



0000042690

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
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

FEB 15 2006

DOCKETED BY *RM*

IN THE MATTER OF THE APPLICATION)
OF THE ARIZONA ELECTRIC POWER)
COOPERATIVE, INC. FOR PERMISSION)
TO TEMPORARILY EXCEED THE SEVEN)
PERCENT SHORT-TERM DEBT)
LIMITATION OF A.R.S. § 40-302.D.)

DOCKET NO. E-01773A-06-0007
DECISION NO. 68481
ORDER

Open Meeting
February 14 and 15, 2006
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Electric Power Cooperative, Inc. ("AEPCO" or "Cooperative") filed an application requesting authorization for financing with the Arizona Corporation Commission ("Commission") on January 6, 2006.

2. AEPCO is a Class "A" Arizona cooperative that supplies the power needs of its five Arizona class "A" cooperatives and other customers.

3. AEPCO requests Commission authorization pursuant to A.R.S. §40-302.D. to temporarily exceed the statutory short-term borrowing limit of seven percent of total capital through 2006. Specifically, AEPCO requests authorization to increase its short-term borrowing to \$30 million.

4. Staff counsel has been notified that the Cooperative published notice of its financing application in the *Tucson Citizen*, *The Daily Star* and *Kingman Daily Miner* on

...

1 January 26, 2006. Staff is awaiting the affidavit of publication for notices published in *The Tucson*
2 *Citizen* and *The Daily Star*.

3 5. On February 2, 2006, the Cooperative waived its ten day exception period and
4 requested that this matter be decided by the Commission at the February Open Meeting.

5 6. AEPCO had short-term borrowings of approximately \$15.2 million as of
6 December 31, 2005, and its application anticipates that it will be at the threshold of the seven
7 percent limit (estimated at \$16.3 million) by January 31, 2006.

8 7. The Cooperative asserts that the larger short-term borrowing limit is needed to
9 finance large under-collections caused by increasing costs of natural gas and purchased power and
10 other operational efficiencies.

11 8. Absent increased borrowing authority, AEPCO may default on accounts payable
12 obligations to purchased power providers.

13 9. AEPCO must repay short-term draws within one year.

14 10. Staff has determined that the proposed use of funds is appropriate and that
15 authorization to increase short-term borrowing to \$30 million for those purposes is lawful and
16 within the corporate powers of the applicant, is compatible with the public interest, and would not
17 impair AEPCO's ability to provide service.

18 11. Staff has determined that extending the borrowing authorization is also sound
19 practice from the perspective that not extending the authorization has potentially greater
20 detrimental effects for AEPCO and its customers than any temporary cash flow shortfall for
21 servicing the additional requested debt.

22 12. Staff concludes that AEPCO will not meet its obligations as they become due
23 beginning in March 2006 without additional borrowing. Further, AEPCO needs additional cash to
24 provide flexibility for its physical hedging program that saves fuel costs for the benefit of
25 customers. In addition, AEPCO needs access to cash for contingencies. AEPCO also needs cash
26 flow to reduce its existing and any additional short-term debt that the Commission may authorize.

27 13. Staff has recommended approval of the request to increase short-term borrowing to
28 \$30 million.

CONCLUSIONS OF LAW

1
2 1. The Cooperative is a public service corporation within the meaning of Article 15 of
3 the Arizona Constitution and Title 40 of the Arizona Revised Statutes.

4 2. The Commission has jurisdiction over AEPCO and over the subject matter of the
5 application.

6 3. Notice of the application was provided in conformance with law.

7 4. The Commission having reviewed the application and Staff's Memorandum of
8 February 8, 2006, concludes that it is in the public interest to grant the Company's request to
9 increase short-term borrowing to \$30 million from the perspective that not extending the
10 authorization has potentially greater detrimental effects for AEPCO and its customers than any
11 temporary cash flow shortfall for servicing the additional requested debt.

12 5. The Cooperative will be required to file one copy of executed loan documents with
13 Docket Control, as a compliance item in this matter, within 90 days of the decision in this matter.

ORDER

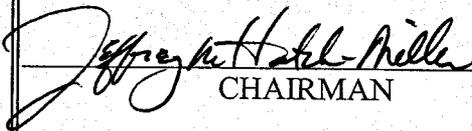
14
15 IT IS THEREFORE ORDERED that the application of Arizona Electric Power
16 Cooperative, Inc. to increase short-term borrowing to \$30 million be and hereby is granted.

17 ...
18 ...
19 ...
20 ...
21 ...
22 ...
23 ...
24 ...
25 ...
26 ...
27 ...
28 ...

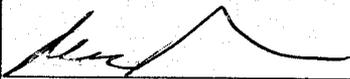
1 IT IS FUTHER ORDERED that the Company file the executed loan documents with
2 Docket Control, as a compliance item in this matter, within 90 days of the decision in this matter.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.
4

5 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

6
7 
8 CHAIRMAN

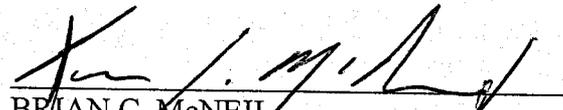

9 COMMISSIONER

10 
11 COMMISSIONER


12 COMMISSIONER


13 COMMISSIONER

14 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
15 Director of the Arizona Corporation Commission, have
16 hereunto, set my hand and caused the official seal of this
17 Commission to be affixed at the Capitol, in the City of
18 Phoenix, this 15th day of February, 2006.


19 BRIAN C. McNEIL
20 Executive Director

21 DISSENT: _____

22 DISSENT: _____

23 EGJ:DTZ:lhmcck
24
25
26
27
28

1 SERVICE LIST FOR: Arizona Electric Power Cooperative, Inc.
2 DOCKET NO. E-01773A-06-0007

3 Mr. Michael M. Grant
4 Mr. Todd C. Wiley
5 2575 East Camelback Road
6 Phoenix, Arizona 85016-9225

7 Mr. Ernest G. Johnson
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007

12 Mr. Christopher C. Kempley
13 Chief Counsel
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007

17
18
19
20
21
22
23
24
25
26
27
28