

OPEN MEETING ITEM



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ORIGINAL

COMMISSIONERS  
MIKE ELIASON - Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE



ARIZONA CORPORATION COMMISSION

DATE: JUNE 17, 2008

DOCKET NO: E-01773A-07-0467

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Jane Rodda. The recommendation has been filed in the form of an Order on:

ARIZONA ELECTRIC POWER COOPERATIVE, INC.  
(FINANCE)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JUNE 26, 2008

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

JULY 1, 2008 AND JULY 2, 2008

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF  
ARIZONA ELECTRIC POWER COOPERATIVE,  
INC. FOR (1) AN INCREASE IN THE AMOUNT  
OF DEBT AUTHORIZED IN DECISION NOS.  
68065 AND 69238 AND (2) AUTHORIZATION TO  
APPLY THE PROCEEDS OF PREVIOUSLY  
AUTHORIZED DEBT TO A DIFFERENT  
PURPOSE.

DOCKET NO. E-01773A-07-0467

DECISION NO. \_\_\_\_\_

**ORDER**

Open Meeting  
July 1 and 2, 2008  
Phoenix, Arizona

**BY THE COMMISSION:**

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

\* \* \* \* \*

**FINDINGS OF FACT**

1. On August 7, 2007, Arizona Electric Power Cooperative, Inc. ("AEPCO" or "Cooperative") filed an application with the Commission requesting authorization to increase the amount of debt authorized in Decision Nos. 68065 and 69238 and to apply the proceeds of previously authorized debt to a different purpose.

2. On September 19, 2007, AEPCO filed an affidavit of publication verifying that notice of the financing application was published in *The Arizona Daily Star/Tucson Citizen* on September 10, 2007, and in *The Kingman Daily Miner* on September 13, 2007. *The Kingman Daily Miner* is a newspaper of general circulation in the City of Kingman, Mohave County and *The Arizona Daily Staff/Tucson Citizen* is a newspaper of general circulation in Pima County, Arizona.

3. On May 29, 2008, the Commission's Utilities Division ("Staff") filed its Staff Report,

1 recommending approval of the proposed financing authority.

2 4. On June 5, 2008, AEPCO filed a Response in support of the Staff Report, providing  
3 updated financial information that was not available at the time of the Staff Report. In addition,  
4 AEPCO requests that this matter be considered at the Commission's July 1 and 2, 2008, Open  
5 Meeting in order to assist AEPCO to move forward on the projects as well as alleviate pressure on  
6 the Cooperative's general funds.

7 5. On June 6, 2008, AEPCO filed an amended Exhibit to its Response to the Staff  
8 Report.

9 6. AEPCO is a non-profit, member-owned cooperative which supplies all or most of the  
10 power and energy generation requirements of its five Arizona and one California Class A member  
11 distribution cooperatives. AEPCO also provides service to the City of Mesa as a Class B member  
12 and to the Salt River Project Agricultural Improvement District as a Class C member.

13 7. AEPCO's current rates were approved in Decision No. 68071 (August 17, 2005).

14 8. In Decision No. 68065 (August 17, 2005), the Commission authorized AEPCO to  
15 borrow an amount not to exceed \$3,050,000 from the Rural Utilities Service ("RUS") and Federal  
16 Financing Bank ("FFB") to replace the interim financing of a low Volume Wastewater Pond at its  
17 Apache Generating Station.

18 9. In Decision No. 69238 (January 19, 2007), the Commission authorized AEPCO to  
19 borrow up to \$29,200,000 from the RUS/FFB to fund the Cooperative's 2005-2008 Construction  
20 Work Plan ("2005-2008 CWP").

21 10. Together, the Commission authorizations in Decision Nos. 68065 and 69238 totaled  
22 \$32,250,000.

23 11. The 2005-2008 CWP was formulated in 2004 and included improvements,  
24 replacements and upgrades thought at the time to be necessary to assure AEPCO's provision of safe,  
25 reliable and adequate generation service to its members. AEPCO reports that since the initial  
26 formulation of the 2005-2008 CWP, the Cooperative has identified several changes to the projects as  
27 well as some additional projects. As a result, AEPCO requests the Commission authorize additional  
28 long-term borrowings from the RUS/FFB loan program in an amount not to exceed \$5,932,000.

1 Attached hereto as Exhibit A, is a listing of the projects which currently comprise the CWP and a  
 2 summary of the requested additions, revisions and/or changes to the projects previously authorized in  
 3 Decision Nos. 68065 and 69238.

4 12. Decision No. 69238 also authorized a process which AEPCO could follow in order to  
 5 make changes in the 2005-2008 CWP subject to certain filing and Staff review requirements.<sup>1</sup>  
 6 AEPCO requests that this process remain in effect for potential future changes to the projects  
 7 identified in Exhibit A as long as the total amount borrowed does not exceed \$38,180,000.<sup>2</sup>

8 13. In Decision No. 64227 (November 28, 2001), the Commission authorized AEPCO to  
 9 borrow up to \$30 million to finance the construction of a new gas tracking turbine generator at the  
 10 Apache Generating Station.

11 14. In Decision No. 65210 (September 20, 2002), the Commission authorized long-term  
 12 borrowings in an amount not to exceed \$26.764 million to finance AEPCO's 2001-2004 CWP.

13 15. AEPCO states that because it was able to construct both the gas turbine generator and  
 14 the projects in the 2001-2004 CWP for less than originally estimated, there remains unused loan  
 15 authorizations from Decision No. 64227 of \$1,047,000, and from Decision No. 65210 in the amount

16

17 <sup>1</sup> Specifically, Decision No. 69238 provided:

18 IT IS FURTHER ORDERED that use of the loan proceeds authorized herein shall be  
 19 restricted to financing capital improvement projects as described in Arizona Electric  
 20 Power Cooperative, Inc.'s 2005-2008 Construction Work Plan as that plan may be  
 21 amended as set forth herein, in an amount not to exceed \$29.2 million.

22 IT IS FURTHER ORDERED that Arizona Electric Power Cooperative, Inc. may,  
 23 without additional Commission approval, use the loan proceeds authorized herein for  
 24 modifications to the 2005-2008 Construction Work Plan that, in aggregate over the term  
 25 of the Plan, cost no more than \$500,000 and that substantially conform to the purposes  
 26 of the projects in the Plan. Before implementing any such modification, Arizona  
 27 Electric Power Cooperative, Inc. shall file in this docket a description of the project and  
 its cost.

28 IT IS FURTHER ORDERED that Arizona Electric Power Cooperative, Inc. may file in  
 this docket any proposed modifications to the 2005-2008 Construction Work Plan which  
 substantially conform to the purposes of the 2005-2008 Construction Work Plan and  
 which cost more than \$500,00, but do not exceed the authorized amount of \$29.2  
 million, and unless Staff files an objection to the proposed modifications within 30 days  
 of Arizona Electric Power Cooperative, Inc. filing the proposed changes, the proposed  
 modifications shall be deemed approved.

28 <sup>2</sup> The \$32,250,000 authorized in Decision Nos. 68065 and 69238, plus the \$5,932,000 being requested to finance  
 additions to the 2005-2008 CWP totals \$38,182,000.

1 of \$769,000. AEPCO states that the RUS encumbrances on these monies with the United States  
2 Treasury will lapse next year. AEPCO states further that RUS has asked AEPCO to identify projects  
3 which could be funded with these surplus monies so that it will not have to go through another  
4 Congressional budget process to re-encumber the monies.

5 16. Attached hereto as Exhibit B is a list of projects that AEPCO proposes to fund using  
6 the unused debt authorizations from Decision Nos. 64227 and 65210.

7 17. The applicable interest rate of the proposed RUS/FFB loan will be fixed at the time  
8 that each advance is made, and AEPCO would be able to draw down on the loan as needed to  
9 proceed with its 2005-2008 CWP. As of January 2, 2008, the applicable interest rate for a 30 year  
10 RUS/FFB loan was 4.37 percent.<sup>3</sup>

11 18. Staff's engineering review of the proposed projects in Exhibits A and B concludes that  
12 they are appropriate and their associated costs appear to be reasonable. Staff noted, however, that it  
13 is not making a "used and useful" determination as part of its review in this proceeding, but rather  
14 treatment of the proposed plant improvements for rate-making purposes will be deferred to a future  
15 rate proceeding.

16 19. Staff's financial analysis utilized AEPCO's financial information for the year ended  
17 December 31, 2006, and updated that information with the annualized revenues from the rate increase  
18 that became effective on September 1, 2007.<sup>4</sup> Staff's analysis assumed a loan draw of \$38,696,000<sup>5</sup>  
19 amortized for 25 years at an interest rate of 5.0 percent per annum.

20 20. Staff's pro forma, adjusted December 31, 2006, financial results indicate that after a  
21 total draw down of \$38,696,000, AEPCO's capital structure would consist of 90.2 percent debt and  
22 9.8 percent equity.

23 21. Times Interest Earned Ratio ("TIER") represents the number of times earnings cover  
24 interest expense on short-term and long-term debt. A TIER greater than 1.0 means that operating  
25 income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long term but

26 <sup>3</sup> As reported in Staff Report at p 2.

27 <sup>4</sup> Decision No. 68071 approved a three phase rate increase, the third phase of which became effective on September 1,  
2007.

28 <sup>5</sup> Staff Report at p 3. Total Revisions to CWP of \$36,880,826, plus \$1,815,000 for the Redirection of Unused Debt  
Authorizations.

1 does not mean that debt obligations cannot be met in the short term.

2       22. Debt Service Coverage Ratio ("DSC") represents the number of times internally  
3 generated cash will cover required principal and interest payments on short-term and long-term debt.  
4 A DSC greater than 1.0 indicates that operating cash flow is sufficient to cover debt obligations. A  
5 DSC less than 1.0 means that debt service obligations cannot be met by cash generated from  
6 operations and that another source of funds is needed to avoid default.

7       23. RUS requires AEPCO to achieve a minimum TIER of 1.05 and a DSC of 1.00 in two  
8 out of three years.

9       24. Staff's financial analysis shows that for the year ended December 30, 2006, AEPCO  
10 had a TIER and DSC of 1.78 and 1.01, respectively. Staff's pro forma TIER and DSC, after  
11 accounting for the Phase III rate increase and draw down of \$38,696,000 in loan proceeds, indicate  
12 AEPCO would have a TIER and DSC of 1.72 and 1.00, respectively. Staff states that these results  
13 suggest that projected operating results are sufficient to meet all obligations and covenants but leaves  
14 the Cooperative susceptible to not meeting its financial obligations if there is any reduction in net  
15 operating margin.

16       25. In its Response to the Staff Report, AEPCO provided an update to Staff's analysis,  
17 taking into account finalized year-end 2006 information and draft year-end 2007 financial results. At  
18 the time of the Staff Report, Staff did not have access to this information. AEPCO's updated analysis  
19 indicates that as of December 31, 2006, AEPCO's capital structure consisted of 88.6 percent debt and  
20 11.4 percent equity, with a TIER of 1.78 and DSC of 1.01.<sup>6</sup> For year-end 2007, based on draft  
21 audited financial statements, AEPCO's analysis indicates the Cooperative's capital structure  
22 consisted of 74.6 percent debt and 25.4 percent equity, with a TIER of 2.43 and DSC of 1.34.<sup>7</sup> After  
23 modifying the 2007 financial data to take account of the full effect of the Phase III rate increase and  
24 the issuance of \$39,996,000<sup>8</sup> of additional debt financing, AEPCO projects it would have a capital  
25 structure consisting of 77.4 percent debt and 21.6 percent equity, with a TIER of 2.14 and DSC of

26 <sup>6</sup> Based on audited financial statement for the year ending December 31, 2006.

27 <sup>7</sup> According to AEPCO, common equity for December 31, 2007, includes an \$11.2 million increase in equity as a result of  
a change in the method of accounting for overhaul costs required by FASB that AEPCO implemented on January 1, 2007.

28 <sup>8</sup> AEPCO's figures appear to include \$1.3 million of financing associated with the Law Flow Waste Water Impound  
authorized in Decision No. 68065.

1 1.24.

2 26. Staff states that AEPCO has no compliance issues.

3 27. Staff concludes that the issuance of the debt financing for the purposes stated in the  
4 application is within AEPCO's corporate powers, is compatible with the public interest, is consistent  
5 with sound financial practices and will not impair its ability to provide services.

6 28. Staff recommends that the Commission authorize AEPCO to incur additional debt in  
7 an amount not to exceed \$5,932,000 and to extend the process authorized in Decision No. 69238 that  
8 allows AEPCO to make changes in the budgeted CWP projects.

9 29. Staff further recommends that the Commission approve the Cooperative's request to  
10 apply unused debt authorizations from Decision Nos. 64227 and 65210 to a different purpose; that  
11 any authorization to incur debt granted in this proceeding terminate on December 31, 2011; that  
12 AEPCO be authorized to engage in any transaction and to execute any documents necessary to  
13 effectuate the authorizations granted herein; and that the Cooperative file copies of the executed loan  
14 documents with Docket Control within 30 days of execution.

15 30. AEPCO's capital structure is highly leveraged, however, this is reflective of the fact  
16 that AEPCO is able to borrow funds from the RUS/FFB at attractive rates and these loans are its only  
17 source of outside capital to finance the necessary projects identified in the CWP. AEPCO's financial  
18 ratios indicate that the Cooperative is able to meet its debt obligations, even utilizing the conservative  
19 assumption that it will draw on \$38,696,000 in loan proceeds all at once.

20 31. Staff's conclusions and recommendations are reasonable and we adopt them.

21 **CONCLUSIONS OF LAW**

22 1. AEPCO is a public service corporation within the meaning of Article XV of the  
23 Arizona Constitution and A.R.S. §§ 40-301, 40-302, and 40-303.

24 2. The Commission has jurisdiction over AEPCO and of the subject matter of the  
25 application.

26 3. Notice of the application was given in accordance with the law.

27 4. The financing approved herein is for lawful purposes within AEPCO's corporate  
28 powers, is compatible with the public interest, with sound financial practices, and with the proper

1 performance by AEPCO of service as a public service corporation, and will not impair AEPCO's  
2 ability to perform the service.

3 5. The financing approved herein is for the purposes stated in the application, is  
4 reasonably necessary for those purposes and such purposes may not be reasonably chargeable to  
5 operating expenses or to income.

6 **ORDER**

7 IT IS THEREFORE ORDERED that Arizona Electric Power Cooperative, Inc. is hereby  
8 authorized to borrow additional funds from the RUS/FFB in an amount not to exceed \$5,932,000, for  
9 the purpose of financing its 2005-2008 CWP.

10 IT IS FURTHER ORDERED that the procedures established to modify the 2005-2008 CWP  
11 approved in Decision No. 69238 shall continue to be applied.

12 IT IS FURTHER ORDERED that the modifications to the 2005-2008 CWP as identified in  
13 Exhibit A, attached hereto, are approved.

14 IT IS FURTHER ordered that Arizona Electric Power Cooperative, Inc. is authorized to apply  
15 the proceeds of the debt previously authorized in Decision Nos. 64227 and 65210 to the projects  
16 described in Exhibit B attached hereto.

17 IT IS FURTHER ORDERED that such finance authority shall be expressly contingent upon  
18 Arizona Electric Power Cooperative, Inc.'s use of the proceeds for the purposes stated in its  
19 application and approved herein.

20 IT IS FURTHER ORDERED that any authorization to incur debt granted in this proceeding  
21 shall terminate on December 31, 2011.

22 IT IS FURTHER ORDERED that Arizona Electric Power Cooperative, Inc. is authorized to  
23 execute any documents necessary to effectuate the authorizations granted.

24 IT IS FURTHER ORDERED that Arizona Electric Power Cooperative, Inc. shall file with  
25 Docket Control, as a compliance item in this docket, copies of any executed financing documents  
26 related to this authority within 30 days after the date of execution.

27 ...

28 ...

1 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not  
2 constitute or imply approval or disapproval by the Commission of any particular expenditure of the  
3 proceeds derived thereby for purposes of establishing just and reasonable rates.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
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8 CHAIRMAN \_\_\_\_\_ COMMISSIONER \_\_\_\_\_  
9

10 COMMISSIONER \_\_\_\_\_ COMMISSIONER \_\_\_\_\_ COMMISSIONER \_\_\_\_\_  
11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Director of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this \_\_\_\_ day of \_\_\_\_\_, 2008.

17 \_\_\_\_\_  
18 BRIAN C. McNEIL  
19 EXECUTIVE DIRECTOR

20 DISSENT \_\_\_\_\_

21 DISSENT \_\_\_\_\_

22 JR:  
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1 SERVICE LIST FOR: ARIZONA ELECTRIC POWER COOPERATIVE, INC.

2 DOCKET NO.: E-01773A-07-0467

3

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EXHIBIT A

Exhibit A  
Page 1 of 2

**Arizona Electric Power Cooperative, Inc.**  
**Requested Revisions to Financing Application**  
**AZ028-P-8 Loan Application**  
**2005-2008 Construction Work Plan, Amendment #2**

RIS 740C Code	Project Number	Description	Authorized ACC Decision Nos. Nos. 0923B & 6806S	Application Requested Revisions	Additions, Revisions and/or Changes	Comments
<b>Projects Authorized Per ACC Decision No. 0923B:</b>						
1200.1	5000600010	ST2 Flux Probes - Generator	\$ 14,512	\$ 35,000	\$ -	20,488
1200.2	5000611010	ST2 Scrubber Pump Station Sectors	31,418	-	(31,418)	Reassigned to M&NS Loan
1200.3	5000615000	Coal Transfer CO-Monitoring	61,787	-	(61,787)	Reassigned to M&NS Loan
1200.4	5000617000	ST2A Scrubber-Maintenance-Motors	78,544	-	(78,544)	Reassigned to M&NS Loan
1200.7	5000571000	ST2A3 Air-Washer-Deck-Upgrade	148,950	-	(148,950)	Reassigned to M&NS Loan
1200.8	5000571010	ST2A3 Control-Controls-Upgrade	117,475	-	(117,475)	Reassigned to M&NS Loan
1200.9	5000611000	New Deep Well-29	512,960	-	(512,960)	Deleted
1200.10	5000624010	ST1 CEM Analyzers & Probes Replacement	83,512	83,512	-	-
1200.11	5000624013	ST3 CEM Analyzers & Probes Replacement	96,819	96,819	-	-
1200.12	5000625000	Turbine Generator Cranes VFDs	89,323	20,000	(69,323)	-
1200.13	5000633000	Cable Tray Fire-Stop	191,000	-	(191,000)	Deleted
1200.14	5000635011	ST2 SDA3 Outlet Damper Seal Upgrade	44,641	-	-	-
1200.15	5000656010	AWAB Conveyor Sump Pump Upgrade	72,091	71,091	-	-
1200.16	5000657010	Track Hooper Sump Pump Upgrade	78,349	78,349	-	-
1200.17	5000662000	Lead Acquisition for Water Resources	4371,750	4,371,750	-	-
1200.18	5000671011	ST3 SDA3 Upper Loop Spray Nozzle Upgrade	65,811	65,811	-	-
1200.19	5000675000	Coal Feeder and Conveyor Upgrades	546,349	546,349	-	-
1200.20	5000677010	Plant Air Flow Just Upgrade	28,331	28,331	-	-
1200.21	5000679010	ST1 Chx Water Section Screen	24,551	24,551	-	-
1200.22	5000820000	Coal Cleanup Conveyor	76,551	76,551	-	-
1200.23	5000437040	ST2 Prestip Outlet Exp Joint Replacement	51,080	51,080	-	-
1200.24	5000440000	Deep Well Line Replacement	191,698	191,698	-	-
1200.25	5000460010	ST2 Over-Feed-Modifications	707,075	707,075	-	-
1200.26	5000652010	ST2 Scrubber Demister Pipe Upgrade	850,969	850,969	(820,969)	Deleted
1200.27	5000654010	ST2 Scrubber Demister Pipe Upgrade	366,217	366,217	-	-
1200.28	5000654011	ST2 CEM Analyzers & Probes Replacement	61,310	61,310	-	-
1200.29	5000655000	Process Control Network Upgrade	59,789	59,789	-	-
1200.30	5000653000	Transformer-Critical Spares	197,325	350,000	57,675	-
1200.31	5000654000	Plant Vibration Monitoring Upgrade	2,197,485	-	(3,197,485)	Deleted
1200.32	5000644010	ST2 Turbine Seal Packing Upgrade	212,000	502,616	290,616	-
1200.33	5000653010	ST2 SDA3 Outlet Damper Seal Upgrade	241,444	241,444	-	-
1200.34	5000654010	ST2 SDA3 Tower Outlet Duct Upgrade	1,453,598	-	(1,453,598)	Deleted
1200.35	5000661000	Coal Handling Washdown System	212,318	212,318	-	-
1200.36	5000665000	ST2A3 Condenser Expansion-Joints-&Isolation-Valves	390,439	-	(390,439)	Deleted
1200.37	5000671010	ST2 SDA3 Upper Loop Spray Nozzle Upgrade	61,529	61,529	-	-
1200.38	5000470000	ST2A63 Cooling Tower Upgrades	12,328,358	12,328,358	-	-
1200.39	5000457000	New Deep Well 71	589,522	589,522	-	-
1200.40	5000653011	ST3 SDA3 Tower Outlet Duct Upgrade	1,446,265	1,446,265	-	-
1200.41	5000681000	Coal Yard Rolling Equipment	914,261	914,261	-	-
1200.42	5000653000	ST1 Noise Abatement	-	21,205	21,205	-
1200.43	5000653000	ST1 Noise Abatement	-	84,323	84,323	-
1200.44	5000735000	ST2 & 3 Bottom Ash Gate Actuator Upgrade	-	930,000	930,000	Reassigned to M&NS Loan
1200.45	5000653000	ST3 Stack Liner Coating Upgrade, 2005	-	113,154	113,154	-
1200.46	5000653000	Ayache Security Upgrade	-	52,800	52,800	-
1200.47	5000733000	Critical Spare Motor Conveyor #1	-	160,385	160,385	-
1200.48	5000653000	Deep Well 15 Upgrades	-	-	-	-

FB Loan Amendment.xls - 7/31/2007

DECISION NO.

**Arizona Electric Power Cooperative, Inc.**  
**Requested Revisions to Financing Application**  
**AZ028-P-8 Loan Application**  
**2005-2008 Construction Work Plan, Amendment #2**

RUS Code	Project Number	Description	Authorized ACC Decision Nos. 69338 & 48065	Application Requested Revisions	Additions, Revisions and/or Changes	Comments
1200.49	5000775000	ST2 SDAS Electrical Feeders Upgrade		73,603	73,603	
1200.50	5000780000	ST23 SDAS General Power Upgrade		75,976	75,976	
1200.51	5000778000	Metals-Hardware-Part-Equipment-Purchase				
1200.52	5000779000	ST23 Stack Lighting Upgrade		54,977	54,977	Reassigned to M&M&N8 Loan
1200.53	5000772000	ST2 LP3 Freshwater Heater Upgrade		390,484	390,484	
1200.54	5000630000	ST2 Ngr Reduction		3,236,000	3,236,000	
1200.55	5000776000	ST23 Igniter Steamer Upgrade		316,428	316,428	
1200.56	5000783000	Apache Station Raptor Protection		34,750	34,750	
1200.57	5000784000	High Tower Upgrades		284,589	284,589	
1200.58	5000787000	Ash Slurry Line Upgrade		525,000	525,000	
1200.59	5000792000	ST1 Main & Igniter Flame Scanner Upgrade		179,243	179,243	
1200.60	5000828000	2A Scrubber Tower Shell & Bowl Upgrade		720,000	720,000	
1200.61	5000798000	Combsator Packing Lot Upgrade		57,000	57,000	
1200.62	5000799000	Control Room Security Upgrade		119,816	119,816	
1200.63	5000793000	ST23 Mercury Continuous Emission Monitoring		597,453	597,453	
1200.64	5000629000	3B Scrubber Tower Shell & Bowl Upgrade		772,000	772,000	
1200.65	5000601010	ST23 Turb/Gen Brz Cde Spare		100,250	100,250	
1200.66	5000810000	Despall #1 Repower and Re-equip		45,000	45,000	
1200.68	5000806000	Coal Handling Upgrades		852,000	852,000	
1200.69	5000807000	ST2 Stack Liner Coaling Replacement, 2007		1,431,000	1,431,000	
1200.70	5000845000	ST2 Stack Liner Coaling Upgrade, 2008		903,100	903,100	
1200.71	5000846000	ST23 JEM meter upgrade		67,000	67,000	
1200.72	5000847000	ST23 FA Fans Critical Spare Motor		101,000	101,000	
1200.73	5000848000	Scrubber Waste Loader		19,000	19,000	
1200.74	5000849000	ST23 FA Fans Critical Spare Motor		50,000	50,000	
1200.75	5000853000	ST2A Replaces MIB Throat Liners		142,579	142,579	
1200.76	5000858000	ST2A Mill Trunnion Bearings Replacement		100,000	100,000	
1200.77	5000859000	ST2A Mill Trunnion Bearings Replacement		100,000	100,000	
1200.78	5000861000	ST23 Condenser Vacuum Pump Flow Metering		18,150	18,150	
1200.79	5000861000	Vacuum Cleanout System		246,109	246,109	
1200.80	5000863000	Conveyor No. 2 Gunbox Critical Spare		70,000	70,000	
1200.81	5000864000	Forlift Purchase- Heavy Duty		54,000	54,000	
1200.82	5000865000	ST1 Main Steam Startup Vent Silencer		40,000	40,000	
1200.83	5000866000	ST1 Generator Gas Monitor System		24,000	24,000	
Total Per ACC Decision No. 69338			29,101,061	36,860,246	7,679,265	
Projects Authorized Per ACC Decision No. 69065						
1200.50	5000200010	Low Flow Waste Water Impoundment	3,047,254	1,900,002	(1,147,252)	
Total Per ACC Decision No. 68065			3,047,254	1,900,002	(1,147,252)	
AZ028-P-8 Loan Projects Total			\$ 31,248,315	\$ 38,160,248	\$ 6,911,933	
AZ028-P-8 RUS Loan Application Amount			\$ 31,248,315	\$ 38,160,248	\$ 6,911,933	

**DECISION NO.**

EXHIBIT B

Exhibit B

**Arizona Electric Power Cooperative, Inc.**  
**Summary of Apache Station Capital Projects**  
**Amendment #3 Projects to the 2001-2004 Construction Work Plan**

RUS App. Code	A Page	Project Number	Description	Total	RUS AZ028-M&N-S Approved	General Funds Projects	Inventory of Work Order (219) Totals	Funds Expended subject to Reimbursement	In Service Date
1200.40	A-97	50005581800	ST23 Step-Up Transformer Monitoring	\$ 125,730	-	\$ 125,730	\$ 116,494.15	\$ 116,494.15	8/31/05 & 9/30/04
1200.41	A-99	50006643000	Shuntle Hesse/Coal Tunnel Lighting Upgrade	105,961	-	105,961	111,720.31	111,720.31	4/30/2005
1200.42	A-101	50004370111	ST3 Precip Chiller Exp Joint Replacement	179,736	-	179,736	181,668.65	181,668.65	5/31/2004
1200.43	A-103	50005620111	ST3 Scrubber Demister Upgrades	351,679	-	351,679	265,203.79	265,203.79	5/31/2004
1200.44	A-106	50005900111	ST3 Flux Probes - Generator	27,421	-	27,421	22,118.53	22,118.53	9/30/2004
1200.45	A-108	50006090000	ST3 Turbine Seal Packing Upgrade	228,920	-	228,920	196,996.04	196,996.04	6/30/2004
1200.46	A-111	50006110111	ST3 Scrubber Pump Suction Screens	28,400	-	28,400	19,315.73	19,315.73	6/30/04 & 7/31/04
1200.47	A-113	50006160111	ST3 Scrubber Demister Pipe Upgrade	61,310	-	61,310	69,803.34	69,803.34	5/31/2004
<b>Total</b>				<b>\$ 1,109,157</b>	<b>-</b>	<b>\$ 1,109,157</b>	<b>\$ 983,320.54</b>	<b>\$ 983,320.54</b>	

**Arizona Electric Power Cooperative, Inc.**  
**Summary of Apache Station Capital Projects**  
**Included in AZ028-F-3 Loan Package**  
**2005-2008 Construction Work Plan**

RUS App. Code	A Page	Project Number	Description	Total	RUS AZ028-M&N-S Approved	General Funds Projects	Inventory of Work Order (219) Totals	Funds Expended subject to Reimbursement	In Service Date
1200.2	A-3	50006110110	ST2 Scrubber Pump Suction Screens	\$ 31,418	-	\$ 31,418.00	\$ 18,918.10	\$ 18,918.10	1/31/2006
1200.3	A-5	50006190000	Coal Bunker CO Monitoring	\$ 61,787	-	\$ 61,787.00	\$ 64,085.11	\$ 64,085.11	12/31/2005
1200.4	A-7	50006740000	ST2/3 Scrubber Maintenance Platforms	\$ 28,544	-	\$ 28,544.00	\$ 46,658.79	\$ 46,658.79	12/31/2005
1200.7	A-14	50005720000	ST2/3 Air Washer Duct Upgrades	\$ 338,000	-	\$ 306,672.00	\$ 306,672.00	\$ 306,672.00	
1200.8	A-16	50005760110	ST2/3 Centac Controls Upgrade	\$ 117,773	-	\$ 119,961.00	\$ 119,961.00	\$ 119,961.00	
1200.44	A-94	50007550110	ST2/3 ID Fan 4160 Motor Control Spare	\$ 230,944	-	\$ 219,654.00	\$ 219,654.00	\$ 219,654.00	
1200.51	A-108	50007780000	Metal Analyzer Test Equipment Purchase	\$ 36,000	-	\$ 36,604.00	\$ 36,604.00	\$ 36,604.00	11/30/2005
<b>Total</b>				<b>\$ 844,466</b>	<b>-</b>	<b>\$ 823,640.00</b>	<b>\$ 1,29,662.00</b>	<b>\$ 1,29,662.00</b>	

Subtotal	\$ 1,112,982.54	\$ 1,815,873.54
M&S Loan	\$ 1,047,000	\$ 769,000
NIS Loan	(983,000)	(768,000)
Apply to	1200.3	
Apply to	1200.2, 1200.4-1200.51	

Total Surplus Loan Funds  
 Apply 2001-2004 CWP Projects  
 Apply to 1200.3  
 Apply to 1200.2, 1200.4-1200.51

DECISION NO. \_\_\_\_\_