

**GALLAGHER & KENNEDY**

P.A.

ATTORNEYS AT LAW

MICHAEL M. GRANT  
DIRECT DIAL: (602) 530-8291  
E-MAIL: MMG@GKNET.COM

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2575 EAST CAMELBACK ROAD  
PHOENIX, ARIZONA 85016-9225  
PHONE: (602) 530-8000  
FAX: (602) 530-8500  
WWW.GKNET.COM

January 12, 2006

**HAND DELIVERED**

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

Re: *AEPCO Board Resolution in Support of Its Emergency Application Dated  
January 6, 2006; Docket No. E-01773A-06-0007*

Dear Sir/Madam:

Attached is the January 11, 2006 Resolution of the Board of Directors of the Arizona Electric Power Cooperative, Inc. supporting AEPCO's Emergency Application requesting that the Commission authorize AEPCO to exceed the seven percent of total capitalization limitation on short-term debt.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

MMG/plp  
10421-45/1324512

Attachment

**Original and 13 copies** filed with Docket  
Control this 12<sup>th</sup> day of January, 2006.

Docket Control  
January 12, 2006  
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cc (w/attachment) (hand delivered):

Commissioner Jeff Hatch-Miller, Chairman  
Commissioner William A. Mundell  
Commissioner Marc Spitzer  
Commissioner Mike Gleason  
Commissioner Kristin K. Mayes  
Jason Gellman, Legal Division  
Steve Olea, Assistant Director, Utilities Division  
Gordon Fox, Utilities Division  
Barbara Keene, Utilities Division

**ARIZONA ELECTRIC POWER COOPERATIVE, INC.**

The following resolution was adopted at a **regular meeting** of the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCO), held in Benson, Arizona on January 11, 2006.

**RESOLUTION**

*WHEREAS, Management has reviewed the current status of the Cooperative's general fund and working capital accounts; and*

*WHEREAS, as a result of significant increases in the cost of natural gas and the cost of purchased power, under-collected fuel and purchased power costs totaling \$7.43 million have resulted from September 1, 2005 through November 30, 2005; and*

*WHEREAS, the 2006 Operating Budget projects that the fuel and purchased power costs will be under-collected by \$16.8 million; and*

*WHEREAS, the actual costs associated with the most recent ST2 maintenance overhaul exceeded planned budget by \$3.6 million; and*

*WHEREAS, the above circumstances have substantially and negatively impacted the level of the Cooperative's general funds; and*

*WHEREAS, due to the above circumstances the Cooperative has found it necessary to rely on the Operating Line of Credit in the amount of \$10.0 million of the total currently available \$12.0 million; and*

*WHEREAS, Management has discussed the available options of recovering current and projected under-collected fuel and purchased power expenses and ensuring the adequacy of the Cooperative's general funds;*

**NOW THEREFORE BE IT RESOLVED**, that in an effort to address the current outstanding and expected increasing under-collected balances associated with the fuel and purchased power expenses, Management is authorized to immediately apply to the Arizona Corporation Commission for permission to implement a Power Cost Adjustor Rate on April 1, 2006; and

**BE IT FURTHER RESOLVED**, that in an effort to ensure adequate working capital resources, Management is hereby authorized to immediately petition the ACC for permission to exceed the seven percent of total capitalization limitation on short-term debt; and

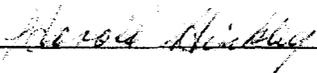
**BE IT FURTHER RESOLVED**, that Management is hereby directed and authorized to submit an application to the National Rural Utilities Cooperative Finance Corporation requesting that the Cooperative's Operating Line of Credit be increased from \$12 million to \$25 million; and

**BE IT FURTHER RESOLVED**, that Management is hereby authorized to execute an Incumbency Resolution as may be required by the CFC for the purposes of increasing the amount of credit available to the Cooperative under certain lines of credit; and

**BE IT FURTHER RESOLVED**, that Management in the form of the Executive Vice President and Chief Executive Officer, Senior Vice President and Chief Operating Officer, and Chief Financial Officer is and are hereby authorized, either individually or collectively, to execute, deliver and perform all other reasonable and necessary actions and functions necessary to achieve the intended purpose of this resolution.

I, Harold L. Hinkley, do hereby certify that I am Secretary of AEPCO, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a **regular meeting** held on January 11, 2006.

(seal)

  
Secretary