

**ORIGINAL NEW APPLICATION**



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AZ CORP COMMISSION  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

- KRISTIN K. MAYES, Chairman
- GARY PIERCE
- SANDRA D. KENNEDY
- PAUL NEWMAN
- BOB STUMP

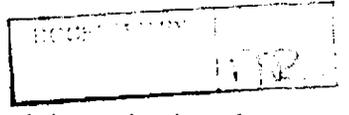
E-04100A-09-0496

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST TRANSMISSION COOPERATIVE,  
INC. FOR A HEARING TO DETERMINE THE  
FAIR VALUE OF ITS PROPERTY FOR  
RATEMAKING PURPOSES, TO FIX A JUST AND  
REASONABLE RETURN THEREON AND TO  
APPROVE RATES DESIGNED TO DEVELOP  
SUCH RETURN

Docket No. E-04100A-09-\_\_\_\_\_

**APPLICATION** Arizona Corporation Commission  
**DOCKETED**

OCT 16 2009



GALLAGHER & KENNEDY, P.A.  
2575 E. CAMELBACK ROAD  
PHOENIX, ARIZONA 85016-9225  
(602) 530-8000

Southwest Transmission Cooperative, Inc. ("SWTC"), by and through its undersigned attorneys, in support of its Application for new rates to take effect January 1, 2011, states as follows:

1. SWTC is a non-profit electric transmission cooperative. Its primary mission is to supply transmission service to its Class A and B Members. In turn, the Class A Member distribution cooperatives provide electricity to their retail member owners who are located primarily in rural areas of Arizona.

2. SWTC's 13-member Board of Directors oversees all aspects of its operations. Twelve members of its Board represent SWTC's six Class A Member distribution cooperatives. The remaining Board member represents the Arizona Electric Power Cooperative, Inc. and Sierra Southwest Cooperative Services, Inc., which are Class B members of SWTC. SWTC's Board has authorized the filing of this rate application.

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1           3.       As a transmitting utility under the Federal Power Act, SWTC is also subject to  
2 certain FERC jurisdiction. In order to meet the reciprocity requirements of Order 888, SWTC  
3 maintains an Open Access Transmission Tariff.

4           4.       Pursuant to the requirements of A.A.C. R14-2-103, submitted herewith and  
5 incorporated herein are the detailed filing requirements Schedules (the "Schedules") for the test  
6 year ending March 31, 2009. Also submitted are the Direct Testimonies of Messrs. Minson,  
7 Pierson and Zarnikau in support of the Application.

8           5.       On an adjusted basis, SWTC suffered a margin loss of approximately \$4.8 million  
9 in the 2008-2009 test year. In summary, the Schedules and Testimony support SWTC's need  
10 and request for an overall revenue increase of approximately \$7.65 million. This increase is  
11 designed to produce a net margin of \$2.823 million, a Times Interest Earned Ratio of 1.56 and a  
12 Debt Service Coverage Ratio of 1.35.

13           6.       The primary reason behind the need for rate relief is SWTC's substantial revenue  
14 losses as a result of the termination, reduction or expiration of several point-to-point transmission  
15 service contracts. Collectively, SWTC either has already lost or will lose by January 1, 2011  
16 about \$8.6 million in point-to-point transmission revenues. To place that loss in context, that is  
17 almost one-quarter or about 24% of SWTC's total current annual revenues.

18           7.       The impact of this requested wholesale transmission rate increase on the retail  
19 consumer is difficult to estimate because SWTC's members have different retail rates and  
20 structures. In general, however, transmission costs account for approximately 10% of the end-  
21 user rate cost of service. Based on that general experience, SWTC estimates a monthly bill  
22 impact of roughly \$4.60 for a retail user of 1000 kWh in relation to this rate request.

23

24



1 **Original and 13 copies** of this  
Application, Schedules and Direct  
2 Testimony filed this 16<sup>th</sup> day of  
October, 2009, with:

3  
4 Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
5 Phoenix, Arizona 85007

6 **Copies** of this Application and  
Direct Testimony hand delivered  
7 this 16<sup>th</sup> day of October, 2009, to:

8 Commissioner Kristin K. Mayes, Chairman  
Arizona Corporation Commission  
9 1200 West Washington Street  
Phoenix, Arizona 85007

10  
11 Commissioner Gary Pierce  
Arizona Corporation Commission  
1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Commissioner Paul Newman  
Arizona Corporation Commission  
14 1200 West Washington Street  
Phoenix, Arizona 85007

15  
16 Commissioner Sandra D. Kennedy  
Arizona Corporation Commission  
1200 West Washington Street  
17 Phoenix, Arizona 85007

18 Commissioner Bob Stump  
Arizona Corporation Commission  
19 1200 West Washington Street  
Phoenix, Arizona 85007

20  
21 Janice Alward, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
22 1200 West Washington Street  
Phoenix, Arizona 85007

23

24

1 **Copies** of this Application, Schedules  
and Direct Testimony delivered this  
2 16<sup>th</sup> day of October, 2009, to:

3 Nancy Scott  
Utilities Division  
4 Arizona Corporation Commission  
1200 West Washington Street  
5 Phoenix, Arizona 85007

6 Barbara Keene  
Utilities Division  
7 Arizona Corporation Commission  
1200 West Washington Street  
8 Phoenix, Arizona 85007

9 **Copies** of this Application, Schedules  
and Direct Testimony mailed this  
10 16<sup>th</sup> day of October, 2009, to:

11 Michael A. Curtis  
Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.  
12 501 East Thomas Road  
Phoenix, Arizona 85012-3205  
13 Attorneys for MEC

14 Bradley S. Carroll  
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**EXHIBIT A**

DIRECT ASSIGNMENT FACILITIES		DAF	CHARGES
		PERCENTAGE	
<b>THORNYDALE MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		82.17%	\$ 9,467
DEPRECIATION	\$ 52,715	82.17%	\$ 43,316
PROPERTY TAXES	\$ -		\$ 17,861
RATE OF RETURN 8.950%			\$ 94,469
<b>VALENCIA MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		41.17%	\$ 2,401
DEPRECIATION	\$ 66,639	41.17%	\$ 27,435
PROPERTY TAXES	\$ -		\$ 16,225
RATE OF RETURN 8.950%			\$ 77,349
<b>ORACLE JUNCTION MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		19.49%	\$ 1,654
DEPRECIATION	\$ 40,428	19.49%	\$ 7,879
PROPERTY TAXES	\$ -		\$ 2,457
RATE OF RETURN 8.950%			\$ 31,542
<b>AVRA VALLEY MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		16.99%	\$ 1,673
DEPRECIATION	\$ 52,792	16.99%	\$ 9,785
PROPERTY TAXES	\$ -		\$ 5,319
RATE OF RETURN 8.950%			\$ 27,541
<b>THREE POINTS MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		9.20%	\$ 540
DEPRECIATION	\$ 66,062	9.20%	\$ 6,078
PROPERTY TAXES	\$ -		\$ 3,609
RATE OF RETURN 8.950%			\$ 19,737
<b>SANDARIO MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		46.91%	\$ 8,610
DEPRECIATION	\$ 84,354	46.91%	\$ 39,571
PROPERTY TAXES	\$ -		\$ 22,215
RATE OF RETURN 8.950%			\$ 121,308
<b>SANDARIO LINE MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		96.50%	\$ 545
DEPRECIATION	\$ 59,635	96.50%	\$ 57,548
PROPERTY TAXES	\$ -		\$ 35,319
RATE OF RETURN 8.950%			\$ 174,199
<b>SADDLEBROOKE RANCH MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		88.92%	\$ 1,863
DEPRECIATION (based on \$4,212,489)	\$ 115,843	88.92%	\$ 103,008
PROPERTY TAXES	\$ -		\$ -
RATE OF RETURN 8.950%			\$ 324,117
<b>BICKNELL MONTHLY CHARGES</b>			
ROUTINE OPERATIONS AND MAINTENANCE		11.74%	\$ 624
DEPRECIATION	\$ 24,287	75.00%	\$ 18,215
PROPERTY TAXES	\$ -		\$ -
RATE OF RETURN 8.950%			\$ 59,153
BILL CORRECTION - JUNE '08 (THORNYDALE O&M)			\$ (1)
<b>TOTAL DIRECT ASSIGNMENT FACILITIES</b>			<b>\$ 1,372,631</b>



**Southwest  
Transmission**  
COOPERATIVE, INC

P.O. BOX 2195 • BENSON, ARIZONA 85602 • (520) 586-5599 • [swtransco.coop](http://swtransco.coop)

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**TESTIMONY**

**IN SUPPORT OF**

**THE SOUTHWEST TRANSMISSION COOPERATIVE, INC.**

**RATE APPLICATION**

**DOCKET NO. E-04100A**

**OCTOBER 2009**

**TABLE OF CONTENTS**

<b><u>Testimony</u></b>	<b><u>Tab</u></b>
<b>Dirk C. Minson</b>	<b>A</b>
<b>Gary E. Pierson</b>	<b>B</b>
<b>Jay Zarnikau</b>	<b>C</b>

A



1 relationship with SWTC is described below) in 1982 and was promoted to the  
2 position of Chief Financial Officer in May 1990.

3

4 **Q. Mr. Minson, what is the purpose of your testimony?**

5 A. I will provide the Commission information concerning SWTC, its Board and  
6 membership structure and its rate history. I'll also describe generally the rate  
7 request and certain related issues. Gary Pierson, our Manager of Financial  
8 Services, testifies in more detail concerning the A-F rate filing schedules. Jay  
9 Zarnikau of Frontier Associates testifies in support of the G and H rate filing  
10 schedules.

11

12

#### **BACKGROUND**

13 **Q. Mr. Minson, please describe SWTC.**

14 A. SWTC is a non-profit, transmission cooperative which was formed in anticipation  
15 of the restructuring of the Arizona Electric Power Cooperative, Inc. ("AEPCO").  
16 The Commission approved the restructuring in Decision No. 63868. On  
17 August 1, 2001, AEPCO's transmission assets were transferred to SWTC and it  
18 commenced operations. SWTC primarily provides wholesale transmission  
19 services to AEPCO on behalf of its six Class A Member distribution cooperatives  
20 (the "distribution cooperatives"). These Class A Members of AEPCO are also the  
21 Class A Members of SWTC. One distribution cooperative, Anza Electric  
22 Cooperative, Inc., is located in south-central California. The other five Arizona  
23 distribution cooperatives are the Duncan Valley Electric Cooperative, Inc.,  
24 Graham County Electric Cooperative, Inc., Trico Electric Cooperative, Inc.,  
25 Mohave Electric Cooperative, Inc., ("MEC"), and Sulphur Springs Valley Electric  
26 Cooperative, Inc. ("SSVEC") and provide electricity at retail in many, primarily  
27 rural areas of the State. The Arizona distribution cooperatives are regulated by

1 this Commission. SWTC also provides transmission services to AEPCO for  
2 certain of its other sales.

3

4 **Q. Does SWTC have Class B Members?**

5 A. Yes. AEPCO is a Class B Member of SWTC, as is Sierra Southwest Cooperative  
6 Services, Inc., which was the third cooperative created as part of AEPCO's  
7 restructuring.

8

9 **Q. Does SWTC have transmission agreements with other entities?**

10 A. A few. SWTC has umbrella service agreements under its Open Access  
11 Transmission Tariff ("OATT") to enable entities to conduct real time transactions  
12 on the SWTC Open Access Same Time Information System. To date, AEPCO,  
13 MEC, SSVEC and several other entities have requested transmission services  
14 from SWTC under an umbrella service agreement. SWTC also provides OATT-  
15 based wholesale transmission service to the City of Safford and the Town of  
16 Thatcher. It has pre-OATT transmission agreements with the Avra Valley  
17 Irrigation and Drainage District and the Silverbell Irrigation and Drainage  
18 District.

19

20 **Q. Is SWTC regulated by agencies other than the Commission?**

21 A. Yes. Like AEPCO, SWTC is a borrower from the Rural Utilities Service  
22 ("RUS") which is a division of the United States Department of Agriculture. As  
23 an RUS borrower, SWTC is subject to its regulation--both by virtue of its  
24 mortgage and also pursuant to regulations promulgated by the RUS. SWTC is  
25 also a "transmitting utility" under Section 211 of the Federal Power Act. As a  
26 transmitting utility, SWTC is subject to certain jurisdiction of the Federal Energy  
27 Regulatory Commission ("FERC") and, in order to meet the requirements for

1 reciprocity under FERC Order No. 888, SWTC maintains an Open Access  
2 Transmission Tariff or OATT.

3

4 **Q. Please briefly describe SWTC's transmission facilities.**

5 A. SWTC owns about 622 miles of transmission lines and 24 substations. Some of  
6 those transmission facilities are jointly owned with the Salt River Project ("SRP")  
7 and Tucson Electric Power. We also have contracts to receive transmission  
8 service from those companies as well as the Arizona Public Service Company, the  
9 Western Area Power Administration and Southern California Edison.

10

11 **Q. How is SWTC governed?**

12 A. SWTC's Board of Directors oversees all aspects of our operations. It is  
13 comprised of 13 directors. Twelve of the Board members (two per Class A  
14 Member) are the distribution cooperatives' representatives. The remaining  
15 SWTC Board member represents our Class B Members.

16

17 **Q. Mr. Minson, please describe SWTC's recent rate history.**

18 A. SWTC's current rates were authorized by the Commission in Decision No. 68072  
19 and became effective on September 1, 2005. That Decision also ordered SWTC  
20 to file a rate case no later than August 1, 2010.

21

22 **Q. Did SWTC's Board approve this rate filing?**

23 A. Yes, it did. The process of Board review began several months ago and last  
24 month, the SWTC Board of Directors approved the filing of this rate case.

1 **OVERVIEW OF FILING**

2 **Q. Please summarize SWTC's rate request.**

3 A. Mr. Pierson and Mr. Zarnikau will testify in more detail concerning the specifics  
4 of the need for the request and the revised rates. In general, on a test year  
5 adjusted basis, SWTC had negative margins of just under \$170,000 which  
6 produce a TIER of .03 and a DSC of .50. Given this, SWTC is requesting an  
7 overall increase in revenues of approximately \$7.7 million. The revised rates are  
8 designed to produce a TIER of 1.56 and a DSCR of 1.35 which, if achieved, will  
9 keep SWTC in compliance with the standards required by its RUS mortgage and  
10 RUS rules. It will provide modest margins, continue to build equity and afford  
11 some gradual improvement in working capital coverage. Finally, SWTC requests  
12 that the new rates not take effect until January 1, 2011 so as to coincide with the  
13 large loss of transmission revenues associated with expiration of AEPCO's 100  
14 MW sales contract with SRP.

15  
16 **Q. Can you estimate the impact that this increase would have on the retail  
17 member/owner's bill?**

18 A. It is always difficult to translate a wholesale rate change precisely into a retail bill  
19 impact because the distribution cooperatives have different rates and varying rate  
20 structures approved by the Commission. However, as a "rule of thumb,"  
21 transmission service accounts for about 10% of the costs underlying the total  
22 delivered rate at retail. Therefore, assuming a residential rate of 14 cents per  
23 kWh, on average 1.4 cents of that rate would be attributable to SWTC's  
24 transmission service. Using those assumptions, a residential consumer taking  
25 1000 kWh per month would see about a \$4.60 increase in the monthly bill as a  
26 result of this rate request.

1 **Q. Why is this rate increase necessary?**

2 A. It is caused almost entirely by very substantial revenue losses resulting from the  
3 termination, reduction or expiration of several point-to-point transmission service  
4 contracts. As a result, collectively, SWTC either has already lost or will lose by  
5 January 1, 2011 about \$8.6 million in revenues. That is one-quarter or about 24%  
6 of SWTC's current annual revenues.

7  
8 The largest reduction of point-to-point revenues will occur when AEPCO's  
9 100 MW, 20-year sales agreement with SRP expires on December 31, 2010. To  
10 deliver that power and energy to SRP, AEPCO purchases 100 MW of point-to-  
11 point service from SWTC. Those purchases obviously will not occur after the  
12 SRP contract expires. That factor alone accounts for a more than \$4.5 million  
13 loss in annual revenues. Further, AEPCO's 15 MW sales agreement with the City  
14 of Mesa expired on December 31, 2008 and AEPCO is no longer purchasing  
15 point-to-point service from SWTC for that contract. In addition, SWTC has  
16 contracts with the Western Area Lower Colorado for point-to-point service that  
17 will terminate in May 2010 and IPP service which is terminating this month.  
18 Finally, as a result of the development of an alternate transmission path, Morenci  
19 Water and Electric is terminating the remainder of its Morenci mine point-to-  
20 point transmission service as well.

21

22 **Q. What level of margins is SWTC requesting in this rate application?**

23 A. SWTC is requesting operating margins of about \$2.8 million. On a cash basis, the  
24 requested margins would generate approximately \$3.0 million of working capital  
25 on an annual basis. SWTC has reviewed its working capital needs going forward  
26 and determined that approximately \$10 million is necessary to support ongoing  
27 operational requirements and the general fund levels necessary to support

1 SWTC's large construction program. The requested level of margins would begin  
2 gradually to build toward that working capital level over the next several years  
3 and will assure mortgage compliance. It will also continue to improve SWTC's  
4 equity position.

5

6 **Q. What is SWTC's current equity position?**

7 A. As of March 31, 2009, equity as a percentage of assets was 8.74% which is in line  
8 with the equity projection analysis we filed in 2006 and is certainly an  
9 improvement over the equity level at the time of our last rate case in 2005. It  
10 remains low, however, for a cooperative of SWTC's size and the requested  
11 margin level will also continue to improve in this equity position.

12

13

#### CONCLUSION

14 **Q. Do you have any concluding remarks?**

15 A. SWTC has suffered revenue losses already and will continue to lose over the next  
16 14 months almost 25% of its current annual revenue stream as a result of a series  
17 of contract expirations and service cancellations. While we can manage through  
18 those losses over the next several months, the rate relief and revised rates we are  
19 requesting are absolutely necessary to take effect on January 1, 2011.

20

21 **Q. Does this conclude your direct testimony?**

22 A. Yes, it does.

**B**



1 rate structures and rate analysis studies. In 1993, I was promoted to the position of Manager  
2 of Financial Services and in August 2001, as a result of the restructuring of AEPCO into  
3 three separate cooperatives, I was employed in that same position by Sierra Southwest. I  
4 have testified as an expert witness before the Public Utilities Commission of the State of  
5 Colorado, the United States Bankruptcy Court in Denver, Colorado and the Arizona  
6 Corporation Commission in connection with various proceedings involving rate cases.

7  
8 **Q. What is the purpose of your testimony?**

9 A. I will testify in support of the application for a general rate filing for SWTC. My testimony  
10 is primarily directed to the financial Schedules A-F—prepared pursuant to the requirements  
11 of A.A.C. R14-2-103—which were filed in support of the application. Mr. Zarnikau will  
12 testify concerning Schedules G and H.

13  
14 **Q. Please describe the Schedules.**

15 A. They are a multi-page exhibit containing Schedules A-H (the “Schedules”) as described in  
16 R14-2-103.B. They are divided into the following categories:

<u>Schedule Category</u>	<u>Section Tab</u>
Summary Schedules	A
Rate Base Schedules	B
Test Year Income Statements	C
Cost of Capital Schedules	D
Financial Statements and Statistical Schedules	E
Projections and Forecast Schedules	F
Cost of Service Analysis Schedules	G
Effect of Proposed Tariff Schedules	H

1 Q. Please describe Section A.

2 A. Section A contains the summary schedules. Schedule A-1 shows the computation of the  
3 increase in gross revenue requirements which result from the development of the financial  
4 schedules. Based on the test year adjusted operating margin loss of approximately \$170,000  
5 and the negative rate of return of .21%, we are requesting an overall increase in revenues  
6 from SWTC Network and Point-to-Point service customers in the amount of approximately  
7 \$7.7 million. Primarily, we request that (1) the existing Network Services Rate for  
8 transmission service be changed from a monthly revenue requirement of \$1,608,258 to  
9 \$2,247,574; (2) the existing Point-to-Point Services Rate be changed from \$3.423 per kW  
10 month to \$3.709 per kW month; and (3) the existing System Control & Load Dispatching  
11 Rate be changed from \$0.289 per kW month to \$0.245 per kW month. The \$7.7 million is  
12 an increase of 29.65% over the revenues that would be generated by present rates and, based  
13 upon a test period adjusted rate base of approximately \$79.7 million, produces a rate of  
14 return of 9.39%.

15  
16 Schedule A-2 summarizes the results of operations for the 12 months ending March 31,  
17 2007, 2008 and 2009 as well as the adjusted test year with present rates and with proposed  
18 rates. On a test year adjusted basis, that column shows that SWTC had a net margin loss of  
19 approximately \$4.77 million, a TIER of only 0.03 and a DSCR of just 0.50. Proposed rates  
20 would produce a net margin of about \$2.8 million, a TIER of 1.56 and a DSCR of 1.35.  
21 Schedule A-3 summarizes SWTC's capital structure and capitalization ratios for the years  
22 ending March 31, 2007 and 2008 as well as the test year and projected year. Margins and  
23 equities were about 9.1% at test year's end. Schedule A-4 provides data concerning  
24 construction expenditures, net plant additions and gross utility plant in service.

1 Schedule A-5 summarizes SWTC changes in financial position over various periods,  
2 including the more than \$12.7 million decrease in cash and cash equivalents in the test year  
3 ended March 31, 2009.  
4

5 **Q. Please describe Section B of the Schedules.**

6 A. Section B contains supporting rate base schedules. Schedule B-1 summarizes the  
7 components of the original cost rate base of approximately \$79.7 million, as of March 31,  
8 2009. It includes gross utility plant in service of more than \$146.5 million, accumulated  
9 depreciation and amortization of over \$69 million, allowances for working capital of  
10 \$1.8 million and plant held for future use of approximately \$377,000. No adjustments were  
11 made to reflect the original cost rate base for the test year (Schedule B-2). Schedules B-3  
12 and B-4, concerning reconstructed cost new less depreciation ("RCND") rate base, have not  
13 been completed. As a non-profit cooperative, SWTC stipulates to the use of its original cost  
14 rate base as its fair value rate base.  
15

16 Schedule B-5, page 1 provides the computation of working capital by components, which  
17 sum to total working capital of just over \$1.8 million. That schedule's remaining pages  
18 show the calculation of the different components. Schedule B-5, page 2, concerning the  
19 calculation of cash working capital, has not been completed. Due to the considerable time  
20 and expense of preparing a lead/lag study, SWTC agrees to the use of a zero value for its  
21 cash working capital. Nor is SWTC asking for prepayments to be included in the  
22 computation of rate base as shown on Schedule B-5, page 5, because of the position Staff  
23 took on this issue in our 2004-2005 rate case.

1 Q. Please describe Section C of the Schedules.

2 A. Section C contains the adjusted test year income statements and the supporting schedules to  
3 the income statements. Schedule C-1, pages 1 through 4, provides the actual income  
4 statement and the as-adjusted income statement for the test year. Pages 1 and 2 of  
5 Schedule C-1 provide per books and reclassified income statements for the test year. The  
6 first column displays the revenues and expenses of SWTC during the test year, which is the  
7 12 months ending March 31, 2009. As noted on Schedule C-1, page 2, SWTC had  
8 operating margins of approximately \$4.6 million and non-operating margins of just over  
9 \$100,000 that together produce a net margin of approximately \$4.7 million. The second  
10 column states *reclassification adjustments that are made to the test period which have a zero*  
11 *effect on the net margins of SWTC.* Column 3 of Schedule C-1, pages 1 and 2, shows the  
12 income statement with these reclassifications. Schedule C-1, pages 3 and 4, sets forth the  
13 SWTC reclassified income statement and the effects of pro forma adjustments to that  
14 income statement. Its first column shows the reclassified test year income statement with  
15 net margins of approximately \$4.7 million. The second column displays adjustments to  
16 reflect changes in revenues and/or expenses so as to normalize or annualize revenues and  
17 expenses in the test period. The third column shows the adjusted net margin loss of slightly  
18 more than \$4.8 million.

19  
20 Schedule C-2, pages 1 through 8, provides the detail on the reclassification and pro forma  
21 adjustments to revenues and expenses. They are as follows:

1 Reclassification Adjustments – Schedule C-2, Pages 1 and 2:

2 1. SWTC Revenue Reclassification – This adjustment reclassifies the ancillary  
3 services revenues that SWTC collects from various Point-to-Point and Network  
4 Transmission Customers as credits against the operating expenses that SWTC pays to  
5 AEPCO for the services during the test period. These revenues and charges are a pass-  
6 through, at cost, of ancillary services provided by AEPCO to those customers. Therefore,  
7 SWTC has removed them from its cost of service. The net effect of this reclassification  
8 on net margins is zero.

9 2. Property Tax Reclassification – This adjustment reclassifies property taxes, which  
10 are recorded in various operation and maintenance expense categories according to RUS  
11 accounting procedures, to taxes so that these expenses can be shown separately for  
12 ratemaking purposes. The net effect of this reclassification on net margins also is zero.

13 3. Anza SCE Wheeling Reclassification – This adjustment reclassifies wheeling  
14 revenue collected from Anza Electric Cooperative to pay for wheeling expense that SWTC  
15 incurs from Southern California Edison. As these costs are passed through, at cost, SWTC  
16 has removed them from the cost of service and they have no effect on margins.

17  
18 Pro Forma Adjustments – Schedule C-2, Pages 3 through 8:

19 1. City of Mesa Contract Adjustment – This adjustment annualizes the test year  
20 effect of the expiration of AEPCO's 15 MW sales contract to the City of Mesa ("Mesa")  
21 that occurred on December 31, 2008. AEPCO is no longer purchasing from SWTC the  
22 Point-to-Point transmission service which was needed to wheel the power purchased by  
23 Mesa under this contract. Therefore, these revenues have been removed from the test  
24 period. The effect of this adjustment reduces net margins by just over \$501,000.

1           2.     City of Thatcher Sales Adjustment – This adjustment annualizes test year  
2 contractual changes requested by the Town of Thatcher for its conversion from Point-to-  
3 Point to Network Transmission service. The conversion results in the loss of Point-to-Point  
4 revenues. There is no corresponding increase in Network Transmission revenues. The  
5 effect reduces net margins by about \$214,000.

6           3.     Additional Network Services Adjustment – This adjustment to test year revenues  
7 reflects (a) the changes in the Network Transmission and Point-to-Point services that will  
8 occur on January 1, 2011 as a result of the expiration of AEPCO’s sales agreement with the  
9 Salt River Project (“SRP”) and (b) the expiration of the Mesa sales agreement which  
10 occurred during the test year. Pursuant to the partial-requirements contract that AEPCO has  
11 with Mohave Electric Cooperative, Inc. (“MEC”) and Sulphur Springs Valley Electric  
12 Cooperative, Inc. (“SSVEC”), these members’ allocated capacity has increased or will  
13 increase as a result of these contract expirations. This, in turn, affects the amount of service  
14 they take under Network Service 1 and 2 as well as Point-to-Point service. This adjustment  
15 reflects those associated changes in revenue. In addition, this adjustment reflects the  
16 expiration of a separate contract between AEPCO and SRP to provide transmission capacity  
17 for wheeling to MEC and reflects the purchase of an additional 10 MW of transmission  
18 service from the Western Area Power Administration for wheeling on the Parker Davis  
19 transmission path. In total, this adjustment decreases net margins by about \$703,000.

20           4.     TEP Non-Firm Point-to-Point Revenue Adjustment – This adjustment removes test  
21 year revenues received from Tucson Electric Power for non-firm transmission service from  
22 Westwing to Greenlee that are non-recurring. This adjustment decreases net margins by  
23 about \$648,000.

1           5.       WALC Topock Point-to-Point Termination Adjustment – This adjustment removes  
2 test year revenues associated with the Western Area Lower Colorado (“WALC”) Topock  
3 Point-to-Point service agreement which will expire in May of 2010. The effect of this  
4 adjustment decreases net margins by about \$327,000.

5           6.       WALC Topock IPP Termination Adjustment – This adjustment removes test year  
6 revenues associated with the WALC Topock IPP Services Agreement pursuant to a  
7 termination notice SWTC has received from WALC which takes effect this month—  
8 October 2009. The effect of this adjustment is to decrease net margins by \$480,000.

9           7.       Morenci Water & Electric (“MW&E”) Morenci Wheeling Revenue Adjustment –  
10 This adjustment removes the revenues associated with MW&E Point-to-Point transmission  
11 service provided by SWTC during the test period in order to reflect MW&E’s completion of  
12 its bypass of the SWTC transmission system which began several years ago. In order to  
13 complete the bypass, MW&E continued to take some SWTC transmission service while it  
14 installed a second transformer to handle MW&E’s current load levels. The additional  
15 *transformer has been installed* and SWTC service has stopped. This adjustment decreases  
16 net margins by about \$1.2 million.

17           8.       Salt River Project Contract Adjustment – This adjustment to the test year reflects  
18 the impacts of the expiration of AEPCO’s 100 MW sales contract to SRP that occurs on  
19 December 31, 2010. As a result, AEPCO will no longer purchase from SWTC Point-to-  
20 Point transmission service to wheel this power and these revenues have been removed  
21 *from the test period*. This adjustment reduces net margins by about \$4.5 million.

22           9.       Labor Expense Adjustment – This adjustment annualizes labor expense and  
23 associated payroll taxes and benefits to reflect wage increases that occurred during the test  
24 period and also accounts for the wage increase that took effect on September 21, 2009. In

1 addition, this adjustment reflects the increase in contributions that SWTC is obligated to  
2 pay to the National Rural Electric Cooperative Association for participation in its  
3 Retirement and Security Program, which is SWTC's pension plan for employees. The  
4 effect of this adjustment decreases net margins by approximately \$859,000.

5 10. Rate Case Expense Amortization Adjustment – This adjustment assumes legal and  
6 rate consultant costs associated with the rate application of \$240,000 and amortizes those  
7 expenses over a three-year period. The effect of this adjustment results in a decrease in net  
8 margins of \$80,000.

9 11. Interest Expense Adjustment – This adjustment annualizes interest expense based  
10 upon debt balances and interest rates at the end of the test year, which increases interest  
11 expense by about \$101,000. Net margins are decreased by the same amount. In addition,  
12 SWTC has adjusted the principal payments for the test period to reflect the extended  
13 maturity dates on certain FFB notes that was accomplished on December 31, 2008. This  
14 reduced principal payments by about \$3.3 million.

15  
16 As indicated on page 8 of Schedule C-2, the total of these pro forma adjustments to  
17 expenses and revenues decreases net margins by about \$9.56 million.

18  
19 Finally, Schedule C-3, concerning the computation of the gross revenue conversion factor,  
20 is not applicable because SWTC is a non-profit cooperative and does not pay income taxes.

21  
22 **Q. Please describe Section D of the Schedules.**

23 A. The D Schedules contain information on SWTC's cost of capital for the 12 months ended  
24 March 31, 2007, 2008 and 2009 and the projected 12 months ended March 31, 2010.

1 Schedule D-1 sets forth the computed cost of capital as of March 31, 2009 for the test year  
2 as well as the projected year ending March 31, 2010. Test year invested debt capital  
3 amounted to about \$103.1 million with a composite cost rate of 4.93%. Schedule D-2  
4 shows long-term and short-term debt balances by lender that comprise the total debt; the  
5 interest rates associated with the debt balances; and the computation of the composite cost  
6 rate for three actual years and the projected year. Schedules D-3 and D-4, on preferred  
7 stock and common equity, are not applicable to SWTC because it is a member-owned, non-  
8 profit cooperative.

9  
10 **Q. Please describe Section E of the Schedules.**

11 A. Section E contains financial statements and statistical schedules for the 12 months ended  
12 March 31, 2007, 2008 and 2009. Schedule E-1 provides comparative balance sheets and  
13 Schedule E-2 shows comparative income statements. Schedule E-3 provides a comparative  
14 statement of changes in financial position and Schedule E-4 reflects changes in equity.  
15 Schedule E-5 provides detail on utility plant additions during the test year and the balances  
16 as of March 31, 2008 and 2009. Schedule E-6 is not applicable because, as a not-for-profit  
17 cooperative, SWTC has no stock. Schedule E-7 provides SWTC operating statistics, while  
18 Schedule E-8 lists taxes charged to operations. Attached to my testimony as Exhibit GEP-1  
19 are the Consolidated Financial Statements which include the Independent Auditors' Report  
20 to the SWTC Board dated May 13, 2009. It contains the information that is referenced in  
21 Schedule E-9.

1 **Q. Please describe Section F of the Schedules.**

2 A. Section F contains various projections and forecast schedules. Schedule F-4 discusses  
3 certain assumptions used in developing the projections contained in the previous F  
4 schedules.

5

6 **Q. Does this conclude your direct testimony?**

7 A. Yes, it does.

# Exhibit GEP-1

**SOUTHWEST TRANSMISSION  
COOPERATIVE, INC.**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

## CONTENTS

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	PAGE
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Balance sheets	2 - 3
Statements of revenues and expenses and unallocated accumulated margins/losses	4
Statements of cash flows	5
Notes to financial statements	6 - 19
 <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	 20

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Southwest Transmission Cooperative, Inc.

We have audited the accompanying balance sheets of Southwest Transmission Cooperative, Inc. (the Cooperative) as of December 31, 2008 and 2007 and the related statements of revenues and expenses and unallocated accumulated margins (losses) and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 13, 2009 on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Moss Adams LLP

Portland, Oregon  
May 13, 2009

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**BALANCE SHEETS**

ASSETS

	DECEMBER 31,	
	2008	2007
UTILITY PLANT		
Plant in service	\$ 147,537,058	\$ 142,038,971
Construction work in progress	25,373,100	15,436,370
Total utility plant	172,910,158	157,475,341
Less accumulated depreciation	68,129,364	64,228,910
Utility plant, net	104,780,794	93,246,431
INVESTMENTS		
Restricted held to maturity	1,355,652	1,355,652
Other	1,116,092	1,112,272
Total investments	2,471,744	2,467,924
CURRENT ASSETS		
Cash and cash equivalents	520,469	4,679,359
Accounts receivable	2,961,331	5,943,609
Materials and supplies inventory	2,020,194	1,772,743
Prepayments and other current assets	693,182	668,827
Total current assets	6,195,176	13,064,538
DEFERRED DEBITS AND REGULATORY ASSETS	3,663,471	3,308,352
Total assets	\$ 117,111,185	\$ 112,087,245

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**BALANCE SHEETS**

**MEMBERSHIP CAPITAL AND LIABILITIES**

	DECEMBER 31,	
	2008	2007
<b>MEMBERSHIP CAPITAL</b>		
Membership fees	\$ 900	\$ 900
Patronage capital	5,024,714	5,024,714
Unallocated accumulated margins/(losses)	4,373,064	(563,064)
	<b>9,398,678</b>	<b>4,462,550</b>
<b>LONG-TERM DEBT</b>		
Federal Financing Bank	77,682,970	72,938,415
Cooperative Utility Trust	9,350,288	10,202,832
Solid Waste Disposal Revenue Bonds	7,134,392	7,427,586
Rural Utilities Service	52,963	325,884
Cooperative Finance Corporation	351,629	450,456
	<b>94,572,242</b>	<b>91,345,173</b>
<b>CURRENT LIABILITIES</b>		
Member advances	484,249	317,559
Current maturities of long-term debt	3,874,918	8,325,125
Accounts payable	6,799,439	5,498,090
Accrued property and business taxes	841,674	932,817
Accrued interest	352,481	405,362
Other	787,504	800,569
	<b>13,140,265</b>	<b>16,279,522</b>
	<b>Total membership capital and liabilities</b>	<b>Total membership capital and liabilities</b>
	<b>\$ 117,111,185</b>	<b>\$ 112,087,245</b>

*See accompanying notes.*

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**STATEMENTS OF REVENUES AND EXPENSES AND UNALLOCATED ACCUMULATED**  
**MARGINS/(LOSSES)**

	YEAR ENDED DECEMBER 31,	
	2008	2007
<b>OPERATING REVENUES</b>		
Sales of electric transmission		
Members		
Class A - Firm	\$ 20,714,651	\$ 19,570,233
Class B - Firm	6,716,880	6,643,880
Class B - Nonfirm	10,716	12,628
Nonmembers	3,788,081	1,646,151
Regulatory asset charge	56,894	3,169,785
Sales and ancillary services		
Members		
Class A	3,350,763	2,815,110
Class B	569,609	567,544
Nonmembers	2,283,916	1,245,514
Total operating revenues	<u>37,491,510</u>	<u>35,670,845</u>
<b>OPERATING EXPENSES</b>		
Transmission operation	4,859,552	3,966,437
Depreciation and amortization	4,347,789	7,317,126
Administration and general	4,145,207	3,816,002
Property and other taxes	1,684,665	1,864,715
Transmission system control	4,662,662	3,999,200
Transmission maintenance	2,673,595	3,574,606
Wheeling and ancillary charges	5,902,333	4,854,833
Total operating expenses	<u>28,275,803</u>	<u>29,392,919</u>
<b>OPERATING MARGIN</b>	9,215,707	6,277,926
Interest and interest related expenses, net	(4,643,224)	(4,655,683)
Other income, net	363,645	649,791
<b>NET MARGIN</b>	4,936,128	2,272,034
<b>UNALLOCATED ACCUMULATED LOSSES,</b> beginning of year	<u>(563,064)</u>	<u>(2,835,098)</u>
<b>UNALLOCATED ACCUMULATED MARGINS/ (LOSSES), end of year</b>	<u>\$ 4,373,064</u>	<u>\$ (563,064)</u>

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net margin	\$ 4,936,128	\$ 2,272,034
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation and amortization of plant in service	4,290,895	4,147,341
Amortization of regulatory assets	56,894	3,169,785
Changes in assets and liabilities		
Accounts receivable	2,982,278	(1,679,691)
Materials and supplies inventory	(247,451)	(304,201)
Deferred debits	(412,013)	(50,952)
Accrued property and business taxes	(91,143)	(41,538)
Accounts payable	1,301,349	1,800,947
Accrued interest	(52,881)	(1,008,401)
Other, net	(37,420)	183,609
Net cash from operating activities	<u>12,726,636</u>	<u>8,488,933</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction expenditures	(15,825,258)	(14,060,541)
Software lease	-	(425,000)
Investments	(3,820)	(19,182)
Net cash from investing activities	<u>(15,829,078)</u>	<u>(14,504,723)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member advances, net	166,690	11,353
Payments on long-term debt	(8,358,138)	(10,210,127)
Proceeds from long-term debt	7,135,000	13,190,000
Net cash from financing activities	<u>(1,056,448)</u>	<u>2,991,226</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(4,158,890)	(3,024,564)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>4,679,359</u>	<u>7,703,923</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 520,469</u>	<u>\$ 4,679,359</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest, net of amount capitalized	<u>\$ 4,487,608</u>	<u>\$ 5,431,782</u>

*See accompanying notes.*

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 1 - Organization**

Southwest Transmission Cooperative, Inc. (the Cooperative) is organized under Arizona law as a nonprofit rural electric transmission cooperative, which provides electric transmission and ancillary services to its customers. The Cooperative was organized with two classes of members. Class A members consist of nonprofit electric cooperative or nonprofit membership corporations which are electric utilities that are or have been beneficiaries of the Rural Electrification Act of 1936 and have or will have agreements wherein their power and associated energy are delivered using transmission and related facilities owned by the Cooperative and/or transmission rights in third-party systems controlled by the Cooperative; and that have each joined with the other Class A members in the Cooperative's operations in order to share the benefits and costs of ownership of an entity engaged in providing transmission services for the benefit of its members. There are currently six Class A members. Class B members consist of generation and transmission electric cooperatives organized under Arizona law and other electric utilities which currently have, or will have, agreements with the Cooperative whereby transmission services are purchased from the Cooperative. There are currently two Class B members.

**Note 2 - Summary of Significant Accounting Policies**

**System of accounts** - The Cooperative maintains its accounts in accordance with policies and procedures as prescribed by the Rural Utilities Service (RUS) in conformity with the Uniform System of Accounts. The Cooperative's accounting policies conform to accounting principles generally accepted in the United States of America as applied in the case of regulated public utilities and are in accordance with the accounting requirements and rate-making practices of RUS and the Arizona Corporation Commission (ACC), the regulatory authorities having jurisdiction.

**Accounting for the effects of regulation** - The Cooperative prepares its financial statements in accordance with the provisions of Statement of Financial Accounting Standard (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation. SFAS No. 71 requires a cost-based, regulated enterprise to recognize revenues and expenses in the time periods when the revenues and expenses are included in rates. This may result in regulatory assets and liabilities until such time that the related revenues and expenses are included in rates (See Note 5).

**Utility plant** - Utility plant, consisting primarily of transmission facilities, is stated at historical cost and includes the costs of outside contractors, direct labor and materials, allocable overhead and interest charged to construction.

In accordance with the Uniform System of Accounts, the Cooperative capitalizes the interest costs associated with the borrowing of funds used to finance construction work in progress (CWIP). Interest income from construction funds held in trust, if any, is credited to CWIP. Interest costs capitalized on construction projects was approximately \$580,000 and \$628,000 in 2008 and 2007, respectively.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Depreciation is computed on the straight-line basis over estimated useful lives of depreciable property in accordance with rates prescribed by RUS, averaging 3.0% for 2008 and 2007. Depreciation expense was approximately \$4,291,000 and \$4,147,000 for the years ended December 31, 2008 and 2007, respectively. Minor replacements and repairs are charged to expense as incurred. Retirements of utility plant, together with the cost of removal, less salvage, are charged to accumulated depreciation.

The Cooperative assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. The Cooperative has not recorded losses resulting from impairment of its long-lived assets.

**Asset retirement obligation** - SFAS No. 143 requires the recognition of an Asset Retirement Obligation (ARO), measured at estimated fair value, for legal obligations related to decommissioning and restoration costs associated with the retirement of tangible long-lived assets in the period in which the liability is incurred. The initial capitalized asset retirement costs are depreciated over the life of the related asset, with accretion of the ARO liability classified as an operating expense. The Cooperative has determined that they do not have a significant asset retirement obligation.

**Investments** - The Cooperative accounts for its investments in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. SFAS No. 115 provides that the Cooperative classify investments in securities as either trading securities, held-to-maturity securities, or available-for-sale securities. At December 31, 2008 and 2007, all investment balances were classified as held-to-maturity securities and are therefore recorded at amortized cost (See Note 3).

A decline in the market value of held-to-maturity securities below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to margins and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Cooperative considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year end and forecasted performance of the investee. Management does not believe the investments are impaired as of December 31, 2008.

**Fair value of financial instruments** - Many of the Cooperative's financial instruments lack an available trading market as characterized by a willing buyer and willing seller engaged in an exchange transaction. The Cooperative's general practice and intent is to hold its financial instruments to maturity and not to engage in trading or sales activities. As a result, significant estimations using the best available information and present value calculations are used by the Cooperative for purpose of disclosure. For current financial instruments, the carrying amounts approximate fair value.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Cash equivalents** - The Cooperative considers all investments with an original maturity of 90 days or less to be cash equivalents. The Cooperative maintains its cash in bank accounts, which, at times, exceed federally insured limits and has not experienced any losses in such accounts.

**Accounts receivable** - Receivables are recorded when invoices are issued and are written off when they are determined to be uncollectible (See Note 4). The allowance for doubtful accounts is estimated based on historical losses, review of specific problem accounts, the existing economic conditions in the industry and the financial stability of customers. Generally, accounts receivable are considered past due after 30 days. No allowance was deemed necessary at December 31, 2008 and 2007.

**Inventories** - Inventories, consisting of materials and supplies, are carried at average cost.

**Unamortized debt costs** - Costs incurred for the issuance or repricing of long-term debt are deferred and amortized over the life of the related debt (See Note 5).

**Deferred debits** - Deferred debits are recorded at cost and either: (1) amortized over their expected period of benefit or alternate period of time as may be mandated by ACC or other regulatory order, if different, or (2) eliminated upon determination of their ultimate disposition (See Note 5).

**Revenues** - Revenues are recognized as electric transmission or other services are provided.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Reclassifications** - Certain reclassifications were made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no impact on previously reported net margin.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 3 - Investments**

Investments at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Restricted term certificates	\$ 1,355,652	\$ 1,355,652
Investment in associated organization	1,000,000	1,000,000
Other	<u>116,092</u>	<u>112,272</u>
Total investments	<u>\$ 2,471,744</u>	<u>\$ 2,467,924</u>

**Restricted term certificates** - The Cooperative is a member of the National Rural Utilities Cooperative Finance Corporation (CFC), a not-for-profit cooperative financing institution. As a condition of membership, the Cooperative purchased \$1,333,505 in Subscription Capital Term Certificates (SCTCs), which bear interest at 5% per annum and have maturity dates ranging from 2070 to 2080. The Cooperative also purchased a \$22,147 Zero Term Certificate (ZTC), as a condition of the long-term debt due CFC. The ZTC is non-interest bearing and matures in 2013 upon final repayment of the related debt. The SCTCs and ZTC are unrated, uncollateralized debt securities of CFC. The fair value of these investments is not readily determinable; therefore, they are recorded at cost.

**Investment in associated organization** - The Cooperative is a Class B member of Sierra Southwest Cooperative Services, Inc. (Sierra). The Cooperative's investment in Sierra is carried at cost (See Note 15).

**Note 4 - Accounts Receivable**

Accounts receivable at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Electric transmission sales	\$ 3,012,201	\$ 3,753,192
Construction shared costs	-	854,569
Other	<u>(50,870)</u>	<u>1,335,848</u>
Total accounts receivable	<u>\$ 2,961,331</u>	<u>\$ 5,943,609</u>

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 4 - Accounts Receivable (Continued)**

**Electric transmission sales** - Electric transmission sales consist of sales to members and nonmembers under transmission service agreements (See Note 10) and are generally not collateralized.

**Construction shared costs** - Represents costs to be reimbursed from a member associated with the construction of a substation.

**Note 5 - Deferred Debits and Regulatory Assets**

Deferred debits and regulatory assets at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Regulatory assets	\$ (315,056)	\$ (258,163)
Unamortized debt costs	1,125,306	1,327,813
Other	2,190,721	1,244,952
Software lease	<u>662,500</u>	<u>993,750</u>
Total deferred debits and regulatory assets	<u>\$ 3,663,471</u>	<u>\$ 3,308,352</u>

**Regulatory assets** - The ACC authorized the recovery of the regulatory assets through the imposition of a specific charge (See Note 2). The regulatory assets, pursuant to an order from the ACC, are being amortized as revenues related to the regulatory assets are collected. The above credit represents revenue remaining to be recognized related to the regulatory assets.

**Note 6 - Patronage Capital**

	<u>2008</u>	<u>2007</u>
January 1	\$ 5,024,714	\$ 5,024,714
Patronage capital allocation	<u>-</u>	<u>-</u>
December 31	<u>\$ 5,024,714</u>	<u>\$ 5,024,714</u>

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 6 - Patronage Capital (Continued)**

In accordance with the Cooperative's bylaws, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy transmission and other services to members in excess of the sum of:

- Operating costs and expenses, including interest on debt service, properly chargeable against the furnishing of electric energy transmission and other services;
- Amounts required to offset any losses incurred during the current or any prior fiscal year; and
- Maintenance of reserves, if any.

All such excess amounts at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. RUS mortgage provisions require written approval of any declaration or payment of capital credits. These provisions restrict the payment of capital credits to 25% of the margins received by the Cooperative in the preceding year, unless total membership capital exceeds 40% of the total assets of the Cooperative. There were no retirements for 2008 and 2007.

**Note 7 - Long-Term Debt**

**Federal Financing Bank (FFB)** - This debt is payable at interest rates based on long-term obligations of the United States Government as determined on the date of advance. Interest rates on individual FFB notes ranged from 2.6% to 9.1% in 2008 and from 4.3% to 9.1% in 2007. Equal quarterly principal and interest installments on these obligations extend through 2035. The obligations are guaranteed by RUS. The Cooperative may prepay all outstanding notes by paying the principal amount plus the lesser of: 1) the difference between the outstanding principal balance of the loan being refinanced and the present value of the loan discounted at a rate equal to the then current cost of funds to the Department of the Treasury for obligations of comparable maturity; 2) 100% of the amount of interest for one year on the outstanding principal balance of the loan being refinanced multiplied by the ratio of a) number of quarterly payment dates remaining to maturity bears to b) number of quarterly payment dates between year 13 of the loan and the maturity date; or 3) present value of 100% of the amount of interest for one year on the outstanding principal balance of the loan.

**Cooperative Utility Trust** - The Cooperative issued a note, underlying a Certificate of Beneficial Interests (the Certificate), to a Cooperative Utility Trust. Principal payments on the note are due annually through 2018 and guaranteed by RUS. The interest rate on the note is 7.7%, paid semiannually. The note may be prepaid at any time after September 1, 2006 at 103.5% of the outstanding principal amount of the note on the date of prepayment, declining one half percent per year to 100% beginning September 1, 2013 and thereafter.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 7 - Long-Term Debt (Continued)**

**Solid Waste Disposal Revenue Bonds** - Principal on these bonds is due in annual installments through 2024. Interest rates on the bonds are variable and subject to revision semiannually. The interest rate in effect at December 31, 2008 and 2007 was 2.35% and 3.75%, respectively. Interest is paid semiannually. These bonds are guaranteed by CFC and are not subject to optional redemption prior to maturity.

**Rural Utilities Service** - This long-term debt consists of notes at interest rates of 2% and 5% for both 2008 and 2007. Quarterly principal and interest payments on these obligations extend through 2010. The Cooperative may prepay the notes at an amount not less than the outstanding principal balance of the loan. The discount rate is the rate specified in the Treasury Constant Maturities section of the weekly publication of the Federal Reserve Statistical Release.

RUS has established a Cushion of Credit Payment Program, whereby borrowers may make advance payments on their RUS and FFB notes. These advance payments earn interest at the rate of 5% per annum. The advance payments, plus any accrued interest, can only be used for the payment of principal and interest on the notes. The Cooperative's participation in the Cushion of Credit Payment Program totaled \$32,936 and \$5,564 at December 31, 2008 and 2007, respectively, and is recorded as a reduction of the outstanding RUS long-term debt.

**Cooperative Finance Corporation** - This long-term debt is payable at a variable interest rate that is established monthly and effective on the first day of each month. The interest rate in effect at December 31, 2008 and 2007 was 5.4% and 6.55%, respectively. Quarterly principal and interest payments on this obligation extend through 2013. This obligation is guaranteed by RUS. The variable interest rate on the debt is convertible to a fixed rate. The fixed rate would be equal to the rate of interest offered by CFC at the time of the conversion request. The Cooperative may prepay fixed rate notes in whole or in part, subject to a prepayment premium prescribed by CFC.

**Maturities of long-term debt** - Maturities of long-term debt for the next five years and thereafter are as follows:

2009	\$ 3,874,918
2010	3,940,812
2011	4,174,371
2012	4,477,710
2013	4,718,639
Thereafter	<u>77,260,710</u>
	<u>\$ 98,447,160</u>

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 7 - Long-Term Debt (Continued)**

Under covenants of the Mortgage and Security Agreement (Mortgage), dated July 2, 2001, by and among the Cooperative, CFC and the United States of America acting through RUS, RUS Transmission Loan Contract, dated July 2, 2001, between the Cooperative and the United States of America acting through RUS, and RUS general and preloan policies and procedures, the Cooperative must, among other things, obtain approvals from both RUS and CFC for certain transactions and contracts and design its rates with a view to maintaining, on an annual basis, an average times interest earned ratio of 1.05 and debt service coverage ratio of 1.0 calculated retrospectively using the highest ratios from two of the three most recent years. Management believes these financial covenants have been achieved as of December 31, 2008.

Long-term debt is collateralized by the pledge of all assets.

The fair value of the Cooperative's long-term debt is estimated by discounting the future cash flows required under the terms of each respective debt agreement by the currently quoted or offered rates for the same or similar issues of debt with similar maturities. The principal amounts of variable rate debt are considered reasonable estimates of their fair value. The fair value of debt at December 31, 2008 and 2007 was \$102,396,477 and \$104,667,464, respectively.

Components of interest expense at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Total interest costs and related amortization	\$ 5,222,743	\$ 5,284,070
Interest capitalized	<u>(579,519)</u>	<u>(628,387)</u>
Total interest expense	<u>\$ 4,643,224</u>	<u>\$ 4,655,683</u>

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 8 - Accounts Payable**

Accounts payable at December 31 consists of the following:

	<u>2008</u>	<u>2007</u>
Wheeling charges	\$ 1,102,986	\$ 414,252
Payable to related party (AEPCO)	1,053,867	1,496,003
Payable to related party (Sierra)	542,952	1,725,390
Trade and other	<u>4,099,634</u>	<u>1,862,445</u>
Total accounts payable	<u>\$ 6,799,439</u>	<u>\$ 5,498,090</u>

**Note 9 - Member Advances**

**Member investment program** - The Cooperative offers all members the ability to invest funds with the Cooperative on a short-term basis for periods up to nine months. The Cooperative did not have outstanding liabilities for notes at December 31, 2008 and 2007.

**Prepaid transmission program** - The Cooperative also offers a prepayment program for all members whereby the members may make interest-bearing prepayments of their monthly transmission billings. Terms offered on the prepayment program are the same as the member investment program. The prepayment and accrued interest are applied to the members' transmission billings on the date such billings become due. The Cooperative recorded liabilities for prepayments of \$484,249 and \$317,559 at December 31, 2008 and 2007 respectively. The interest rate on prepayments outstanding during 2008 and 2007 averaged 2.6% and 5.3%, respectively. Interest expense on the prepayment program was approximately \$12,817 and \$22,445 for the years ended December 31, 2008 and 2007, respectively.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10 - Commitments and Contingencies**

**Rate increase** - On August 17, 2005, the Cooperative received authorization from the ACC to phase in rate increases over a two-year period. Phase one became effective on September 1, 2005 for a 14.58% increase; phase two was effective January 1, 2006 for a 9.1% increase; phase three was effective September 1, 2006 for a 1.5% increase; phase four was effective September 1, 2007 for a 1.5% increase. The rates and charges are effective for all services, including network transmission service, point-to-point transmission service, ancillary services, and the regulatory asset charge. ACC also ordered that the Cooperative shall file a rate case within five years. The Cooperative will be filing a new rate application with ACC in 2009.

The tariff is intended to cover lost revenue from the cancellation of a firm transmission service agreement representing a loss of over \$5 million in transmission revenue, as well as necessary maintenance and upgrades of the transmission system. Management believes the rate increases, approved by the ACC, will be sufficient to provide the Cooperative adequate net margins to maintain compliance with debt covenants and sufficient liquidity to meet its operating requirements.

**Personnel staffing agreement** - The Cooperative has a personnel staffing agreement with Sierra (See Note 15), whereby Sierra provides personnel staffing services for all positions except certain key staff and management positions, who are employees of the Cooperative. The personnel staffing agreement provides that the Cooperative shall pay for the actual and verifiable costs incurred by Sierra for personnel, materials, supplies and all other direct, indirect, and overhead costs incurred by Sierra in carrying out its responsibilities under the personnel staffing agreement. The term of the staffing agreement is for five years from the effective date of August 1, 2001. The agreement is automatically extended for five successive years unless terminated by either party no later than two years prior to the conclusion of such fifth contract year. Neither the Cooperative nor Sierra gave the two-year advance notice of termination, thereby extending the agreement for an additional five-year term.

Approximately 43% of the personnel employed by Sierra are subject to a collective bargaining agreement. Sierra entered into a five-year collective bargaining agreement, effective March 1, 2005.

**Class A Member Network Service Agreements** - The Cooperative has an agreement with Arizona Electric Power Cooperative, Inc. (AEPSCO) to provide network integration transmission service to deliver AEPSCO's power to AEPSCO's all requirements Class A distribution cooperative members. The Cooperative entered into separate agreements to provide network integration transmission service to AEPSCO's partial requirements Class A members. These agreements remain in effect so long as the associated wholesale power contract between AEPSCO and the Class A member remains in effect, all of which terminate on December 31, 2035. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10 - Commitments and Contingencies (Continued)**

**AEPCO Bundled Transmission Service Agreements** - The Cooperative also has agreements with AEPCO to provide point-to-point or network integration transmission service for AEPCO's bundled power sales agreements. These agreements provide for reserved transmission capacity ranging from 8 MW to 100 MW and will remain in effect in accordance with each respective service agreement. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

**Other transmission service agreements** - The Cooperative holds separate transmission service agreements with other entities in accordance with the Cooperative's Open Access Transmission Tariff (OATT) or other pre-OATT agreements. These other transmission service agreements provide for reserved transmission capacity ranging from 2 MW to 40 MW and will remain in effect in accordance with each respective service agreement. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

**Transmission Wheeling Agreements** - The Cooperative purchases transmission wheeling rights from other entities. There are currently five transmission wheeling agreements under which the Cooperative purchases transmission to provide for deliveries to AEPCO's Class A members, to AEPCO customers with bundled transmission service agreements, and to other potential transmission customers. These transmission wheeling agreements provide for wheeling rights up to 200 MW and expire at various times through 2021.

**Other agreements** - The Cooperative has an arrangement for the operation and maintenance of certain shared control area services. The agreement was effective in 2001 and was supplemented in December 2004 to provide certain generation schedule balancing services. Either party may terminate the supplement upon six months prior written notice. Under the agreement, the Cooperative receives revenue of \$480,000 per year for the first three years, which can be increased up to 3% per year thereafter.

**Lines of credit**

**Short-term financing** - The Cooperative maintains a line of credit for short-term financing with CFC of \$6,000,000 maturing December 28, 2010. Interest rates on all advances under the line of credit will be equal to the total rate per annum as may be fixed by CFC from time to time, which shall not exceed the *Prevailing Bank Prime Rate*, as published in the Money Rates column of *The Wall Street Journal*, plus 1.0% per annum. The bank prime rate at December 31, 2008 was 3.25%. No amounts were drawn under the line of credit at December 31, 2008 and 2007.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10 - Commitments and Contingencies (Continued)**

**Company credit card program** - The Cooperative also maintains a line of credit agreement with CFC for \$250,000 as part of its company credit card program. The agreement was effective July 23, 2004 and will remain in effect until terminated by either party. Interest rates on all advances under the line of credit will be equal to the total rate per annum as may be fixed by CFC from time to time, which shall not exceed the *Prevailing Bank Prime Rate*, as published in the Money Rates column of *The Wall Street Journal*, plus 1.0% per annum. The bank prime rate at December 31, 2008 was 3.25%. No amounts were drawn under the line of credit at December 31, 2008 and 2007.

**Note 11 - Income Tax Status**

The Cooperative is exempt from income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code. Pursuant to FSP FIN 48-3, management has elected to defer the application of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, to fiscal years beginning after December 15, 2008. For the years ended December 31, 2008 and 2007 the Cooperative has accounted for uncertain tax positions in accordance with FASB Statement No. 5, Accounting for Contingencies, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and was reasonably estimatable. As of December 31, 2008 and 2007, the Cooperative has no provision for income taxes.

**Note 12 - Retirement Plans**

The Cooperative has a defined benefit pension plan covering substantially all of its employees. Pension benefits are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program. The Cooperative contributes a percentage of salaried and union employees' earnings to the program, as prescribed by NRECA. Contributions made to this plan approximated \$444,000 and \$383,000 for the years ended December 31, 2008 and 2007, respectively. The Cooperative's policy has been to fund retirement costs annually as they accrue.

This multi-employer plan is available to all member cooperatives of NRECA. Information concerning the Cooperative's proportionate share of the excess, if any, of the actuarially computed value of vested benefits over the pension plan's net assets is not available from NRECA; the plan administrator.

The Cooperative also offers participation in the NRECA SelectRE Pension Plan to all employees meeting certain minimum service requirements. This plan has 401(k) salary deferral features. Under this plan, the Cooperative matches a percentage of the employees' contributions to the plan. The Cooperative's contributions to the plan were approximately \$95,000 and \$91,000 for the years ended December 31, 2008 and 2007, respectively.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 13 - Concentration of Customers and Credit Risk**

Revenue for the year ended December 31, 2008 included revenue from four members whom each individually represented more than 10% of the total operating revenue. Revenue from these customers collectively represented approximately 80% of total operating revenue for 2008. Accounts receivable related to operating activities at December 31, 2008 included amounts owed from four customers, whom each individually represented 10% or more of the total accounts receivable balance. The amounts owed from these customers collectively represented approximately 80% of the total operating accounts receivable balance at December 31, 2008.

Revenue for the year ended December 31, 2007 included revenue from four members whom each individually represented more than 10% of the total operating revenue. Revenue from these customers collectively represented approximately 87% of total operating revenue for 2007. Accounts receivable related to operating activities at December 31, 2007 included amounts owed from five customers, whom each individually represented 10% or more of the total accounts receivable balance. The amounts owed from these customers collectively represented approximately 91% of the total operating accounts receivable balance at December 31, 2007.

**Note 14 - Leases**

**Office facilities and machinery and equipment** - The Cooperative entered into two separate 60-month lease agreements, effective as of August 1, 2001, to lease office facilities and substantially all the machinery and equipment used in the Cooperative's daily operations (See Note 15). On July 27, 2006, the term of these leases were amended to automatically renew for an additional 60 months beginning August 1, 2006, and every five years thereafter. Rent expense for the office facilities and machinery and equipment totaled approximately \$909,000 and \$832,000 for the years ended December 31, 2008 and 2007, respectively.

**Network computing equipment** - The Cooperative entered into a master lease agreement dated December 14, 2004 for the lease of network computing equipment to be implemented in multiple stages. The Cooperative implemented two stages in 2005, two in 2006 and a final stage in 2008. The original term of each lease schedule is 36 months. The original term of the lease(s) shall automatically be extended on a monthly basis unless either party notifies the other not later than 90 days prior to the end of the original term or 30 days prior to the end of any extended term. Rent expense for the network computing equipment totaled approximately \$80,000 and \$37,000 for the years ended December 31, 2008 and 2007, respectively.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 14 - Leases (Continued)**

The following summarizes the future minimum lease payments at December 31, 2008:

2009	\$ 935,869
2010	898,463
2011	848,746
2012	846,827
2013	<u>846,827</u>
	<u>\$ 4,376,732</u>

**Note 15 - Related Parties**

The Cooperative is a Class B member of Sierra. Sierra is a member-owned, nonprofit Arizona cooperative corporation organized to provide personnel staffing and energy services and products to its members and other customers. Class B members of Sierra are collectively represented by one director seated on Sierra's board of directors. Each director is entitled to one vote on each matter submitted to a vote at a meeting of the directors (See Note 3).

AEPCO and Sierra are Class B members of the Cooperative. Class B members of the Cooperative are collectively represented by one director seated on the Cooperative's board. Each director is entitled to one vote on each matter submitted to a vote at a meeting of the directors.

The Cooperative has an agreement with Sierra, whereby Sierra provides personnel staffing services (See Note 10 - *Personnel Staffing Agreement*). The Cooperative recorded expenses for personnel staffing services totaling approximately \$7,011,000 and \$6,464,000 for the years ended December 31, 2008 and 2007, respectively. The Cooperative had accounts payable to Sierra totaling approximately \$8,321,000 at December 31, 2008 and \$1,725,000 at December 31, 2007. The Cooperative had accounts receivable from Sierra totaling approximately \$7,778,000 and \$0 at December 31, 2008 and 2007, respectively.

The Cooperative has an agreement with AEPCO for the lease of office facilities and machinery and equipment (See Note 14 - *Office Facilities and Machinery and Equipment*). Rents paid to AEPCO totaled approximately \$909,000 and \$832,000 for the years ended December 31, 2008 and 2007, respectively.

The Cooperative has also entered into agreements with AEPCO for transmission service (See Note 10 - Class A Member Network Service Agreements and AEPCO Bundled Transmission Service Agreements). The Cooperative recorded revenues for these agreements totaling approximately \$14,386,000 and \$19,805,000 for the years ended December 31, 2008 and 2007, respectively. The Cooperative had accounts receivable from AEPCO totaling approximately \$5,845,000 and \$2,038,000 as of December 31, 2008 and 2007, respectively. The Cooperative had accounts payable to AEPCO totaling approximately \$5,512,000 and \$1,496,000 as of December 31, 2008 and 2007, respectively.

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Southwest Transmission Cooperative, Inc.

We have audited the financial statements of Southwest Transmission Cooperative, Inc. (the Cooperative) as of and for the year ended December 31, 2008 and have issued our report thereon dated May 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit we considered the Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Cooperative's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Cooperative's financial statements that is more than inconsequential will not be prevented or detected by the Cooperative's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Cooperative's Board of Directors and management in a separate letter dated May 13, 2009.

This report is intended solely for the information and use of the Board of Directors and management of the Cooperative, Arizona Corporation Commission and the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon  
May 13, 2009

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**DIRECT TESTIMONY OF DR. JAY ZARNIKAU**  
**ON BEHALF OF**  
**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**  
**GENERAL RATE APPLICATION**

- Q. Please state your name and business address.**
- A. My name is Jay Zarnikau. My business address is 1515 South Capital of Texas Hwy., Suite 110, Austin, Texas 78746.
- Q. By whom are you employed and in what capacity?**
- A. I am the President of Frontier Associates LLC ("Frontier"). Frontier provides consulting assistance to energy consumers, electric and gas utilities, and government agencies on topics related to energy economics and pricing, utility cost allocation and rate design, forecasting, resource planning, energy efficiency program design and evaluation, and energy and regulatory policy.
- Q. Please state briefly your educational background and professional qualifications.**
- A. I have a Ph.D. in Economics from the University of Texas. I completed undergraduate studies in Business Administration and Economics at the State University of New York and McGill University in Canada. From 1983 through 1991, I was employed by the Public Utility Commission of Texas ("PUCT"). At the PUCT, I served as the Manager of Economic Analysis from 1985 through 1988; as the Assistant Director of the Electric Division from 1987 to 1988; and as the Director of the Electric Division from September 1988 to 1991. I held a faculty-level research position at The

1 University of Texas Center for Energy Studies from 1991 through 1993. I  
2 served as a vice president at Planergy, Inc. from 1992 to 1999. Since  
3 1999, I have been President of Frontier.

4  
5 Additionally, I have written a number of reports and journal articles on the  
6 topics of electric utility resource planning, energy policy, rate design,  
7 demand-side management and electric utility restructuring. I also teach  
8 graduate-level classes in statistics at the University of Texas as a part-  
9 time Visiting Professor.

10

11 **Q. Have you previously testified before regulatory commissions?**

12 A. Yes. I have testified before the PUCT in more than 25 matters on behalf  
13 of the Commission Staff, electric utilities, and various consumer groups. I  
14 have also testified before the Railroad Commission of Texas on natural  
15 gas-related issues, in federal and state civil courts in Texas on utility  
16 matters, before the Arkansas commission on a rate matter, and before  
17 regulatory authorities in West Virginia, Virginia, and Pennsylvania  
18 regarding the need for new transmission facilities.

19

20 **Q. Have you previously testified before the Arizona Corporation**  
21 **Commission?**

22 A. No, I have not.

23

24 **Q. In what capacity and on whose behalf are you employed in this**  
25 **proceeding?**

26 A. I am appearing on behalf of Southwest Transmission Cooperative, Inc.  
27 ("SWTC"), the applicant in this proceeding. The purpose of my testimony  
28 is to present the cost allocation and rate design proposed by SWTC and,  
29 in particular, support Schedules G and H of the rate filing package.

1 Schedule G presents cost of service information, while Schedule H  
2 presents the effects of the proposed tariffs on the organizations to which  
3 SWTC provides transmission service or ancillary services.  
4

5 **Q. Please describe Section G of the Schedules.**

6 A. Schedule G-1 provides a cost of service summary for the adjusted test  
7 year based upon present rates. Present rates produced about \$170,000  
8 in negative margins and a negative rate of return. Schedule G-2 provides  
9 a cost of service summary for the adjusted test year based upon the  
10 proposed rates. They would produce net margins of approximately \$7.5  
11 million and a 9.39% rate of return. Schedule G-2A sets forth the  
12 computation of the proposed rates for transmission services. These rates  
13 are consistent with Federal Energy Regulatory Commission ("FERC")  
14 Order 888, which requires that a transmitting utility offer firm or non-firm  
15 Point-to-Point and firm Network service transmission on a non-  
16 discriminatory open access basis. Under Section 211 of the Federal  
17 Power Act, customers can seek transmission services from transmitting  
18 utilities like SWTC and FERC requires these utilities to provide  
19 comparable access to the national grid.  
20

21 Schedule G-2A, page 1, sets forth the derivation of SWTC's annual  
22 transmission revenue requirement, which equals total operating expenses  
23 less other revenues plus margin requirements. Schedule G-2A, page 2,  
24 provides a summary of the proposed transmission service rates for the  
25 firm Point-to-Point and Network services offered by SWTC. In addition,  
26 the schedule lists the proposed rates for mandatory and optional ancillary  
27 services.  
28

1 Schedule G-2A, pages 3 and 4, shows the calculation of the firm Point-to-  
2 Point rate, which results from dividing the annual transmission revenue  
3 requirement by the product of the coincidental peak demand multiplied by  
4 12. The Network services revenue requirement is calculated by  
5 subtracting the Point-to-Point revenues from the annual transmission  
6 revenue requirement. The Network service proposed rate set forth on  
7 Schedule G-2A, page 2, is then obtained by dividing the Network services  
8 revenue requirement by 12 months and each Network services customer  
9 is billed each month by multiplying the Network service proposed rate by  
10 their respective load ratio share percentage. The load ratio share  
11 percentage is obtained by dividing the Network services rolling 12-month  
12 average transmission demand by the total of all Network service  
13 customers' rolling 12-month average transmission demand.  
14 Schedule G-2A, page 4, adjusts the calculation in G-2A, page 3, for the  
15 impact of a contract between SWTC and Mohave Electric Cooperative,  
16 Inc. ("MEC") which insulates that member cooperative from certain costs  
17 associated with system improvements which do not directly benefit MEC.

18  
19 Schedule G-2A, page 5, shows the calculation of the mandatory  
20 Schedule 1 system control and load dispatch proposed ancillary service  
21 rate. This rate is arrived at by dividing certain costs associated with  
22 providing these services by the quantity of generating capacity through  
23 which these services are provided. Annual numbers are divided by 12 to  
24 derive the monthly values. Schedule G-2A, page 6, sets forth the  
25 calculation of the proposed mandatory Schedule 2 ancillary service rate  
26 for reactive power (VAR) support/voltage control. It is based upon costs  
27 provided by the Arizona Electric Power Cooperative, Inc. ("AEPCO"),  
28 which appear on G-2A, pages 7, 8, and 9. Schedule G-2A, page 10,  
29 shows the derivation of the proposed rate for the optional Schedule 4

1 ancillary service (Energy Imbalance) which is also based upon cost  
2 information provided by AEPCO.

3  
4 Schedule G-2A, page 11, calculates the revenues that SWTC should  
5 obtain from each of its contracts with the member distribution cooperatives  
6 based on the proposed rates, while Schedule G-2A, page 12, provides this  
7 information based on existing rates, which are presented in  
8 Schedule G-2A, page 13. Schedule G-2A, page 14, calculates the  
9 revenues to be collected from each customer of SWTC for providing  
10 Schedule 1 system control and load dispatch ancillary services. This  
11 amount is used to reduce the amount of revenues that SWTC collects  
12 through transmission rates, so that rates are designed to meet the  
13 targeted level of revenue requirements.

14  
15 **Q. Please describe Section H of the Schedules.**

16 **A.** The H Schedules show the effect of the proposed rate tariff schedules on  
17 the revenues generated by sales to SWTC's Network and Point-to-Point  
18 customers. Schedule H-1 summarizes the revenues generated by present  
19 rates and the proposed rates for the test year ending March 31, 2009.  
20 This schedule shows that present rates would generate revenues from  
21 sales of transmission to Network services and Point-to-Point customers of  
22 \$25,812,881 and that the proposed rates instead would generate  
23 revenues of \$33,466,300. Thus, the proposed rates are expected to  
24 produce additional revenues of \$7,653,419 compared to the present rates.  
25 Schedule H-2, page 1, compares revenues generated by the present and  
26 proposed rates for each of the Class A Members as well as the other  
27 Network services customers. Pages 2 through 11 of Schedule H-2  
28 analyze the revenues generated on a monthly basis for each of the  
29 Network services customers. Pages 12-16 provide summaries of this

1 information. Schedules H-3, H-4 and H-5 are not applicable to SWTC,  
2 because the cooperative does not provide retail electric service.

3  
4 **Q. Is SWTC proposing any changes to the cost allocation and rate  
5 design approaches which were approved by the Commission in  
6 SWTC's prior rate case?**

7 A. No. SWTC is not recommending any changes to the methods used to  
8 complete Schedules G and H in the prior rate case, nor is it suggesting  
9 any change to the rate design which has been used since SWTC  
10 commenced operations in 2001. We have updated the information in the  
11 schedules presented in the 2004 rate case to reflect the updated cost  
12 information and billing determinants discussed in Mr. Pierson's testimony  
13 and presented in Schedules A through F.

14  
15 **Q. Please summarize the rates which SWTC requests that the  
16 Commission approve.**

17 A. The primary rates that SWTC requests approval of are (a) the Network  
18 Services Rate's monthly revenue requirement of \$2,247,574; (b) the Point-  
19 to-Point Services Rate of \$3.709/kW month; and (c) a System Control and  
20 Load Dispatch Rate of \$0.245/kW month.

21  
22 **Q. Does this conclude your direct testimony?**

23 A. Yes, it does.



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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**A.A.C. R14-2103-B SCHEDULES**

**IN SUPPORT OF**

**THE SOUTHWEST TRANSMISSION COOPERATIVE, INC.**

**RATE APPLICATION**

**DOCKET NO. E-04100A**

**OCTOBER 2009**

# Southwest Transmission Cooperative, Inc.

## TABLE OF CONTENTS

	SCHEDULE NO.
<b>A. <u>SUMMARY SCHEDULES</u></b>	
COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS	A-1
SUMMARY RESULTS OF OPERATIONS	A-2
SUMMARY OF CAPITAL STRUCTURE	A-3
CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE	A-4
SUMMARY OF CHANGES IN FINANCIAL POSITION	A-5
<b>B. <u>RATE BASE SCHEDULES</u></b>	
SUMMARY OF ORIGINAL COST RATE BASE	B-1
ORIGINAL COST RATE BASE PRO FORMA ADJUSTMENTS	B-2
RCND RATE BASE PRO FORMA ADJUSTMENTS	B-3
RCND BY MAJOR PLANT ACCOUNTS	B-4
COMPUTATION OF WORKING CAPITAL	B-5
<b>C. <u>TEST YEAR INCOME STATEMENTS</u></b>	
RECLASSIFIED & ADJUSTED TEST YEAR END INCOME STATEMENT	C-1
RECLASSIFICATIONS & INCOME STATEMENT PRO FORMA ADJUSTMENTS	C-2
COMPUTATION OF GROSS REVENUE CONVERSION FACTOR	C-3
<b>D. <u>COST OF CAPITAL</u></b>	
SUMMARY COST OF CAPITAL	D-1
COST OF LONG-TERM AND SHORT-TERM DEBT	D-2
COST OF LONG-TERM AND SHORT-TERM DEBT	D-2A
COST OF PREFERRED STOCK	D-3
COST OF COMMON EQUITY	D-4

# Southwest Transmission Cooperative, Inc.

## TABLE OF CONTENTS

<b>E.</b>	<b><u>FINANCIAL STATEMENTS AND STATISTICAL SCHEDULES</u></b>	
	COMPARATIVE BALANCE SHEETS	E-1
	COMPARATIVE INCOME STATEMENTS	E-2
	COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION	E-3
	STATEMENT OF CHANGE IN EQUITY	E-4
	DETAIL OF UTILITY PLANT	E-5
	STATEMENT OF CHANGE IN EQUITY	E-6
	OPERATING STATISTICS	E-7
	TAXES CHARGED TO OPERATIONS	E-8
	NOTES TO FINANCIAL STATEMENTS	E-9
<b>F.</b>	<b><u>PROJECTIONS AND FORECASTS</u></b>	
	PROJECTED INCOME STATEMENT PRESENT AND PROPOSED RATES	F-1
	PROJECTED CHANGES IN FINANCIAL POSITION PRESENT AND PROPOSED RATES	F-2
	PROJECTED CONSTRUCTION REQUIREMENTS	F-3
	ASSUMPTIONS USED IN DEVELOPING PROJECTIONS	F-4
<b>G.</b>	<b><u>COST OF SERVICE ANALYSIS</u></b>	
	COST OF SERVICE SUMMARY - PRESENT RATES	G-1
	COST OF SERVICE SUMMARY - PROPOSED RATES	G-2
	DERIVATION OF REVENUE REQUIREMENTS, TRANSMISSION RATES & CONTROL AREA SERVICES	G-2A
<b>H.</b>	<b><u>EFFECT OF PROPOSED TARIFF SCHEDULES</u></b>	
	ANALYSIS OF REVENUE BY DETAILED CLASS 2003-ANNUALIZED	H-1
	ANALYSIS OF REVENUE BY DETAILED CLASS 2003-ANNUALIZED	H-2

A

# Southwest Transmission Cooperative, Inc.

SCHEDULE A-1

## Computation Of Increase In Gross Revenue Requirements Test Year Ended 3/31/2009

LINE NO.	ORIGINAL COST		
1. ADJUSTED RATE BASE	\$ 79,668,372	(a)	
2. ADJUSTED OPERATING INCOME (MARGINS)	(169,830)	(b)	
3. CURRENT RATE OF RETURN	-0.21%		
4. REQUIRED OPERATING INCOME (MARGINS)	7,483,591	(c)	
5. REQUIRED RATE OF RETURN	9.39%		
6. OPERATING INCOME DEFICIENCY	\$ 7,653,421		
7. INCREASE (DECREASE) IN GROSS REV. REQUIREMENTS	\$ 7,653,421		
CUSTOMER CLASSIFICATION		PROJECTED REVENUE INC. DUE TO RATES	% DOLLAR INCREASE
		(d)	(d)
8. NETWORK SERVICES	\$ 7,426,241		33.26%
9. POINT-TO-POINT SERVICES	227,180		6.52%
10. TOTAL	\$ 7,653,421		29.65%

SUPPORTING SCHEDULES:

- (a) B-1, Line 9
- (b) A-2, Line 3
- (c) G-2, Line 8
- (d) H-1

# Southwest Transmission Cooperative, Inc.

SCHEDULE A-2

## Summary Results of Operations

LINE NO.	-PRIOR YEARS-		3/31/2009		3/31/2009
	3/31/2007 (a)	3/31/2008 (a)	TEST YEAR ACTUAL (a)	TEST YEAR ADJUSTED (b)	PROPOSED RATES (c)
1.	\$ 34,054,428	\$ 35,934,608	\$ 37,698,829	\$ 27,777,227	\$ 35,430,648
2.	29,181,072	29,360,625	28,412,184	27,947,057	27,947,057
3.	4,873,356	6,573,983	9,286,645	(169,830)	7,483,591
4.	4,552,979	4,392,154	4,659,832	4,761,153	4,761,153
5.	642,781	585,915	100,898	100,898	100,898
5a.	-	-	-	-	-
6.	\$ 963,143	\$ 2,767,748	\$ 4,727,711	\$ (4,830,085)	\$ 2,823,336
7.	NOT APPLICABLE				
15.	1.20	1.55	1.97	0.03	1.56
16.	1.02	1.06	1.15	0.50	1.35

SUPPORTING SCHEDULES:

(a) E-2, Pages 1-2

(b) C-1, Pages 3-4

(c) F-1, Pages 1-2

**Southwest Transmission Cooperative, Inc.**  
Summary of Capital Structure

SCHEDULE A-3

LINE NO.	PRIOR YEARS		ACTUAL	END OF	
	3/31/2007	3/31/2008	TEST YEAR 3/31/2009	PROJECTED YR 3/31/2010	
<b>DESCRIPTION:</b>					
1.	SHORT-TERM DEBT	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
2.	LONG-TERM DEBT	97,419,049	97,869,400	101,120,306	107,889,918
3.	TOTAL DEBT (a)	97,419,049	97,869,400	103,120,306	109,889,918
4.	PREFERRED STOCK	-	-	-	-
5.	MARGINS AND EQUITY (b)	2,881,633	5,649,377	10,377,088	13,200,424
6.	TOTAL CAPITAL	100,300,682	103,518,777	113,497,394	123,090,342
<b>CAPITALIZATION RATIOS: (%)</b>					
7.	SHORT-TERM DEBT	0.00%	0.00%	1.76%	1.62%
8.	LONG-TERM DEBT	97.13%	94.54%	89.09%	87.65%
9.	TOTAL DEBT	97.13%	94.54%	90.86%	89.28%
10.	PREFERRED STOCK	0.00%	0.00%	0.00%	0.00%
11.	MARGINS AND EQUITY	2.87%	5.46%	9.14%	10.72%
		100.00%	100.00%	100.00%	100.00%
12.	WEIGHTED COST OF SHORT TERM DEBT	0.00%	0.00%	4.25%	4.25%
13.	WEIGHTED COST OF LONG TERM DEBT	5.06%	5.03%	4.94%	4.89%
14.	WEIGHTED COST OF SENIOR CAPITAL	NOT APPLICABLE			

SUPPORTING SCHEDULES:

(a) D-2

(b) E-1, Page 2, Line 25

**Southwest Transmission Cooperative, Inc.**  
**Construction Expenditures and Gross Utility Plant in Service**

SCHEDULE A-4

<u>LINE NO.</u>	<u>CONSTRUCTION EXPENDITURES</u>	<u>NET PLANT ADDITIONS</u>	<u>GROSS UTILITY PLANT IN SERVICE</u>
1. 3/31/2007	\$ 12,897,366 (a)	\$ 2,837,589	\$ 134,273,265 (c)
2. 3/31/2008	13,242,108 (a)	8,041,756	142,315,021 (c)
3. 3/31/2009	15,655,592 (a)	4,238,349	146,553,370 (c)
4. 3/31/2010	16,761,277 (b)	10,923,881	157,477,251
5. 3/31/2011	44,908,011 (b)	16,761,277	174,238,528
6. 3/31/2012	\$ 15,025,712 (b)	\$ 44,908,011	\$ 219,146,539

SUPPORTING SCHEDULES:

- (a) E-3, Line 14
- (b) F-3, Line 3
- (c) E-1, Page 1, Line 1

**Southwest Transmission Cooperative, Inc.**  
**Summary of Changes in Financial Position**

SCHEDULE A-5

LINE NO.	- PRIOR YEARS (a) -		TEST YEAR 3/31/2009	12 MOS. ENDED 3/31/2009	
	3/31/2007	3/31/2008		PRESENT RATES (b)	PROPOSED RATES (b)
1.	NET CASH PROVIDED BY OPERATING ACTIVITIES				
	\$ 8,430,766	\$ 11,591,078	\$ 8,862,662	\$ (695,134)	\$ 6,958,287
2.	NET CASH USED IN INVESTING ACTIVITIES				
	(12,987,966)	(13,247,755)	(15,667,772)	(15,667,772)	(15,667,772)
3.	NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
	1,296,493	765,757	3,607,659	3,607,659	3,607,659
4.	NET DECREASE IN CASH AND CASH EQ.				
	\$ (3,260,707)	\$ (890,920)	\$ (3,197,451)	\$ (12,755,247)	\$ (5,101,826)

SUPPORTING SCHEDULES:

- (a) E-3
- (b) F-2

**B**

**Southwest Transmission Cooperative, Inc.**  
**Summary Of Original Cost Rate Base**

SCHEDULE B-1

LINE NO.	ORIGINAL COST RATE BASE*
1. GROSS UTILITY PLANT IN SERVICE	\$ 146,553,370 (a)
2. LESS: ACCUMULATED DEPRECIATION & AMORT.	(69,091,935) (b)
3. NET UTILITY PLANT IN SERVICE	77,461,435 (b)
LESS:	
4. CUSTOMER ADVANCES FOR CONSTRUCTION	-
5. CONTRIBUTIONS IN AID OF CONSTRUCTION	-
6. ADD: ALLOWANCE FOR WORKING CAPITAL	1,829,723 (c)
7. PLANT HELD FOR FUTURE USE	377,214 (d)
8. DEFERRED DEBITS	- (e)
9. TOTAL RATE BASE	\$ 79,668,372 (f)

• INCLUDES PRO FORMA ADJUSTMENTS

SUPPORTING SCHEDULES:

- (a) B-2, Line 8
- (b) B-2, Line 11-12
- (c) B-5, Line 2
- (d) E-5, Page 2
- (e) E-1, Page 1

RECAP SCHEDULE:

- (f) A-1

**Southwest Transmission Cooperative, Inc.**  
**Summary Of Original Cost Rate Base**

SCHEDULE B-2

LINE NO.	ACTUAL AT END OF TEST YEAR 3/31/2009 (a)	PRO FORMA ADJUSTMENTS 3/31/2009 (a)	ADJUSTED AT END OF TEST YEAR 3/31/2009
<b>TRANSMISSION:</b>			
1. GROSS PLANT	\$ 129,866,218	\$ -	\$ 129,866,218
2. ACCUMULATED DEPRECIATION	(60,986,081)	-	(60,986,081)
3. NET PLANT	<u>68,880,137</u>	-	<u>68,880,137</u>
<b>GENERAL &amp; INTANGIBLE:</b>			
4. GROSS PLANT	16,687,152	-	16,687,152
5. ACCUMULATED DEPRECIATION	(6,472,037)	-	(6,472,037)
6. NET PLANT	<u>10,215,115</u>	-	<u>10,215,115</u>
7. RWIP	<u>140,137</u>	-	<u>140,137</u>
8. TOTAL GROSS PLANT	146,553,370	-	146,553,370 (b)
9. TOTAL ACCUM. DEP. & RWIP	(67,317,981)	-	(67,317,981)
10. ACCUMULATED AMORTIZATION	(1,773,954)	-	(1,773,954)
11. TOTAL ACCUM DEP. & AMORT.	<u>(69,091,935)</u>	-	<u>(69,091,935)</u>
12. TOTAL NET PLANT	<u>\$ 77,461,435</u>	<u>\$ -</u>	<u>\$ 77,461,435</u>

SUPPORTING SCHEDULES:  
(a) E-5, Pages 1-2

RECAP SCHEDULE:  
(b) B-1

**Southwest Transmission Cooperative, Inc.**  
**RCND Rate Base Pro Forma Adjustments**

SCHEDULE B-3

LINE NO.	ACTUAL AT END OF TEST YEAR <u>3/31/2009</u> (a)	PRO FORMA ADJUSTMENTS <u>3/31/2009</u> (a)	ADJUSTED AT END OF TEST YEAR <u>3/31/2009</u> (a) (b)
1. GROSS UTILITY PLANT IN SERVICE	\$ -	\$ -	\$ -
2. LESS: ACCUMULATED DEPRECIATION	-	-	-
3. NET UTILITY PLANT IN SERVICE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPORTING SCHEDULES:  
(a) B-4

RECAP SCHEDULE:  
(b) B-1

**Southwest Transmission Cooperative, Inc.**  
**RCND By Major Plant Accounts**

SCHEDULE B-4

<u>LINE NO.</u>	<u>RCND</u>	<u>DEPRECIATION</u>	<u>RCND</u>	<u>PRO FORMA ADJUSTMENT</u>	<u>ADJUSTED RCND</u>
<b>INTANGIBLE PLANT:</b>					
1.	\$ -	\$ -	\$ -	\$ -	\$ -
2.	-	-	-	-	-
3.	-	-	-	-	-
4.	-	-	-	-	-
5.	-	-	-	-	-
<b>TRANSMISSION PLANT:</b>					
6.	-	-	-	-	-
7.	-	-	-	-	-
8.	-	-	-	-	-
9.	-	-	-	-	-
10.	-	-	-	-	-
11.	-	-	-	-	-
12.	-	-	-	-	-
13.	-	-	-	-	-
<b>GENERAL PLANT:</b>					
14.	-	-	-	-	-
15.	-	-	-	-	-
16.	-	-	-	-	-
17.	-	-	-	-	-
18.	-	-	-	-	-
19.	-	-	-	-	-
20.	-	-	-	-	-
21.	-	-	-	-	-
22.	-	-	-	-	-
23.	-	-	-	-	-
24.	-	-	-	-	-
25.	-	-	-	-	-
30.	-	-	-	-	-
31.	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

**Southwest Transmission Cooperative, Inc.**  
**Computation Of Working Capital**

SCHEDULE B-5  
Page 1 of 4

**LINE  
NO.**

1. CASH WORKING CAPITAL	\$ -	(a)
2. MATERIALS AND SUPPLIES	1,829,723	(b)
3. PREPAYMENTS	-	(c)
4. CFC CERTIFICATES & BONDS	<u>-</u>	
5. TOTAL WORKING CAPITAL	<u>\$1,829,723</u>	(d)

SUPPORTING SCHEDULES:

(a) B-5, Page 2  
(b) B-5, Page 3  
(c) B-5, Page 4

RECAP SCHEDULE:

(d) B-1, Line 6

**Southwest Transmission Cooperative, Inc.**  
**Computation of Cash Working Capital**

SCHEDULE B-5  
Page 2 of 4

<u>LINE NO.</u>					
1.	TOTAL PRO FORMA O&M EXPENSES EXCL PRO FORMA FUEL & OTHER EXP	\$	-		
	NET OTHER O&M EXPENSE LAG				
2.	A. DAYS		-		
3.	B. PERCENT		0.00%		
4.	CASH WORKING CAPITAL OTHER THAN FUEL		-		
5.	FUEL EXPENSE		-		
	FUEL EXPENSE LAG:				
6.	A. LAG IN REVENUES (DAYS)		-		
7.	B. LAG IN EXPENSES (DAYS)		-		
8.	C. NET LAG -DAYS		-		
9.	D. PERCENT		0.00%		
10.	CASH WORKING CAPITAL FUEL		-		
11.	TOTAL CASH WORKING CAPITAL	<u>\$</u>	<u>-</u>		(a)

SUPPORTING SCHEDULES:

RECAP SCHEDULE:  
(a) B-5, Page 1

**Southwest Transmission Cooperative, Inc.**  
**Computation of Materials & Supplies Working Capital**

SCHEDULE B-5  
Page 3 of 4

LINE NO.	PER BOOKS	PRO FORMA ADJUSTMENTS	AS ADJUSTED
1. MARCH (Prior Yr)	\$ 1,808,993		
2. APRIL	1,734,433	\$ -	\$ 1,771,713
3. MAY	1,676,776	-	1,705,605
4. JUNE	1,757,685	-	1,717,231
5. JULY	1,759,197	-	1,758,441
6. AUGUST	1,778,090	-	1,768,644
7. SEPTEMBER	1,786,303	-	1,782,197
8. OCTOBER	1,796,459	-	1,791,381
9. NOVEMBER	1,752,734	-	1,774,597
10. DECEMBER	2,020,194	-	1,886,464
11. JANUARY	2,007,254	-	2,013,724
12. FEBRUARY	1,990,694	-	1,998,974
13. MARCH	1,984,714	-	1,987,704
14. TOTAL	<u>\$ 23,853,526</u>	<u>\$ -</u>	<u>\$ 21,956,673</u>
15. 12-MONTH AVERAGE		\$ -	\$ 1,829,723 (a)

SUPPORTING SCHEDULES:

RECAP SCHEDULE:  
(a) B-5, Page 1

**Southwest Transmission Cooperative, Inc.**  
 Computation of Prepayments Working Capital

SCHEDULE B-5  
 Page 4 of 4

LINE NO.	PER BOOKS	PRO FORMA ADJUSTMENTS	AS ADJUSTED
1. DECEMBER (Prior Yr)		\$ -	\$ -
2. JANUARY		-	-
3. FEBRUARY		-	-
4. MARCH		-	-
5. APRIL		-	-
6. MAY		-	-
7. JUNE		-	-
8. JULY		-	-
9. AUGUST		-	-
10. SEPTEMBER		-	-
11. OCTOBER		-	-
12. NOVEMBER		-	-
13. DECEMBER		-	-
14. TOTAL	\$0	\$ -	\$0
15. 13-MONTH AVERAGE	\$0	\$ -	\$0 (a)

SUPPORTING SCHEDULES:

RECAP SCHEDULE:  
 (a) B-5, Page 1

C

**Southwest Transmission Cooperative, Inc.**  
 Reclassified Test Year End Income Statement

SCHEDULE C-1  
 Page 1 of 4

LINE NO.	TEST YEAR 3/31/2009 (a)	RECLASS ADJUST. (b)	RECLASS TEST YEAR 3/31/2009 (c)
<b>REVENUES:</b>			
1.	\$ 19,299,096	\$ -	\$ 19,299,096
2.	10,174,626	-	10,174,626
3.	29,473,722	-	29,473,722
4.	2,400,138	-	2,400,138
5.	1,548,761	(3,443)	1,545,318
6.	-	-	-
7.	1,078,408	-	1,078,408
8.	1,304,992	(1,304,992)	-
9.	1,892,808	-	1,892,808
10.	37,698,829	(1,308,435)	36,390,394
<b>OPERATING EXPENSES:</b>			
11.	<b>OPERATIONS</b>		
12.	- ENERGY A/C 555		
13.	-	-	-
14.	4,728,278	(457,973)	4,270,305
15.	TRANSMISSION		
16.	2,910,635	-	2,910,635
17.	6,593	-	6,593
18.	967,271	(735,209)	232,062
19.	937,886	(698,683)	239,203
20.	5,796,657	(959,622)	4,837,035
21.	59,018	(56,396)	2,622
22.	-	-	-
23.	4,209,758	(84,417)	4,125,341
24.	19,616,096	(2,992,300)	16,623,796
25.	<b>MAINTENANCE</b>		
26.	1,827,064	-	1,827,064
27.	7,501	-	7,501
28.	934,030	-	934,030
29.	1,262,443	-	1,262,443
30.	170,922	-	170,922
31.	281,278	-	281,278
32.	\$4,483,238	\$0	\$4,483,238

**Southwest Transmission Cooperative, Inc.**  
Reclassified Test Year End Income Statement

SCHEDULE C-1  
Page 2 of 4

LINE NO.	TEST YEAR 3/31/2009 (a)	RECLASS ADJUST. (b)	RECLASS TEST YEAR 3/31/2009 (c)
<b>OTHER:</b>			
33. DEPRECIATION & AMORTIZATION	4,312,850	-	4,312,850
34. ACC GROSS REVENUE TAXES	-	-	-
35. OTHER TAXES	-	1,683,865	1,683,865
36. TOTAL OTHER	4,312,850	1,683,865	5,996,715
37. TOTAL OPERATING EXPENSES	28,412,184	(1,308,435)	27,103,749
38. OPERATING INCOME (MARGINS)	9,286,645	-	9,286,645
<b>INTEREST &amp; OTHER DEDUCTIONS:</b>			
39. LONG-TERM DEBT	4,898,007	-	4,898,007
40. INTEREST CHARGED TO CONSTR	(488,105)	-	(488,105)
41. OTHER INTEREST EXPENSE	248,531	-	248,531
42. OTHER DEDUCTIONS	1,399	-	1,399
43. TOTAL INTEREST EXPENSE	4,659,832	-	4,659,832
44. MARGIN AFTER INTEREST EXPENSE	4,626,813	-	4,626,813
<b>OTHER NON OPERATING INCOME:</b>			
45. INTEREST INCOME	88,194	-	88,194
46. AFUDC	-	-	-
47. OTHER NONOPERATING INCOME	12,704	-	12,704
48. TOTAL OTHER INCOME & DEDUCT	100,898	-	100,898
49. EXTRAORDINARY ITEMS	-	-	-
50. NET INCOME (MARGINS)	\$ 4,727,711	\$ -	\$ 4,727,711

SUPPORTING SCHEDULES:  
(a) E-2

RECAP SCHEDULE:  
(c) A-2

**Southwest Transmission Cooperative, Inc.**  
Adjusted Test Year End Income Statement

SCHEDULE C-1  
Page 3 of 4

LINE NO.	RECL TEST YR 3/31/2009 (a)	PRO FORMA ADJUST. (b)	ADJ TEST YR 3/31/2009 (c)
<b>REVENUES:</b>			
1. NETWORK TRANSMISSION SERVICE	\$ 19,299,096	\$ -	\$ 19,299,096
2. POINT-TO-POINT	10,174,626	(6,961,264)	3,213,362
3. TOTAL ELECTRIC REVENUE	29,473,722	(6,961,264)	\$22,512,458
4. LOAD DISPATCH & SYSTEM CONTROL	2,400,138	(574,395)	1,825,743
5. DIRECT ASSIGNMENT FACILITIES	1,545,318	-	1,545,318
6. REGULATORY ASSET CHARGE	0	-	0
7. OTHER OPERATING REVENUE	1,078,408	(480,000)	598,408
8. ANCILLARY SERVICES FROM AEPCC	-	-	-
9. SPECIAL CONTRACTS	1,892,808	(597,508)	1,295,300
10. TOTAL OPERATING REVENUE	36,390,394	(8,613,167)	27,777,227
<b>OPERATING EXPENSES:</b>			
11. OPERATIONS			
12. - ENERGY A/C 555	-	-	-
13. A/C 556	4,270,305	248,956	4,519,261
14. A/C 557	0	-	0
15. TRANSMISSION			
16. A/C 560	2,910,635	153,334	3,063,969
17. A/C 561	6,593	-	6,593
18. A/C 562	232,062	50,918	282,980
19. A/C 563	239,203	49,338	288,541
20. A/C 565	4,837,035	(95,425)	4,741,610
21. A/C 566	2,622	3,107	5,729
22. A/C 567	0	-	-
23. ADMINISTRATIVE & GENERAL	4,125,341	197,023	4,322,364
24. TOTAL OPERATIONS	16,623,796	607,251	17,231,047
25. MAINTENANCE			
26. A/C 568	1,827,064	96,781	1,923,845
27. A/C 569	7,501	-	7,501
28. A/C 570	934,030	49,182	983,212
29. A/C 571	1,262,443	66,452	1,328,895
30. A/C 573	170,922	8,846	179,768
31. GENERAL PLANT	281,278	14,796	296,074
32. TOTAL MAINTENANCE	\$ 4,483,238	\$ 236,057	\$ 4,719,295

**Southwest Transmission Cooperative, Inc.**  
Adjusted Test Year End Income Statement

SCHEDULE C-1  
Page 4 of 4

<u>LINE NO.</u>	<u>RECL TEST YR 3/31/2009 (a)</u>	<u>PRO FORMA ADJUST. (b)</u>	<u>ADJ TEST YR 3/31/2009 (c)</u>
<b>OTHER:</b>			
33. DEPRECIATION & AMORTIZATION	4,312,850	-	4,312,850
34. ACC GROSS REVENUE TAXES	-	-	-
35. OTHER TAXES	1,683,865	-	1,683,865
36. TOTAL OTHER	5,996,715	-	5,996,715
37. TOTAL OPERATING EXPENSES	27,103,749	843,308	27,947,057
38. OPERATING INCOME (MARGINS)	9,286,645	(9,456,475)	(169,830)
<b>INTEREST &amp; OTHER DEDUCTIONS:</b>			
39. LONG-TERM DEBT	4,898,007	101,321	4,999,328
40. INTEREST CHARGED TO CONSTR	(488,105)	-	(488,105)
41. OTHER INTEREST EXPENSE	248,531	-	248,531
42. OTHER DEDUCTIONS	1,399	-	1,399
43. TOTAL INTEREST EXPENSE	4,659,832	101,321	4,761,153
44. MARGIN AFTER INTEREST EXPENSE	4,626,813	(9,557,796)	(4,930,983)
<b>OTHER NON OPERATING INCOME:</b>			
45. INTEREST INCOME	88,194	-	88,194
46. AFUDC	-	-	-
47. OTHER NONOPERATING INCOME	12,704	-	12,704
48. TOTAL OTHER INCOME & DEDUC	100,898	-	100,898
49. EXTRAORDINARY ITEMS	-	-	-
50. NET INCOME (MARGINS)	\$ 4,727,711	\$ (9,557,796)	\$ (4,830,085)

SUPPORTING SCHEDULES:  
(a) E-2

RECAP SCHEDULE:  
(c) A-2

**Southwest Transmission Cooperative, Inc.**  
Reclassification Adjustments

SCHEDULE C-2  
Page 1 of 8

LINE NO.	RECLASSIFY AEP CO REVENUES (a)	RECLASSIFY PROP. TAXES ADJUST. (a)	RECLASSIFY ANZA SCE WHEELING (a)	TOTAL	
<b>REVENUES:</b>					
1.	NETWORK TRANSMISSION SERVICE	\$ -	\$ -	\$ -	-
2.	POINT-TO-POINT	-	-	-	-
3.	TOTAL ELECTRIC REVENUE	-	-	-	-
4.	LOAD DISPATCH & SYSTEM CONTROL	-	-	-	-
5.	DIRECT ASSIGNMENT FACILITIES	-	-	(3,443)	(3,443)
6.	REGULATORY ASSET CHARGE	-	-	-	-
7.	OTHER OPERATING REVENUE	-	-	-	-
8.	ANCILLARY SERVICES FROM AEP CO	(1,304,992)	-	-	(1,304,992)
9.	SPECIAL CONTRACTS	-	-	-	-
10.	TOTAL OPERATING REVENUE	(1,304,992)	-	(3,443)	(1,308,435)
<b>OPERATING EXPENSES:</b>					
11.	OPERATIONS				
12.	- ENERGY A/C 555	-	-	-	-
13.	A/C 556	(348,813)	(109,160)	-	(457,973)
14.	A/C 557	-	-	-	-
15.	TRANSMISSION				
16.	A/C 560	-	-	-	-
17.	A/C 561	-	-	-	-
18.	A/C 562	-	(735,209)	-	(735,209)
19.	A/C 563	-	(698,683)	-	(698,683)
20.	A/C 565	(956,179)	-	(3,443)	(959,622)
21.	A/C 566	-	(56,396)	-	(56,396)
22.	A/C 567	-	-	-	-
23.	ADMINISTRATIVE & GENERAL	-	(84,417)	-	(84,417)
24.	TOTAL OPERATIONS	(1,304,992)	(1,683,865)	(3,443)	(2,992,300)
25.	MAINTENANCE				
26.	A/C 568	-	-	-	-
27.	A/C 569	-	-	-	-
28.	A/C 570	-	-	-	-
29.	A/C 571	-	-	-	-
30.	A/C 573	-	-	-	-
31.	GENERAL PLANT	-	-	-	-
32.	TOTAL MAINTENANCE	\$ -	\$ -	\$ -	\$ -

**Southwest Transmission Cooperative, Inc.**  
**Reclassification Adjustments**

LINE NO.	RECLASSIFY AEP CO REVENUES (a)	RECLASSIFY PROP. TAXES ADJUST. (a)	RECLASSIFY ANZA SCE WHEELING (a)	TOTAL
<b>OTHER:</b>				
33.	DEPRECIATION & AMORTIZATION	-	-	-
34.	ACC GROSS REVENUE TAXES	-	-	-
35.	OTHER TAXES	-	1,683,865	1,683,865
36.	<b>TOTAL OTHER</b>	-	1,683,865	1,683,865
37.	<b>TOTAL OPERATING EXPENSES</b>	(1,304,992)	-	(3,443)
38.	<b>OPERATING INCOME (MARGINS)</b>	-	-	-
<b>INTEREST &amp; OTHER DEDUCTIONS:</b>				
39.	LONG-TERM DEBT	-	-	-
40.	INTEREST CHARGED TO CONSTR	-	-	-
41.	OTHER INTEREST EXPENSE	-	-	-
42.	OTHER DEDUCTIONS	-	-	-
43.	<b>TOTAL INTEREST EXPENSE</b>	-	-	-
44.	<b>MARGIN AFTER INTEREST EXPENSE</b>	-	-	-
<b>OTHER NON OPERATING INCOME:</b>				
45.	INTEREST INCOME	-	-	-
46.	AFUDC	-	-	-
47.	OTHER NON-OPERATING INCOME	-	-	-
48.	<b>TOTAL OTHER INCOME &amp; DEDUC</b>	-	-	-
49.	<b>EXTRAORDINARY ITEMS</b>	-	-	-
50.	<b>NET INCOME (MARGINS)</b>	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:

RECAP SCHEDULE:  
(a) C-1

# Southwest Transmission Cooperative, Inc.

Pro Forma Adjustments

SCHEDULE C-2

Page 3 of 8

LINE NO.	1 AEPCO City of Mesa P-t-P Termination Adjustment (a)	2 Thatcher Network Conversion Adjustment (a)	3 Additional Network Services Adjustment (a)	4 TEP Non- Firm Point-to-Point Adjustment (a)
<b>REVENUES:</b>				
1.	\$ -	\$ -	\$ -	\$ -
2.	(462,105)	(213,696)	(798,394)	-
3.	(462,105)	(213,696)	(798,394)	-
4.	(39,015)	-	-	(50,438)
5.	-	-	-	-
6.	-	-	-	-
7.	-	-	-	-
8.	-	-	-	-
9.	-	-	-	(597,508)
10.	(501,120)	(213,696)	(798,394)	(647,946)
<b>OPERATING EXPENSES:</b>				
11.	<b>OPERATIONS</b>			
12.	- ENERGY A/C 555			
13.	A/C 556			
14.	A/C 557			
15.	<b>TRANSMISSION</b>			
16.	A/C 560			
17.	A/C 561			
18.	A/C 562			
19.	A/C 563			
20.	A/C 565			
21.	A/C 566			
22.	A/C 567			
23.	<b>ADMINISTRATIVE &amp; GENERAL</b>			
24.	-	-	(95,425)	-
25.	<b>MAINTENANCE</b>			
26.	A/C 568			
27.	A/C 569			
28.	A/C 570			
29.	A/C 571			
30.	A/C 573			
31.	<b>GENERAL PLANT</b>			
32.	\$ -	\$ -	\$ -	\$ -

**Southwest Transmission Cooperative, Inc.**  
Pro Forma Adjustments

SCHEDULE C-2  
Page 4 of 8

LINE NO.	1 AEPCO City of Mesa P-t-P Termination Adjustment (a)	2 Thatcher Network Conversion Adjustment (a)	3 Additional Network Services Adjustment (a)	4 TEP Non-Firm Point-to-Point Adjustment (a)
<b>OTHER:</b>				
33.	DEPRECIATION & AMORTIZATION	-	-	-
34.	ACC GROSS REVENUE TAXES	-	-	-
35.	OTHER TAXES	-	-	-
36.	TOTAL OTHER	-	-	-
37.	TOTAL OPERATING EXPENSES	-	-	(95,425)
38.	OPERATING INCOME (MARGINS)	(501,120)	(213,696)	(702,969)
<b>INTEREST &amp; OTHER DEDUCTIONS:</b>				
39.	LONG-TERM DEBT	-	-	-
40.	INTEREST CHARGED TO CONSTR	-	-	-
41.	OTHER INTEREST EXPENSE	-	-	-
42.	OTHER DEDUCTIONS	-	-	-
43.	TOTAL INTEREST EXPENSE	-	-	-
44.	MARGIN AFTER INTEREST EXPENSE	(501,120)	(213,696)	(702,969)
<b>OTHER INCOME &amp; DEDUCTIONS:</b>				
45.	INTEREST INCOME	-	-	-
46.	AFUDC	-	-	-
47.	OTHER NONOPERATING INCOME	-	-	-
48.	TOTAL OTHER INCOME & DEDUC	-	-	-
49.	EXTRAORDINARY ITEMS	-	-	-
50.	NET INCOME (MARGINS)	\$ (501,120)	\$ (213,696)	\$ (702,969)
		\$ (647,946)	\$ (647,946)	\$ (647,946)

SUPPORTING SCHEDULES:

RECAP SCHEDULE:  
(a) C-1

**Southwest Transmission Cooperative, Inc.**  
Pro Forma Adjustments

SCHEDULE C-2

Page 5 of 8

LINE NO.	5 WALC Topock P-t-P Termination Adjustment (a)	6 WALC Topock IPP Termination Adjustment (a)	7 MWE Morenci P-t-P Termination Adjustment	8 AEPCO SRP P-t-P Termination Adjustment (a)
<b>REVENUES:</b>				
1.	\$ -	\$ -	\$ -	\$ -
2.	(301,224)	-	(1,078,245)	(4,107,600)
3.	(301,224)	-	(1,078,245)	(4,107,600)
4.	(25,432)	-	(112,710)	(346,800)
5.	-	-	-	-
6.	-	-	-	-
7.	-	(480,000)	-	-
8.	-	-	-	-
9.	-	-	-	-
10.	(326,656)	(480,000)	(1,190,955)	(4,454,400)
<b>OPERATING EXPENSES:</b>				
11.	<b>OPERATIONS</b>			
12.	-	-	-	-
13.	-	-	-	-
14.	-	-	-	-
15.	<b>TRANSMISSION</b>			
16.	-	-	-	-
17.	-	-	-	-
18.	-	-	-	-
19.	-	-	-	-
20.	-	-	-	-
21.	-	-	-	-
22.	-	-	-	-
23.	-	-	-	-
24.	-	-	-	-
25.	<b>MAINTENANCE</b>			
26.	-	-	-	-
27.	-	-	-	-
28.	-	-	-	-
29.	-	-	-	-
30.	-	-	-	-
31.	-	-	-	-
32.	\$ -	\$ -	\$ -	\$ -

**Southwest Transmission Cooperative, Inc.**  
Pro Forma Adjustments

SCHEDULE C-2  
Page 6 of 8

LINE NO.	5 WALC Topock P-t-P Termination Adjustment (a)	6 WALC Topock IPP Termination Adjustment (a)	7 MWE Morenci P-t-P Termination Adjustment (a)	8 AEPSCO SRP P-t-P Termination Adjustment (a)
<b>OTHER:</b>				
33. DEPRECIATION & AMORTIZATION	-	-	-	-
34. ACC GROSS REVENUE TAXES	-	-	-	-
35. OTHER TAXES	-	-	-	-
36. TOTAL OTHER	-	-	-	-
37. TOTAL OPERATING EXPENSES	-	-	-	-
38. OPERATING INCOME (MARGINS)	(326,656)	(480,000)	(1,190,955)	(4,454,400)
<b>INTEREST &amp; OTHER DEDUCTIONS:</b>				
39. LONG-TERM DEBT	-	-	-	-
40. INTEREST CHARGED TO CONSTR	-	-	-	-
41. OTHER INTEREST EXPENSE	-	-	-	-
42. OTHER DEDUCTIONS	-	-	-	-
43. TOTAL INTEREST EXPENSE	-	-	-	-
44. MARGIN AFTER INTEREST EXPENSE	(326,656)	(480,000)	(1,190,955)	(4,454,400)
<b>OTHER INCOME &amp; DEDUCTIONS:</b>				
45. INTEREST INCOME	-	-	-	-
46. AFUDC	-	-	-	-
47. OTHER NONOPERATING INCOME	-	-	-	-
48. TOTAL OTHER INCOME & DEDUCT	-	-	-	-
49. EXTRAORDINARY ITEMS	-	-	-	-
50. NET INCOME (MARGINS)	<u>\$ (326,656)</u>	<u>\$ (480,000)</u>	<u>\$ (1,190,955)</u>	<u>\$ (4,454,400)</u>

SUPPORTING SCHEDULES:

RECAP SCHEDULE:  
(a) C-1

**Southwest Transmission Cooperative, Inc.**  
Pro Forma Adjustments

LINE NO.	9 Payroll and RSI Increases Adjustment (a)	10 Amortization of Rate Case Exp. Adjustment (a)	11 Annualize Interest on LTD Adjustment (a)	TOTAL ADJUSTMENTS
<b>REVENUES:</b>				
1.	\$ -	\$ -	\$ -	\$ -
2.	-	-	-	(6,961,264)
3.	-	-	-	(6,961,264)
4.	-	-	-	(574,395)
5.	-	-	-	-
6.	-	-	-	-
7.	-	-	-	(480,000)
8.	-	-	-	-
9.	-	-	-	(597,508)
10.	-	-	-	(8,613,167)
<b>OPERATING EXPENSES:</b>				
11.	<b>OPERATIONS</b>			
12.	-	-	-	-
13.	248,956	-	-	248,956
14.	-	-	-	-
15.	<b>TRANSMISSION</b>			
16.	153,334	-	-	153,334
17.	-	-	-	-
18.	50,918	-	-	50,918
19.	49,338	-	-	49,338
20.	-	-	-	(95,425)
21.	3,107	-	-	3,107
22.	-	-	-	-
23.	117,023	80,000	-	197,023
24.	622,676	80,000	-	607,251
25.	<b>MAINTENANCE</b>			
26.	96,781	-	-	96,781
27.	-	-	-	-
28.	49,182	-	-	49,182
29.	66,452	-	-	66,452
30.	8,846	-	-	8,846
31.	14,796	-	-	14,796
32.	236,057	-	-	236,057

**Southwest Transmission Cooperative, Inc.**  
Pro Forma Adjustments

SCHEDULE C-2

Page 8 of 8

LINE NO.	9 Payroll and RSI Increases Adjustment (a)	10 Amortization of Rate Case Exp. Adjustment (a)	11 Annualize Interest on LTD Adjustment (a)	TOTAL ADJUSTMENTS
<b>OTHER:</b>				
33. DEPRECIATION & AMORTIZATION	-	-	-	-
34. ACC GROSS REVENUE TAXES	-	-	-	-
35. OTHER TAXES	-	-	-	-
36. TOTAL OTHER	-	-	-	-
37. TOTAL OPERATING EXPENSES	858,733	80,000	-	843,308
38. OPERATING INCOME (MARGINS)	(858,733)	(80,000)	-	(9,456,475)
<b>INTEREST &amp; OTHER DEDUCTIONS:</b>				
39. LONG-TERM DEBT	-	-	101,321	101,321
40. INTEREST CHARGED TO CONSTR	-	-	-	-
41. OTHER INTEREST EXPENSE	-	-	-	-
42. OTHER DEDUCTIONS	-	-	-	-
43. TOTAL INTEREST EXPENSE	-	-	101,321	101,321
44. MARGIN AFTER INTEREST EXPENSE	(858,733)	(80,000)	(101,321)	(9,557,796)
<b>OTHER INCOME &amp; DEDUCTIONS:</b>				
45. INTEREST INCOME	-	-	-	-
46. AFUDC	-	-	-	-
47. OTHER NONOPERATING INCOME	-	-	-	-
48. TOTAL OTHER INCOME & DEDU	-	-	-	-
49. EXTRAORDINARY ITEMS	-	-	-	-
50. NET INCOME (MARGINS)	\$ (858,733)	\$ (80,000)	\$ (101,321)	\$ (9,557,796)

SUPPORTING SCHEDULES:

RECAP SCHEDULE:  
(a) C-1

**Southwest Transmission Cooperative, Inc.**  
Computation Of Gross Revenue Conversion Factor

SCHEDULE C-3

<u>LINE NO.</u>	<u>PERCENTAGE OF INCREMENTAL GROSS REVENUES</u>
1. FEDERAL INCOME TAX RATE	0.00000
2. STATE INCOME TAX RATE	0.00000
3. CORPORATION COMMISSION GROSS REVENUE TAX RATE	0.00000
4. TOTAL TAX PERCENTAGE	0.00000
5. OPERATING INCOME PERCENT	0.00000
6. GROSS REVENUE CONVERSION FACTOR (a)	0.80000

**D**

**Southwest Transmission Cooperative, Inc.**  
**Summary Cost of Capital**

SCHEDULE D-1

**END OF ACTUAL TEST YEAR 3/31/2009**

<u>LINE NO.</u>	<u>INVESTED CAPITAL</u>	<u>AMOUNT</u>	<u>%</u>	<u>COST RATE</u>	<u>COMPOSITE</u>
		(b)			(b)
1.	LONG-TERM DEBT (a)	\$ 101,120,306	98.06%	4.944%	4.848%
2.	SHORT-TERM DEBT (a)	2,000,000	1.94%	4.250%	0.082%
3.	TOTAL	<u>\$ 103,120,306</u>	<u>100.00%</u>		<u>4.930%</u>

**END OF PROJECTED YEAR 3/31/2010**

<u>INVESTED CAPITAL</u>	<u>AMOUNT</u>	<u>%</u>	<u>COST RATE</u>	<u>COMPOSITE</u>	
	(b)			(b)	
4.	LONG-TERM DEBT (a)	\$ 107,889,918	98.18%	4.892%	4.803%
5.	SHORT-TERM DEBT (a)	2,000,000	1.82%	4.250%	0.077%
6.	TOTAL	<u>\$ 109,889,918</u>	<u>100.00%</u>		<u>4.880%</u>

SUPPORTING SCHEDULES:

(a) D-2

RECAP SCHEDULES:

(b) A-3

**Southwest Transmission Cooperative, Inc.**  
 Cost Of Long-Term and Short-Term Debt

SCHEDULE D-2

LINE NO.	END OF TEST YEAR - 3/31/2009			END OF PROJECTED YEAR		
	OUTSTANDING	INTEREST RATE	ANNUAL INTEREST	OUTSTANDING	INTEREST RATE	ANNUAL INTEREST
1. FFB DEBT	\$ 82,828,226	5.04%	\$ 4,177,027	\$ 91,078,977	4.93%	\$ 4,491,010
2. REA DEBT	235,525	5.00%	11,776	-	5.00%	-
3. CFC SERIES 1994A BONDS	7,427,585	4.40%	326,814	7,134,391	4.40%	313,913
4. CENTRAL BANK FOR COOPERATIVES	10,202,831	7.74%	789,699	9,350,288	7.74%	723,712
5. NRUCFC	426,139	5.40%	23,012	326,262	5.40%	17,618
6. REGULATORY ASSET			(329,000)			(268,500)
7. TOTAL LONG-TERM (a)	\$ 101,120,306		\$ 4,999,328	\$ 107,889,918		\$ 5,277,753
8. COST RATE (a)			4.944%			4.892%
SHORT TERM:						
9. SHORT-TERM DEBT	\$ 2,000,000	4.25%	\$ 85,000	\$ 2,000,000	4.25%	\$ 85,000
10. COST RATE (a)			4.250%			4.250%

RECAP SCHEDULES:  
(a) D-1

**Southwest Transmission Cooperative, Inc.**  
 Cost Of Long-Term and Short-Term Debt

SCHEDULE D-2A

LINE NO.	EOY 3/31/2007			EOY 3/31/2008		
	OUTSTANDING (a)	INTEREST RATE	ANNUAL INTEREST	OUTSTANDING (a)	INTEREST RATE	ANNUAL INTEREST
1. FFB DEBT	\$ 75,266,725	5.447%	\$ 4,099,779	\$ 78,103,616	5.291%	\$ 4,132,462
2. REA DEBT	1,010,509	4.755%	48,050	601,965	4.942%	29,749
3. CFC SERIES 1997C BONDS	959,396	5.050%	48,449	-		-
4. CFC SERIES 1994A BONDS	7,948,820	3.600%	286,158	7,688,203	3.600%	276,775
5. CENTRAL BANK FOR COOPERATIVES	11,619,937	7.740%	899,383	10,953,734	7.740%	847,819
6. NRUCFC	613,662	7.300%	44,797	521,882	4.900%	25,572
7. REGULATORY ASSET			(498,000)			(387,500)
8. TOTAL LONG-TERM (a)	\$ 97,419,049		\$ 4,928,616	\$ 97,869,400		\$ 4,924,877
9. COST RATE (a)			5.059%			5.032%
SHORT TERM:						
10. SHORT-TERM DEBT	\$ -		\$ -	\$ -		0.00%
11. COST RATE (a)			0.00%			0.00%

RECAP SCHEDULES:  
 (a) A-3

**Southwest Transmission Cooperative, Inc.**  
Cost Of Preferred Stock

SCHEDULE D-3

**NOT APPLICABLE**

**Southwest Transmission Cooperative, Inc.**  
Cost Of Common Stock

SCHEDULE D-4

NOT APPLICABLE

E

**Southwest Transmission Cooperative, Inc.**  
Comparative Balance Sheets

SCHEDULE E-1 Page  
1 of 2

LINE NO.	ASSETS	TEST YEAR 3/31/2009	PRIOR YEAR 3/31/2008	PRIOR YEAR 3/31/2007
	<b>UTILITY PLANT: (a)</b>			
1.	UTILITY PLANT IN SERVICE	\$ 146,553,370	\$ 142,315,021	\$ 134,273,265
2.	LESS: ACCUMULATED DEPRECIATION	(69,091,935)	(65,276,860)	(61,134,523)
3.	NET UTILITY PLANT IN SERVICE	77,461,435	77,038,161	73,138,742
4.	CONSTRUCTION WORK IN PROGRESS	28,287,020	17,363,139	12,224,344
5.	PLANT HELD FOR FUTURE USE	381,627	381,627	381,627
6.	NET UTILITY PLANT	106,130,082	94,782,927	85,744,713
	<b>CURRENT ASSETS:</b>			
7.	GENERAL FUND CASH	169,005	350,270	137,627
8.	TEMPORARY INVESTMENTS	314,213	3,330,399	4,433,963
9.	ACCOUNTS RECEIVABLE	3,020,096	4,526,176	6,770,660
10.	FUEL INVENTORY	-	-	-
11.	MATERIALS AND SUPPLIES	1,984,714	1,808,993	1,562,764
12.	PREPAYMENTS & OTHER CURRENT ASSETS	2,137,631	2,025,693	2,286,368
13.	NOTES RECEIVABLE-CURRENT	-	-	-
14.	OTHER	-	-	-
15.	TOTAL CURRENT ASSETS	7,625,659	12,041,531	15,191,382
	<b>OTHER ASSETS:</b>			
16.	INV - ASSOC ORG	2,394,331	2,388,520	2,388,556
17.	INVESTMENTS	86,338	79,969	74,287
18.	DEFERRED DEBITS	1,367,652	999,476	2,268,782
19.	UNAMORTIZED DEBT	1,088,058	1,290,565	1,513,580
20.	REGULATORY ASSETS	-	-	397,783
21.	TOTAL OTHER ASSETS	4,936,379	4,758,530	6,642,988
22.	TOTAL ASSETS	<b>\$ 118,692,121</b>	<b>\$ 111,582,988</b>	<b>\$ 107,579,083</b>

SUPPORTING SCHEDULES:  
(a) E-5, Page 2

RECAP SCHEDULES:

**Southwest Transmission Cooperative, Inc.**  
Comparative Balance Sheets

SCHEDULE E-1

Page 2 of 2

LINE NO.	LIABILITIES & EQUITY	TEST YEAR 3/31/2009	PRIOR YEAR 3/31/2008	PRIOR YEAR 3/31/2007
<b>EQUITY: (a) (c)</b>				
23.	PATRONAGE CAPITAL	\$ 5,025,614	\$ 5,025,614	\$ 5,025,614
24.	UNALLOCATED MARGINS	5,351,474	623,763	(2,143,981)
25.	<b>TOTAL EQUITY</b>	<b>10,377,088</b>	<b>5,649,377</b>	<b>2,881,633</b>
<b>LONG-TERM DEBT: (b)</b>				
26.	FFB DEBT	82,828,226	78,103,616	75,266,725
27.	REA DEBT	235,525	601,965	1,010,509
28.	PAYMENTS UNAPPLIED	(3,427)	(14,455)	(251,962)
29.	CFC 1997A BONDS	-	-	959,396
30.	CFC 1997A BONDS	7,427,585	7,688,203	7,948,820
30.	COOPERATIVE UTILITY TRUST	10,202,831	10,953,734	11,619,937
31.	NRUCFC	426,139	521,882	613,662
32.	LESS: CURRENT MATURITIES	(4,130,389)	(7,270,116)	(8,937,665)
33.	<b>TOTAL LONG-TERM DEBT</b>	<b>96,986,489</b>	<b>90,584,829</b>	<b>88,229,422</b>
<b>CURRENT LIABILITIES:</b>				
34.	MEMBER ADVANCES & NOTES	2,000,000	-	-
35.	ACCOUNTS PAYABLE	1,983,171	5,340,461	4,885,255
36.	ACCRUED TAXES	1,314,639	1,409,188	1,392,522
37.	ACCRUED INTEREST	127,898	117,646	141,883
38.	CURRENT LIABILITY - OTHER	983,277	772,340	749,571
39.	CURRENT MATURITIES OF LONG TERM DEBT	4,130,389	7,270,116	8,937,665
40.	<b>TOTAL CURRENT LIABILITIES</b>	<b>10,539,375</b>	<b>14,909,751</b>	<b>16,106,896</b>
41.	ACCUMULATED OPERATING PROVISIONS	-	-	-
42.	DEFERRED CREDITS	784,755	439,031	361,132
43.	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 118,687,706</b>	<b>\$ 111,582,988</b>	<b>\$ 107,579,083</b>

SUPPORTING SCHEDULES:  
(a) E-4  
(b) D-2, D-2A & General Ledger

RECAP SCHEDULES:  
(c) A-3, Line 5

**Southwest Transmission Cooperative, Inc.**  
Comparative Income Statements

SCHEDULE E-2  
Page 1 of 2

LINE NO.	TEST YEAR 3/31/2009	PRIOR YEAR 3/31/2008	PRIOR YEAR 3/31/2007
<b>REVENUES:</b>			
1. CLASS A & NETWORK MEMBERS	\$ 19,299,096	\$ 16,635,506	\$ 16,543,163
2. POINT-TO -POINT	10,174,626	8,546,147	8,195,082
3. NON-CLS A, NON-FIRM & NON-MEM	7,146,699	9,808,911	8,043,122
4. TOTAL ELECTRIC REVENUE	<u>36,620,421</u>	<u>34,990,564</u>	<u>32,781,367</u>
5. OTHER OPERATING REVENUE	1,078,408	944,044	1,273,061
6. TOTAL OPERATING REVENUE	<u>37,698,829</u>	<u>35,934,608</u>	<u>34,054,428</u>
<b>OPERATING EXPENSES:</b>			
<b>OPERATIONS</b>			
7. - ENERGY A/C 555	-	-	-
8. A/C 556	4,728,278	4,153,759	3,567,362
9. A/C 557	-	-	-
10. TRANSMISSION			
11. A/C 560	2,910,635	2,891,434	3,021,944
12. A/C 561	6,593	6,550	6,845
13. A/C 562	967,271	960,890	1,004,262
14. A/C 563	937,886	931,699	973,753
15. A/C 565	5,796,657	5,758,416	6,018,334
16. A/C 566	59,018	55,830	58,350
17. A/C 567	-	2,798	2,925
18. ADMINISTRATIVE & GENERAL	<u>4,209,758</u>	<u>3,743,841</u>	<u>4,076,643</u>
19. TOTAL OPERATIONS	19,616,096	18,505,217	18,730,418
20. MAINTENANCE			
21. A/C 568	1,827,064	1,610,274	1,234,764
22. A/C 569	7,501	6,611	5,069
23. A/C 570	934,030	823,203	631,234
24. A/C 571	1,262,443	1,112,648	853,182
25. A/C 573	170,922	150,641	115,512
26. GENERAL PLANT	<u>281,278</u>	<u>174,039</u>	<u>86,638</u>
27. TOTAL MAINTENANCE	\$ 4,483,238	\$ 3,877,416	\$ 2,926,399

**Southwest Transmission Cooperative, Inc.**  
Comparative Income Statements

SCHEDULE E-2  
Page 2 of 2

LINE NO.	TEST YEAR 3/31/2009	PRIOR YEAR 3/31/2008	PRIOR YEAR 3/31/2007
<b>OTHER:</b>			
28. DEPRECIATION & AMORTIZATION	\$ 4,312,850	\$ 6,977,992	\$ 7,524,199
29. ACC GROSS REVENUE TAXES	-	-	-
30. OTHER TAXES	-	-	56
31. TOTAL OTHER	4,312,850	6,977,992	7,524,255
32. TOTAL OPERATING EXPENSES	28,412,184	29,360,625	29,181,072
33. OPERATING INCOME (MARGINS)	9,286,645	6,573,983	4,873,356
<b>INTEREST &amp; OTHER DEDUCTIONS:</b>			
34. LONG-TERM DEBT	4,898,007	5,033,673	4,918,542
35. INTEREST CHARGED TO CONSTR	(488,105)	(642,742)	(325,385)
36. OTHER INTEREST EXPENSE	248,531	24,843	16,268
37. OTHER DEDUCTIONS	1,399	(23,620)	(56,446)
38. TOTAL INTEREST EXPENSES	4,659,832	4,392,154	4,552,979
39. MARGIN AFTER INTEREST EXPENSE	4,626,813	2,181,829	320,377
<b>OTHER INCOME &amp; DEDUCTIONS:</b>			
40. INTEREST INCOME	88,194	279,160	467,196
41. AFUDC	-	-	-
42. OTHER NONOPERATING INCOME	12,704	306,755	175,585
43. TOTAL OTHER INCOME & DEDUCT	100,898	585,915	642,781
43a. EXTRAORDINARY ITEMS	-	-	-
44. NET INCOME (MARGINS)	\$ 4,727,711	\$ 2,767,744	\$ 963,158

**Southwest Transmission Cooperative, Inc.**  
Comparative Statement of Changes in Financial Position

SCHEDULE E-3

LINE NO.	TEST YEAR 3/31/2009	PRIOR YEAR 3/31/2008	PRIOR YEAR 3/31/2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
1. NET MARGIN (LOSS)	\$ 4,727,711 (a)	\$ 2,767,744	\$ 963,158
<b>ADJUSTMENTS TO RECONCILE NET MARGIN TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES-</b>			
2. DEPREC. & AMORT.	4,312,850	4,203,893	4,164,962
3. AMORTIZATION OF DEFERRED CHARGES	208,497	229,005	241,629
<b>CHANGES IN ASSETS AND LIABILITIES</b>			
4. RESTRICTED CASH & CASH EQUIVALENTS	-	-	117
5. RECEIVABLES	1,506,080	2,244,483	(2,757,257)
6. INVENTORIES	(175,721)	(246,229)	(419,248)
7. DEFERRED DEBITS	(374,165)	(922,740)	(38,387)
8. ACCRUED PROPERTY TAXES	(3,357,291)	455,206	3,384,390
9. ACCOUNTS PAYABLE	10,252	(24,236)	(13,724)
10. ACCRUED INTEREST PAYABLE	-	-	-
11. DEFERRED CREDITS	-	-	-
12. OTHER, NET	2,004,449	2,883,952	2,905,126
13. NET CASH PROVIDED BY OPERATING ACTIVITIES	8,862,662 (b)	11,591,078	8,430,766
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
14. CONSTRUCTION EXPENDITURES, NET	(15,655,592)	(13,242,108)	(12,897,366)
15. MATURITIES OF INVESTMENTS	7,608	6,848	11,008
16. PURCHASE OF INVESTMENTS	(22,820)	(12,531)	(103,377)
17. PATRONAGE CAPITAL RETIREMENT	3,032	36	1,769
18. NET CASH USED IN INVESTING ACTIVITIES	(15,667,772) (b)	(13,247,755)	(12,987,966)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
19. MEMBER ADVANCES, NET	345,724	77,899	212,290
20. ISSUANCE OF LONG-TERM DEBT	10,521,000	9,377,000	9,361,000
21. RETIREMENT OF LONG-TERM DEBT	(7,259,065)	(8,689,142)	(8,276,797)
22. MEMBERSHIPS ISSUED	-	-	-
23. NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,607,659 (b)	765,757	1,296,493
24. NET DECREASE IN CASH AND CASH EQ.	(3,197,451) (b)	(890,920)	(3,260,707)
25. CASH AND CASH EQUIVALENTS, April 1	3,680,670	4,571,590	7,832,297
26. CASH AND CASH EQUIVALENTS, March 31	\$ 483,219	\$ 3,680,670	\$ 4,571,590
<b>SUPPLEMENTAL DISCLOSURES:</b>			
27. CASH PAID FOR INTEREST, NET OF AMOUNT CAPITALIZED	\$ 4,493,200	\$ 4,440,010	\$ 4,623,149

SUPPORTING SCHEDULES:  
(a) C-1, Page 4

RECAP SCHEDULES:  
(b) A-5

**Southwest Transmission Cooperative, Inc.**  
Statement of Change in Equity

SCHEDULE E-4

<u>LINE NO.</u>	<u>PATRONAGE CAPITAL</u>	<u>UNALLOCATED LOSSES</u>
1. BALANCE, MARCH 31, 2006	\$ 5,025,614	\$ (3,107,139)
2. NET EARNINGS (LOSS)	-	963,158
3. BALANCE, MARCH 31, 2007	5,025,614 (b)	(2,143,981)
4. NET EARNINGS (LOSS)	-	2,767,744 (a)
5. BALANCE, MARCH 31, 2008	5,025,614	623,763 (b)
6. ADDED PRIOR YEAR LOSSES	-	-
7. NET EARNINGS (LOSS)	-	4,727,711 (a)
8. BALANCE, MARCH 31, 2009 \1	<u>\$ 5,025,614</u>	<u>\$ 5,351,474</u>

SUPPORTING SCHEDULES:

(a) E-2, Page 2

\1. As reflected by REA Form 12a

RECAP SCHEDULES:

(b) E-1, Page 2

**Southwest Transmission Cooperative, Inc.**  
Detail of Utility Plant

SCHEDULE E-5  
Page 1 of 4

LINE NO.	END OF PRIOR YEAR 3/31/2008 /1	NET ADDITIONS	END OF TEST YEAR 3/31/2009 /2	PRO FORMA ADJUSTMENT (a)	ADJUSTED END OF TEST YEAR
<b>INTANGIBLE PLANT:</b>					
1.	301 ORGANIZATION	\$ 1,515	\$ -	\$ 1,515	\$ - 1,515
2.	114 ACQUISITION ADJUSTMENT	4,413	-	4,413	- 4,413
3.	302 FRANCHISE AND CONSENT	248	-	248	- 248
4.	303 MISC. INTANGIBLE PLANT	4,244,677	-	4,244,677	- 4,244,677
5.	<b>SUBTOTAL INTANGIBLE</b>	<b>4,250,853</b>	<b>-</b>	<b>4,250,853 (d)</b>	<b>- 4,250,853</b>
<b>TRANSMISSION PLANT:</b>					
6.	350 LAND AND LAND RIGHTS	1,801,521	-	1,801,521	- 1,801,521
7.	352 STRUCTURES AND IMPROVEMENTS	5,145,968	-	5,145,968	- 5,145,968
8.	353 STATION EQUIPMENT	53,672,862	567,214	54,240,076	- 54,240,076
9.	354 TOWERS & FIXTURES	8,220,075	-	8,220,075	- 8,220,075
10.	355 POLES & FIXTURES	28,216,945	193,150	28,410,095	- 28,410,095
11.	356 OVERHEAD CONDUCTORS & DEVICES	18,465,934	-	18,465,934	- 18,465,934
12.	359 ROADS & TRAILS	221,939	-	221,939	- 221,939
13.	<b>SUBTOTAL TRANSMISSION PLANT</b>	<b>115,745,244</b>	<b>760,364</b>	<b>116,505,608 (d)</b>	<b>- 116,505,608</b>
<b>GENERAL PLANT:</b>					
14.	389 LAND AND LAND RIGHTS	3,436	-	3,436	- 3,436
15.	390 STRUCTURES AND IMPROVEMENTS	12,404,466	28,397	12,432,863	- 12,432,863
16.	391 OFFICE FURNITURE & EQUIPMENT	-	-	-	- -
17.	392 TRANSPORTATION EQUIPMENT	-	-	-	- -
18.	393 STORES EQUIPMENT	-	-	-	- -
19.	394 TOOLS, SHOP & GARAGE EQUIPMENT	-	-	-	- -
20.	395 LABORATORY EQUIPMENT	-	-	-	- -
21.	396 POWER OPERATED EQUIPMENT	-	-	-	- -
22.	397 COMMUNICATION EQUIPMENT	-	-	-	- -
23.	398 MISCELLANEOUS EQUIPMENT	-	-	-	- -
24.	399 OTHER TANGIBLE PLANT	-	-	-	- -
25.	<b>SUBTOTAL GENERAL PLANT</b>	<b>\$ 12,407,902</b>	<b>\$ 28,397</b>	<b>\$ 12,436,299 (d)</b>	<b>\$ - 12,436,299</b>

**Southwest Transmission Cooperative, Inc.**  
Detail of Utility Plant

LINE NO.	END OF PRIOR YEAR 3/31/2008 /1	NET ADDITIONS	END OF TEST YEAR 3/31/2009 /2	PRO FORMA ADJUSTMENT (a)	ADJUSTED END OF TEST YEAR
<b>COMPLETED CONST - UNCLASSIFIED:</b>					
26. GENERAL PLANT	\$ -	\$ -		\$ -	\$ -
27. LINES		-		-	-
28. SUBSTATION	9,915,435	3,445,175	13,360,610	-	13,360,610
29. GENERATION - STEAM		-		-	-
30. TOTAL COMPLETED	9,915,435 (b)	3,445,175	13,360,610 (b)	-	13,360,610
31. TOTAL PLANT IN SERVICE	142,319,434 (c)	4,233,936 (c)	146,553,370 (c)	- (d)	146,553,370 (d)
<b>ACCUMULATED DEPRECIATION:</b>					
32. LINES	(57,647,051)	(3,339,030)	(60,986,081)	-	(60,986,081)
33. SUBSTATION		-		-	-
34. GENERAL PLANT	(6,200,674)	(271,363)	(6,472,037)	-	(6,472,037)
35. RETIREMENTS	203,662	(63,525)	140,137	-	140,137
35. TOTAL	(63,644,063)	(3,673,918)	(67,317,981)	-	(67,317,981)
36. ACCUMULATED AMORTIZATION	(1,632,797)	(141,157)	(1,773,954)	-	(1,773,954)
37. TOTAL ACCUM DEPREC. & AMORT.	(65,276,860) (b)	(3,815,075)	(69,091,935) (b)	- (d)	(69,091,935) (d)
38. NET PLANT IN SERVICE	77,042,574	(3,815,075)	77,461,435 (d)	-	77,461,435
39. CWIP	17,363,139 (b)	10,923,881	28,287,020 (b)		28,287,020
40. PLANT HELD FOR FUTURE USE	377,214	-	377,214	-	377,214
41. TOTAL NET PLANT	\$ 94,782,930	\$ 11,342,739	\$ 106,125,669	\$ -	\$ 106,125,669

SUPPORTING SCHEDULES:  
(a) E-5, Pages 3-4

RECAP SCHEDULES:  
(b) E-1, Page 1  
(c) A-4  
(d) B-2

/1 From General Ledger Balance Sheet



# Southwest Transmission Cooperative, Inc.

Detail of Utility Plant  
Pro Forma Adjustments

LINE NO.	ADJ. 1	ADJ. 2	ADJ. 3	ADJ. 4	ADJ. 5	TOTAL (a)
<b>COMPLETED CONST - UNCLASSIFIED:</b>						
26. GENERAL PLANT	-	-	-	-	-	-
27. LINES	-	-	-	-	-	-
28. SUBSTATION	-	-	-	-	-	-
29. GENERATION - STEAM	-	-	-	-	-	-
30. TOTAL COMPLETED	-	-	-	-	-	-
31. TOTAL PLANT IN SERVICE	-	-	-	-	-	-
<b>ACCUMULATED DEPRECIATION:</b>						
32. LINES	-	-	-	-	-	-
33. SUBSTATION	-	-	-	-	-	-
34. GENERAL PLANT	-	-	-	-	-	-
35. RETIREMENTS	-	-	-	-	-	-
35. TOTAL	-	-	-	-	-	-
36. ACCUMULATED AMORTIZATION	-	-	-	-	-	-
37. TOTAL ACCUM DEPREC. & AMORT.	-	-	-	-	-	-
38. NET PLANT IN SERVICE	-	-	-	-	-	-
39. CWIP	-	-	-	-	-	-
40. PLANT HELD FOR FUTURE USE	-	-	-	-	-	-
41. TOTAL NET PLANT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

RECAP SCHEDULES:  
(a) E-5, Pages 1-2

**Southwest Transmission Cooperative, Inc.** SCHEDULE E-6  
**Statement of Change in Equity**

**NOT APPLICABLE**

# Southwest Transmission Cooperative, Inc.

SCHEDULE E-7

## Operating Statistics

LINE NO.	<u>ELECTRIC STATISTICS</u>	<u>TEST YEAR ENDED 3/31/2009</u>	<u>PRIOR YEAR ENDED 3/31/2008</u>	<u>PRIOR YEAR ENDED 3/31/2007</u>
	<b>KW SALES:</b>			
1.	CLASS A MEMBERS	3,684,139	1,240,202	488,150
2.	CLASS B MEMBERS	2,378,789	5,984,859	2,726,107
3.	OTHER FIRM CONTRACTS	<u>227,321</u>	<u>85,371</u>	<u>8,720</u>
4.	TOTAL	6,290,249	7,310,432	3,222,977
	<b>AVERAGE NO. CUSTOMERS:</b>			
5.	CLASS A MEMBERS	2	1	1
6.	CLASS B MEMBERS	1	2	2
7.	OTHER FIRM CONTRACTS	<u>3</u>	<u>3</u>	<u>2</u>
8.	TOTAL	6	6	5
	<b>AVERAGE KW USE:</b>			
9.	CLASS A MEMBERS	1,842,070	1,240,202	488,150
10.	CLASS B MEMBERS	2,378,789	2,992,430	1,363,054
11.	OTHER FIRM CONTRACTS	<u>75,774</u>	<u>28,457</u>	<u>4,360</u>
12.	ALL CLASSES AVERAGE	1,048,375	1,218,405	644,595

**Southwest Transmission Cooperative, Inc.**  
**Taxes Charged to Operations**

SCHEDULE E-8

LINE NO.	DESCRIPTION	TEST YEAR ENDED 3/31/2009	PRIOR YEAR ENDED 3/31/2008	PRIOR YEAR ENDED 3/31/2007
	<b>FEDERAL TAXES:</b>			
1.	PAYROLL	\$ 1,067,164	\$ 1,068,175	\$ 985,053
2.	FEDERAL INCOME	-	-	-
	<b>TOTAL FEDERAL TAXES</b>	<b>1,067,164</b>	<b>1,068,175</b>	<b>985,053</b>
	<b>STATE TAXES:</b>			
3.	PAYROLL	148,129	156,349	139,917
4.	PROPERTY	1,683,865	1,915,321	1,942,119
5.	GROSS REVENUE	-	-	-
6.	CALIFORNIA FRANCHISE TAX	859	800	800
	<b>TOTAL STATE TAXES</b>	<b>1,832,853</b>	<b>2,072,470</b>	<b>2,082,836</b>
7.	<b>TOTAL TAXES</b>	<b>\$ 2,900,017</b>	<b>\$ 3,140,645</b>	<b>\$ 3,067,889</b>

**Southwest Transmission Cooperative, Inc.**  
**Notes to Financial Statements**

**SCHEDULE E-9**

**SEE FINANCIAL STATEMENTS**

**F**

# Southwest Transmission Cooperative, Inc.

SCHEDULE F-1

Page 1 of 2

## Projected Income Statement Present and Proposed Rates

LINE NO.	-ACTUAL- TEST YEAR ENDED 3/31/2009 (a)	-PROJECTED YEAR- PRESENT RATES ENDED 3/31/2009 (b)	-PROJECTED YEAR- PROPOSED RATES ENDED 3/31/2009 (b)
<b>REVENUES:</b>			
1.	NETWORK TRANSMISSION SERVICE	\$ 19,299,096	\$ 26,951,245
2.	POINT-TO -POINT	10,174,626	3,481,846
3.	<b>TOTAL ELECTRIC REVENUE</b>	<b>29,473,722</b>	<b>30,433,091</b>
4.	LOAD DISPATCH & SYSTEM CONTROL	2,400,138	1,558,531
5.	DIRECT ASSIGNMENT FACILITIES	1,548,761	1,545,318
6.	REGULATORY ASSET CHARGE	-	-
7.	OTHER OPERATING REVENUE	1,078,408	598,408
8.	ANCILLARY SERVICES FROM AEP CO	1,304,992	-
9.	SPECIAL CONTRACTS	1,892,808	1,295,300
10.	<b>TOTAL OPERATING REVENUE</b>	<b>37,698,829</b>	<b>35,430,648</b>
<b>OPERATING EXPENSES:</b>			
11.	<b>OPERATIONS</b>		
12.	- ENERGY A/C 555	-	-
13.	A/C 556	4,728,278	4,519,261
14.	A/C 557	-	-
15.	<b>TRANSMISSION</b>		
16.	A/C 560	2,910,635	3,063,969
17.	A/C 561	6,593	6,593
18.	A/C 562	967,271	282,980
19.	A/C 563	937,886	288,541
20.	A/C 565	5,796,657	4,741,610
21.	A/C 566	59,018	5,729
22.	A/C 567	-	-
23.	<b>ADMINISTRATIVE &amp; GENERAL</b>	<b>4,209,758</b>	<b>4,322,364</b>
24.	<b>TOTAL OPERATIONS</b>	<b>19,616,096</b>	<b>17,231,047</b>
25.	<b>MAINTENANCE</b>		
26.	A/C 568	1,827,064	1,923,845
27.	A/C 569	7,501	7,501
28.	A/C 570	934,030	983,212
29.	A/C 571	1,262,443	1,328,895
30.	A/C 573	170,922	179,768
31.	<b>GENERAL PLANT</b>	<b>281,278</b>	<b>296,074</b>
32.	<b>TOTAL MAINTENANCE</b>	<b>\$ 4,483,238</b>	<b>\$ 4,719,295</b>

**Southwest Transmission Cooperative, Inc.**  
**Projected Income Statement**  
**Present and Proposed Rates**

SCHEDULE F-1  
Page 2 of 2

LINE NO.	-ACTUAL- TEST YEAR		-PROJECTED YEAR-	
	ENDED 3/31/2009	(a)	PRESENT RATES ENDED 3/31/2009	PROPOSED RATES ENDED 3/31/2009
<b>OTHER:</b>				
33.	DEPRECIATION & AMORTIZATION	4,312,850	4,312,850	4,312,850
34.	ACC GROSS REVENUE TAXES	-	-	-
35.	OTHER TAXES	-	1,683,865	1,683,865
36.	TOTAL OTHER	4,312,850	5,996,715	5,996,715
37.	TOTAL OPERATING EXPENSES	28,412,184	27,947,057	27,947,057
38.	OPERATING INCOME (MARGINS)	9,286,645	(169,830)	7,483,591
<b>INTEREST &amp; OTHER DEDUCTIONS:</b>				
39.	LONG-TERM DEBT	4,898,007	4,999,328	4,999,328
40.	INTEREST CHARGED TO CONSTR	(488,105)	(488,105)	(488,105)
41.	OTHER INTEREST EXPENSE	248,531	248,531	248,531
42.	OTHER DEDUCTIONS	1,399	1,399	1,399
43.	TOTAL INTEREST EXPENSE	4,659,832	4,761,153	4,761,153
44.	MARGIN AFTER INTEREST EXPENSE	4,626,813	(4,930,983)	2,722,438
<b>OTHER INCOME &amp; DEDUCTIONS:</b>				
45.	INTEREST INCOME	88,194	88,194	88,194
46.	AFUDC	-	-	-
47.	OTHER NONOPERATING INCOME	12,704	12,704	12,704
48.	TOTAL OTHER INCOME & DEDUC	100,898	100,898	100,898
49.	EXTRAORDINARY ITEMS	-	-	-
50.	NET INCOME (MARGINS)	\$ 4,727,711	\$ (4,830,085)	\$ 2,823,336

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

**Southwest Transmission Cooperative, Inc.**  
 Projected Changes in Financial Position  
 Present And Proposed Rates

SCHEDULE F-2

LINE NO.	-ACTUAL- TEST YEAR ENDED <u>3/31/2009</u> (a)	-PROJECTED YEAR- PRESENT RATES ENDED <u>3/31/2009</u> (b)	PROPOSED RATES ENDED <u>3/31/2009</u> (b)
	1. NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 8,862,662	\$ (695,134)
2. NET CASH USED IN INVESTING ACTIVITIES	(15,667,772)	(15,667,772)	(15,667,772)
3. NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>3,607,659</u>	<u>3,607,659</u>	<u>3,607,659</u>
4. NET DECREASE IN CASH AND CASH EQ.	<u>\$ (3,197,451)</u>	<u>\$ (12,755,247)</u>	<u>\$ (5,101,826)</u>

SUPPORTING SCHEDULES:  
 (a) E-3

RECAP SCHEDULES:  
 (b) A-5

**Southwest Transmission Cooperative, Inc.**  
**Projected Construction Requirements**

SCHEDULE F-3

<u>LINE NO.</u>	<u>-ACTUAL- TEST YEAR ENDED 3/31/2009</u>	<u>YEAR ENDED 3/31/2010</u>	<u>-PROJECTED YEAR- YEAR ENDED 3/31/2011</u>	<u>YEAR ENDED 3/31/2012</u>
1. TRANSMISSION PLANT	\$ 15,388,166	\$ 16,427,810	\$ 44,564,540	\$ 14,671,937
2. GENERAL PLANT	267,426	333,467	343,471	353,775
3. TOTAL PLANT (a)	<u>\$ 15,655,592</u>	<u>\$ 16,761,277</u>	<u>\$ 44,908,011</u>	<u>\$ 15,025,712</u>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:  
(a) A-4

**Southwest Transmission Cooperative, Inc.**  
**Assumptions Used in Developing Projections**

SCHEDULE F-4

<u>LINE NO.</u>			
1.	DSCR GOAL		1.35
2.	AVERAGE NETWORK TRANSMISSION RATE	\$	5.438 \$/kW
3.	ANNUAL NETWORK REVENUE REQUIREMENT	\$	26,970,890
4.	POINT- TO- POINT TRANS. RATE	\$	3.709 \$/kW
5.	SYSTEM CONTROL & LOAD DISPATCH	\$	0.245
6.	FFB INTEREST RATE		4.50%
7.	STAFFING LEVELS		47
8.	PROPERTY TAXES		2009 Billings
9.	DEPRECIATION RATES:		
	TRANSMISSION		2.75%
	HEADQUARTERS		2.00%
	GENERAL PLANT		6.00%
	VEHICLES	3-10 YEARS MINUS SALVAGE	
	COMMUNICATIONS		6.00%
	SYS. CONTROL & MICROWAVE		6.00%

G

**Southwest Transmission Cooperative, Inc.**  
**Cost of Service Summary - Present Rates**

SCHEDULE G-1

<u>LINE NO.</u>			<u>TOTAL SYSTEM</u>
<b>REVENUES:</b>			
1.	NETWORK TRANSMISSION SERVICE	(a)	\$ 22,328,219
2.	POINT-TO-POINT	(a)	3,484,662
3.	<b>TOTAL ELECTRIC REVENUE:</b>		<hr/> 25,812,881
4.	OTHER OPERATING REVENUE	(b)	598,408
5.	SPECIAL CONTRACTS & OTHER	(b)	1,365,938
6.	<b>TOTAL OPERATING REVENUE</b>		<hr/> 27,777,227
7.	OPERATING EXPENSES	(c)	27,947,057
8.	OPERATING INCOME (MARGINS)		<hr/> (169,830)
9.	INCOME TAXES		-
10.	NET INCOME (MARGINS) (LINE 8 - LINE 9)		(169,830)
11.	RATE BASE	(d)	79,668,372
12.	RATE OF RETURN	(e)	-0.21%

SUPPORTING SCHEDULES:

- (a) H-1
- (b) C-1, Page 3
- (c) C-1, Page 4
- (d) B-1

RECAP SCHEDULES:

- (e) B-1, Line 9

**Southwest Transmission Cooperative, Inc.**  
**Cost of Service Summary - Proposed Rates**

SCHEDULE G-2

<u>LINE NO.</u>			<u>TOTAL SYSTEM</u>
<b>REVENUES:</b>			
1.	NETWORK TRANSMISSION SERVICE	(a)	\$ 29,754,459
2.	POINT-TO -POINT	(a)	3,711,841
3.	TOTAL ELECTRIC REVENUE		<hr/> 33,466,300
4.	OTHER OPERATING REVENUE	(b)	598,408
5.	SPECIAL CONTRACTS & OTHER	(e)	1,365,940
6.	TOTAL OPERATING REVENUE		<hr/> 35,430,648
7.	OPERATING EXPENSES	(c)	27,947,057
8.	OPERATING INCOME (MARGINS)		7,483,591
9.	INCOME TAXES		-
10.	NET INCOME (MARGINS) (LINE 6 - LINE 7)		<hr/> 7,483,591
11.	RATE BASE	(d)	79,668,372
12.	RATE OF RETURN	(f)	9.39%

SUPPORTING SCHEDULES:

- (a) H-1
- (b) C-1, Page 3
- (c) C-1, Page 4
- (d) B-1
- (e) F-1, Page 1 and G-2A, Page 14

RECAP SCHEDULES:

- (f) B-1, Line 9

**Southwest Transmission Cooperative, Inc.**  
**Derivation Of Revenue Requirement And Rates**

SCHEDULE G-2A  
Page 1 of 14

<u>LINE NO.</u>	<u>TOTAL</u>
1. OPERATING EXPENSES (EXCL. REVENUE TAX)	\$ 27,947,057 (a)
2. INTEREST & OTHER DEDUCTIONS:	4,761,153 (a)
3. TOTAL OPERATING EXPENSES (INC. INTEREST)	<u>32,708,210</u>
4. PLUS MARGIN REQUIREMENT	2,823,336
LESS OTHER REVENUES:	
5. OTHER OPERATING REVENUE	598,408 (d)
6. SPECIAL CONTRACTS	1,295,300 (c)
7. DIRECT ASSIGNMENT FACILITIES	1,545,318 (c)
8. SYS. CTL. & LOAD DSPTCH N/I SP.CONT.	<u>1,558,531 (c)</u>
9. TOTAL OTHER INCOME	4,997,557
10. NON-OPERATING MARGINS	100,898
11. PLUS EXTRAORDINARY ITEMS	- (a)
12. NET REVENUE REQUIREMENT BEFORE REV. TAX	30,433,091 (b)
13. REVENUE TAX	-
14. ANNUAL TRANSMISSION REVENUE REQUIREMENT	\$ 30,433,091

SUPPORTING SCHEDULES:

- (a) C-1, Page 4
- (b) G-2A, Page 3
- (c) F-1
- (d) G-1

RECAP SCHEDULES:

- (d) G-2

# Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended March 31, 2009

Schedule 7&8 Network Transmission Rates	<u>Point-to-Point</u>	<u>Network</u>	<u>Translate Rates to Monthly Rates</u>
	\$3.709	\$2,247,574	0.85593 Sched 7
	/KW-mo		0.12363
	\$0.245	\$0.245 /KW-mo	0.00508
MANDATORY ANCILLARY SERVICES			0.00891
Schedule 1 System Control & load Dispatch		\$0.066 /KW-mo	
Schedule 2 Var support / voltage Control	\$0.049	\$0.066 /KW-mo	0.05654 Sched 1
			0.00817
	\$4.003	\$2,247,574 /KW-mo	0.00034
TOTAL MANDATORY SVCS			0.00059
<u>FERC OPTIONAL ANCILLARY SVCS - AEPCO</u>			
Schedule 3 Cost of Reg. & Frequency Response	Gen Cap Rate	% Req'd	0.01134 Sched 2
	\$8.654	4.46%	0.00164
		=	0.00007
		=	0.00012
Schedule 5 Operating Reserves- Spinning	\$9.571	5.35%	0.08913 Sched 3
		=	0.01287
Schedule 6 Operating Reserve- Supplemental	\$6.818	5.36%	0.00053
		=	0.00093
Schedule 4 Energy Imbalance - AEPCO		Energy in kind deviation +/-1.5%	0.11817 Sched 5
		\$36.68 \$/MWh	0.01707
		\$100.00 \$/MWh	0.00070
AEPCO pays positive imbalance			0.00123
Customer pays negative imbalance			0.08427 Sched 6
			0.01217
Non-FERC Replacement Capacity - AEPCO		\$3.085	0.00050
			0.00088
Losses	0.0297	Loss Study	0.85593 Sched 7
			0.12363
			0.00508
			0.00891

Notes:

\* Regulation Capacity as a Percentage of Regulated Load  
 12 CP Load OS Sales Reg. Load NF Whl Reg 12 CP Reg Cap  
 506.12 123.00 383.12 65.00 448.12 20.00

\*\* Reserve percentages based on 2003 actual SRSG requirements and loads

Reg Pct  
4.46%





**Southwest Transmission Cooperative/Arizona Electric Power Cooperative**  
 Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended March 31, 2009

SCHEDULE 1: System Control and Load Dispatch

Account 556 & 557	\$	4,619,118	Ex. Property taxes
Account 561		6,593	
EMS payment from AEPCCO		(407,904)	
AEPCCO Ancillary Services Sched.2-6		(348,813)	
<b>TOTAL</b>	<b>\$</b>	<b>3,868,994</b>	
<b>RELIABILITY PORTION</b>	<b>50.00% \$</b>	<b>1,934,497</b>	
 Generation Capacity		657,000	kW
 System Control & Load Dispatch	<b>\$</b>	0.245	/kW-mo

Generation Capacity (Avg of Monthly)		Net Rated kW	
Apache Units (@SRSG)		576,000	Page 5
Purchased Pwr (Griffith & Southpoint)		50,000	Page 7
Fed Hydro (CRSP & PD)	Total	31,000	Actual Avg
		<u>657,000</u>	

**Southwest Transmission Cooperative/Arizona Electric Power Cooperative**  
 Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended March 31, 2009

**Schedule 2: COST OF REACTIVE POWER (VAR) PRODUCTION**

**AEPCO system investment in Power Production Facilities**

1 Total production plant in service	Orig Cost	Net	Schedule G-2A, Page 9
2 Turbogenerator Systems	\$405,097,077	\$189,399,425	Schedule G-2A, Page 7
3 Accessory Electric Equipment	\$54,638,869	\$23,457,593	Schedule G-2A, Page 7
	\$20,143,173	\$8,647,880	Schedule G-2A, Page 7

**Separation of Production Plant Allocation to VAR Production**

4 Generator and Exciter Systems	#2*(1-Power Factor)	\$3,353,691
5 Accessory Electric Equipment	#3*(1-Power Factor)	\$1,236,372
6 Other Power Production Facilities	1-4-5*(.25%)	\$462,023
7 Total Facilities Allocated to VAR Production		\$5,052,086

**Annualized Costs Facilities Allocated to VAR Production**

7*Int+DSCR	1.350	\$403,017
	7.977%	

**Rates For VAR Production**

	12 CP	1 CP
\$/kW/year	506.12	683.7
\$/kW/month	\$0.796	\$0.589
	\$0.066	\$0.049

Power Factor	Gross Nameplate Output in kW	Pwr Factor Generator Name plate	Weighted Power factor	EAF	
				Equivalent Availability Factor	Weighted Average
steam unit 1	77,400	0.85	10.885%	77.82%	9.97%
steam unit 2	195,000	0.85	27.424%	91.22%	29.43%
steam unit 3	195,000	0.85	27.424%	92.69%	29.90%
gas turbine 1	10,000	0.85	1.406%	83.20%	1.38%
gas turbine 2	20,000	0.9	2.978%	97.52%	3.23%
gas turbine 3	65,000	0.9	9.679%	96.26%	10.35%
gas turbine 4	42,000	0.85	5.907%	62.66%	4.35%
	604,400		85.703%		88.61%
(1-Power factor)					14.297%

Southwest Transmission Cooperative/Arizona Electric Power Cooperative  
Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended March 31, 2009

Schedules 3, 4, 5 & 6: APACHE STATION COST SUPPORT BY UNIT

Gen. Units	name plate	Prod. Invest.	Int. pit. acc 106,107 Transm. CP	Accum Depreciation + Retirement WIP	Working Capital	net. Prod. Invest	Prod \$/KW	O&M Exp	A&G	Taxes	Depreciation	Annual Carrying Costs	Annual Revenue Rqt	Annual RevRqt/KW
ST1	70,000	\$ 21,196,122	\$ 3,021,820	\$ 19,397,958	\$1,814,465	\$ 25,609,185	\$ 366	\$ 12,871,680	\$ 12,054,892	\$ 2,533,343	\$ 7,693,790	\$ 16,728,980	\$ 3,128,705	44.70
ST2	188,000	158,500,501	21,578,540	89,808,077	9,321,909	175,068,038	931	5,500,416	5,151,380	1,755,496	3,287,764	7,148,744	22,341,800	118.84
ST3	188,000	147,868,356	20,131,061	82,477,954	8,696,599	162,459,584	864	5,131,450	4,805,828	1,189,412	3,067,222	6,669,209	20,843,122	110.87
IC1/GT1	9,000	1,946,118	264,948	1,835,175	114,457	2,325,424	248	67,536	63,250	15,391	40,568	87,774	774,320	30.48
GT2	17,000	3,077,974	419,041	2,596,304	181,025	3,524,967	207	166,814	100,056	24,542	65,646	138,824	433,863	25.52
GT3	64,000	8,614,375	1,172,763	6,330,170	906,632	9,140,287	143	298,940	279,970	88,126	178,685	388,524	1,214,245	18.97
GT4	40,000	28,708,212	3,908,287	5,898,018	1,688,419	32,248,226	806	996,256	933,038	410,000	595,492	1,294,808	4,229,593	105.74
TOTAL	\$76,000	\$ 370,911,558	\$ 40,496,560	\$ 208,343,556	\$ 21,814,465	\$ 410,375,802		\$ 12,871,680	\$ 12,054,892	\$ 3,116,305	\$ 7,693,790	\$ 16,728,980	\$ 52,465,647	

Gen. Units	turbo equip	Plant dep reserve	Turbo Depreciation	Net turbo plant
ST1	70,000	\$ 6,344,228	\$ (18,997,743)	\$ 914,180
ST2	188,000	31,751,046	(86,950,886)	14,332,921
ST3	188,000	30,932,169	(79,812,422)	14,236,431
IC1/GT1	9,000	-	(1,800,094)	-
GT2	17,000	877,136	(2,540,819)	153,674
GT3	64,000	4,072,970	(6,174,886)	1,153,383
GT4	40,000	2,531,189	(5,380,513)	2,056,792
TOTAL	\$76,000	\$ 76,508,736	\$ (201,657,361)	\$ 32,846,781

Gen. Units	Int pit. acc 106,107, Transm. CP	Annual \$
ST1	\$ 3,021,820	\$ 322,341,800
ST2	21,578,540	\$ 270,843,122
ST3	20,131,061	\$ 33,128,705
IC1/GT1	264,948	\$ 466,313,626
GT2	419,041	\$ 103,342
GT3	1,172,763	\$ 8,654
GT4	3,908,287	
TOTAL	\$ 421,498,118	

Gen. Units	Int pit. acc 106,107, Transm. CP	Annual \$
ST1	\$ 3,021,820	\$ 322,341,800
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ST3	20,131,061	\$ 33,128,705
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TOTAL	\$ 421,498,118	

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Gen. Units	Int pit. acc 106,107, Transm. CP	Annual \$
ST1	\$ 3,021,820	\$ 322,341,800
ST2	21,578,540	\$ 270,843,122
ST3	20,131,061	\$ 33,128,705
IC1/GT1	264,948	\$ 466,313,626
GT2	419,041	\$ 103,342
GT3	1,172,763	\$ 8,654
GT4	3,908,287	
TOTAL	\$ 421,498,118	

**Southwest Transmission Cooperative/Arizona Electric Power Cooperative**  
 Derivation of Transmission Rates, Control Area Services and Revenue Requirements

SCHEDULE G-  
 2A Page 3 of 14

Twelve Months Ended March 31, 2009

**DEBT SERVICE CALCULATIONS**

INTEREST ON LONG TERM DEBT	\$	4,999,328 (a)
PRINCIPAL PAYMENTS		<u>3,989,942 (b)</u>
TOTAL DEBT SERVICE	\$	8,989,270

DSCR

INTEREST RATES

1.35 \$	12,135,514	1.35	7.977%
1.20 \$	10,787,124	1.20	6.647%

LESS:

DEPRECIATION & AMORTIZATION	\$	4,312,850 (c)
NON-OPERATING MARGINS	\$	100,898 (c)

PLUS:

OTHER INTEREST EXPENSE	\$	248,531 (c)
OTHER DEDUCTIONS	\$	1,399 (c)
INTEREST CHARGED TO CONSTRUCTION	\$	(488,105) (c)

RETURN

1.35 \$	7,483,591
1.20 \$	6,236,099

NET UTILITY PLANT \$ 91,842,022 (d)

WORKING CAPITAL \$ 1,829,723 (d)

RETIREMENT WIP \$ 140,137 (d)

TOTAL RATE BASE \$ 93,811,882

Supporting Schedules:

(a) Schedule C-1, Page 4

(b) Schedule A-2

(c) Schedule F-1, Page 2

(d) Schedule G-2A, Page 3

**Southwest Transmission Cooperative/Arizona Electric Power Cooperative**

Division of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended March 31, 2009

SCHEDULE G-4  
Page 9 of 14

**AEP-CD PRODUCTION PLANT ORIGINAL COST AND NET PLANT SUMMARY FOR ANCILLARY SERVICES WORKSHEETS**

INTANGIBLE	\$ 5,290	PRODUCTION CAPABILITY (kW on SRSG Basis)	576,000
PRODUCTION		NET INVESTMENT	\$209,709,111
STEAM 1	22,196,122	INTEREST & DSCR page 6	1.35
STEAM 2	150,500,501		7.977%
STEAM 3	147,863,356		
GT 1	1,946,118		
GT 2	3,077,974		
GT 3	8,614,275		
GT 4	28,708,212		
Transmission	2,689,491		
GENERAL PLANT	19,286,132	ANNUAL CARRYING COSTS	\$ 16,728,980
A/C 106	1,998,986	ANNUAL EXPENSES	\$ 62,373,358
A/C 107@50%	9,992,383		
ACQUISITION ADJ	13,238		
TOTAL	\$ 405,097,077	PLANT ANNUAL REVENUE REQUIREMENTS	\$ 79,102,338
		PLANT ANNUAL COSTS/KW	\$ 137.33
		MONTH	\$ 11.44

**DEPRECIATION & AMORTIZATION RESERVE**

PRODUCTION		Gen Plant Fixed Charge Rate (Rev Req't/Rate Base)	37.728%
STEAM 1	\$ (18,997,743)	PURCHASE POWER CAPACITY (pre-forma 2009)	
STEAM 2	(86,950,886)	Purch Pwr Avg Contract Demand kW	300,000
STEAM 3	(79,812,422)	Southpoint	150,000
GT 1	(1,800,094)	Griffith	150,000
GT 2	(2,540,819)	Purch Pwr Annual Demand Charges	\$2,365,328
GT 3	(6,174,886)	Southpoint	\$1,389,300
GT 4	(5,390,513)	Griffith	\$976,028
GENERAL & INTANGIBL	(10,016,425)	Purch Pwr Monthly Costs/kW	
TRANSMISSION PLANT	(1,580,442)	Southpoint	\$7,884
AMORTIZATION	(2,443,024)	Griffith	\$9,262
TOTAL	\$ (215,697,652)	PLANT + PP Annual Rev Req't	\$81,467,666
		Annual cost/kW	\$93,000
		Monthly cost/kW	\$7,750

**NET PRODUCTION PLANT**

NET PRODUCTION PLANT	\$ 184,347,339	less turbo equip.	\$ 5,052,086
WORKING CAPITAL	\$ 21,814,465		
RETIREMENT WIP	\$ 3,547,307		
PRODUCTION PLANT RATE BASE	\$ 209,709,111		

**EXPENSE ALLOCATION**

PRODUCTION OP	\$ 12,748,120
PRODUCTION MNT	18,780,152
OTHER	2,591,246
* TRANSMISSION EXP	4,516,966
A&G	12,455,363
TAXES	2,933,343
DEP EXP	8,345,168
TOTAL	\$ 62,373,358

**Southwest Transmission Cooperative/Arizona Electric Power Cooperative**  
Derivation of Transmission Rates, Control Area Services and Revenue Requirements

SCHEDULE G-2A

Page 10 of 14

Twelve Months Ended March 31, 2009

**SCHEDULE 4: ENERGY IMBALANCE**

Energy Imbalance Cost = Accts 501+547+ e-charge A/C 555/kwh

Fuel	501/547	\$	88,508,998
Purchased Power	555 Energy Only		13,428,375
Non-Firm Wheeling			2,880
Firm Contracts Energy Revenues			(2,448,992)
Economy Sales Energy Revenues			(3,952,272)
		\$	<u>95,538,990</u>

Total sales	2,604,463,779 kWh
	\$ 36.68 \$/MWh

**BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET  
POINT TO POINT TRANSMISSION SERVICES**

Loads in kW and rates in \$ per kW-mo. unless otherwise indicated.	2008												TOTAL	
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
AEPCO Firm Pt to Pt - Agrmnts - kW dr	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	576,000
Rate p/p	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709
Firm Pt to Pt - Agrmnts	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$2,136,384
Subpar Springs Firm Point to Point	0	0	58,945	47,254	54,244	12,666	17,666	19,965	19,965	4,605	0	0	0	242,756
Rate p/p	\$0	\$0	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709
Total Dollars P/P	\$0	\$0	\$218,627	\$175,285	\$201,191	\$46,978	\$65,523	\$74,950	\$74,950	\$17,080	\$0	\$0	\$0	\$900,382
MW&E Safford Mine wheeling	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Rate p/p	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709
Total Dollars P/P	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$445,080
<b>TOTAL Point to Point:</b>	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	75,666	65,605	58,000	62,745	62,745	938,756
REVENUE	\$215,122	\$215,122	\$433,749	\$390,317	\$416,313	\$262,100	\$299,190	\$289,172	\$289,172	\$232,202	\$215,122	\$232,202	\$232,202	\$2,831,826
<b>Forecast Network Loads</b>	344,378	499,761	566,730	555,630	560,588	510,185	430,238	337,349	352,786	340,957	337,863	298,211	298,211	Average
<b>Total Point to Point and Network Loads</b>	402,378	587,761	683,675	660,884	672,832	590,851	510,964	413,015	430,751	405,562	395,863	360,956	360,956	12 CP Load
														\$53,625

**BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET  
Revenue Credits**

The Following Service Additional Bill Credits to Network Customers

Special Contract Revenue Credits	2008												TOTAL	
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
AEPCO Firm Point to Point Energy-Based	\$10,000	\$123,000	\$180,000	\$60,000	\$110,000	\$20,000	\$35,000	\$157,000	\$187,000	\$25,000	\$0	\$20,000	\$0	937,000
Rate	\$0.0023	\$0.0053	\$0.0053	\$0.0047	\$0.0044	\$0.0056	\$0.0044	\$0.0029	\$0.0029	\$0.0031	NA	\$0.0041	NA	\$0.0041
Firm Pt to Pt - Serv	\$23	\$650	\$952	\$282	\$481	\$112	\$153	\$484	\$535	\$76	\$0	\$82	\$0	\$3,831
AEPCO (kWh) 3rd party sales Non-Firm	NA	NA	25,000	\$46,000	100,000	65,000	280,000	170,000	368,000	NA	NA	NA	NA	1,554,000
Rate	\$0	\$0	\$206	\$3,024	\$717	\$411	\$1,379	\$992	\$1,991	\$0	\$0	\$0	\$0	\$8,721
AEPCO Service to ED4 and ED5	361,000	1,107,000	1,013,000	694,000	280,000	441,000	157,000	1,027,000	1,027,000	711,000	63,000	83,000	NA	5,540,000
Rate p/p in mils/kWh	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Dollars P/P	1004.08	289.51	4137.59	3676.44	2531.91	736.26	1269.56	442.51	3082.6	2346.98	241.55	272	272	\$20,001
Mobave 3rd party sales Umbrella	\$68,587	\$50,918	\$23,944	\$3,348	\$5,204	\$17,931	\$35,216	\$19,870	\$12,123	\$13,330	\$7,740	\$2,604	NA	\$260,615
Mobave Firm P-t-P	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$11,080	\$132,000
Rate P/P	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$142,560
Subpar Springs 3rd party sales Umbrella	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$48,581
Rate p/p	\$45	\$6,740	\$2,831	\$20,573	\$8,893	\$5,884	\$5,748	\$2,955	\$2,918	\$1,109	\$810	\$76	\$76	\$58,581
Subpar Springs Firm Point to Point Energy Based	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Dollars P/P	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MW&E Safford Mine Non-Firm kWh Contract Minimum	7,301,231	8,978,481	10,862,433	11,486,243	15,762,613	2,359,671	2,202,364	1,694,000	4,759,331	2,468,154	2,681,600	1,267,249	0.0044	70,914,870
Rate p/p	0.0040	0.0039	0.0039	0.0039	0.0040	0.0038	0.0039	0.0038	0.0039	0.0038	0.0038	0.0038	0.0038	\$0.0044
kWh Dollars P/P	\$28,933	\$32,048	\$42,799	\$44,916	\$62,665	\$9,078	\$8,500	\$6,430	\$18,500	\$9,278	\$10,271	\$5,532	\$5,532	\$278,950
Minimum Charge	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$287,532
Total Dollars P/P	\$28,933	\$32,048	\$42,799	\$44,916	\$62,665	\$9,078	\$8,500	\$6,430	\$18,500	\$9,278	\$10,271	\$5,532	\$5,532	\$287,532
TEP Point to Point Energy Based	0	0	0	3,964,000	0	9,635,000	5,333,000	794,000	123,000	759,000	0	85,000	NA	\$187,098
Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Dollars P/P	\$0	\$0	\$0	\$23,388	\$0	\$66,521	\$32,314	\$4,743	\$577	\$17,978	\$20,376	\$22,201	\$22,201	\$187,098
TEP Non Firm	163,000	712,000	1,442,000	0	40,900,000	17,000	0	0	0	0	0	0	0	\$43,243,000
Rate	0.0047	0.0050	0.0068	NA	0.0072	NA	NA	NA						
Total Dollars	\$764	\$3,545	\$9,814	\$0	\$33,209	\$80	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$47,412
<b>Total Special Contract Credits</b>	\$111,036	\$106,072	\$96,564	\$111,088	\$125,581	\$152,709	\$137,536	\$88,872	\$92,653	\$97,074	\$92,394	\$83,723	\$83,723	\$1,295,300

**BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET  
NETWORK INTEGRATED TRANSMISSION SERVICES**

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
COS Trans Revenue Requirements	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 2,536,091	\$ 30,433,091
Avg Mo Rev From Pt to Pt Service	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 290,154	\$ 3,481,846
Network Services Revenue Requirements	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 2,245,937	\$ 26,951,245
Discount Revenue Shortfall	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 1,637	\$ 19,645.32
Network Services Network Revenue Req't	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
MISC System Discount Network Revenue Req't	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 2,162,827	\$ 25,953,928
<b>NETWORK</b>													
<b>Azua</b>													
Loads: April 08 to March 09	6,712	7,488	10,008	10,404	9,648	9,884	6,852	6,388	8,060	8,003	7,071	8,304	96,412
Loads: April 07 to March 08	6,408	6,132	9,938	11,832	10,716	11,832	5,602	6,408	7,440	7,690	8,043	8,034	96,876
12 Month Rolling Avg	8,010	8,123	8,179	8,060	7,995	8,050	8,155	8,057	8,087	8,087	8,043	8,034	96,826
Trans Cost \$	39,829	\$ 40,258	\$ 40,720	\$ 40,640	\$ 40,517	\$ 41,095	\$ 41,753	\$ 41,431	\$ 41,598	\$ 42,010	\$ 42,013	\$ 42,265	\$ 494,169
<b>Duncan</b>													
Loads: April 08 to March 09	3,660	6,040	6,000	6,540	6,020	5,360	4,020	2,760	4,300	3,900	3,600	3,000	57,180
Loads: April 07 to March 08	3,100	6,640	6,600	6,020	6,620	3,720	4,520	3,320	4,160	4,160	3,200	3,200	55,780
12 Month Rolling Avg	4,712	4,745	4,770	4,763	4,772	4,968	4,867	4,822	4,803	4,768	4,745	4,765	57,440
Trans Cost \$	23,438	\$ 23,575	\$ 23,748	\$ 24,017	\$ 24,179	\$ 25,087	\$ 24,917	\$ 24,794	\$ 24,876	\$ 24,771	\$ 24,786	\$ 25,031	\$ 293,179
<b>Graham</b>													
Loads: April 08 to March 09	20,968	31,611	30,961	30,720	30,886	32,283	24,088	18,448	20,042	19,962	18,818	20,271	324,562
Loads: April 07 to March 08	21,285	29,349	40,098	39,125	36,529	30,341	27,062	18,488	21,918	19,731	19,468	19,468	323,454
12 Month Rolling Avg	26,932	27,112	27,100	27,150	27,188	27,188	27,176	27,172	27,066	27,055	26,979	27,047	325,326
Trans Cost \$	133,916	\$ 134,705	\$ 134,920	\$ 134,894	\$ 137,766	\$ 139,612	\$ 139,140	\$ 139,725	\$ 140,170	\$ 140,550	\$ 140,926	\$ 142,080	\$ 1,660,403
<b>Mohave 1</b>													
Loads: April 08 to March 09	106,021	130,616	149,516	168,516	180,616	160,516	137,918	84,824	84,804	81,758	77,681	50,022	1,433,826
Loads: April 07 to March 08	106,021	168,616	164,516	173,516	172,616	168,616	110,918	107,021	103,904	86,758	80,801	82,028	1,594,916
12 Month Rolling Avg	125,410	123,826	123,410	123,993	123,743	123,076	124,826	123,818	123,068	122,402	121,482	119,486	1,476,460
Trans Cost \$	623,583	\$ 615,219	\$ 614,409	\$ 620,147	\$ 621,958	\$ 628,301	\$ 639,098	\$ 636,702	\$ 637,353	\$ 635,868	\$ 634,143	\$ 627,670	\$ 7,534,452
<b>Seigspur Springs 1</b>													
Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	120,334	120,334	134,451	122,700	1,493,319
Loads: April 07 to March 08	122,269	164,707	190,963	205,463	184,378	178,211	161,454	123,855	152,809	120,700	124,451	111,700	1,844,962
12 Month Rolling Avg	152,124	149,426	143,226	152,946	152,559	152,959	152,193	123,983	122,927	122,690	124,443	119,443	1,583,465
Trans Cost \$	756,417	\$ 737,442	\$ 712,973	\$ 690,502	\$ 670,666	\$ 656,174	\$ 640,975	\$ 637,548	\$ 631,958	\$ 637,583	\$ 645,243	\$ 653,714	\$ 8,071,015
<b>Trico</b>													
Loads: April 08 to March 09	86,994	125,853	140,750	165,657	165,657	140,857	110,234	86,104	80,907	86,104	72,628	69,545	1,359,160
Loads: April 07 to March 08	86,723	110,813	148,465	163,780	148,826	139,724	109,918	86,372	82,068	84,402	69,545	69,545	1,376,679
12 Month Rolling Avg	110,004	111,558	113,061	113,893	112,637	112,739	115,266	113,694	113,486	113,289	112,989	113,263	1,352,169
Trans Cost \$	548,473	\$ 554,263	\$ 562,887	\$ 564,177	\$ 570,748	\$ 575,832	\$ 579,908	\$ 584,638	\$ 587,728	\$ 588,483	\$ 590,201	\$ 594,985	\$ 6,902,023
<b>Mohave 2</b>													
Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	0	0	0	0	0	0	0	114,578
Loads: April 07 to March 08	23,684	0	0	0	2,705	16,314	0	0	0	1,755	5,281	2,240	45,979
12 Month Rolling Avg	1,858	3,340	6,440	8,642	10,582	10,321	10,321	10,321	10,321	10,175	9,735	9,548	101,604
Trans Cost \$	8,890	\$ 15,969	\$ 30,853	\$ 41,931	\$ 51,597	\$ 50,703	\$ 50,651	\$ 51,073	\$ 51,436	\$ 50,865	\$ 48,933	\$ 48,266	\$ 501,366
<b>Safford</b>													
Loads: April 08 to March 09	10,573	17,042	17,336	18,100	18,877	15,531	13,212	8,792	9,355	9,065	9,240	7,564	154,687
Loads: April 07 to March 08	11,463	16,902	17,714	19,245	14,502	15,398	14,502	9,671	9,696	9,522	8,157	8,157	155,321
12 Month Rolling Avg	12,869	13,070	13,106	13,139	13,108	13,011	13,042	13,042	13,014	12,964	12,940	12,891	156,273
Trans Cost \$	63,591	\$ 64,938	\$ 65,251	\$ 66,246	\$ 66,419	\$ 66,972	\$ 66,617	\$ 67,067	\$ 67,398	\$ 67,344	\$ 67,592	\$ 67,716	\$ 797,551
<b>Seigspur Springs 2</b>													
Loads: April 08 to March 09	0	28,548	0	0	0	0	0	0	0	0	0	0	28,548
Loads: April 07 to March 08	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	45,526
12 Month Rolling Avg	18,864	\$ 30,669	\$ 30,732	\$ 31,124	\$ 31,279	\$ 31,512	\$ 31,604	\$ 31,742	\$ 31,968	\$ 31,968	\$ 32,479	\$ 32,497	64,700
Trans Cost \$	5,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 72,000
<b>Thatcher</b>													
Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	72,000
Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	72,000
12 Month Rolling Avg	6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	72,000
Trans Cost \$	29,834	\$ 29,834	\$ 29,872	\$ 30,253	\$ 30,403	\$ 30,630	\$ 30,719	\$ 30,853	\$ 31,073	\$ 31,170	\$ 31,341	\$ 31,519	\$ 367,477
<b>TOTAL Network loads 12 mo. rolling Avg</b>	452,013	452,373	451,446	445,759	443,557	440,272	438,988	437,882	433,990	432,648	430,280	427,856	5,286,263
<b>Total Network Loads: April 07 to March 08</b>	390,207	498,144	579,205	621,022	585,469	500,988	448,217	357,874	389,253	358,574	365,228	327,088	5,471,029
<b>Total Network Loads: April 08 to March 09</b>	344,378	499,761	566,730	555,630	560,288	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736
<b>TOTAL NETWORK DOLLARS</b>	\$ 2,247,226	\$ 2,246,948	\$ 2,246,365	\$ 2,245,931	\$ 2,245,552	\$ 2,245,587	\$ 2,245,582	\$ 2,245,573	\$ 2,245,559	\$ 2,245,581	\$ 2,245,557	\$ 2,245,683	\$ 26,951,245
<b>Per kW-month</b>	4.97	4.97	4.98	5.04	5.06	5.10	5.12	5.14	5.17	5.19	5.22	5.25	5.10

**BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET**  
**POINT-TO-POINT TRANSMISSION SERVICES**

Description	2008												TOTAL
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	
<b>LEADS IN KW AND RATES IN \$ PER KW-MON. UNLESS OTHERWISE INDICATED</b>													
ALPCO Firm P-4-P	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
Rate p/p	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423
Firm Dollars P/P	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304
Seiphus Springs Firm P-4-P	0	0	58,945	47,254	54,244	12,666	22,666	19,965	0	4,745	0	0	242,756
Rate P/P	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423
Total Dollars P/P	\$0	\$0	\$201,769	\$161,758	\$188,677	\$43,256	\$77,586	\$68,971	\$0	\$15,763	\$0	\$16,242	\$800,954
MWVE - Stafford Mine Firm P-4-P	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Rate P/P	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423
Firm Dollars P/P	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230
<b>TOTAL</b>	<b>58,000</b>	<b>58,000</b>	<b>116,945</b>	<b>106,254</b>	<b>112,244</b>	<b>70,666</b>	<b>80,666</b>	<b>75,666</b>	<b>0</b>	<b>62,605</b>	<b>58,000</b>	<b>62,745</b>	<b>938,756</b>
REVENUE	\$198,534	\$198,534	\$400,303	\$360,284	\$384,211	\$241,890	\$276,120	\$259,065	\$0	\$214,776	\$198,534	\$214,776	\$3,213,362
<b>Excess Network Leads</b>	<b>344,378</b>	<b>499,761</b>	<b>566,730</b>	<b>556,529</b>	<b>560,588</b>	<b>510,185</b>	<b>430,298</b>	<b>337,549</b>	<b>352,786</b>	<b>340,857</b>	<b>357,863</b>	<b>298,211</b>	<b>5,134,736</b>
<b>Total Point to Point and Network Leads</b>	<b>402,378</b>	<b>597,761</b>	<b>683,675</b>	<b>660,884</b>	<b>672,432</b>	<b>590,851</b>	<b>510,964</b>	<b>413,915</b>	<b>410,751</b>	<b>403,562</b>	<b>395,863</b>	<b>349,856</b>	<b>Average 427,895</b>

1 CP Load  
506,124  
583,623

**BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET**  
**Revenue Credits**

Description	2008												TOTAL
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	
<b>Special Contract Revenue Credits</b>													
ALPCO Firm	10,000	123,000	186,000	60,000	110,000	20,000	35,000	167,000	187,000	25,000	25,000	26,000	937,000
Rate P/P	\$0,003	\$0,003	\$0,003	\$0,004	\$0,004	\$0,004	\$0,004	\$0,004	\$0,004	\$0,003	\$0,003	\$0,004	\$0,004
Total Dollars P/P	\$30	\$369	\$558	\$240	\$440	\$80	\$140	\$668	\$738	\$75	\$75	\$104	\$3,748
Energy-Based	0	0	25,000	54,000	100,000	65,000	38,000	17,000	34,000	0	0	0	1,554,000
Rate P/P	\$0	\$0	\$0,002	\$0,005	\$0,007	\$0,005	\$0,004	\$0,004	\$0,004	\$0	\$0	\$0	\$0
Total Dollars P/P	\$0	\$0	\$500	\$1,080	\$700	\$325	\$142	\$68	\$136	\$0	\$0	\$0	\$872
ALPCO	361,000	91,000	1,107,000	1,013,000	694,000	280,000	441,000	157,000	1,027,000	711,000	63,000	81,000	6,027,000
Rate P/P in mWh/kWh	\$0,0028	\$0,0032	\$0,0037	\$0,0036	\$0,0036	\$0,0036	\$0,0029	\$0,0028	\$0,0028	\$0,0033	\$0,0038	\$0,0038	\$0,0033
Total Dollars P/P	\$1,004	\$290	\$41,139	\$36,676	\$25,232	\$10,080	\$12,770	\$443	\$3,083	\$23,947	\$242	\$308	\$20,901
McClave	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Rate P/P	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Dollars P/P	\$68,387	\$50,918	\$25,944	\$3,348	\$5,204	\$17,931	\$3,526	\$19,870	\$12,123	\$13,330	\$7,740	\$2,604	\$260,615
Mohave	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132,000
Rate P/P	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080
Total Dollars P/P	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$11,880	\$142,560
Seiphus Springs 3rd party sales Umbrella	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Rate P/P	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Dollars P/P	\$45	\$6,740	\$2,831	\$20,573	\$8,895	\$5,364	\$5,748	\$2,955	\$2,918	\$1,109	\$0	\$76	\$58,581
Seiphus Springs Firm Point to Point Energy Based	0	0	0	0	0	0	0	0	0	0	0	0	0
Rate P/P	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Dollars P/P	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MWVE - Stafford Mine Non-Firm kWh	7,301,231	8,078,481	10,862,433	11,486,243	15,762,613	2,399,671	2,202,354	1,694,000	4,750,831	2,468,154	2,681,600	1,267,249	70,914,870
Rate P/P	\$0,0040	\$0,0039	\$0,0039	\$0,0039	\$0,0039	\$0,0039	\$0,0039	\$0,0038	\$0,0038	\$0,0038	\$0,0038	\$0,0038	\$0,0044
Total Dollars P/P	\$29,225	\$32,048	\$42,339	\$44,916	\$62,665	\$9,578	\$8,590	\$64,330	\$18,509	\$9,278	\$10,271	\$5,532	\$278,550
Minimum Charge	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Dollars P/P	\$29,225	\$32,048	\$42,339	\$44,916	\$62,665	\$9,578	\$8,590	\$64,330	\$18,509	\$9,278	\$10,271	\$5,532	\$278,550
TEP Point to Point Energy Based	0	0	0	0	0	0	0	0	0	0	0	0	0
Rate P/P	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Dollars P/P	\$0	\$0	\$0	\$21,388	\$0	\$65,521	\$32,314	\$4,743	\$77	\$17,978	\$0	\$22,781	\$187,098



**Southwest Transmission Cooperative/Arizona Electric Power Cooperative**

**TRANSMISSION AND CONTROL AREA SERVICES RATES**

Based on: NET PLANT NUMBERS TAKEN FROM CTS RUS 10/2001  
Twelve Months Ended March 31, 2009

Schedule 7&8/Network Transmission Rates	Point-to-Point	Network	
	\$3.423	\$	1,608,258 /KW-mo
<b>MANDATORY ANCILLARY SERVICES</b>			
Schedule 1 System Control & load Dispatch	\$0.289	\$0.289	/KW-mo
Schedule 2 Var support / voltage Control Only SW Gen Step-up Xfmrs All	\$0.094	\$0.120	/KW-mo /KW-mo
<b>TOTAL MANDATORY SVCS</b>	<b>\$3.806</b>		<b>/KW-mo</b>

**FERC OPTIONAL ANCILLARY SVCS - AEPCCO**

Schedule 3 Cost of Reg. & Frequency Response SW Gen Step Xfmrs ST 1, ST 2 & ST 3	Gen Cap Rate	% Req'd	=	\$/KW-mo
	\$11.211	4.21%	=	\$0.4720
Schedule 5 Operating Reserves- Spinning SW Gen Step Xfmrs ST 2 & 3	\$14.433	4.94%	=	\$0.7130
Schedule 6 Operating Reserve- Supplemental SW Gen Step Xfmrs GT 1, GT 2	\$9.351	4.93%	=	\$0.4610
Schedule 4 Energy Imbalance - AEPCCO				
		Energy in kind deviation	+/-1.5%	

AEPCCO pays positive imbalance \$23.25

Customer pays negative imbalance \$100.00 \$/MWh

Non-FERC Replacement Capacity - AEPCCO  
Southwest Gen Step Xfmrs ST 1, GT 3 \$3.794

Losses 0.0297 Loss Study

Notes:

\* Regulation Capacity as a Percentage of Regulated Load

12 CP Load	OS Sales	Reg. Load	NF Whl	Reg 12 CP	Reg Cap
550.62	140.50	410.12	65.00	475.12	20.00

\*\* Reserve percentages based on 1999 actual SRSG requirements and loads

Reg Pct  
4.21%

**Southwest Transmission Cooperative, Inc.**  
**ANCILLARY SERVICE SCHEDULE 1 NEW RATE:**

SCHEDULE G-2A  
 Page 14 of 14  
 0.245

<b>Network Customer</b>	<b>Units</b>	<b>Revenue</b>
Anza	96,412	\$ 23,621
Duncan	57,180	\$ 14,009
Graham	324,562	\$ 79,518
Mohave	1,433,826	\$ 351,287
Mohave #2	114,578	\$ 28,072
Sulphur	1,493,319	\$ 365,863
Sulphur #2	28,548	\$ 6,994
Trico	1,359,160	\$ 332,994
Thatcher	72,000	\$ 17,640
Safford	154,687	\$ 37,898
<b>Total Network Customers</b>	<b>5,134,272</b>	<b>\$ 1,257,897</b>

<b>Firm Point-to-Point Customers</b>	<b>Units</b>	<b>Revenue</b>
AEPCO	576,000	\$ 141,120
Sulphur Springs Firm Point to Point	242,756	\$ 59,475
MW&E Safford Wheeling	120,000	\$ 29,400
<b>Total for Firm Point-to-Point Customers</b>	<b>938,756</b>	<b>\$ 229,995</b>

<b>Schedule 1 Revenue Credit</b>	<b>\$ 1,487,892</b>
<b>Adjustment for Other System Control &amp; Load Dispatch</b>	<b>\$ 70,639</b>
<b>Total Schedule 1 Revenue Credit</b>	<b>\$ 1,558,531</b>

H

# Southwest Transmission Cooperative, Inc.

SCHEDULE H-1

Analysis of Revenue by Detailed Class  
Test Year - Annualized

LINE NO.	CLASS OF SERVICE	REVENUES IN TEST YEAR (a)		PROPOSED INCREASE (b)	
		PRESENT	PROPOSED	AMOUNT	PERCENT
1.	NETWORK SERVICES	\$22,328,219	\$29,754,459	\$7,426,239	33.26%
2	POINT-TO-POINT SERVICES	\$3,484,662	\$3,711,841	\$227,179	6.52%
3.	TOTAL COMPANY	\$25,812,881	\$33,466,300	\$7,653,419	29.65%

SUPPORTING SCHEDULES:  
(a) H-2, Pages 13 and 15

RECAP SCHEDULES:  
(b) A-1

**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

LINE NO.	CLASS OF SERVICE	CUSTOMERS		CONSUMPTION		REVENUE		PROPOSED INCREASE			
		(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)		
<b>Class A MEMBER CONTRACTS:</b>											
1.	ANZA	1	96,826	96,826	\$	381,294	\$	517,643	\$	136,349	35.76%
2.	DUNCAN	1	57,440	57,440		226,310		307,188		80,878	35.74%
3.	GRAHAM	1	325,326	325,326		1,281,904		1,739,921		458,016	35.73%
4.	MOHAVE	1	1,476,460	1,476,460		5,805,674		7,885,740		2,080,065	35.83%
5.	MOHAVE 2	1	101,604	101,604		412,769		535,240		122,472	29.67%
6.	SULPHUR	1	1,583,465	1,583,465		6,206,806		8,436,878		2,230,071	35.93%
7.	SULPHUR 2	1	64,700	64,700		244,103		336,603		92,500	37.89%
8.	TRICO	1	1,352,169	1,352,169		6,876,877		8,780,335		1,903,458	27.68%
9.	<b>Class A TOTAL MEMBER CONTRACTS:</b>	<b>8</b>	<b>5,057,990</b>	<b>5,057,990</b>	<b>\$</b>	<b>21,435,738</b>	<b>\$</b>	<b>28,539,548</b>	<b>\$</b>	<b>7,103,810</b>	<b>33.14%</b>
<b>OTHER FIRM NETWORK CONTRACTS:</b>											
1.	SAFFORD	1	156,273	156,273		615,395		835,450		220,055	35.76%
2.	THATCHER	1	72,000	72,000		283,757		385,117		101,360	35.72%
3.	<b>TOTAL FIRM CONTRACTS:</b>	<b>2</b>	<b>228,273</b>	<b>228,273</b>	<b>\$</b>	<b>899,152</b>	<b>\$</b>	<b>1,220,567</b>	<b>\$</b>	<b>321,415</b>	<b>35.75%</b>
4.	<b>TOTAL COMPANY</b>	<b>10</b>	<b>5,286,263</b>	<b>5,286,263</b>	<b>\$</b>	<b>22,334,890</b>	<b>\$</b>	<b>29,760,115</b>	<b>\$</b>	<b>7,425,225</b>	<b>33.24%</b>

SUPPORTING SCHEDULES:  
(a) H-2, Pages 2-11

RECAP SCHEDULES:  
(b) H-1

Southwest Transmission Cooperative, Inc.  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

LINE NO.	ANZA	2008												TOTAL
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	
PRESENT RATE:														
1.	Network Revenue Requirement	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 19,239,096
PROPOSED RATE:														
2.	Network Revenue Requirement	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
PRESENT:														
3.	Loads: April 08 to March 09	5,712	7,488	10,608	10,404	9,948	9,684	6,852	5,388	8,860	8,093	7,071	6,304	96,412
4.	Loads: April 07 to March 08	6,468	6,132	9,936	11,832	10,716	9,036	5,992	6,564	9,156	7,440	7,596	6,408	96,876
5.	12 Month Rolling Avg.	8,010	8,123	8,179	8,060	7,996	8,050	8,155	8,057	8,032	8,087	8,043	8,034	96,826
PROPOSED:														
6.	Loads: April 08 to March 09	5,712	7,488	10,608	10,404	9,948	9,684	6,852	5,388	8,860	8,093	7,071	6,304	96,412
7.	Loads: April 07 to March 08	6,468	6,132	9,936	11,832	10,716	9,036	5,992	6,564	9,156	7,440	7,596	6,408	96,876
8.	12 Month Rolling Avg.	8,010	8,123	8,179	8,060	7,996	8,050	8,155	8,057	8,032	8,087	8,043	8,034	96,826
PRESENT REVENUE :														
9.	Network Services	\$ 28,590	\$ 28,879	\$ 29,137	\$ 29,080	\$ 28,992	\$ 29,406	\$ 29,876	\$ 29,646	\$ 29,766	\$ 30,060	\$ 30,062	\$ 30,200	\$ 353,604
10.	Scheduling & Ld. Control	1,869	1,772	3,066	3,007	2,875	2,799	1,980	1,557	2,561	2,339	2,044	1,822	27,690
11.	Total	\$ 30,459	\$ 30,651	\$ 32,203	\$ 32,087	\$ 31,867	\$ 32,204	\$ 31,857	\$ 31,203	\$ 32,326	\$ 32,399	\$ 32,106	\$ 32,022	\$ 381,294
12.	Average Cost (\$/KW)	\$ 4,695	\$ 4,998	\$ 3,241	\$ 2,712	\$ 2,974	\$ 3,564	\$ 5,697	\$ 4,754	\$ 3,531	\$ 4,355	\$ 4,227	\$ 4,997	\$ 3,936
PROPOSED REVENUE:														
13.	Network Services	\$ 39,829	\$ 40,358	\$ 40,720	\$ 40,640	\$ 40,517	\$ 41,095	\$ 41,753	\$ 41,431	\$ 41,598	\$ 42,010	\$ 42,013	\$ 42,205	\$ 494,169
14.	Scheduling & Ld. Control	1,585	1,502	2,599	2,549	2,437	2,373	1,679	1,320	2,171	1,983	1,732	1,544	23,474
15.	Total	\$ 41,413	\$ 41,861	\$ 43,319	\$ 43,189	\$ 42,954	\$ 43,468	\$ 43,431	\$ 42,751	\$ 43,769	\$ 43,993	\$ 43,745	\$ 43,750	\$ 517,643
16.	Average Cost (\$/KWH)	\$ 6,403	\$ 6,827	\$ 4,360	\$ 3,650	\$ 4,008	\$ 4,810	\$ 7,767	\$ 6,513	\$ 4,780	\$ 5,913	\$ 5,759	\$ 6,827	\$ 5,343
CHANGE IN TOTAL COST:														
17.	REVENUE	\$ 11,045	\$ 11,210	\$ 11,116	\$ 11,102	\$ 11,087	\$ 11,263	\$ 11,575	\$ 11,548	\$ 11,443	\$ 11,594	\$ 11,639	\$ 11,723	\$ 136,349
18.	PERCENT INC.	36.37%	36.57%	34.52%	34.60%	34.79%	34.97%	36.33%	37.01%	35.40%	35.78%	36.25%	36.62%	35.76%

**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

DUNCAN VALLEY

LINE NO.	PRESENT RATE:	2008												TOTAL		
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR			
1.	Network Revenue Requirement	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 19,299,096
2.	Network Revenue Requirement	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
PRESENT:																
3.	Loads: April 08 to March 09	3,860	6,040	6,960	5,940	6,620	5,360	4,020	2,780	4,300	4,300	3,900	3,900	3,900	3,500	57,180
4.	Loads: April 07 to March 08	3,100	5,640	6,660	6,020	6,520	3,720	4,520	3,320	4,520	4,520	4,180	4,180	4,180	3,260	55,780
5.	12 Month Rolling Avg.	4,712	4,745	4,770	4,763	4,772	4,908	4,867	4,822	4,803	4,768	4,745	4,745	4,745	4,765	57,440
PROPOSED:																
6.	Loads: April 08 to March 09	3,860	6,040	6,960	5,940	6,620	5,360	4,020	2,780	4,300	4,300	3,900	3,900	3,900	3,500	57,180
7.	Loads: April 07 to March 08	3,100	5,640	6,660	6,020	6,520	3,720	4,520	3,320	4,520	4,520	4,180	4,180	4,180	3,260	55,780
8.	12 Month Rolling Avg.	4,712	4,745	4,770	4,763	4,772	4,908	4,867	4,822	4,803	4,768	4,745	4,745	4,745	4,765	57,440
PRESENT REVENUE:																
9.	Network Services	\$ 16,764	\$ 16,869	\$ 16,993	\$ 17,186	\$ 17,301	\$ 17,930	\$ 17,829	\$ 17,741	\$ 17,800	\$ 17,800	\$ 17,725	\$ 17,735	\$ 17,911	\$ 17,911	\$ 209,785
10.	Scheduling & Ld. Control	1,116	1,746	2,811	1,717	1,913	1,549	1,162	803	1,243	1,243	1,127	1,127	1,012	1,012	16,525
11.	Total	\$ 17,880	\$ 18,615	\$ 19,804	\$ 18,902	\$ 19,214	\$ 19,479	\$ 18,991	\$ 18,545	\$ 19,043	\$ 19,043	\$ 18,852	\$ 18,863	\$ 18,923	\$ 18,923	\$ 226,310
12.	Average Cost (\$/KW)	\$ 5.768	\$ 3.300	\$ 2.854	\$ 3.140	\$ 2.947	\$ 5.236	\$ 4.202	\$ 5.586	\$ 4.213	\$ 4.213	\$ 4.364	\$ 4.513	\$ 5.804	\$ 5.804	\$ 4.057
PROPOSED REVENUE:																
13.	Network Services	\$ 23,428	\$ 23,575	\$ 23,748	\$ 24,017	\$ 24,179	\$ 25,057	\$ 24,917	\$ 24,794	\$ 24,876	\$ 24,876	\$ 24,771	\$ 24,786	\$ 25,031	\$ 25,031	\$ 293,179
14.	Scheduling & Ld. Control	946	1,480	1,705	1,455	1,622	1,313	985	681	1,054	1,054	966	956	858	858	14,009
15.	Total	\$ 24,374	\$ 25,055	\$ 25,453	\$ 25,473	\$ 25,801	\$ 26,370	\$ 25,902	\$ 25,475	\$ 25,929	\$ 25,929	\$ 25,727	\$ 25,741	\$ 25,889	\$ 25,889	\$ 307,188
16.	Average Cost (\$/KW)	\$ 7.863	\$ 4.442	\$ 3.822	\$ 4.231	\$ 3.957	\$ 7.089	\$ 5.730	\$ 7.673	\$ 5.737	\$ 5.737	\$ 5.955	\$ 6.158	\$ 7.941	\$ 7.941	\$ 5.507
CHANGE IN TOTAL COST:																
17.	REVENUE	\$ 6,494	\$ 6,440	\$ 6,449	\$ 6,570	\$ 6,586	\$ 6,892	\$ 6,911	\$ 6,930	\$ 6,887	\$ 6,887	\$ 6,874	\$ 6,879	\$ 6,966	\$ 6,966	\$ 88,878
18.	PERCENT INC.	36.32%	34.60%	33.93%	34.76%	34.28%	35.38%	36.39%	37.37%	36.16%	36.47%	36.47%	36.47%	36.81%	36.81%	35.74%



**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

MOHAVE ELECTRIC I

LINE NO.	PRESENT RATE:	2009												TOTAL		
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR			
1.	Network Revenue Requirement	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 19,199,096
2.	Network Revenue Requirement	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
PRESENT:																
3.	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	168,516	137,918	94,924	84,804	81,756	77,891	59,932	59,932	1,433,826	
4.	Loads: April 07 to March 08	109,021	158,516	154,516	173,516	172,516	156,516	116,918	107,021	93,804	89,756	89,891	82,925	82,925	1,504,916	
5.	12 Month Rolling Avg.	125,410	125,826	123,410	121,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	119,486	1,476,460	
PROPOSED:																
6.	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	168,516	137,918	94,924	84,804	81,756	77,891	59,932	59,932	1,433,826	
7.	Loads: April 07 to March 08	109,021	158,516	154,516	173,516	172,516	156,516	116,918	107,021	93,804	89,756	89,891	82,925	82,925	1,504,916	
8.	12 Month Rolling Avg.	125,410	125,826	123,410	121,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	119,486	1,476,460	
PRESENT REVENUE:																
9.	Network Services	\$ 446,207	\$ 440,222	\$ 439,642	\$ 443,748	\$ 445,044	\$ 449,583	\$ 457,308	\$ 455,594	\$ 456,060	\$ 454,997	\$ 453,763	\$ 449,131	\$ 449,131	\$ 5,391,298	
10.	Scheduling & Ld. Control	31,597	40,320	43,210	48,701	48,990	46,389	39,828	27,433	24,508	23,627	22,510	17,330	17,330	414,376	
11.	Total	\$ 477,714	\$ 480,542	\$ 482,852	\$ 492,449	\$ 494,034	\$ 495,972	\$ 497,167	\$ 483,027	\$ 480,568	\$ 478,624	\$ 476,274	\$ 466,464	\$ 466,464	\$ 5,805,674	
12.	Average Cost (\$/KW)	\$ 4,382	\$ 3,032	\$ 3,125	\$ 2,838	\$ 2,864	\$ 3,169	\$ 4,252	\$ 4,513	\$ 5,123	\$ 5,333	\$ 5,298	\$ 5,625	\$ 5,625	\$ 3,858	
PROPOSED REVENUE:																
13.	Network Services	\$ 623,583	\$ 615,219	\$ 614,489	\$ 620,147	\$ 621,958	\$ 628,301	\$ 639,098	\$ 636,702	\$ 637,353	\$ 635,868	\$ 634,143	\$ 627,670	\$ 627,670	\$ 7,534,452	
14.	Scheduling & Ld. Control	26,710	34,181	36,631	41,286	41,531	39,326	33,790	23,256	20,777	20,050	19,083	14,683	14,683	351,287	
15.	Total	\$ 650,293	\$ 649,401	\$ 651,040	\$ 661,434	\$ 663,490	\$ 667,628	\$ 672,888	\$ 659,958	\$ 658,130	\$ 655,898	\$ 653,227	\$ 642,354	\$ 642,354	\$ 7,885,740	
16.	Average Cost (\$/KWH)	\$ 5,965	\$ 4,097	\$ 4,213	\$ 3,812	\$ 3,846	\$ 4,266	\$ 5,755	\$ 6,167	\$ 7,016	\$ 7,308	\$ 7,267	\$ 7,746	\$ 7,746	\$ 5,240	
CHANGE IN TOTAL COST:																
17.	REVENUE	\$ 172,580	\$ 168,859	\$ 168,188	\$ 168,984	\$ 169,456	\$ 171,656	\$ 175,721	\$ 176,931	\$ 177,562	\$ 177,273	\$ 176,953	\$ 175,902	\$ 175,902	\$ 2,080,065	
18.	PERCENT INC.	36.13%	35.14%	34.83%	34.32%	34.30%	34.61%	35.54%	36.63%	36.95%	37.04%	37.18%	37.11%	37.11%	35.83%	



Southwest Transmission Cooperative, Inc.  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

SULPHUR SPRINGS VALLEY 1

LINE NO.	PRESENT RATE:	2009												TOTAL		
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR			
1.	Network Revenue Requirement	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 19,239,096
2.	Network Revenue Requirement	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
PROPOSED RATE:																
3.	Leads: April 08 to March 09	102,796	120,334	134,334	128,334	139,334	132,334	131,334	109,334	129,334	128,700	134,451	122,700	122,700	122,700	1,493,319
4.	Leads: April 07 to March 08	122,269	164,707	196,965	203,463	184,378	178,211	161,454	123,809	152,809	120,700	124,451	111,700	111,700	111,700	1,844,962
5.	12 Month Rolling Avg.	152,124	148,426	143,207	136,946	132,359	128,536	125,193	123,983	122,027	122,693	123,527	124,443	124,443	124,443	1,583,465
PROPOSED:																
6.	Leads: April 08 to March 09	102,796	120,334	134,334	128,334	139,334	132,334	131,334	109,334	129,334	128,700	134,451	122,700	122,700	122,700	1,493,319
7.	Leads: April 07 to March 08	122,269	164,707	196,965	203,463	184,378	178,211	161,454	123,809	152,809	120,700	124,451	111,700	111,700	111,700	1,844,962
8.	12 Month Rolling Avg.	152,124	148,426	143,207	136,946	132,359	128,536	125,193	123,983	122,027	122,693	123,527	124,443	124,443	124,443	1,583,465
PRESENT REVENUE:																
9.	Network Services	\$ 541,256	\$ 527,679	\$ 510,170	\$ 494,090	\$ 479,911	\$ 469,527	\$ 458,651	\$ 456,199	\$ 452,200	\$ 456,081	\$ 461,706	\$ 467,767	\$ 467,767	\$ 467,767	\$ 5,775,237
10.	Scheduling & Ld. Control	29,708	34,777	38,823	37,089	37,378	39,245	35,066	31,598	37,378	37,194	38,656	35,460	35,460	35,460	431,569
11.	Total	\$ 570,964	\$ 562,456	\$ 548,992	\$ 531,179	\$ 517,289	\$ 507,772	\$ 493,717	\$ 487,797	\$ 489,577	\$ 493,275	\$ 500,362	\$ 503,227	\$ 503,227	\$ 503,227	\$ 6,206,806
12.	Average Cost (\$/KW)	\$ 4.670	\$ 3.415	\$ 2.787	\$ 2.611	\$ 2.806	\$ 2.849	\$ 3.058	\$ 3.938	\$ 3.204	\$ 4.087	\$ 4.022	\$ 4.505	\$ 4.505	\$ 4.505	3.364
PROPOSED REVENUE:																
13.	Network Services	\$ 756,417	\$ 737,442	\$ 712,973	\$ 690,502	\$ 670,686	\$ 656,174	\$ 640,975	\$ 637,548	\$ 631,958	\$ 637,383	\$ 645,243	\$ 653,714	\$ 653,714	\$ 653,714	\$ 8,071,015
14.	Scheduling & Ld. Control	25,185	29,482	32,912	31,442	31,687	32,422	29,727	26,787	31,687	31,532	32,940	30,062	30,062	30,062	365,863
15.	Total	\$ 781,602	\$ 766,924	\$ 745,884	\$ 721,944	\$ 702,373	\$ 688,596	\$ 670,702	\$ 664,335	\$ 663,645	\$ 668,914	\$ 678,184	\$ 683,775	\$ 683,775	\$ 683,775	\$ 8,436,878
16.	Average Cost (\$/KWH)	\$ 6.392	\$ 4.656	\$ 3.787	\$ 3.548	\$ 3.809	\$ 3.864	\$ 4.154	\$ 5.364	\$ 4.343	\$ 5.542	\$ 5.449	\$ 6.122	\$ 6.122	\$ 6.122	4.573
CHANGE IN TOTAL COST:																
17.	REVENUE	\$ 210,638	\$ 204,469	\$ 196,892	\$ 190,824	\$ 185,084	\$ 180,824	\$ 176,985	\$ 176,538	\$ 174,068	\$ 175,639	\$ 177,622	\$ 180,548	\$ 180,548	\$ 180,548	\$ 2,230,071
18.	PERCENT INC.	36.89%	36.35%	35.86%	35.91%	35.78%	36.61%	36.05%	36.19%	35.55%	35.61%	35.48%	35.88%	35.88%	35.88%	35.93%



**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

LINE NO.	TRICO ELECTRIC	2008												TOTAL	
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
<b>PRESENT RATE:</b>															
1.	Network Revenue Requirement	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 19,299,096
<b>PROPOSED RATE:</b>															
2.	Network Revenue Requirement	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
<b>PRESENT:</b>															
3.	Loads: April 08 to March 09	85,694	125,853	164,497	149,759	155,557	140,957	116,234	91,507	90,195	85,104	80,967	72,836	1,359,160	
4.	Loads: April 07 to March 08	88,723	110,813	146,455	163,780	146,628	139,724	109,919	86,372	92,686	87,572	84,462	69,545	1,326,679	
5.	12 Month Rolling Avg.	110,504	111,558	113,061	111,893	112,637	112,739	113,266	113,694	113,486	113,280	112,989	113,263	1,352,169	
<b>PROPOSED:</b>															
6.	Loads: April 08 to March 09	85,694	125,853	164,497	149,759	155,557	140,957	116,234	91,507	90,195	85,104	80,967	72,836	1,359,160	
7.	Loads: April 07 to March 08	88,723	110,813	146,455	163,780	146,628	139,724	109,919	86,372	92,686	87,572	84,462	69,545	1,326,679	
8.	12 Month Rolling Avg.	110,504	111,558	113,061	111,893	112,637	112,739	113,266	113,694	113,486	113,280	112,989	113,263	1,352,169	
<b>PRESENT REVENUE:</b>															
9.	Direct Assignment Facilities	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 1,545,318	
10.	Network Services	392,461	396,604	402,775	403,699	408,400	411,823	418,955	418,340	420,550	431,091	422,320	425,743	4,938,762	
11.	Scheduling & Ld. Control	24,766	36,572	47,540	43,280	44,956	40,737	33,592	26,446	26,066	24,595	23,399	21,050	392,797	
12.	Total	\$ 546,004	\$ 561,952	\$ 579,091	\$ 575,756	\$ 582,133	\$ 581,336	\$ 577,323	\$ 573,562	\$ 575,393	\$ 574,462	\$ 574,496	\$ 575,569	\$ 6,876,877	
13.	Average Cost (\$/KW)	\$ 6.154	\$ 5.069	\$ 3.954	\$ 3.515	\$ 3.970	\$ 4.161	\$ 5.252	\$ 6.641	\$ 6.208	\$ 6.560	\$ 6.802	\$ 8.276	\$ 5.184	
<b>PROPOSED REVENUE:</b>															
14.	Direct Assignment Facilities	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 1,545,318	
15.	Network Services	548,473	554,263	562,987	564,177	570,748	574,532	579,908	584,638	587,728	588,483	590,201	594,985	6,902,023	
16.	Scheduling & Ld. Control	210,995	308,834	403,302	366,691	381,111	344,534	284,477	224,419	22,008	20,850	19,837	17,845	332,994	
17.	Total	\$ 690,245	\$ 715,673	\$ 731,966	\$ 729,645	\$ 737,636	\$ 738,843	\$ 737,182	\$ 735,834	\$ 736,602	\$ 736,110	\$ 738,814	\$ 741,606	\$ 8,780,335	
18.	Average Cost (\$/KW)	\$ 7.870	\$ 6.442	\$ 4.998	\$ 4.455	\$ 5.031	\$ 5.288	\$ 6.706	\$ 8.519	\$ 7.969	\$ 8.429	\$ 8.747	\$ 10.664	\$ 6.618	
<b>CHANGE IN TOTAL COST:</b>															
19.	REVENUE	\$ 152,241	\$ 153,121	\$ 152,874	\$ 153,889	\$ 155,503	\$ 157,506	\$ 159,839	\$ 162,272	\$ 163,209	\$ 163,648	\$ 164,318	\$ 166,037	\$ 1,903,458	
20.	PERCENT INC.	27.88%	27.08%	26.40%	26.73%	26.71%	27.09%	27.69%	28.29%	28.36%	28.49%	28.60%	28.85%	27.68%	

**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

Ssford

LINE NO.		2009												TOTAL	
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
1.	Network Revenue Requirement	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 19,299,096
	PROPOSED RATE:														
2.	Network Revenue Requirement	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
	PRESENT:														
3.	Loads: April 08 to March 09	10,573	17,042	17,336	18,100	18,877	15,531	13,212	8,792	9,355	9,065	9,240	7,564	154,687	
4.	Loads: April 07 to March 08	11,463	14,631	16,902	17,714	19,245	15,398	14,502	8,420	9,696	9,671	9,522	8,157	155,321	
5.	12 Month Rolling Avg.	12,869	13,070	13,106	13,139	13,108	13,119	13,011	13,042	13,014	12,964	12,940	12,891	156,273	
	PROPOSED:														
6.	Loads: April 08 to March 09	10,573	17,042	17,336	18,100	18,877	15,531	13,212	8,792	9,355	9,065	9,240	7,564	154,687	
7.	Loads: April 07 to March 08	11,463	14,631	16,902	17,714	19,245	15,398	14,502	8,420	9,696	9,671	9,522	8,157	155,321	
8.	12 Month Rolling Avg.	12,869	13,070	13,106	13,139	13,108	13,119	13,011	13,042	13,014	12,964	12,940	12,891	156,273	
	PRESENT REVENUE:														
9.	Network Services	\$ 45,789	\$ 46,466	\$ 46,691	\$ 47,403	\$ 47,527	\$ 47,922	\$ 47,668	\$ 47,990	\$ 48,227	\$ 48,189	\$ 48,366	\$ 48,454	\$ 570,690	
10.	Scheduling & Ld. Control	3,056	4,925	5,010	5,231	5,455	4,488	3,818	2,541	2,704	2,620	2,670	2,186	44,705	
11.	Total	\$ 48,844	\$ 51,392	\$ 51,701	\$ 52,633	\$ 52,982	\$ 52,410	\$ 51,486	\$ 50,531	\$ 50,930	\$ 50,808	\$ 51,036	\$ 50,640	\$ 615,395	
12.	Average Cost (\$/KW)	\$ 4.261	\$ 3.513	\$ 3.099	\$ 2.971	\$ 2.753	\$ 3.404	\$ 3.550	\$ 6.001	\$ 5.253	\$ 5.254	\$ 5.360	\$ 6.208	\$ 3.962	
	PROPOSED REVENUE:														
13.	Network Services	\$ 63,991	\$ 64,938	\$ 65,251	\$ 66,246	\$ 66,419	\$ 66,972	\$ 66,617	\$ 67,067	\$ 67,398	\$ 67,344	\$ 67,592	\$ 67,716	\$ 797,451	
14.	Scheduling & Ld. Control	2,590	4,175	4,247	4,635	4,625	3,805	3,237	2,154	2,292	2,221	2,264	1,853	37,998	
15.	Total	\$ 66,581	\$ 69,113	\$ 69,499	\$ 70,881	\$ 71,044	\$ 70,777	\$ 69,854	\$ 69,221	\$ 69,690	\$ 69,565	\$ 69,856	\$ 69,569	\$ 835,450	
16.	Average Cost (\$/KW)	\$ 5.808	\$ 4.724	\$ 4.112	\$ 3.990	\$ 3.692	\$ 4.596	\$ 4.817	\$ 8.221	\$ 7.187	\$ 7.193	\$ 7.336	\$ 8.529	\$ 5.379	
	CHANGE IN TOTAL COST:														
17.	REVENUE	\$ 17,737	\$ 17,722	\$ 17,798	\$ 18,047	\$ 18,062	\$ 18,367	\$ 18,368	\$ 18,690	\$ 18,759	\$ 18,757	\$ 18,870	\$ 18,929	\$ 228,055	
18.	PERCENT INC.	36.31%	34.48%	34.42%	34.29%	34.09%	35.04%	35.67%	36.99%	36.83%	36.92%	36.88%	37.38%	35.76%	

**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

LINE NO.	Thatcher	2008												TOTAL		
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR			
1.	Network Revenue Requirement	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 19,299,096
<b>PROPOSED RATE:</b>																
2.	Network Revenue Requirement	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
<b>PRESENT:</b>																
3.	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	72,000
4.	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	72,000
5.	12 Month Rolling Avg.	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
<b>PROPOSED:</b>																
6.	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	72,000
7.	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	72,000
8.	12 Month Rolling Avg.	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
<b>PRESENT REVENUE:</b>																
9.	Network Services	\$ 21,348	\$ 21,331	\$ 21,375	\$ 21,647	\$ 21,755	\$ 21,917	\$ 21,981	\$ 22,077	\$ 22,234	\$ 22,303	\$ 22,426	\$ 22,553	\$ 22,653	\$ 22,849	262,949
10.	Scheduling & Ld. Control	1,445	2,023	2,023	2,023	2,023	2,023	2,023	1,445	1,445	1,445	1,445	1,445	1,445	20,809	
11.	Total	\$ 22,793	\$ 23,354	\$ 23,398	\$ 23,670	\$ 23,778	\$ 23,940	\$ 24,004	\$ 23,522	\$ 23,679	\$ 23,748	\$ 23,871	\$ 23,998	\$ 24,098	\$ 243,757	
12.	Average Cost (\$/KW)	\$ 4,599	\$ 3,336	\$ 3,343	\$ 3,391	\$ 3,397	\$ 3,420	\$ 3,429	\$ 4,704	\$ 4,736	\$ 4,750	\$ 4,774	\$ 4,800	\$ 4,800	\$ 3,941	
<b>PROPOSED REVENUE:</b>																
13.	Network Services	\$ 29,854	\$ 29,810	\$ 29,872	\$ 30,253	\$ 30,403	\$ 30,630	\$ 30,719	\$ 30,853	\$ 31,073	\$ 31,170	\$ 31,341	\$ 31,519	\$ 31,519	\$ 367,477	
14.	Scheduling & Ld. Control	1,225	1,715	1,715	1,715	1,715	1,715	1,715	1,225	1,225	1,225	1,225	1,225	1,225	17,640	
15.	Total	\$ 31,059	\$ 31,525	\$ 31,587	\$ 31,968	\$ 32,118	\$ 32,345	\$ 32,434	\$ 32,078	\$ 32,298	\$ 32,395	\$ 32,566	\$ 32,744	\$ 32,744	\$ 385,117	
16.	Average Cost (\$/KWH)	\$ 6,212	\$ 4,504	\$ 4,512	\$ 4,567	\$ 4,588	\$ 4,621	\$ 4,633	\$ 6,416	\$ 6,460	\$ 6,479	\$ 6,513	\$ 6,549	\$ 6,549	\$ 5,349	
<b>CHANGE IN TOTAL COST:</b>																
17.	REVENUE	\$ 8,266	\$ 8,171	\$ 8,189	\$ 8,297	\$ 8,340	\$ 8,405	\$ 8,430	\$ 8,556	\$ 8,619	\$ 8,646	\$ 8,695	\$ 8,745	\$ 8,745	\$ 101,360	
18.	PERCENT INC.	36.27%	34.99%	35.00%	35.05%	35.07%	35.11%	35.12%	36.37%	36.40%	36.41%	36.42%	36.44%	36.44%	35.72%	



**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

Total For Network Tariff

LINE NO.		2009												TOTAL	
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
1.	Network Revenue Requirement	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 1,608,258	\$ 19,299,096
	<b>PROPOSED RATE:</b>														
2.	Network Revenue Requirement	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 2,247,574	\$ 26,970,890
	<b>PRESENT:</b>														
3.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	356,173	382,490	341,610	357,338	298,107	298,107	5,134,272
4.	Loads: April 07 to March 08	390,963	496,788	578,533	632,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	327,192	327,192	5,471,493
5.	12 Month Rolling Avg	452,013	452,373	451,446	445,759	443,557	440,272	438,988	437,082	433,990	432,648	430,280	427,856	427,856	5,286,263
	<b>PROPOSED:</b>														
6.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	356,173	382,490	341,610	357,338	298,107	298,107	5,134,272
7.	Loads: April 07 to March 08	390,963	496,788	578,533	632,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	327,192	327,192	5,471,493
8.	12 Month Rolling Avg	452,013	452,373	451,446	445,759	443,557	440,272	438,988	437,082	433,990	432,648	430,280	427,856	427,856	5,286,263
	<b>PRESENT REVENUE:</b>														
9.	Direct Assignment Facilities	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 1,545,318
10.	Network Services	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	1,608,258	19,299,096
11.	Scheduling & Ld. Control	99,307	144,823	163,979	160,164	161,788	147,631	124,720	97,154	101,870	98,725	97,491	86,153	86,153	1,483,905
12.	Total	\$ 1,836,341	\$ 1,881,857	\$ 1,901,014	\$ 1,897,199	\$ 1,898,822	\$ 1,884,665	\$ 1,861,795	\$ 1,834,188	\$ 1,838,904	\$ 1,835,760	\$ 1,834,525	\$ 1,823,187	\$ 1,823,187	\$ 22,328,219
13.	Average Cost (\$/KW)	\$ 4,697	\$ 3,788	\$ 3,286	\$ 3,048	\$ 3,239	\$ 3,425	\$ 4,165	\$ 5,108	\$ 4,730	\$ 5,132	\$ 5,016	\$ 5,572	\$ 5,572	\$ 4,081
	<b>PROPOSED REVENUE:</b>														
14.	Direct Assignment Facilities	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 128,777	\$ 1,545,318
15.	Network Services	2,247,226	2,246,948	2,245,565	2,245,931	2,245,532	2,245,587	2,245,582	2,245,573	2,245,559	2,245,581	2,245,657	2,245,683	2,245,683	26,951,245
16.	Scheduling & Ld. Control	84,187	122,774	139,013	135,779	137,156	125,154	105,732	82,362	86,360	83,694	82,648	73,036	73,036	1,257,897
17.	Total	\$ 2,460,190	\$ 2,498,499	\$ 2,514,355	\$ 2,510,487	\$ 2,511,485	\$ 2,499,518	\$ 2,480,090	\$ 2,486,712	\$ 2,480,695	\$ 2,488,052	\$ 2,487,081	\$ 2,447,496	\$ 2,447,496	\$ 29,754,459
18.	Average Cost (\$/KWH)	\$ 6,293	\$ 5,029	\$ 4,346	\$ 4,033	\$ 4,284	\$ 4,543	\$ 5,549	\$ 6,842	\$ 6,316	\$ 6,871	\$ 6,718	\$ 7,480	\$ 7,480	\$ 5,438
	<b>CHANGE IN TOTAL COST:</b>														
19.	REVENUE	\$ 625,848	\$ 616,641	\$ 613,142	\$ 613,288	\$ 612,662	\$ 614,853	\$ 618,335	\$ 622,523	\$ 621,791	\$ 622,292	\$ 622,556	\$ 624,508	\$ 624,508	\$ 7,426,241
20.	PERCENT INCL.	33.97%	32.77%	32.25%	32.33%	32.27%	32.67%	33.21%	33.94%	33.81%	33.90%	33.94%	34.24%	34.24%	33.76%

**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

**AVERAGE COST-CLASS A MEMBERS**

LINE NO.	2009	2009												TOTAL
		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	
1. ABC	\$	4,695	4,998	3,241	2,712	2,974	3,554	5,697	4,754	3,531	4,355	4,227	4,997	3,936
2. DVEC		5,768	3,300	2,854	3,140	2,947	5,236	4,202	5,586	4,213	4,364	4,513	5,804	4,057
3. GCEC		4,798	3,594	2,696	2,797	2,991	3,690	3,947	5,693	4,848	5,286	5,386	5,526	3,963
4. MEC		4,382	3,032	3,125	2,838	2,864	3,169	4,252	4,513	5,123	5,333	5,298	5,625	3,858
MEC2		0.568	0.00	0.00	0.00	16,960	3,857	0	0	21,551	6,890	16,022	8,977	
5. SSVEC		4,670	3,415	2,787	2,611	2,806	2,849	3,058	3,938	3,204	4,087	4,022	4,505	3,364
SSVEC2		-	-	-	-	-	-	-	-	-	-	-	-	-
6. TEC		6,154	5,069	3,954	3,515	3,970	4,161	5,252	6,641	6,208	6,560	6,802	8,276	5,184
7. CLASS A MEMBER AVG.	\$	4,697	3,788	3,286	3,048	3,239	3,425	4,165	5,108	4,720	5,132	5,016	5,572	4,081

**AVG COST (\$/KW) - PROPOSED RATES**

8. ABC	\$	6,403	6,827	4,360	3,650	4,008	4,810	7,767	6,513	4,780	5,913	5,759	6,827	5,343
9. DVEC		7,863	4,442	3,822	4,231	3,957	7,089	5,730	7,673	5,737	5,955	6,158	7,941	5,507
10. GCEC		6,548	4,853	3,699	3,748	4,019	4,862	5,370	7,798	6,626	7,229	7,376	7,557	5,379
11. MEC		5,965	4,097	4,213	3,812	3,846	4,266	5,755	6,167	7,016	7,308	7,267	7,746	5,240
MEC2		0.620	0.000	0.000	0.000	21,428	5,087	0.000	0.000	0.000	28,983	9,266	21,587	11,641
12. SSVEC		6,392	4,656	3,787	3,548	3,809	3,864	4,154	5,364	4,343	5,542	5,449	6,122	4,573
SSVEC2		-	-	-	-	-	-	-	-	-	-	-	-	-
13. TEC		7,870	6,442	4,998	4,455	5,031	5,288	6,706	8,519	7,969	8,429	8,747	10,664	6,618
14. CLASS A MEMBER AVG.	\$	6,293	5,029	4,346	4,033	4,284	4,542	5,549	6,842	6,316	6,871	6,718	7,480	5,438

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Debited Class  
Test Year - Annualized

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET  
POINT TO POINT TRANSMISSION SERVICES - PRESENT RATES

AEP/CO Bundled Sales	2008												TOTAL	
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
AEP/CO	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	576,000
Firm Pt to Pt - Serv	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423
Rate p/p	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$164,304	\$1,971,648
Firm Pt to Pt - Serv	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loads	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423
Rate P/P	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Dollars P/P	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MW&E Safford	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Rate p/p	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423	\$3,423
Total Dollars P/P	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$34,230	\$410,760
Total Revenue	\$ 198,534	\$ 198,534	\$ 400,303	\$ 360,284	\$ 384,211	\$ 241,890	\$ 276,120	\$ 259,005	\$ 266,874	\$ 214,297	\$ 198,534	\$ 214,776	\$ 214,776	\$ 3,213,362
Total Loads	\$9,000	\$9,000	\$16,945	\$16,254	\$112,244	\$70,666	\$80,666	\$75,666	\$71,965	\$62,605	\$58,000	\$62,745	\$62,745	\$938,756
Load Control & Disp	\$ 16,762	\$ 16,762	\$ 33,797	\$ 30,418	\$ 32,439	\$ 20,422	\$ 23,312	\$ 21,867	\$ 21,532	\$ 18,093	\$ 16,762	\$ 18,133	\$ 18,133	\$ 271,300
Total Revenue	\$ 215,296	\$ 215,296	\$ 434,100	\$ 390,703	\$ 416,650	\$ 262,312	\$ 299,432	\$ 280,872	\$ 288,406	\$ 232,390	\$ 215,296	\$ 232,909	\$ 232,909	\$ 3,484,662

POINT TO POINT TRANSMISSION SERVICES-PROPOSED RATES

AEP/CO Bundled Sales	2009												TOTAL	
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
AEP/CO	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	576,000
Firm Pt to Pt - Agruments	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709
Rate p/p	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$178,032	\$2,136,384
Firm Pt to Pt - Agruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loads	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709
Rate P/P	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Dollars P/P	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MW&E Safford	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Rate p/p	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709	\$3,709
Total Dollars P/P	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$37,090	\$445,080
Total Revenue	\$ 215,122	\$ 215,122	\$ 433,749	\$ 390,387	\$ 416,313	\$ 262,100	\$ 299,190	\$ 280,645	\$ 288,172	\$ 232,202	\$ 215,122	\$ 232,721	\$ 232,721	\$ 3,481,846
Total Loads	\$9,000	\$9,000	\$16,945	\$16,254	\$112,244	\$70,666	\$80,666	\$75,666	\$71,965	\$62,605	\$58,000	\$62,745	\$62,745	\$938,756
Load Control & Disp	\$ 14,210	\$ 14,210	\$ 28,652	\$ 25,787	\$ 27,500	\$ 17,313	\$ 19,763	\$ 18,538	\$ 19,101	\$ 15,538	\$ 14,210	\$ 15,373	\$ 15,373	\$ 229,995
Total Revenue	\$ 229,332	\$ 229,332	\$ 462,401	\$ 416,174	\$ 443,813	\$ 279,413	\$ 318,953	\$ 299,183	\$ 308,274	\$ 247,740	\$ 229,332	\$ 248,094	\$ 248,094	\$ 3,711,841

**Southwest Transmission Cooperative, Inc.**  
Analysis of Revenue by Detailed Class  
Test Year - Annualized

TOTAL FOR POINT-TO-POINT TARIFF

POINT-TO-POINT TARIFF-PRESENT RATES

	2008												2009			TOTAL
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	FEB	MAR		
Total Revenue	\$ 198,534	\$ 198,534	\$ 400,303	\$ 368,284	\$ 384,211	\$ 241,890	\$ 276,120	\$ 259,005	\$ 266,874	\$ 214,297	\$ 198,534	\$ 214,776	\$ 198,534	\$ 214,776	\$ 3,213,362	
Total Loads	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	77,965	62,605	58,000	62,745	58,000	62,745	938,756	
Load Control & Disp	\$ 16,762	\$ 16,762	\$ 33,797	\$ 30,418	\$ 32,439	\$ 20,422	\$ 23,312	\$ 21,867	\$ 22,532	\$ 18,093	\$ 16,762	\$ 18,133	\$ 16,762	\$ 18,133	\$ 271,300	
Total Revenue	\$ 215,296	\$ 215,296	\$ 434,100	\$ 390,703	\$ 416,650	\$ 262,312	\$ 299,432	\$ 280,872	\$ 289,406	\$ 232,390	\$ 215,296	\$ 232,909	\$ 215,296	\$ 232,909	\$ 3,484,662	

POINT-TO-POINT TARIFF-PROPOSED RATES

	2008												2009			TOTAL
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	FEB	MAR		
Total Revenue	\$ 215,122	\$ 215,122	\$ 433,749	\$ 390,387	\$ 416,313	\$ 262,100	\$ 299,190	\$ 280,645	\$ 289,172	\$ 232,202	\$ 215,122	\$ 232,721	\$ 215,122	\$ 232,721	\$ 3,481,846	
Total Loads	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	77,965	62,605	58,000	62,745	58,000	62,745	938,756	
Load Control & Disp	\$ 14,210	\$ 14,210	\$ 28,652	\$ 25,787	\$ 27,500	\$ 17,313	\$ 19,763	\$ 18,538	\$ 19,101	\$ 15,338	\$ 14,210	\$ 15,373	\$ 14,210	\$ 15,373	\$ 229,995	
Total Revenue	\$ 229,332	\$ 229,332	\$ 462,401	\$ 416,174	\$ 443,813	\$ 279,413	\$ 318,953	\$ 299,183	\$ 308,274	\$ 247,540	\$ 229,332	\$ 248,094	\$ 229,332	\$ 248,094	\$ 3,711,841	