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BEFORE THE ARIZONA CORPORATION COMMISSION  
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AZ CORP COMMISSION  
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Arizona Corporation Commission

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MAY 02 2008

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NR

IN THE MATTER OF THE APPLICATION  
OF ARIZONA ELECTRIC POWER  
COOPERATIVE, INC., FOR A RATE  
INCREASE.

DOCKET NO. E-01773A-04-0528

IN THE MATTER OF THE APPLICATION  
OF SOUTHWEST TRANSMISSION  
COOPERATIVE, INC., FOR A RATE  
INCREASE.

DOCKET NO. E-04100A-04-0527

**MOHAVE ELECTRIC  
COOPERATIVE'S EXCEPTIONS TO  
STAFF'S REPORT AND PROPOSED  
ORDER DATED APRIL 22, 2008**

Mohave Electric Cooperative, Inc. ("Mohave"), through its undersigned legal counsel, files its exceptions to the Staff's Report and Proposed Order dated April 22, 2008.

Mohave generally supports the Staff's Report and Proposed Order. Mohave does not object to Arizona Electric Power Cooperative, Inc. ("AEP Co") request to alter its FPPCA outside of a rate case to improve its efficacy. Mohave agrees with AEP Co and Staff that shortening the amortization period from 12 months to 6 months when calculating future adjusters should improve the efficacy of the FPPCA in the short term by helping to reduce AEP Co's bank balance under the FPPCA, thereby reducing the carrying costs associated with maintaining a positive balance.

This one adjustment, however, does not necessarily address the overall efficacy of the FPPCA. Mohave's consultant is still reviewing the data provided by AEP Co in an

1 effort to determine whether the FPPCA, now that it has been in place for a number years, has  
2 had any unintended consequences, such as the potentially inappropriate allocation or recovery  
3 of costs between the two classes of members recognized by the FPPCA authorized by  
4 Decision No. 68071– all requirement members (“ARMs”) and partial requirement members  
5 (“PRMs”).  
6

7 Mohave believes such issues are best resolved between AEPCo and the affected  
8 members and then presented to the Commission for review and approval. If the affected  
9 members and AEPCo are unable to reach agreement, it may be necessary for the issue to be  
10 addressed and resolved by the Commission. Mohave agrees with Staff that a full rate  
11 proceeding normally is the best place to evaluate the overall efficacy of the FPPCA, including  
12 the allocation of costs among ARMs and PRMs. However, by requesting an efficacy review,  
13 AEPCo has opened the door to a review of the underlying efficacy of FPPCA; not just the one  
14 component identified by AEPCo.  
15

16 At this time, Mohave supports continuing to secure the data necessary to  
17 examine the FPPCA and working directly with AEPCo in an effort to identify issues and  
18 potential solutions. AEPCo, however, should be required to expeditiously develop systems to  
19 allow it to accurately track specific cost, resource and attribution information and to share that  
20 information with its affected members consistently and promptly. Mohave also asks the  
21 Commission to be receptive to considering solutions outside of and prior to the next rate case.  
22 If not resolved prior to the next rate case, AEPCo should be required to address the issue of  
23 allocation and recovery of costs between PRMs and ARMs in its next filing.  
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RESPECTFULLY SUBMITTED this 2<sup>nd</sup> day of May, 2008.

CURTIS, GOODWIN, SULLIVAN,  
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By: 

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**PROOF OF AND CERTIFICATE OF MAILING**

I hereby certify that on this 2<sup>nd</sup> day of May, 2008, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and fifteen (15) copies of the above to:

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mailed this 2<sup>nd</sup> day of May, 2008 to:

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Commissioner Mundell  
Commissioner Hatch-Miller  
Commissioner Mayes  
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I234\21-2-1-10(AEPCO's App FPPCA)\Pleadings\Exceptions to Staff apr 222 08 Reprt

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