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NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
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OCT 05 2007

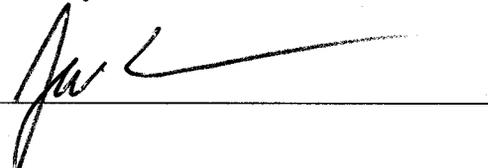
DOCKETED BY 

IN THE MATTER OF THE APPLICATION OF)
NAVOPACHE ELECTRIC COOPERATIVE, INC.)
FOR APPROVAL OF RENEWABLE ENERGY)
STANDARD PLAN AND TARIFFS)
_____)

DOCKET NO. E-01787A-07-
E-01787A-07-0576

Navopache Electric Cooperative, Inc. ("NEC") is hereby filing its Renewable Energy Standard ("RES") Plan in compliance with RES Rule R-14-1814(A). NEC is hereby also filing its tariff pages for the Renewable Energy Standard ("RES") Tariff in compliance with the RES Rule R-14-1808(A). As a part of its RES Plan, NEC hereby also is filing a Voluntary RES Contribution Program Tariff. NEC hereby also files its RES Customer Self-Directed Tariff in compliance with RES Rule R-14-1809(A) and its annual 2006 Rural Utilities Services Form 7 in compliance with the RES Rule R-14-1808(B)(1). NEC also submits a worksheet that contains the information required by RES Rule R-14-1808(B)(2) through R-14-1808(B)(4). Finally, NEC hereby agrees to waive the 30 day Arizona Corporation Commission deadline for processing these tariffs.

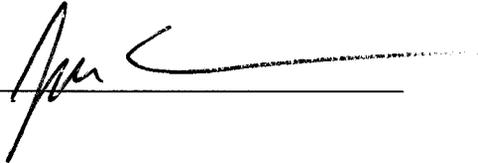
RESPECTFULLY SUBMITTED this 5th day of October, 2007.

By 

John Wallace
Grand Canyon State Electric Cooperative Assn. Inc.

1 **Original** and thirteen (13) copies filed this
5th day of October, 2007, with:

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

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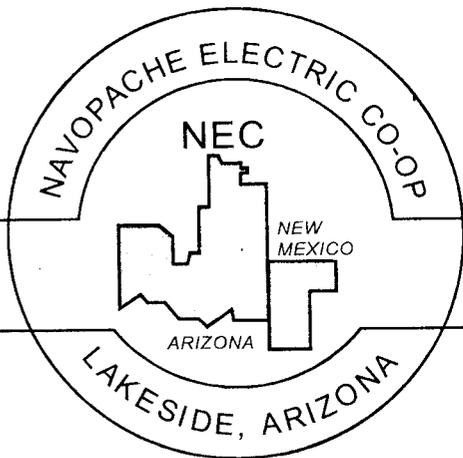
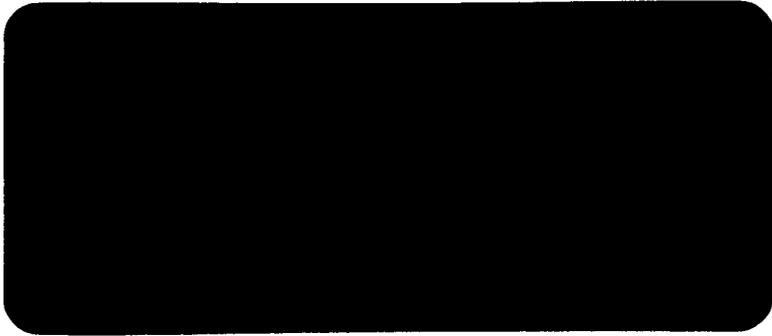
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P.O. Box 308
Lakeside, Arizona 85929
Telephone: (520) 368-5118



NAVOPACHE ELECTRIC COOPERATIVE



NAVOPACHE ELECTRIC COOPERATIVE



September 17, 2007

Renewable Energy Standard & Tariff Plan

(REST PLAN)

Submitted by Dennis W. Hughes, Interim General Manager

**Navopache Electric Cooperative, Inc.
1878 West White Mountain Boulevard
Lakeside, Arizona 85929**

www.navopache.org

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**NAVOPACHE ELECTRIC COOPERATIVE, INC.
RENEWABLE ENERGY STANDARD and TARIFF**

I. BACKGROUND

Navopache Electric Cooperative, Inc. ("NEC") is a rural electric transmission and distribution cooperative headquartered in Lakeside, Arizona. NEC provides electric service to 39,000 members in its 10,000 square mile service territory covering east-central Arizona and west-central New Mexico. NEC owns and operates 270 miles of 69 kV transmission lines and nearly 3,000 miles of 14.4/24.9 kV distribution lines and employees approximately 100 full-time employees. NEC is presently an "all-requirements" wholesale power customer of the Public Service Company of New Mexico ("PNM"). In 2006, NEC delivered 3.93 gigawatt hours in retail sales to its members.

On March 27, 2002, NEC management presented to its Board of Directors an Environmental Portfolio Standard Plan to achieve the requirements set forth by the Arizona Corporation Commission, (ACC), in Decision No. 62506, dated May 4, 2000, as codified in A.A.C. R14-2-1618 ("EPS Rule"), requiring NEC and all other Arizona Regulated Electric Service Providers to include in their retail electric sales a specified amount of electricity derived from renewable energy resources. The NEC Board of Directors approved the NEC EPS Plan and NEC filed an application on November 4, 2002 to the Rural Utilities Service ("RUS") of the USDA, for loan funds in the amount of \$ 3,145,000.00 to be combined with monies collected from the Environmental Portfolio Surcharge to meet the requirements of the EPS Rule.

The RUS approved NEC's application to borrow loan funds and subsequently NEC submitted its EPS Plan to the ACC, Utilities Division. In December, 2002, the "Staff Report, Utilities Division, Arizona Corporation Commission, DOCKET NO. E-01787A-02-0822", recommended approval of NEC's request for authorization to borrow funds from the RUS. The ACC approved this authorization to borrow funds from the RUS in Decision No. 65532, dated January 23, 2003. NEC began using loan funds to further implement and enhance its EPS plan in the summer of 2003.

Navopache Electric Cooperative, Inc.

NEC has filed semi-annual and annual Environmental Portfolio Standard Compliance Reports with the Director, Utilities Division, ACC, for the years from 2001 through 2006. During this period, the NEC EPS Plan has delivered 5,410,653 kWh of non-solar renewable energy electricity and 1,626,300 kWh of solar generated electricity to its members.

These renewable energy resources were obtained through purchasing renewable energy credits from Tucson Electric Power Company, Industrial Solar Technology Corporation, and from generating photovoltaic installations completed by NEC. NEC presently has four photovoltaic installations producing solar electricity. Two are grid connected at NEC power distribution substations and two are distributed generation installations, i.e., located on the member's premises, serving existing loads at secondary voltages. These distributed generation installations replace a portion of the member's energy requirements previously purchased from NEC and supplied through the normal power distribution system.

II. NEC's REST PLAN

NEC will use a combination of existing infrastructure and renewable energy credit purchase agreements, as well as a variety of funding sources to meet its requirement for renewable energy under the ACC's Environmental Portfolio Standard. NEC intends to install, own and operate additional renewable energy resources going forward and intends to enter into new agreements to purchase renewable energy credits to achieve compliance under the REST plan. NEC will be encouraging its members to install distributed generation resources and will participate in the Uniform Credit Purchase Program as well as any Net Metering program adopted for implementation by the ACC.

Existing Infrastructure – Utility Installed Photovoltaic Resources

NEC has completed installation of four photovoltaic arrays since 2003. Two of

these, Blue Ridge High School and The Town of Pinetop-Lakeside, were funded entirely by monies collected through the environmental portfolio surcharge. The other two, NEC St. Johns Substation and the NEC Springerville Area Office, were financed through loan funds from the Rural Utilities Service, USDA.

All of these installations are metered and the kWh output is reported to the ACC in NEC's Annual EPS Compliance Report. The last report submitted by NEC covered the period January – December, 2006.

The projected annual kWh output from these installations, based on historical data, is included in Exhibit "A" – Renewable Energy Resources as part of this report.

Existing Infrastructure – Member Installed Photovoltaic Resources

NEC has five members who have chosen to install photovoltaic arrays at their residences. The installations range in size from 1 kW to 7.2kW and are interconnected to the NEC power system. NEC has metered these installations with time-of-use meters and are accumulating the kWh's which are delivered back to NEC. It is our intention to net meter these locations based upon the present guidelines being considered by the ACC and the concept of net metering is accepted in Arizona. The time of use meter will store the energy delivered to the NEC system in a separate register and we will be reimbursing these members for the energy, once a net metering program is authorized. The projected annual kWh output from these installations, based on historical data, is included in Exhibit "A" – Renewable Energy Resources as part of this report.

Existing Renewable Energy Credit Purchase Agreement

NEC and Industrial Solar Technology Corporation, (IST), Golden, CO, entered into a five-year agreement in November of 2006. This agreement is part of this report and is labeled as Exhibit "B". IST is the owner/operator of a solar thermal system at the Federal Correctional Institution, (FCI), in Phoenix, AZ. The system, installed in 1999,

Navopache Electric Cooperative, Inc.

displaces electricity used for water heating at the facility.

IST wishes to sell all of the Renewable Energy Credits generated from the FCI solar system to NEC to assist NEC in meeting its renewable energy requirements under the Arizona Corporation Commission's Environmental Portfolio Standard adopted in 2000 and revised as the Renewable Energy Standard and Tariff in 2007. The projected annual kWh output from these installations, based on historical data, is included in Exhibit "A" – Renewable Energy Resources as part of this report.

Additional Renewable Energy Credit Purchase Agreements

NEC has had recent discussions with a major wind energy provider regarding the location of a 100MW wind farm within NEC's service territory. The provider has a proven track record and NEC has every reason to believe that this project has merit and that the provider is serious in their intentions.

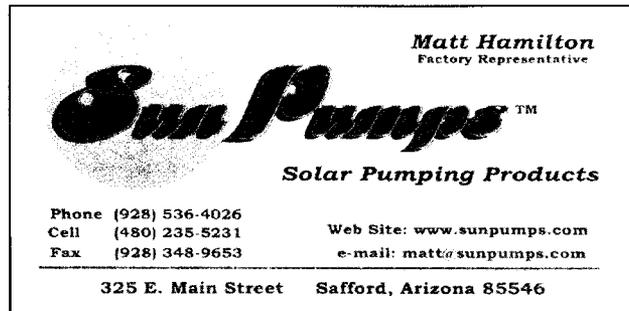
The latest National Renewable Energy Laboratory, (NREL), Arizona 50 meter Wind Power map identifies a viable wind resource in southern Apache County which is within the NEC service territory. The wind resource is in close proximity to the existing NEC transmission system. The provider understands that a project of this magnitude will require substantial infrastructure upgrades and additions to the NEC power system to market the renewable energy resource. The provider has indicated that these factors are known to be a requirement for the development of a resource as significant as what is being proposed by them. The provider has asked for confidentiality with respect to this project until an engineering analysis and a financial analysis can be completed.

When complete, this project will have the potential to provide more renewable energy resources than all of the other existing NEC installations and renewable energy credit purchase agreements combined. It is NEC's intention to enter into a renewable energy credit purchase agreement with this provider to secure enough resources to meet NEC's requirements under the REST plan for the foreseeable future. Additionally, NEC will enter into other agreements with the vendor to allow the vendor to export the excess renewable energy produced from the NEC power system to the transmission grid of

northeastern Arizona and ultimately to other markets.

Additional Renewable Energy Credit Purchase Agreements

NEC intends to enter into a renewable energy credit purchase agreement with Mr. Clifford Johnson, dba Johnson Cattle Company. Mr. Johnson owns a significant amount of property in Apache County, near the Tucson Electric Power Company Springerville Generating Station. Mr. Johnson intends to build a 315kW photovoltaic grid-tied array and has made a proposal to NEC to purchase all of the renewable energy credits available from his project. The proposal is included in this report and is labeled Exhibit "C". Mr. Johnson will be working with Mr. Matt Hamilton, owner of Sun Pumps, a provider of solar pumping products. Mr. Hamilton is a business associate of NEC, having designed and installed all of the distributed generation photovoltaic systems for NEC members that are referenced as a renewable resource in this report.

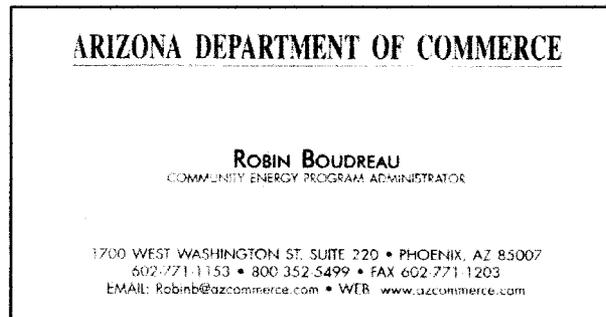


Additional Renewable Energy Credit Purchase Agreements

NEC is presently involved in discussions with the Town Manager of Eagar, AZ, Mr. Bill Greenwood, and with Mr. Robin Boudreau, Community Energy Program Administrator, AZ Department of Commerce. The Town of Eagar is interested in pursuing a wind energy project to be located near the NEC Round Valley Substation in Eagar. Initial plans call for a wind energy project of 3.5MW to be constructed next to a privately owned small wood sawmill operation. The project calls for the wind energy produced to satisfy all of the electrical needs of the sawmill while the excess will be purchased by NEC. Currently, the parties are planning to conduct a wind resource

analysis at the location through coordination with Dr. Williams, Northern Arizona University, Flagstaff, AZ. NEC is in contact with the National Rural Utilities Cooperative Finance Corporation, (CFC), to investigate obtaining a Clean Renewable Energy Bond to help fund this project.

Depending upon the outcome of the wind resource analysis, this project could be enlarged to develop a much larger resource, up to a maximum of 30MW. The ultimate size of the project will be dependent upon the available capacity of a 69kv transmission line which is located within a mile of the site.



Geothermal Power Project – Resurrection

In the early 1980's, NEC, in cooperation with Pan American Resources and the Sandia National Laboratory, Albuquerque, NM, conducted a feasibility study to develop a geothermal electricity project within its service territory. NEC envisioned a 50MW geothermal electricity generation facility near the community of Alpine, AZ, located in southern Apache County. The project was modeled after the Fenton Hill Hot Dry Rock geothermal facility developed at the Los Alamos National Laboratory in Los Alamos, NM. A test well was drilled and the resource was verified. NEC made application to the Department of Energy for federal financing to fund the project but the attempt was unsuccessful.

Given recent advances in technology and processes, along with our goals of advancing the development of renewable energy resources, NEC believes that it should revisit the geothermal project of 25 years ago. An analysis to determine if the project

Navopache Electric Cooperative, Inc.

could be economically feasible under today's energy market conditions is being seriously considered.

III. WHOLESALE POWER SUPPLY ISSUES

NEC is an "all-requirements" power customer of the Public Service Company of New Mexico, (PNM). The present contract expires July 1, 2025, however it contains a clause that allows NEC to exit the contract July 1, 2010. NEC and PNM are currently discussing new energy market conditions and contract terms to take effect in 2010 if the parties decide to extend the contract through 2025. It is important to note that the present contract contains the following language which will be maintained by NEC under a contract extension, should it occur:

"For electric services rendered in AZ, NEC is subject to the jurisdiction of the ACC. The ACC's electric competition and renewable energy resource requirements may reduce the amount of power and energy to be purchased hereunder by NEC for resale to NEC customers. NEC may be required by the ACC to obtain power and energy for NEC customers through a competitive bidding process. Further, NEC may be required by the ACC to obtain power and energy for NEC customers from renewable energy sources."

If NEC were to develop a significant geothermal energy resource, this contract language regarding renewable energy procurement by NEC will prove to have a major impact on the relationship between NEC and PNM. A 50MW generating station would satisfy 50% of the energy needs of the cooperative while simultaneously reducing the amount of power and energy purchased from PNM under the wholesale power contract between the two parties.



Exhibit "A"

Renewable Energy Resources – 2007

Resource	Type	Size – kW	Annual Output – kWh
NEC St. Johns Substation	Photovoltaic – Utility – Grid Connected	94	220,711
NEC Springerville Area Office	Photovoltaic – Utility – Grid Connected	114	249,715
Blue Ridge High School	Photovoltaic – Distributed Generation	50	144,376
Mountain Meadow Recreation Complex	Photovoltaic – Distributed Generation	20	43,800
NEC Member Installations	Photovoltaic – Distributed Generation	30	65,700
NEC Member Installation Johnson Cattle Company	Photovoltaic – Grid Connected	315	569,500
Industrial Solar Technology Corporation	Solar Thermal System	700	1,567,500
TOTAL RESOURCES AVAILABLE		1,323	2,861,302
REST REQUIREMENT		2,839	6,139,566
DEFICIENCY		1,516	3,278,264

**Proposal to Purchase EPS Credits:
Agreement between Industrial Solar Technology Corporation and
Navopache Electric Cooperative, Inc.**

This agreement dated Nov. 6th, 2006 is between Industrial Solar Technology Corporation (IST), 4420 McIntyre Street, Golden, CO and Navopache Electric Cooperative, Inc. (Navopache) P. O. Box 308, Lakeside, Arizona 85929.

IST is the owner/operator of a solar thermal system at the Federal Correctional Institution (FCI) in Phoenix, Arizona that displaces electricity used for water heating. The solar system was installed in 1999; hence, it is eligible for the application of an early installation credit of 0.5. Thirty percent (30%) of the installed solar system was from Arizona content materials. Such content generates an extra credit multiplier of $0.5 \times 0.3 = 0.15$. Hence, the total extra credit multiplier is 0.65.

IST invoices FCI on a monthly basis for the displaced value of electricity in the manner shown in the attached invoice. The amount of electricity displaced is measured using duplicate meters. Measurement procedures and billings were approved at the onset of the project by the National Renewable Energy Laboratory. The electricity displaced is net of heat losses in distribution piping and electricity used to produce the hot water.

IST wishes to sell all the Renewable Energy Credits (REC) generated from the FCI solar system to Navopache to assist Navopache in meeting its portfolio requirements under the Arizona Corporation Commission's Environmental Portfolio Standard adopted in Decision Nos. 63364 and 63486. The proposed price of the "raw" credits without the application of the extra credit multiplier is \$0.06/kWh of displaced electricity. It is proposed to sell the credits generated during 2006 and for five years thereafter through December 31, 2011. After that time, the Agreement is renewable by mutual consent for a mutually agreed upon time frame.

Through October 31, 2006, the solar system has generated 478,696 kWh of REC. The total number of REC generated through December 31, 2006 is estimated at 570,000 kWh. On an annual basis, the REC generated will range from 800,000 to 1,100,000 kWh based on weather conditions and circumstances at the site. However, IST can make no guarantees regarding the actual number of REC generated.

Both parties agree that if the Arizona Corporation Commission eliminates the Environmental Portfolio Surcharge, (EPS), being levied by affected utilities, or modifies the EPS funding mechanism to the degree that NEC cannot meet its obligations under this Purchase Proposal solely from these funds, NEC may terminate this agreement with 60 days written notice without penalty or further obligation to IST.

Within 10 days of the end of each calendar quarter, IST proposes to deliver a "Certificate of Transfer of EPS Credits" such as that shown for REC through October 31, 2006 for payment by Navopache on a net 30 basis.

Signed:



E. Kenneth May
President
Industrial Solar Technology Corporation

Date: 11/6/06

Signed:



Dennis W. Hughes
Manager of Energy Services
Navopache Electric Cooperative, Inc.

Date: 11/2/06

Navopache Electric Cooperative, Inc.

**Proposal to Purchase EPS Credits and Power:
Agreement between Johnson Cattle Co. and
Navopache Electric Cooperative, Inc.**

This agreement dated _____, 2007 is between Johnson Cattle Co.
_____ Street, _____, Arizona and Navopache Electric Cooperative, Inc.
(Navopache) P.O. Box 308, Lakeside, Arizona 85929.

Johnson Cattle Co. proposes to install a 315 kW Photovoltaic Grid-Tie system at Johnson Cattle Co. Ranch, Springerville, Arizona in order to sell power, along with the Renewable Energy Credits (REC), to Navopache. The proposed solar system will generate an estimated 530,000 to 609,000 kWh's of REC per year, based on weather conditions and circumstances at the site. However, Johnson Cattle Co. can make no guarantees regarding the actual number of REC generated.

Johnson Cattle Co. wishes to sell all the Renewable Energy Credits REC generated from the Johnson Cattle Co. Solar Electric System to Navopache to assist Navopache in meeting its portfolio requirements under the Arizona Corporation Commission's Renewable Energy Standard and Tariff Adopted 31 October 2006 and certified 15 June 2006 by the Arizona Attorney General. The proposed price of the "raw" credits without the application of the extra credit multiplier is \$ ____ kWh of the displaced electricity. It is proposed to sell the credits generated during 2007 and for five years thereafter through _____ 2017. After that time, the Agreement is renewable by mutual consent for a mutually agreed upon time frame.

Johnson Cattle Co. further wishes to sell all power generated for the Johnson Solar System to Navopache for \$ ____ kWh. Within 10 days of the end of each calendar quarter, Johnson proposes to bill Navopache for all power generated for that quarter on a net 30 basis.

Within 10 days of the end of each calendar quarter, Johnson proposes to deliver a "Certificate of Transfer of EPS Credits" such as that shown for REC through _____ for payment by Navopache on a net 30 basis.

Signed:

Signed:

Date: _____
Clifford Johnson
Johnson Cattle Co.

Date: _____
Dennis W. Hughes
Manager Of Energy Services
Navopache Electric Cooperative, Inc.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

RENEWABLE ENERGY STANDARD TARIFF

SCHEDULE NO. 9

Effective: January 1, 2008

Renewable Energy Standard ("RES") Surcharge

On all bills for governmental and agricultural customers with multiple meters, an RES Surcharge mandated by the Arizona Corporation Commission will be assessed monthly at the lesser of \$ 0.000875 per kilowatt-hour of retail electricity purchased by the consumer, or:

Governmental and Agricultural Customers: \$ 13 per service;

Governmental and Agricultural Customers whose metered demand is 3,000 kW or more for 3 consecutive months: \$ 39.00 per service.

In the case of unmetered services, the Load-Serving Entity shall, for the purposes of billing the RES Surcharge and subject to the caps set forth above, use the lesser of (i) the load profile or otherwise estimated kWh required to provide the service in question; or (ii) the service's contract kWh.

On all bills in all other tariff service categories than those listed above, an RES Surcharge mandated by the Arizona Corporation Commission will be assessed monthly at the lesser of \$ 0.004988 per kilowatt-hour of retail electricity purchased by the customer, or:

Residential Customers: \$ 1.05 per service;

Non-Residential Customers: \$ 39.00 per service;

Non-Residential Customers whose metered demand is 3,000 kW or more for 3 consecutive months: \$ 117.00 per service.

In the case of unmetered services, the Load-Serving Entity shall, for purposes of billing the RES Surcharge and subject to the caps set forth above, use the lesser of (i) the load profile or otherwise estimated kWh required to provide the service in question; or (ii) the service's contract kWh.

The RES Surcharge is in addition to all other rates and charges applicable to service to the customer.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

VOLUNTARY RENEWABLE ENERGY PROGRAM

SCHEDULE NO. 10

Effective: For electrical usage beginning on January 1, 2008 and billed beginning with the February 1, 2008 cycle billings.

Availability

Available as an option to all residential and non-residential standard offer members of the Cooperative to participate in the cooperative's renewable energy program. Not applicable for resale, breakdown, standby or auxiliary service.

Type of Service

Available to all classes of members, regardless of service entrance size or installed infrastructure located at the member's residence or place of business.

Monthly Rate

\$ 2.00 per month for each block of 50 kWh of electric generation from renewable resources. Members electing this option may purchase one or more blocks. The rate is in addition to the otherwise applicable charges for all kWh consumed under standard offer service provided by the Cooperative.

Term

Members of the Cooperative may enroll at any time, effective at the beginning of the next billing month. Members may terminate their participation at any time by notifying the Cooperative; termination is effective at the end of the current billing month. Terminations made in conjunction with termination of all service from the Cooperative are effective at the time of such termination.

Conditions

All funds collected under this Schedule will be used solely to construct, operate, and maintain renewable energy projects carried out by the Cooperative in Arizona, including solar electric generating projects. Electric energy generated by renewable resources is blended with other energy throughout the Cooperative's distribution system. Energy delivered to members electing this option will consist of such blended energy.

Tax Adjustment

The applicable sales tax in Arizona will be added to bills where required. The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions, which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

Terms of Payment

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

RENEWABLE ENERGY CUSTOMER SELF-DIRECTED TARIFF

SCHEDULE NO. 11

Effective: January 1, 2008

Renewable Energy Standard ("RES") Customer Self-Directed Option

Application

The RES Customer Self-Directed Option is applicable to single and three phase service for Non-Residential Customers with multiple meters that pay more than \$ 25,000 annually in RES Surcharge funds pursuant to the Renewable Energy Standard Tariff for any number of related accounts or services within the Cooperative's service territory.

Eligible Customer

An Eligible Customer may apply to the Cooperative to receive funds to install Distributed Renewable Energy Resources. An Eligible Customer seeking to participate in this program shall submit to the Cooperative a written application that describes the Renewable Energy Resources that it proposes to install and the projected cost of the project. An Eligible Customer shall provide at least half of the funding necessary to complete the project described in its application.

An Eligible Customer shall enter into a contract with the Cooperative that specifies, at a minimum, the following information: the type of Distributed Generation ("DG") resource, its total estimated cost, kWh output, its completion date, the expected life of the DG system, a schedule of Eligible Customer expenditures and invoices for the DG system, Cooperative payments to an Eligible Customer for the DG system, and the amount of a Security Bond or Letter of Credit necessary to ensure the future operation of the Eligible Customers' DG system, metering equipment, maintenance, insurance, and related costs.

If proposed to be connected to the Cooperative's electrical system, an Eligible Customer's DG resource shall meet all of the Cooperative's DG interconnection requirements and guidelines before being connected to the Cooperative's electrical system.

All Renewable Energy Credits derived from the project, including generation and extra credit multipliers, shall be applied to satisfy the Cooperative's Annual Renewable Energy Requirement.

The funds annually received by an Eligible Customer pursuant to this tariff may not exceed the amount annually paid by the Eligible Customer pursuant to the RES Surcharge Tariff.



REST FUNDING FROM SURCHARGE

Rate Schedules	Surcharge Collection	Average \$ per Monthly Invoice
Residential	\$293,391	\$1.05
Seasonal Residential	\$142,758	\$1.05
Small Commercial	\$626,473	\$15.72
Large Commercial	\$34,143	\$15.72
Irrigation	\$6,299	\$9.54
Industrial	\$1,404	\$117.00
DSM Surcharge	\$130,000	
Current EPS Balance	\$398,379	
Total REST Funding	\$1,632,847	

USDA Loan Funds Remaining	\$1,701,775
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Total Funding Available	\$3,334,622
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Present ESP Surcharge	\$ 0.000875/kWh
Proposed REST Surcharge	\$ 0.004988/kWh

Proposed REST Caps	
Residential	\$1.05
Commercial	\$39.00
Industrial > 3 MW	\$117.00

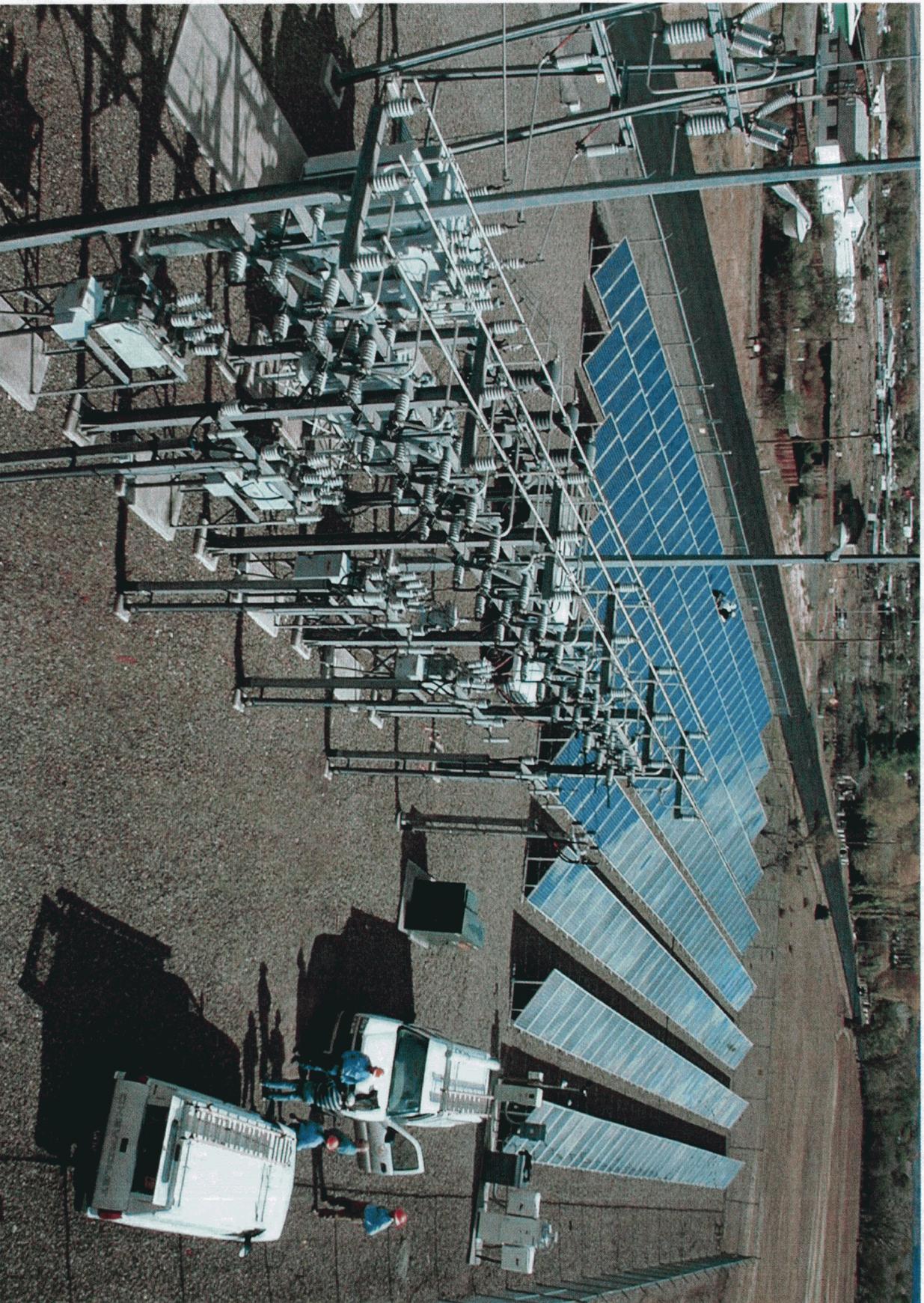
VI. CONCLUSION & GOALS

From the data contained in Exhibit "A" – Renewable Energy Resources – 2007, a deficiency of 1,516 kW in meeting the annual REST requirement is apparent. At today's costs for photovoltaic infrastructure, it would take an additional annual funding level of approximately \$ 7.5 million to produce enough kWh from photovoltaic renewable energy resources to reach full compliance.

NEC has a balance of \$ 1.7 million in RUS loan funds which reduces the revenue shortfall to approximately \$ 5.8 million. It remains to be seen if significant additional revenue will be available from the NEC Voluntary Renewable Energy Program tariff, once implemented. If 10% of NEC members participated in the program, each purchasing a block of renewable energy on a monthly basis, the revenue generated would be approximately \$ 93,600.

It will be the goal of NEC to reach the highest level of compliance that is practical based on available revenue and resources. NEC will identify new infrastructure installations and seek to secure additional renewable energy credit purchase agreements to the best of its ability. When either or both of the wind energy projects discussed in this report become reality, NEC will easily achieve 100% compliance with the percentages required in the REST rules.

In its Annual EPS Compliance Report for 2006, NEC achieved a 65.97% compliance level with respect to the solar requirement and a 39.58% overall compliance level. NEC's goal will be to continually improve these levels.

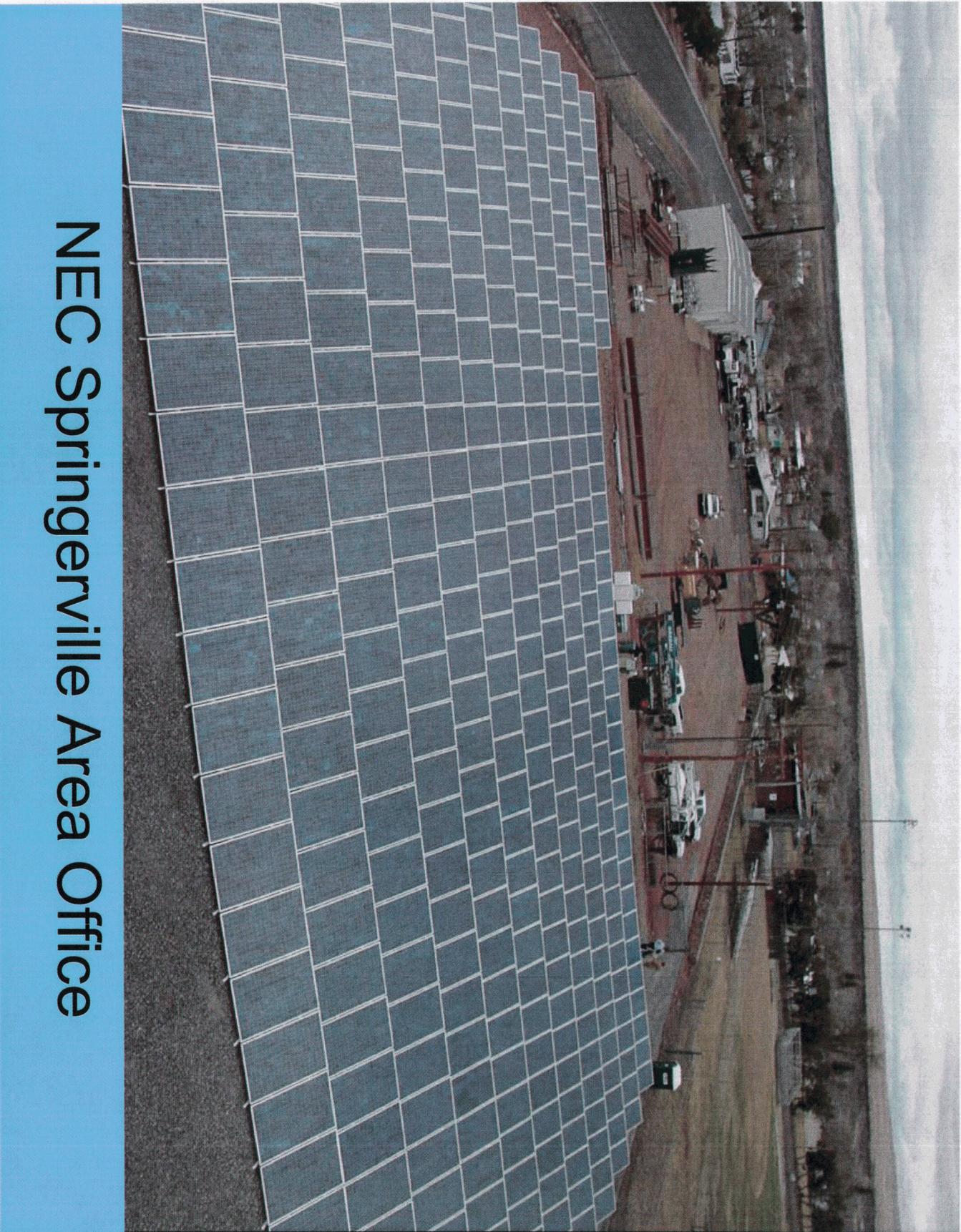


NEC St. Johns Substation





St. Johns – Inverter & Metering



NEC Springerville Area Office

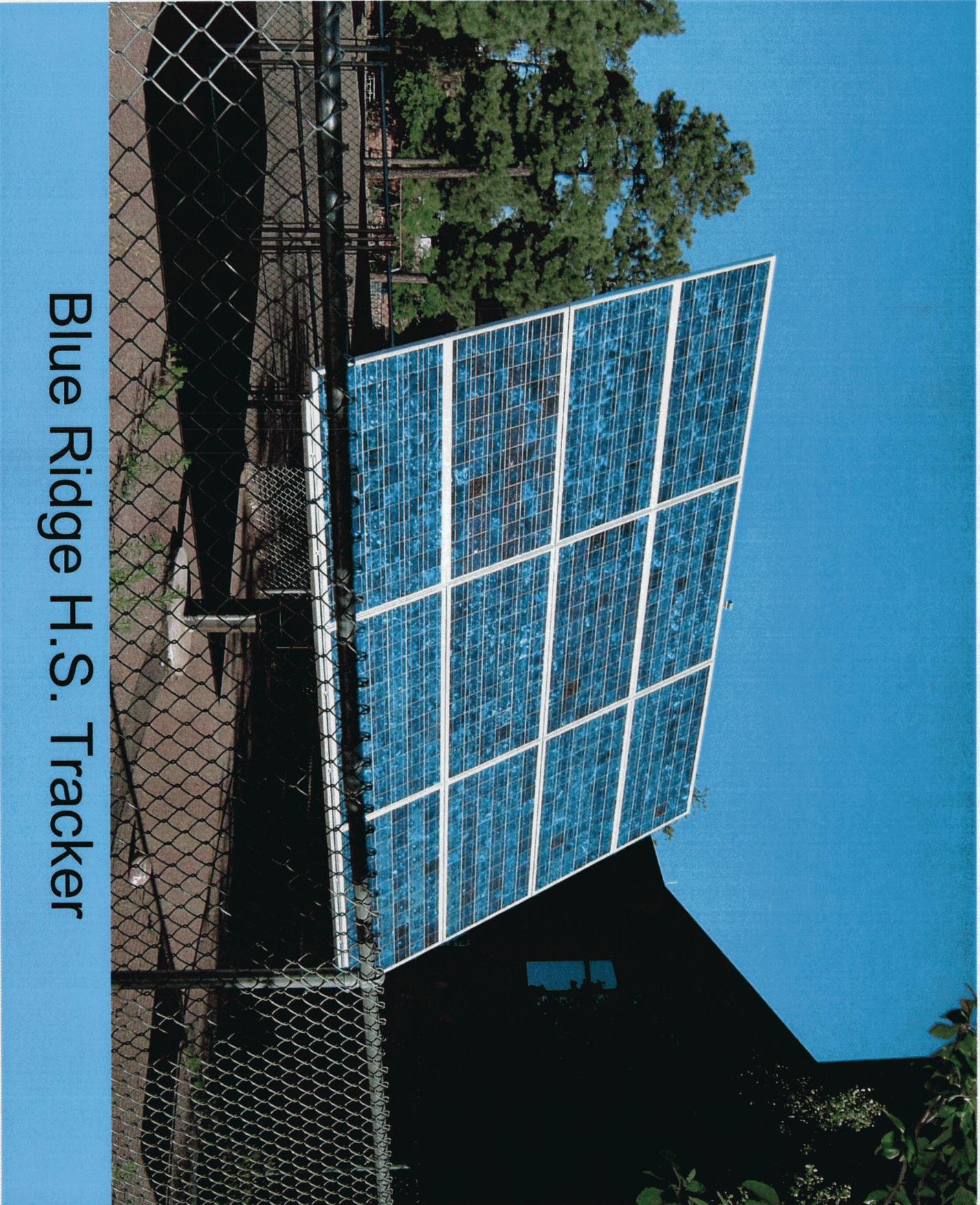




Springerville Inverter & Metering

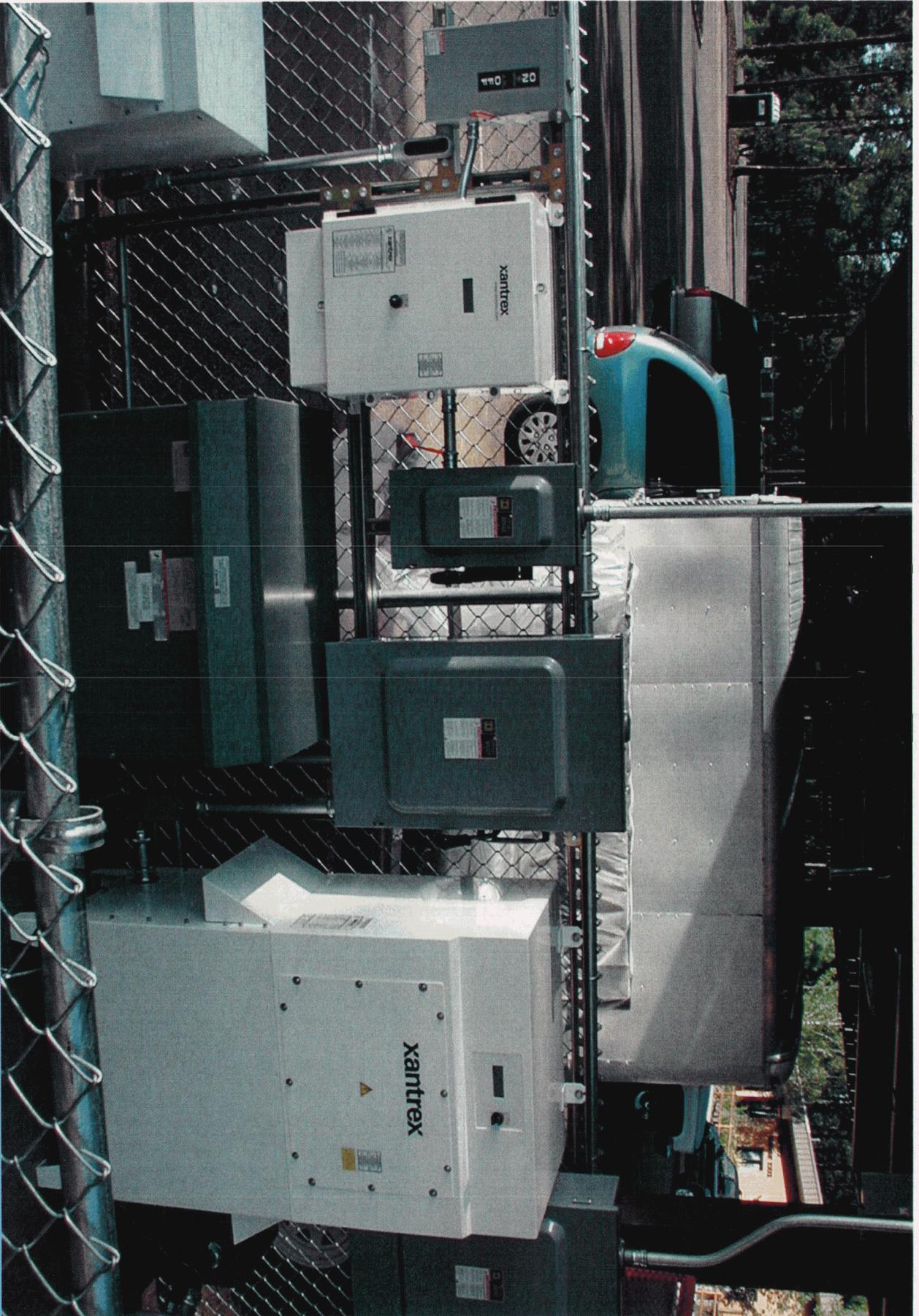
Blue Ridge High School Carport





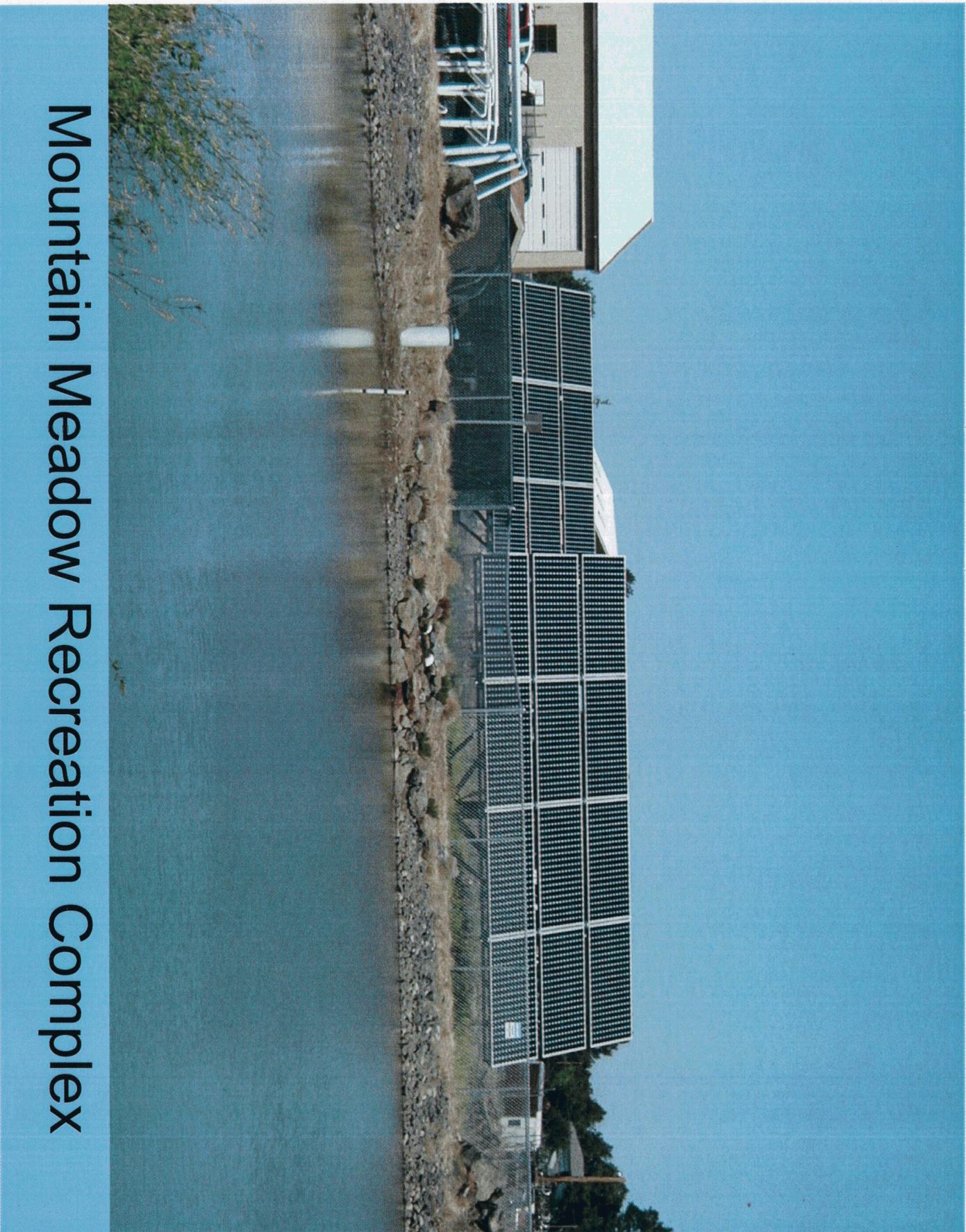
Blue Ridge H.S. Tracker

Blue Ridge H.S. Inverters

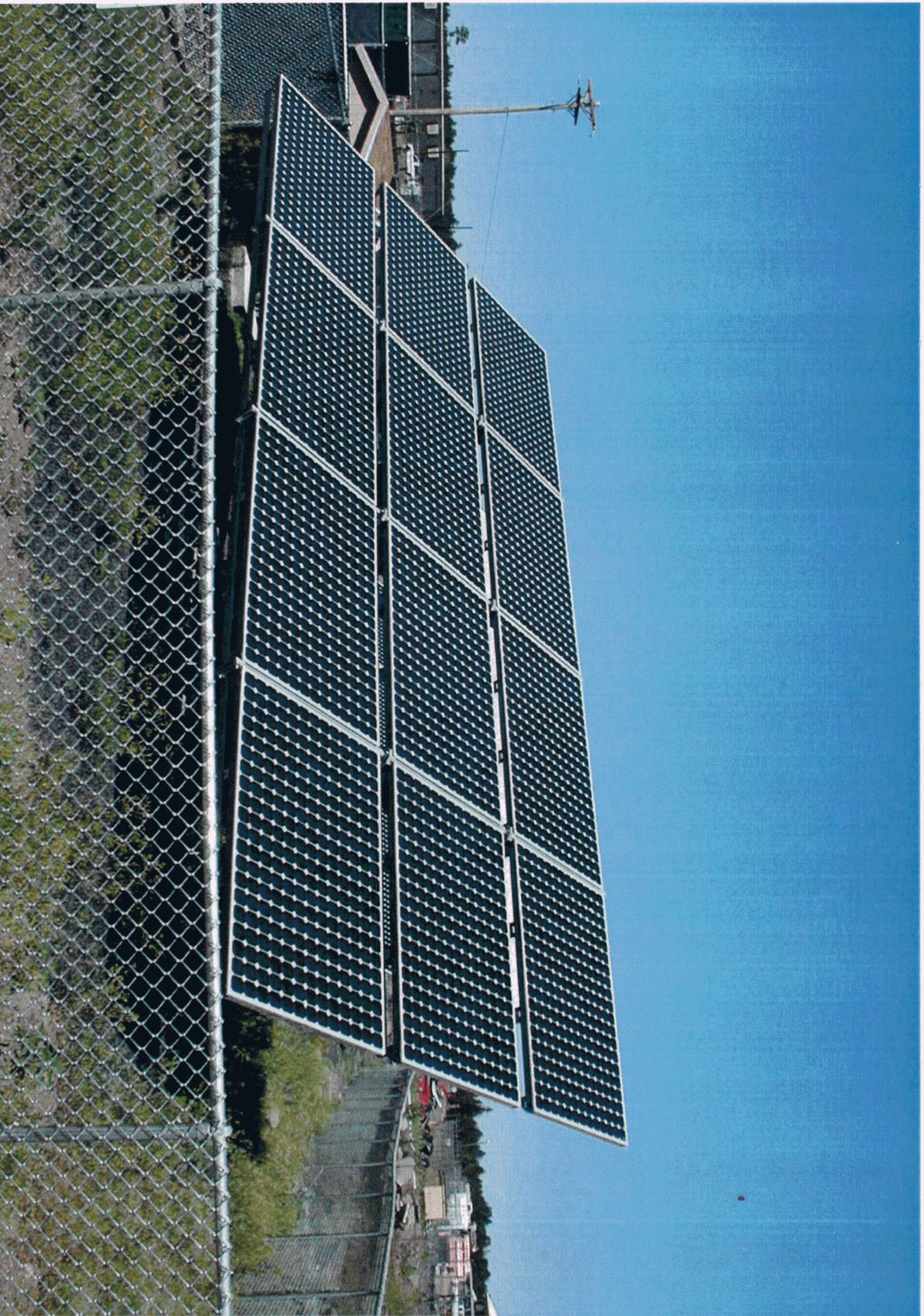




Blue Ridge H.S. Metering



Mountain Meadow Recreation Complex



Mountain Meadow Recreation Complex





Mountain Meadow Inverter



Member Installed PV Arrays



Member Installed PV Arrays

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION AZ0013

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED
December, 2006

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

BORROWER NAME

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.

NAVOPACHE ELEC COOP INC

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.

Don J. Miles

2-6-07
DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	37,064,268	38,160,523	36,611,296	3,633,923
2. Power Production Expense	0			
3. Cost of Purchased Power	19,085,112	19,306,982	18,305,648	1,982,046
4. Transmission Expense	106,522	98,351	192,476	5,922
5. Distribution Expense - Operation	3,240,086	3,233,100	3,207,629	313,809
6. Distribution Expense - Maintenance	1,801,701	1,860,728	2,032,882	170,857
7. Customer Accounts Expense	2,520,611	2,498,179	2,621,212	272,583
8. Customer Service and Informational Expense	286,657	301,715	371,468	43,477
9. Sales Expense	165,054	234,966	152,957	21,534
10. Administrative and General Expense	3,510,762	3,294,684	3,852,300	386,953
11. Total Operation & Maintenance Expense (2 thru 10)	30,716,505	30,828,705	30,736,572	3,197,181
12. Depreciation and Amortization Expense	2,717,911	2,877,961	3,025,441	246,989
13. Tax Expense - Property & Gross Receipts	13,362	22,154	17,020	2,317
14. Tax Expense - Other	47,857	44,203	39,421	165
15. Interest on Long-Term Debt	1,913,208	2,266,328	2,330,812	193,925
16. Interest Charged to Construction - Credit	0			
17. Interest Expense - Other	30,347	41,358	28,000	3,933
18. Other Deductions	6,507	24,890	31,508	542
19. Total Cost of Electric Service (11 thru 18)	35,445,697	36,105,599	36,208,774	3,645,052
20. Patronage Capital & Operating Margins (1 minus 19)	1,618,571	2,054,924	402,522	(11,129)
21. Non Operating Margins - Interest	170,010	249,650	110,499	27,733
22. Allowance for Funds Used During Construction	0			
23. Income (Loss) from Equity Investments	0			
24. Non Operating Margins - Other	(56,292)	(65,862)	(15,000)	(3,179)
25. Generation and Transmission Capital Credits	0			
26. Other Capital Credits and Patronage Dividends	69,925	93,235	56,707	7,788
27. Extraordinary Items	0			
Patronage Capital or Margins (20 thru 27)	1,802,214	2,331,947	554,728	21,213

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INSTRUCTIONS - See RUS Bulletin 1717B-2

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	1,597	1,932	5. Miles Transmission	238.11	270.00
2. Services Retired	152	168	6. Miles Distribution - Overhead	2,435.17	2,564.00
3. Total Services in Place	38,823	40,587	7. Miles Distribution - Underground	536.21	526.00
4. Idle Services (Exclude Seasonals)	2,126	2,299	8. Total Miles Energized (5 + 6 + 7)	3,209.49	3,360.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS

1. Total Utility Plant in Service	98,813,958
2. Construction Work in Progress	3,404,161
3. Total Utility Plant (1 + 2)	102,218,119
4. Accum. Provision for Depreciation and Amort	40,684,815
5. Net Utility Plant (3 - 4)	61,533,304
6. Non-Utility Property (Net)	0
7. Investments in Subsidiary Companies	0
8. Invest. in Assoc. Org. - Patronage Capital	319,322
9. Invest. in Assoc. Org. - Other - General Funds	114,902
10. Invest. in Assoc. Org. - Other - Nongeneral Funds..	1,350,007
11. Investments in Economic Development Projects	0
12. Other Investments	56,054
Special Funds	0
Total Other Property & Investments (6 thru 13) ...	1,840,285
15. Cash - General Funds	313,733
16. Cash - Construction Funds - Trustee	5
17. Special Deposits	252,633
18. Temporary Investments	3,350,988
19. Notes Receivable (Net)	7,119
20. Accounts Receivable - Sales of Energy (Net)	2,817,789
21. Accounts Receivable - Other (Net)	150,648
22. Materials and Supplies - Electric & Other	2,640,607
23. Prepayments	254,997
24. Other Current and Accrued Assets	201,803
25. Total Current and Accrued Assets (15 thru 24)	9,990,322
26. Regulatory Assets	0
27. Other Deferred Debits	252,930
28. Total Assets and Other Debits (5+14+25 thru 27)..	73,616,841

LIABILITIES AND OTHER CREDITS

29. Memberships.....	157,565
30. Patronage Capital.....	17,136,625
31. Operating Margins - Prior Years.....	(3,773,577)
32. Operating Margins - Current Year.....	2,148,158
33. Non-Operating Margins.....	183,788
34. Other Margins and Equities.....	906,896
35. Total Margins & Equities (29 thru 34).....	16,759,455
36. Long-Term Debt - RUS (Net).....	38,957,658
37. Long-Term Debt - FFB - RUS Guaranteed.....	0
38. Long-Term Debt - Other - RUS Guaranteed.....	0
39. Long-Term Debt Other (Net).....	7,387,220
40. Long-Term Debt - RUS - Econ. Devel. (Net).....	0
41. Payments - Unapplied	0
42. Total Long-Term Debt (36 thru 40 - 41).....	46,344,878
43. Obligations Under Capital Leases - Noncurrent.....	894,558
44. Accumulated Operating Provisions and Asset Retirement Obligations..	0
45. Total Other Noncurrent Liabilities (43 + 44).....	894,558
46. Notes Payable.....	0
47. Accounts Payable.....	2,053,996
48. Consumers Deposits.....	820,808
49. Current Maturities Long-Term Debt.....	1,942,605
50. Current Maturities Long-Term Debt -Economic Development.....	0
51. Current Maturities Capital Leases.....	0
52. Other Current and Accrued Liabilities.....	1,356,643
53. Total Current & Accrued Liabilities (45 thru 52).....	6,174,052
54. Regulatory Liabilities.....	0
55. Other Deferred Credits.....	3,443,898
56. Total Liabilities and Other Credits (35+ 42 + 45 + 53 thru 55).....	73,616,841

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BORROWER DESIGNATION

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PART D. NOTES TO FINANCIAL STATEMENTS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

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PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	67,844,284	6,168,459	888,140		73,124,603
2. General Plant	10,444,739	1,496,787	636,934		11,304,592
3. Headquarters Plant	1,651,000	71,042			1,722,042
4. Intangibles	228,075				228,075
5. Transmission Plant	6,628,525	5,519,395	129,432		12,018,488
6. All Other Utility Plant	416,158				416,158
7. Total Utility Plant in Service (1 thru 6)	87,212,781	13,255,683	1,654,506		98,813,958
8. Construction Work in Progress	9,988,497	(6,584,336)			3,404,161
9. TOTAL UTILITY PLANT (7 + 8)	97,201,278	6,671,347	1,654,506		102,218,119

PART F. 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	2,336,460	2,441,582	94,320	2,309,623	7,430	15,567	2,570,876
2. Other	63,875	201,824		146,413		(49,555)	69,731

PART G. 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	.14	.97	.06	.70	1.87
2. Five-Year Average	.68	1.39	.18	1.39	3.64

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	110	4. Payroll - Expensed	4,943,876
2. Employee - Hours Worked - Regular Time	277,437	5. Payroll - Capitalized	1,264,979
3. Employee - Hours Worked - Overtime	10,369	6. Payroll - Other	481,390

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	0	2,654,881
	b. Special Retirements	112,055	1,374,643
	c. Total Retirements (a + b)	112,055	4,029,524
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	63,977	
	c. Total Cash Received (a + b)	63,977	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. AMOUNT DUE OVER 60 DAYS \$	49,749	2. AMOUNT WRITTEN OFF DURING YEAR \$	51,272
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Part K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	RUS USE ONLY SUPPLIER CODE (b)	kWh PURCHASED (c)	TOTAL COST (d)	AVERAGE COST (Cents/kWh) (e)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (f)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (g)
1	Public Service Company of NM	15473	431,174,346	19,414,566	4.50		
2	*Adjustments	600000		(107,584)			
	Total		431,174,346	19,306,982	4.48		

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PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Phillip Swapp	land	1,000
2	Jeanne Hatch	land	3,600
3	Evelyn Jefferies	land	3,600
4	Jefferson Larson	land	7,200
5	Tensey Houghton	ROW	50
6	Arizona State Land Department	ROW	4,153
	Total		19,603

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PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 9/9/2006	2. Total Number of Members 31,513	3. Number of Members Present at Meeting 193	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail	6. Total Number of Board Members 8	7. Total Amount of Fees and Expenses for Board Members \$ 151,985	8. Does Manager Have Written Contract? N

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PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	38,957,658	1,798,160	1,279,170	3,077,330
2	National Rural Utilities Cooperative Finance Corporation	7,387,220	468,169	1,008,492	1,476,661
3	Bank for Cooperatives				
4	Federal Financing Bank				
5	RUS - Economic Development Loans				
6	Payments Unapplied				
	Total	46,344,878	2,266,329	2,287,662	4,553,991

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PART O. POWER REQUIREMENTS DATA BASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER		TOTAL YEAR TO DATE
		(a)	AVERAGE NO. CONSUMERS SERVED (b)	
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	23,285	22,707	
	b. kWh Sold			172,335,533
	c. Revenue			17,306,064
2. Residential Sales - Seasonal	a. No. Consumers Served	11,330	11,439	
	b. kWh Sold			45,489,586
	c. Revenue			5,668,528
3. Irrigation Sales	a. No. Consumers Served	55	55	
	b. kWh Sold			7,199,780
	c. Revenue			634,721
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	3,663	3,633	
	b. kWh Sold			138,550,456
	c. Revenue			11,833,077
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	5	5	
	b. kWh Sold			29,312,280
	c. Revenue			1,794,573
6. Public Street & Highway Lighting	a. No. Consumers Served	100	97	
	b. kWh Sold			674,299
	c. Revenue			83,698
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. TOTAL No. of Consumers (lines 1a thru 9a)		38,438	37,936	
11. TOTAL kWh Sold (lines 1b thru 9b)				393,561,934
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)				37,320,661
13. Other Electric Revenue				839,862
14. kWh - Own Use				1,024,405
15. TOTAL kWh Purchased				431,174,346
16. TOTAL kWh Generated				
17. Cost of Purchases and Generation				19,405,333
Interchange - kWh - Net				
19. Peak - Sum All kW Input (Metered) Non-coincident ___ Coincident <u>X</u>				73,192

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PART I. INVESTMENTS					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	CFC Patronage Capital	256,309		56,936	
	ERMCO Patronage Capital	26,066			
	NISC Patronage Capital	36,036		22,336	
	AECI Patronage Capital	545		681	
	Touch Stone	366			
	Federated Stock	114,702		13,281	
	ERMCO Membership	100			
	GCSECA Membership	100			
	CFC Capital Term Certificates		1,350,007		
	Totals	434,224	1,350,007	93,234	
4	Other Investments				
	RUS-ERC Weatherization Loans	56,054		1,609	
	Totals	56,054		1,609	
6	Cash - General				
	Cash General - Bank One		(17,593)		
	Cash General - Well Fargo		33,302		
	Cash General - Capital Credits - Bank One		1,292		
	Cash General - Bank One - Payroll		999		
	Cash General - Catron		6,372		
	Cash General - 125 MRB - Bank One		917		
	Cash General - Community First	41,482	100,000		
	Cash General - Ebill - Bank One	44,112	100,000		
	Cash General - Working Funds NEC	2,850			
	Totals	88,444	225,289		
7	Special Deposits				
	ACC EPS - Chase	252,633			
	Totals	252,633			
8	Temporary Investments				
	Sweep Trust - Chase		3,350,988		
	Totals		3,350,988		
9	Accounts and Notes Receivable - NET				
	Accounts and Notes Receivable - Net	157,767		423	
	Totals	157,767		423	
11	TOTAL INVESTMENTS (1 thru 10)	989,122	4,926,284	95,266	

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PART II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	Total				
	TOTAL (Include Loan Guarantees Only)				

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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 (Form7, Part C, Line3)) .96 %

PART IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors		18,665	7,119	
2	Energy Resources Conservation Loans		81,734	56,054	
	Total		100,399	63,173	

Navopache Electric Cooperative, Inc.

P.O. Box 308

Lakeside, Arizona 85929

Telephone: (520) 368-5118