14+25 thru 27)	67,624,161	53. Regulatory Liabilities	0
		54. Other Deferred Credits	4,578,571
		55. Total Liabilities and Other Credits (35+ 41 + 44 + 52 thru	
		54)	67,624,161

# **EXHIBIT D**

PUBLIC NOTICE  
OF  
AN APPLICATION FOR AN ORDER  
AUTHORIZING THE ISSUANCE OF \_\_\_\_\_ (security)  
BY \_\_\_\_\_ (company)

\_\_\_\_\_ (Company) filed an Application with the Arizona Corporation Commission (Commission) for an order authorizing Applicant to issue \$ \_\_\_\_\_ (gross proceeds) of \_\_\_\_\_ (security to be issued). The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in \_\_\_\_\_, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15<sup>th</sup> day after this notice.