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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARK SPITZER
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 11 2001

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IN THE MATTER OF THE APPLICATION)
OF SALT RIVER PROJECT AGRICULTURAL)
IMPROVEMENT AND POWER DISTRICT FOR)
AN ORDER AUTHORIZING ITS ISSUANCE)
OF REVENUE BONDS AND REFUNDING)
REVENUE BONDS)

DOCKET NO. ~~E-2217A-01-0183~~
E-02217A-01-0183
AMENDMENT NO. 1 TO
APPLICATION

TO THE HONORABLE ARIZONA CORPORATION COMMISSION:

This Amendment No. 1 to Application ("Amendment") of the Salt River Project Agricultural Improvement and Power District (the "District"), for an order authorizing the issuance of revenue bonds and refunding revenue bonds, respectfully shows that:

Introduction

1. On March 1, 2001, the District filed an Application (the "Application") requesting, pursuant to A.R.S. §48-2465(B), an order of this Commission authorizing the issuance of not to exceed \$500,000,000 in Revenue Bonds (also referred to as the Bonds To Be Refunded) and not to exceed \$550,000,000 in Refunding Bonds, as such terms are defined in the Application. The \$550,000,000 in Refunding Bonds requested in the Application are referred to herein as the "Capital Improvements Refunding Bonds."

2. The purpose of this Amendment is to amend the Application to update Exhibit D to the Application and to secure, pursuant to A.R.S. §48-2465(B), an order of this Commission authorizing the issuance of (i) an additional not to exceed \$175,000,000 in Revenue Bonds (the "Commercial Paper Revenue Bonds") to pay and retire a portion of the District's

1 outstanding commercial paper and (ii) an additional not to exceed \$200,000,000 in Refunding
2 Bonds to refund the Commercial Paper Revenue Bonds (the "Commercial Paper Refunding
3 Bonds").

4 3. The Board of Directors of the District, pursuant to its statutory authority,
5 has the responsibility to determine that the issuance of the Revenue Bonds (both the Bonds To
6 Be Refunded and the Commercial Paper Revenue Bonds) and the Refunding Bonds (both the
7 Capital Improvements Refunding Bonds and the Commercial Paper Refunding Bonds) is
8 compatible with sound financial practices, constitutes the proper performance of the District's
9 duties, will not impair its ability to provide service to its ratepayers, and is within its lawful
10 powers as an agricultural improvement district.

11 4. The Application is incorporated herein in its entirety by this reference and
12 all capitalized terms used in this Amendment shall have the meanings assigned them in the
13 Application unless otherwise defined in this Amendment. The Application, as amended by this
14 Amendment, is referred to as the "Amended Application."

15 **Revenue Bonds for Construction Purposes**

16 5. Exhibit D to the Application sets forth the District's estimated distribution
17 capital needs during fiscal years May 1, 2000, through April 30, 2003, in support of the
18 requested Bonds To Be Refunded. That exhibit is hereby amended and updated to instead reflect
19 the District's estimated distribution capital needs during fiscal years May 1, 2001, through April
20 30, 2004, as set forth in Exhibit A attached hereto.

21 **Revenue Bonds to Retire Commercial Paper**

22 6. Pursuant to A.R.S. §48-2337(A)(4), the District has outstanding
23 commercial paper in the form of promissory notes, and two revolving credit agreements
24 providing credit support for the commercial paper (the "Commercial Paper Program").
25 Specifically, the District has outstanding its \$150,000,000 Promissory Notes, Series A
26 (Commercial Paper) and its \$375,000,000 Promissory Notes, Series B (Commercial Paper) (the

1 “Series A Commercial Paper” and the “Series B Commercial Paper,” respectively). The
2 proceeds from the Series B Commercial Paper were used to refund prior notes of the District
3 issued, in part, to (i) finance additions, improvements, and replacements to the District’s
4 electrical power generation, transmission, distribution, and related facilities, (ii) finance a portion
5 of the District’s fuel inventory, and (iii) refund debt incurred under bank lines of credit. The
6 proceeds from the Series A Commercial Paper were used to retire an equivalent amount of
7 revenue bonds of the District as set forth in Exhibit B attached hereto

8 7. In 1986, the Board of Directors of the District (the “Board”) concluded it
9 would be prudent and in the District’s best interest to obtain Commission authorization to issue
10 \$375,000,000 of revenue bonds so that the District could, if necessary, be reimbursed for
11 expenditures made and financed by the District’s Commercial Paper Program. On September
12 18, 1986, in Docket No. U-2217-86-127, the Commission issued Decision No. 55209, granting
13 the District’s request. In 1988, the District sought authorization from the Commission to issue
14 an additional \$50,000,000 of revenue bonds for the same purpose. On March 9, 1989, in Docket
15 No. U-2217-88-131, the Commission issued Decision No. 56381, granting that request, bringing
16 the total authorized to \$425,000,000 in anticipation of the District increasing its Commercial
17 Paper Program to \$400,000,000 by the end of fiscal year 1990. That \$425,000,000 in authorized
18 revenue bonds is available to retire the Series B Commercial Paper. In this Amendment the
19 District seeks authorization from the Commission to issue \$175,000,000 of Commercial Paper
20 Revenue Bonds, which will be available to reimburse the District for expenditures made and
21 financed by the Series A Commercial Paper.

22 8. The requested authorization exceeds the amount of the Series A
23 Commercial Paper outstanding by \$25,000,000 to provide for original issue discounts,
24 underwriters’ discounts, contributions to the debt reserve fund, and various other financing costs
25 and issuing expenses, normally paid from the proceeds of a bond issue.

1 9. Revenue bonds issued to retire the outstanding Commercial Paper
2 Program of the District are authorized by A.R.S. §48-2465, and by Section 202 of the Resolution
3 referred to in Paragraph 15 of this Amendment. When and if the Commercial Paper Revenue
4 Bonds are issued, the District will apply the proceeds of the Commercial Paper Revenue Bonds
5 to pay and retire the District's outstanding Series A Commercial Paper and/or any obligation
6 incurred by the District pursuant to the Commercial Paper Program including, for example, any
7 draws on the underlying revolving credit agreements.

8 10. The District, in consultation with the District's financial advisor, Lazard
9 Freres & Co., has determined that the best means of retiring the outstanding Series A
10 Commercial Paper, in light of present market conditions and other relevant factors, would be
11 either privately negotiated sales of the Commercial Paper Revenue Bonds through underwriters,
12 or, at the option of the District, public sales of the Commercial Paper Revenue Bonds, in an
13 amount not to exceed \$175,000,000. Pursuant to A.R.S. §48-2470(D), if the Board of Directors
14 of the District determines that the sale of the Commercial Paper Revenue Bonds will be privately
15 negotiated, such sale will be subject to the prior approval of a majority of the members of the
16 Council of the District.

17 **Refunding of Commercial Paper Revenue Bonds**

18 11. The District, in consultation with the District's financial advisor, Lazard
19 Freres & Co., has concluded that due to the fluctuation in interest rates, in the future it may be
20 possible to sell the Commercial Paper Refunding Bonds to refund the Commercial Paper
21 Revenue Bonds at interest rates which will result in substantial debt service savings to the
22 District. In addition, the District has determined that when interest rates are low, it must be able
23 to proceed quickly to take advantage of the low interest rates frequently afforded by the market.
24 To be able to proceed quickly to refund the Commercial Paper Revenue Bonds, it is necessary to
25 have previously obtained the authorization to issue and sell, by public sale, or by private sale to
26 purchasers or through underwriters, the Commercial Paper Refunding Bonds in an amount not to

1 exceed \$200,000,000. The Commercial paper Refunding Bonds will be secured in the same
2 manner as the previously issued Commercial Paper Revenue Bonds.

3 12. A substantial portion of the proceeds from the sale of the Commercial
4 Paper Refunding Bonds will be invested in obligations of, or obligations the principal of which
5 and interest thereon are guaranteed by, the United States of America, which are scheduled to
6 mature and bear interest at such times and in such amounts so that the principal, interest, and call
7 premium, if any, on the Commercial Paper Refunding Bonds will be paid when due or redeemed.
8 The Commercial Paper Revenue Bonds will no longer be secured by net revenues from the
9 District's electric system, but will be secured and payable solely from the above-described
10 investments. Under the Resolution referred to in Paragraph 15 of this Amendment, and upon
11 issuance of the Commercial Paper Refunding Bonds, the Commercial Paper Revenue Bonds
12 would no longer be considered outstanding debt of the District. Depending on market
13 conditions, other alternatives include crossover refundings and economic defeasance.

14 **General**

15 13. The sales of the Commercial Paper Revenue Bonds and the Commercial
16 Paper Refunding Bonds will be in one or more increments subsequent to the date the
17 Commission Order authorizing the issuance of the Commercial Paper Revenue Bonds and the
18 Commercial Paper Refunding Bonds becomes final. The District will determine the timing,
19 frequency, and amount of the sale of each such increment of the Commercial Paper Revenue
20 Bonds and the Commercial Paper Refunding Bonds, depending upon capital market conditions.
21 It is proposed that the Commercial Paper Revenue Bonds and the Commercial Paper Refunding
22 Bonds mature within fifty years from the date of the bonds, as provided by A.R.S. §48-2466(A),
23 and be subject to redemption provisions determined by the District. The District will determine
24 the interest to be borne for each increment, and the purchase price received by the District will be
25 determined either at private sale by negotiations between the District and purchasers or
26 underwriters, or at a publicly advertised, competitive sale on the basis of the best bid received.

1 Pursuant to A.R.S. §48-2470(D), if the Board of Directors of the District determines that the sale
2 of any increment of the Commercial Paper Revenue Bonds or the Commercial Paper Refunding
3 Bonds will be privately negotiated, such sale will be subject to prior approval of a majority of the
4 members of the Council of the District.

5 14. In the District's opinion, the purposes to which the proceeds of the
6 Commercial Paper Revenue Bonds and the Commercial Paper Refunding Bonds are to be
7 applied are generally set forth herein, and as specifically set forth in Paragraphs 6, 7, 8, 9, 10, 11
8 and 12 of this Amendment, are in accordance with the lawful purposes for which the District was
9 established under Title 48, Chapter 17, A.R.S., are within its power under such laws, are based
10 on sound financial practices and are compatible with the public interest and with the proper
11 performance by the District of service as an agricultural improvement district, and will not
12 impair but will improve its ability to perform the service for which it was established. The
13 District is further of the opinion that the issuance of the Commercial Paper Revenue Bonds and
14 the Commercial Paper Refunding Bonds as herein contemplated is reasonably necessary and
15 appropriate for the aforementioned purposes.

16 15. In connection with the issuance of the Commercial Paper Revenue Bonds
17 and the Commercial Paper Refunding Bonds, the Board of Directors of the District has adopted a
18 Resolution Concerning Revenue Bonds, dated as of November 1, 1972 (the "Resolution"),
19 relating to the exercise of powers granted by Title 48, Chapter 17, Article 7, A.R.S. The
20 Resolution pledges certain electric revenue of the District for the payment of the principal of and
21 interest on revenue bonds, including refunding bonds, and, subject to the applicable provisions
22 thereof, on additional revenue bonds issued in the future. A.R.S. §48-2468(A)(6) and Section
23 509 of the Resolution permit the District to issue subordinate lien bonds, should such be
24 necessary or advisable in connection with the issuance of the Commercial Paper Revenue Bonds
25 or the Commercial Paper Refunding Bonds. Any Commercial Paper Revenue Bonds or
26 Commercial Paper Refunding Bonds issued by the District would be issued pursuant to the

1 Resolution (as it may be modified from time to time) or a different resolution providing for a
2 subordinate lien on the District's electric revenue.

3 16. With regard to the sale of each increment of the Commercial Paper
4 Revenue Bonds or the Commercial Paper Refunding Bonds, which sales may occur in fiscal year
5 2002 and thereafter, the District proposes to file with the Commission, contemporaneously with
6 each sale, the resolution adopted by its Board of Directors specifically authorizing the sale of
7 each increment, and, in the event of a private sale, the form of underwriting agreement, if any,
8 and the resolution adopted by its Council, approving such sale.

9 17. The District competes with many other governmental bodies for capital
10 funds in the tax-exempt market. Market access is subject to change due to economic and
11 political events and psychological perceptions. The District needs flexibility in structuring the
12 sale, terms and conditions of the Commercial Paper Revenue Bonds and the Commercial Paper
13 Refunding Bonds to be able to successfully raise capital during periods of reduced market
14 access. The District has statutory authority to sell, tender for or exchange bonds under
15 contractual terms determined by its Board of Directors to be in the best interest of the District,
16 including bonds having variable interest rates and put features, and bonds that carry with them an
17 optional warrant to purchase additional bonds on similar terms and conditions in the future. The
18 District will consider these and other techniques, if deemed in the best interest of the District,
19 and if recommended by the District's financial advisors. The District considers it essential that
20 such financing techniques and structures be available to it at a time when such techniques hold
21 promise of considerable benefit to the District and its customers.

22 18. To the extent the procedures set forth herein are found by the Commission
23 to be reasonable and proper, the District requests that, in addition to the not to exceed
24 \$500,000,000 in Bonds To Be Refunded and not to exceed \$550,000,000 in Capital
25 Improvements Refunding Bonds requested in the Application, it be authorized to issue (i)
26 Revenue Bonds for purposes of retiring the Series A Commercial Paper in an aggregate principal

1 amount of not to exceed \$175,000,000, (ii) Refunding Bonds to refund the Commercial Paper
2 Revenue Bonds in an aggregate principal amount of not to exceed \$200,000,000, and to pay
3 expenses incurred in connection therewith, all in the manner described herein without necessity
4 of seeking further Commission approval.

5 19. The District requests that notice of the filing of the Amended Application
6 be given in conformity with A.R.S. §40-302. If requested to do so by or on behalf of the
7 Commission, the District, pursuant to A.R.S. §48-2465(B), will reimburse the Commission for
8 any additional costs necessarily incurred by it in preparing and distributing such notice or any
9 other additional costs which are necessarily incurred by the Commission in connection with
10 securing the order for which the Amended Application is made.

11 20. The District requests that the order for which the Amended Application is
12 herewith made be promptly issued and become effective immediately upon the issuance thereof,
13 because of the current monetary requirements to provide certain improvements needed to carry
14 out its service responsibilities, the current status of financial market conditions in general, which
15 make timing a critical factor in proper and successful marketing of the Revenue Bonds (both the
16 Commercial Paper Revenue Bonds and the Bonds To Be Refunded) and the Refunding Bonds
17 (both the Capital Improvements Refunding Bonds and the Commercial Paper Refunding Bonds),
18 and the timing of informational filings with the bond rating agencies. The District requests,
19 should the Commission deem it appropriate, summary disposition of the Amended Application.

20 WHEREFORE, the District asks that your Honorable Commission:

21 Cause notice of the filing of the Amended Application to be given as above
22 requested; hold such hearing or hearings and make such inquiry or investigation as the
23 Commission may deem of assistance or, in the alternative, pursuant to A.R.S. §40-302(A),
24 determine a hearing is not necessary and make summary disposition of the Amended
25 Application; make the finding as required by A.R.S. §40-302, relative to the issuance of the
26 Revenue Bonds and the Refunding Bonds as herein discussed; and thereafter make an

1 immediately effective order authorizing the District to issue (i) the Revenue Bonds for
2 construction purposes in an amount not exceeding \$500,000,000, (ii) the Revenue Bonds for
3 purposes of retiring the District's Series A Commercial Paper in an amount not exceeding
4 \$175,000,000, (iii) the Refunding Bonds to refund the Bonds To Be Refunded in an amount not
5 exceeding \$550,000,000, and (iv) the Refunding Bonds to refund the Commercial Paper
6 Revenue Bonds in an amount not exceeding \$200,000,000; and to sell same in the manner herein
7 contemplated and to pay financing costs and expenses related thereto.

8 DATED at Tempe, Arizona this 27th day of June 2001.

9
10 SALT RIVER PROJECT AGRICULTURAL
11 IMPROVEMENT AND POWER DISTRICT

12 By Dean K. Yee
13 Dean K. Yee
14 Manager, Financial Services
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1 STATE OF ARIZONA)
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Dean K. Yee, being first duly sworn, deposes and says that he is the Manager,
Financial Services of Salt River Project Agricultural Improvement and Power District, that he
has read the foregoing Amendment No. 1 to Application and knows the contents thereof, and that
the same is true in substance and in form, except as to matters therein stated on information and
belief, and as to those he believes them to be true.



Dean K. Yee

Subscribed and sworn to before me this 8th day of June 2001.



Notary Public

My Commission expires:



EXHIBIT A

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
 ESTIMATED DISTRIBUTION CAPITAL EXPENDITURES
 FOR FISCAL YEARS 2002 - 2004

	FY02	FY03	FY04	Total
Distribution				
Underground Cable	\$ 28,533,667	\$ 28,943,756	\$ 28,561,686	\$ 86,039,109
System Lines	12,420,936	13,926,181	12,553,987	38,901,104
Muni-Aesthetics	12,693,854	12,777,290	12,608,624	38,079,768
Total Substations	17,788,321	18,605,863	17,540,908	53,935,092
System Improvements	60,737,551	36,264,931	35,102,200	132,104,681
New Business	58,501,740	55,608,895	53,108,576	167,219,211
Corporate Services	<u>16,702,150</u>	<u>11,521,921</u>	<u>9,422,950</u>	<u>37,647,021</u>
Total	<u>\$ 207,378,219</u>	<u>\$ 177,648,836</u>	<u>\$ 168,898,931</u>	<u>\$ 553,925,986</u>

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EXHIBIT B

**PORTIONS AND MATURITIES OF
ELECTRIC SYSTEM REVENUE BONDS (MINIBONDS)
RETIRED WITH SERIES A COMMERCIAL PAPER PROCEEDS**

<u>Series</u>	<u>Coupon</u>	<u>Principal Accreted Value</u>	<u>Call Date</u>	<u>Portion Retired w/Note Proceeds</u>	<u>Maturity Retired</u>
1985B	9.300%	12,245,500	12-17-97	8,286,600	2000
1985C	9.300%	15,899,402	12-17-97	-0-	-0-
1986A	8.250%	17,983,000	12-17-97	17,983,000	2005
1986B	8.250%	12,728,991	12-17-97	-0-	-0-
1987A	6.875%	17,433,000	12-17-97	17,433,000	2002
1987B	6.875%	6,379,429	12-17-97	3,112,600	2002
1987C	7.875%	17,980,000	12-17-97	17,980,000	2003
1987D	7.875%	8,791,482	12-17-97	4,058,200	2003
1988C	7.200%	16,430,000	12-17-97	11,278,400	2004
1988D	7.200%	8,150,714	12-17-97	4,297,200	2004
1989B	7.150%	16,915,500	12-17-97	9,415,500	2005
1989C	7.150%	6,790,416	12-17-97	3,867,200	2005
1991B	6.650%	20,496,500	12-17-97	4,496,500	2006
1991C	6.650%	6,021,409	12-17-97	3,869,800	2006
1992A	6.300%	43,316,000	12-17-97	38,816,000	2007
1992B	6.300%	10,226,600	12-17-97	5,106,000	2006