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Transcript Exhibit(s)

Docket #(s): E-04100A-09-0496

Arizona Corporation Commission
DOCKETED
SEP 21 2010
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Exhibit # : A1-A6, MEC1, S1-S3, S5-S7, TRICO1

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Date: September 21, 2010

Re: SWTC / Rates
E-04100A-09-0496
Evidentiary Hearing

STATUS OF ORIGINAL EXHIBITS

FILED WITH DOCKET CONTROL

SWTC (A Exhibits)

1 through 6

Trico Electric Cooperative (Trico Exhibits)

1

Mohave Electric Cooperative (MEC Exhibits)

1

Staff (S Exhibits)

1 through 3, 5 through 7

CONFIDENTIAL EXHIBITS

Staff (S Exhibits)

4 Given to ALJ Rodda

Copy to:

Jane L. Rodda, ALJ
Maureen Scott, Esq. – Staff
Michael M. Grant, Esq. – SWTC
Michael A. Curtis, Esq. – Mohave Electric Cooperative

EXHIBIT
A-1
ADMITTED

DIRECT TESTIMONY OF GARY E. PIERSON

ON BEHALF OF

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

Q. Please state your name and address for the record.

A. My name is Gary E. Pierson. My business address is 1000 South Highway 80, Benson, Arizona 85602.

Q. By whom are you employed and in what capacity?

A. I am employed by Sierra Southwest Cooperative Services, Inc. ("Sierra Southwest") as the Manager of Financial Services. As Manager of Financial Services, I am responsible for directing and administrating the treasury and cash management functions for Sierra Southwest. In addition, under agreements that Sierra Southwest has with Arizona Electric Power Cooperative, Inc. ("AEPCO") and Southwest Transmission Cooperative, Inc. ("SWTC"), I am also responsible for the same functions as well as rate design and implementation for these two cooperatives.

Q. Please briefly summarize your educational and professional background.

A. I graduated in 1974 from Western State College, Gunnison, Colorado, with a Bachelor of Arts Degree specializing in Accounting and Business Administration. In June 1974, I was employed by Colorado-Ute Electric Association and worked there for 17 years in various positions in the areas of ratemaking, budgeting, financial forecasting and power requirements studies. In May 1992, I joined AEPCO as a Rates Administrator with principal responsibilities and duties including the preparation of rate filings, the design of

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

Q. What is the purpose of your testimony?

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

Q. Please describe the Schedules.

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

Schedule Category	Section Tab
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

Q. Please describe Section A.

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

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

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

Q. Please describe Section B of the Schedules.

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

Schedule B-5, page 1 provides the computation of working capital by components, which sum to total working capital of just over $1.8 million. That schedule's remaining pages show the calculation of the different components. Schedule B-5, page 2, concerning the calculation of cash working capital, has not been completed. Due to the considerable time and expense of preparing a lead/lag study, SWTC agrees to the use of a zero value for its cash working capital. Nor is SWTC asking for prepayments to be included in the computation of rate base as shown on Schedule B-5, page 5, because of the position Staff 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 <u>loss</u> 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:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Please describe Section D of the Schedules.

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

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

Q. Please describe Section E of the Schedules.

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

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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*	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

See accompanying notes.

MEMBERSHIP CAPITAL AND LIABILITIES

	DECEMBER 31, 2008	DECEMBER 31, 2007
MEMBERSHIP CAPITAL		
Membership fees	$ 900	$ 900
Patronage capital	5,024,714	5,024,714
Unallocated accumulated margins/(losses)	4,373,064	(563,064)
Total membership capital	9,398,678	4,462,550
LONG-TERM DEBT		
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
Total long-term debt	94,572,242	91,345,173
CURRENT LIABILITIES		
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
Total current liabilities	13,140,265	16,279,522
Total membership capital and liabilities	$ 117,111,185	$ 112,087,245

See accompanying notes.

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

	YEAR ENDED DECEMBER 31,	
	2008	2007
OPERATING REVENUES		
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	37,491,510	35,670,845
OPERATING EXPENSES		
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	28,275,803	29,392,919
OPERATING MARGIN	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
NET MARGIN	4,936,128	2,272,034
UNALLOCATED ACCUMULATED LOSSES, beginning of year	(563,064)	(2,835,098)
UNALLOCATED ACCUMULATED MARGINS/ (LOSSES), end of year	$ 4,373,064	$ (563,064)

See accompanying notes.

SOUTHWEST TRANSMISSION COOPERATIVE, INC.
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
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	12,726,636	8,488,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(15,825,258)	(14,060,541)
Software lease	-	(425,000)
Investments	(3,820)	(19,182)
Net cash from investing activities	(15,829,078)	(14,504,723)
CASH FLOWS FROM FINANCING ACTIVITIES		
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	(1,056,448)	2,991,226
CHANGE IN CASH AND CASH EQUIVALENTS	(4,158,890)	(3,024,564)
CASH AND CASH EQUIVALENTS, beginning of year	4,679,359	7,703,923
CASH AND CASH EQUIVALENTS, end of year	$ 520,469	$ 4,679,359
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest, net of amount capitalized	$ 4,487,608	$ 5,431,782

See accompanying notes.

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.

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.

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.

Note 3 - Investments

Investments at December 31 consist of the following:

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

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:

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

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:

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

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

	2008	2007
January 1	$ 5,024,714	$ 5,024,714
Patronage capital allocation	-	-
December 31	$ 5,024,714	$ 5,024,714

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.

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	77,260,710
	$ 98,447,160

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:

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

Note 8 - Accounts Payable

Accounts payable at December 31 consists of the following:

	2008	2007
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	4,099,634	1,862,445
Total accounts payable	$ 6,799,439	$ 5,498,090

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.

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. (AEPCO) to provide network integration transmission service to deliver AEPCO's power to AEPCO's all requirements Class A distribution cooperative members. The Cooperative entered into separate agreements to provide network integration transmission service to AEPCO's partial requirements Class A members. These agreements remain in effect so long as the associated wholesale power contract between AEPCO 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.

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.

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.

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.

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	846,827
	$ 4,376,732

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

EXHIBIT
A-2
ADMITTED

REBUTTAL TESTIMONY OF

GARY E. PIERSON

ON BEHALF OF

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

July 30, 2010

15169-13/2536359

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Exhibit

GEP-2 – Comparison of Increase in Gross Revenue Requirements

1 **REBUTTAL TESTIMONY OF GARY E. PIERSON**

2 **ON BEHALF OF**

3 **SOUTHWEST TRANSMISSION COOPERATIVE, INC.**

4 Q. Mr. Pierson, are you the same Gary E. Pierson who sponsored direct testimony for
5 Southwest Transmission Cooperative, Inc. ("SWTC") in this matter?

6 A. Yes, I am.

7 Q. Have you reviewed the direct testimonies of Staff witnesses Messrs. Smith and Vickroy
8 which were filed June 18, 2010 in this matter?

9 A. Yes, I have. SWTC recognizes and appreciates the very thorough and detailed analyses
10 of revenue requirements, rate base and cost of capital provided by Messrs. Smith and
11 Vickroy in their direct testimonies. While SWTC does not necessarily agree with all of
12 the adjustments to revenue requirements offered by Mr. Smith, in order to narrow
13 disputed issues and reduce complexity, SWTC accepts (1) all four of the Rate Base
14 Adjustments proposed by Mr. Smith at pages 15-19 of his testimony and (2) four of the
15 five adjustments to Operating Income discussed at pages 22-29 of his testimony.

16 Q. What is SWTC's position on Mr. Vickroy's DSC recommendation of 1.45?[1]

17 A. Mr. Vickroy is concerned that SWTC's 1.35 DSC request is "fairly thin and marginally
18 sufficient."[2] As he notes, however, SWTC now has an interim financing facility which
19 will help to manage the cash flow lags between cash expenditures for capital projects and
20 related FFB loan draw replenishments. Also, with the finalization and filing for approval
21 of the ARM and PRM contract amendments in early June, we have grown somewhat

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[1] Vickroy Direct, p. 9, ll. 19-22.

[2] *Id.*, p. 8, ll. 23-24.

more confident that a new point-to-point transmission agreement will be entered into between SWTC and AEPCO commencing in January, 2011. If this occurs, it would provide a new revenue source for SWTC in 2011. SWTC's Board considered the Cooperative's overall financial needs and profile when it approved our request for the 1.35 DSC and, given these developments, SWTC continues to believe that position is adequate.

RATE BASE – SWTC REBUTTAL POSITION

Q. Have you reviewed Staff's testimony on original cost rate base and the determination of fair value for this proceeding?

A. Yes, I have. As I indicated, SWTC accepts Staff's proposed rate base of $79.1 million—as set forth in Mr. Smith's Schedule B, page 1—as the fair value rate base.

OPERATING INCOME – SWTC REBUTTAL POSITION

Q. One of Mr. Smith's adjustments is to increase SWTC's test year income by slightly more than $73,000 for the gain attributable to the sale of a 69 kV line to Mohave Electric Cooperative in 2009.[3] Does SWTC accept that adjustment?

A. No. I understand that for investor-owned utilities, gains in relation to property sales, for ratemaking purposes, have been ordered by the Commission to be shared between the for-profit utility's stockholders and ratepayers. Mr. Smith asserts that because SWTC is a member-owned cooperative, the full amount should be credited to ratepayers and he increases test year income by approximately $73,000. But, it's important to stress that, because we are a nonprofit cooperative, <u>all</u> of the gain attributable to that sale has <u>already</u> been credited to the benefit of the Class A member ratepayers. SWTC rarely sells utility

[3] Smith Direct Testimony, pp. 29-31.

1 property. But, when it does and if it realizes a gain, its members/ratepayers are credited with
2 that gain and are assigned patronage capital credits for positive margins which result. So,
3 when Mr. Smith proposes to increase SWTC's test year income, his adjustment actually has
4 the effect of crediting the member ratepayers twice for that gain. Therefore, we recommend
5 that this approximately $73,000 increase in test year income should not be made.
6 Q. Mr. Smith accepted SWTC's adjustment for an annual allowance of $80,000 for rate case
7 expenses "pending receipt of additional detail." Please update SWTC's rate case expense
8 incurred to date.
9 A. As our response to STF 2.51 indicated, based on the legal fees and costs incurred in
10 SWTC's last case, plus an estimate of this case's consultant fees and costs, we estimated
11 that total rate case expenses would amount to $240,000. Through June 2010, total expenses
12 have already reached just under $176,000. Given the facts that (1) July will reflect the legal
13 and consulting costs associated with rebuttal testimony preparation and (2) another round of
14 testimony preparation, the hearing and post-hearing activity remain to be completed, the
15 $240,000 projection obviously was a conservative estimate. We will provide Staff an
16 update on the incurred expense amount in August.
17 Q. What is the rebuttal position of SWTC regarding operating income?
18 A. SWTC proposes adjusted test year revenues of approximately $27.8 million, operating
19 expenses of $27.1 million, electric operating income (margins) of $660,000 and the net
20 margin loss in the test year of almost $4.0 million. This differs from Staff's position as
21 set forth on Attachment RCS-2, Page 2, Column D by the $73,300 Staff adjustment to
22 Total Other Non-Operating Income which SWTC proposes to remove.

COST OF CAPITAL – SWTC REBUTTAL POSITION

Q. Mr. Vickroy filed Direct Testimony on Staff's behalf summarizing his evaluation and recommendations regarding cost-of-capital issues for the SWTC rate filing. Please provide the Cooperative's response to Mr. Vickroy's testimony.

A. We agree with Mr. Vickroy's conclusions concerning SWTC's cost of debt as discussed at pp. 4-7 of his direct testimony. For the reasons I stated previously, while we appreciate Mr. Vickroy's analysis and 1.45 DSC recommendation, we are maintaining our request for a 1.35 DSC. As to his comments on equity levels and related subjects,[4] pursuant to Decision No. 69239, SWTC has been providing to Staff an updated equity analysis annually. SWTC's last update in June of this year noted that the current equity level—while low at 8%—was still almost twice the level which had been projected in 2006. Favorable and timely action on this case should allow the Cooperative to resume the gradual improvement to its equity levels which it has been making over the past few years. SWTC understands Mr. Vickroy and Staff's expressed concern about its equity levels and possible emerging threats to its financial condition. It certainly has no objection to more frequent periodic meetings with Staff to discuss any of these issues. However, particularly in light of resource constraints on both us and Staff, we do not believe it is necessary for SWTC and Staff to develop a specific plan for building equity over time or to develop forecasts allowing regular monitoring of emerging threats to its financial condition. We think more regular communications and information sharing will accomplish many of the same goals.

[4] Vickroy Direct, pp. 10-12.

1 **ENGINEERING ANALYSIS – SWTC REBUTTAL POSITION**

2 Q. Mr. Mazzini also filed Direct Testimony on Staff's behalf summarizing his engineering
3 analysis of the filing and his conclusions concerning the "used and useful" nature of
4 facilities which SWTC has recently added to its system. Please provide the
5 Cooperative's response to Mr. Mazzini's testimony.

6 A. SWTC certainly agrees with Mr. Mazzini's major conclusions that (1) its projects have
7 been adequately justified and their construction has been effectively managed;
8 (2) maintenance practices are appropriate within a process managed by state of the art
9 systems; (3) reliability performance is good, with outage time consistently averaging well
10 under one hour per year per customer; and (4) operating costs appear consistent and
11 reasonable, with the notation that cost analysis and oversight could be improved (Mazzini
12 Testimony, page 2, ll. 12-17). Mr. Mazzini also provided a detailed engineering analysis
13 as an exhibit to his direct testimony. His conclusions and observations are being closely
14 reviewed by the Cooperative's senior management and engineering personnel for any
15 further process improvements, oversight procedures or refinements which should be
16 implemented.

17 **SUMMARY OF REBUTTAL POSITION**

18 Q. Have you prepared an exhibit which summarizes SWTC's current positions and requests?

19 A. Yes, I have. Exhibit GEP-2 summarizes SWTC's rate filing, Staff's direct testimony
20 position and SWTC's rebuttal position. As shown on Exhibit GEP-2, Column 3, SWTC
21 has reduced its rate request on rebuttal from its original 29.65% to a 26.43% increase
22 over test year present rates based upon a DSC of 1.35. The rate of return on the rate base
23 of $79,146,274 is 9.46%.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

Southwest Transmission Cooperative, Inc.

Comparison of Increase in Gross Revenue Requirement

Test Year Ended March 31, 2009

Line No.	Description	Col. 1 Company As Filed Position	Col. 2 Staff Direct Position	Col. 3 Company Rebuttal Position
1	Summary of Revenue Increase Proposed:			
2	Proposed Revenue Increase	$ 7,653,421	$ 7,648,823	$ 6,823,195
3	Revenues in Test Year - Present Rates	$ 25,812,880	$ 25,812,880	$ 25,812,880
3	Revenue Increase Percentage	29.65%	29.63%	26.43%
4				
5	Pro Forma Statement of Operations			
6	with Proposed Rates:			
7	Operating Revenues	$ 35,430,648	$ 35,426,050	$ 34,600,422
8	Operating Expense	27,947,057	27,116,831	27,116,831
9	Electric Operating Margins	7,483,591	8,309,219	7,483,591
10	Interest & Other Deductions	4,761,153	4,761,153	4,761,153
11	Operating Margins	2,722,438	3,548,066	2,722,438
12	Non-Operating Margins	100,898	174,198	100,898
13	Net Patronage Capital or Margins	$ 2,823,336	$ 3,722,264	$ 2,823,336
14				
15	Times Interest Earned Ratio:			
16	Net Patronage Capital or Margins	$ 2,823,336	$ 3,722,264	$ 2,823,336
17	Interest on Long Term Debt	4,999,328	4,999,328	4,999,328
18	Total	$ 7,822,664	$ 8,721,592	$ 7,822,664
19	Times Interest Earned Ratio	1.56	1.74	1.56
20				
21	Debt Service Coverage Ratio:			
22	Net Patronage Capital or Margins	$ 2,823,336	$ 3,722,264	$ 2,823,336
23	Depreciation & Amortization	4,312,850	4,312,850	4,312,850
24	Interest on Long Term Debt	4,999,328	4,999,328	4,999,328
25	Total	$ 12,135,514	$ 13,034,442	$ 12,135,514
26				
27	Interest on Long Term Debt	$ 4,999,328	$ 4,999,328	$ 4,999,328
28	Principal Payments	3,989,942	3,989,942	3,989,942
29	Debt Service	$ 8,989,270	$ 8,989,270	$ 8,989,270
30	Debt Service Coverage Ratio	1.35	1.45	1.35
31				
32	Return on Fair Value Rate Base:			
33	Electric Operating Margins	$ 7,483,591	$ 8,309,219	$ 7,483,591
34	Rate Base	$ 79,668,372	$ 79,146,274	$ 79,146,274
35	Return on Fair Value Rate Base	9.39%	10.50%	9.46%

EXHIBIT
A-3
ADMITTED

REJOINDER TESTIMONY OF

GARY E. PIERSON

ON BEHALF OF

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

September 1, 2010

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1 **REJOINDER TESTIMONY OF GARY E. PIERSON**

2 **ON BEHALF OF**

3 **SOUTHWEST TRANSMISSION COOPERATIVE, INC.**

4 **Q. Mr. Pierson, are you the same Gary E. Pierson who sponsored Direct and Rebuttal**
5 **Testimonies for Southwest Transmission Cooperative, Inc. ("SWTC") in this matter?**
6 A. Yes, I am.

7 **Q. Have you reviewed the Surrebuttal Testimonies of Staff witnesses Messrs. Smith and**
8 **Kalbarczyk which were filed August 18, 2010 in this matter?**
9 A. Yes, I have. Mr. Smith accepted our rebuttal position on the ratemaking treatment of the
10 gain realized on the sale of a 69 kV line and we agree that this increases SWTC's revenue
11 requirements by approximately $73,000. Mr. Kalbarczyk also accepted Dr. Zarnikau's
12 small corrections in allocated costs on a discounted rate involving Mohave Electric
13 Cooperative, Inc.

14 **Q. In light of those positions, Mr. Pierson, have the disputes in this case been reduced**
15 **to the single issue of the appropriate Debt Service Coverage ("DSC") ratio to be**
16 **approved for SWTC by the Commission?**
17 A. That's correct. SWTC and Staff agree on operating expenses in the test year, the value of
18 SWTC's rate base and the cost of service principles and cost allocation methods to be
19 applied in this case. Our sole remaining disagreement concerns the amount of the
20 proposed revenue increase. Staff recommends an increase of approximately $7.7 million,

while our recommendation is $6.8 million. The roughly $900,000 differential results from Staff's position that a DSC of 1.45 should be approved and our position that the Commission should use a 1.35 DSC in setting our rates. For the reasons discussed at pages 1-2 of my Rebuttal Testimony, SWTC continues to believe that the 1.35 DSC is adequate and should be approved by the Commission. SWTC's Management recommended and SWTC's Board of Directors authorized our 1.35 DSC position. SWTC members support the 1.35 DSC position and MEC, Trico and SSVEC have filed testimonies or comments in support of the Board of Directors' position.

SUMMARY OF REJOINDER POSITION

Q. Have you prepared exhibits which summarize SWTC's current positions and requests?

A. Yes, I have. Exhibit GEP-3 summarizes SWTC's rate filing, Staff's Direct Testimony, SWTC's rebuttal, Staff's surrebuttal and SWTC's rejoinder positions. Referring to Column 5 (Company Rejoinder Position) of Exhibit GEP-3, SWTC requests that the Commission authorize a revenue increase of approximately $6.8 million or a 26.43% increase over revenues in the test year under present rates. This is about 3.2% lower than our original as-filed position and results in Operating Margins of about $7.5 million and a rate of return of 9.46% on the fair value rate base of $79.1 million. In addition, Exhibit GEP-4 compares the SWTC and Staff positions as to proposed transmission service rates throughout the case. Referring to Column 6 (Company Rejoinder Position), SWTC requests that the Commission approve the rates stated in that column.

1 **Q. Mr. Pierson, can you estimate the impact of the requested increase on a retail**
2 **cooperative's member/owner's bill?**
3 A. As Mr. Minson discussed at page 5 of his Direct Testimony, it's difficult to do that
4 precisely because this is a wholesale rate and the distribution cooperatives have different
5 rates and rate structures at retail. But, using the same assumptions stated in his
6 testimony, our reduced request will translate to about a $4.20 increase in the monthly bill
7 of a residential customer taking 1,000 kWh per month.

8 **Q. Does this conclude your Rebuttal Testimony?**
9 A. Yes, it does.

Exhibit GEP-3

Southwest Transmission Cooperative, Inc.

Comparison of Increase in Gross Revenue Requirement

Test Year Ended March 31, 2009

Line No.	Description	Col. 1 Company As Filed Position	Col. 2 Staff Direct Position	Col. 3 Company Rebuttal Position	Col. 4 Staff Surrebuttal Position	Col. 5 Company Rejoinder Position
1	Summary of Revenue Increase Proposed:					
2	Proposed Revenue Increase	$ 7,653,421	$ 7,648,823	$ 6,823,195	$ 7,722,123	$ 6,823,195
3	Revenues in Test Year - Present Rates	$ 25,812,880	$ 25,812,880	$ 25,812,880	$ 25,812,880	$ 25,812,880
3	Revenue Increase Percentage	29.65%	29.63%	26.43%	29.92%	26.43%
4						
5	Pro Forma Statement of Operations					
6	with Proposed Rates:					
7	Operating Revenues	$ 35,430,648	$ 35,426,050	$ 34,600,422	$ 35,499,350	$ 34,600,422
8	Operating Expense	27,947,057	27,116,831	27,116,831	27,116,831	27,116,831
9	Electric Operating Margins	7,483,591	8,309,219	7,483,591	8,382,519	7,483,591
10	Interest & Other Deductions	4,761,153	4,761,153	4,761,153	4,761,153	4,761,153
11	Operating Margins	2,722,438	3,548,066	2,722,438	3,621,366	2,722,438
12	Non-Operating Margins	100,898	174,198	100,898	100,898	100,898
13	Net Patronage Capital or Margins	$ 2,823,336	$ 3,722,264	$ 2,823,336	$ 3,722,264	$ 2,823,336
14						
15	Times Interest Earned Ratio:					
16	Net Patronage Capital or Margins	$ 2,823,336	$ 3,722,264	$ 2,823,336	$ 3,722,264	$ 2,823,336
17	Interest on Long Term Debt	4,999,328	4,999,328	4,999,328	4,999,328	4,999,328
18	Total	$ 7,822,664	$ 8,721,592	$ 7,822,664	$ 8,721,592	$ 7,822,664
19	Times Interest Earned Ratio	1.56	1.74	1.56	1.74	1.56
20						
21	Debt Service Coverage Ratio:					
22	Net Patronage Capital or Margins	$ 2,823,336	$ 3,722,264	$ 2,823,336	$ 3,722,264	$ 2,823,336
23	Depreciation & Amortization	4,312,850	4,312,850	4,312,850	4,312,850	4,312,850
24	Interest on Long Term Debt	4,999,328	4,999,328	4,999,328	4,999,328	4,999,328
25	Total	$ 12,135,514	$ 13,034,442	$ 12,135,514	$ 13,034,442	$ 12,135,514
26						
27	Interest on Long Term Debt	$ 4,999,328	$ 4,999,328	$ 4,999,328	$ 4,999,328	$ 4,999,328
28	Principal Payments	3,989,942	3,989,942	3,989,942	3,989,942	3,989,942
29	Debt Service	$ 8,989,270	$ 8,989,270	$ 8,989,270	$ 8,989,270	$ 8,989,270
30	Debt Service Coverage Ratio	1.35	1.45	1.35	1.45	1.35
31						
32	Return on Fair Value Rate Base:					
33	Electric Operating Margins	$ 7,483,591	$ 8,309,219	$ 7,483,591	$ 8,382,519	$ 7,483,591
34	Rate Base	$ 79,668,372	$ 79,146,274	$ 79,146,274	$ 79,146,274	$ 79,146,274
35	Return on Fair Value Rate Base	9.39%	10.50%	9.46%	10.59%	9.46%

Southwest Transmission Cooperative, Inc.

Comparison of Proposed Transmission Services Rates

Test Year Ended March 31, 2009

Line No.	Description	Col. 1 Company Current Rates	Col. 2 Company As Filed Position	Col. 3 Staff Direct Position	Col. 4 Company Rebuttal Position	Col. 5 Staff Surrebuttal Position	Col. 6 Company Rejoinder Position
	Transmission Services:						
	Firm Network Service - $ Monthly Rev. Req.*	$ 1,608,258	$ 2,247,574	$ 2,247,326	$ 2,187,176	$ 2,253,611	$ 2,187,176
	Firm Network Service - $ Annual Rev. Req.*	$ 19,299,096	$ 26,970,888	$ 26,967,912	$ 26,246,111	$ 27,043,332	$ 26,246,111
	Firm Network Service - Moh Elec 2 $ Monthly Rev. Req.*	$ 1,608,258	$ 2,162,827	$ 2,155,588	$ 2,056,562	$ 2,116,280	$ 2,056,562
	Firm Network Service - Moh Elec 2 $ Annual Rev. Req.*	$ 19,299,096	$ 25,953,928	$ 25,867,053	$ 24,678,748	$ 25,395,356	$ 24,678,748
	Firm Point-to-Point Network Transmission ($/kW)	$ 3.423	$ 3.709	$ 3.709	$ 3.608	$ 3.718	$ 3.608
	Non-Firm Point-to-Point Network Transmission $/kW)	$ 3.423	$ 3.709	$ 3.709	$ 3.608	$ 3.718	$ 3.608
	Mandatory Ancillary Services:						
	Sch. 1 - Network - System Control & Load Dispatch - ($/kW)	$ 0.289	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245
	Sch. 1 - Point-to-Point - System Control & Load Dispatch - ($/kW)	$ 0.289	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245
	Sch. 2 - Network - Var Support/ Voltage Control - ($/kW)	$ 0.120	$ 0.066	$ 0.074	$ 0.067	$ 0.075	$ 0.067
	Sch. 2 - Point-to-Point - Var Support/ Voltage Control - ($/kW)	$ 0.094	$ 0.049	$ 0.055	$ 0.049	$ 0.055	$ 0.049
	FERC Optional Ancillary Services - AEPCO						
	Sch. 3 - Network - Req. & Freq. Resp ($/kW)	$ 0.4720	$ 0.5318	$ 0.4006	$ 0.5325	$ 0.5474	$ 0.5325
	Sch. 4 - Network - Energy Imbalance - Eng In-Kind +/-1.5% ($/MW)	$ 23.25	$ 36.68	$ 36.68	$ 36.68	$ 36.68	$ 36.68
	Sch. 5 - Network - Oper. Reserves - Spinning ($/kW)	$ 0.7130	$ 0.7051	$ 0.5311	$ 0.7060	$ 0.7258	$ 0.7060
	Sch. 6 - Network - Oper. Reserve - Supplemental ($/kW)	$ 0.4610	$ 0.4974	$ 0.3783	$ 0.4981	$ 0.5116	$ 0.4981
	Direct Assignment Facilities						
	Trico Electric Only - ($/mth)**	$ 128,777	$ 128,777	$ 128,777	$ 128,777	$ 128,777	$ 128,777

* Memb Rate: $ annual rev req /12 x ratio of Memb's Currnt 12mth avg Load to that of same Sum Total Membs.Load

** Cost Alloc & assoc. charges for transmission construction by distribution cooperative - Trico Only

EXHIBIT
A-4
ADMITTED

DIRECT TESTIMONY OF DIRK MINSON

ON BEHALF OF

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

INTRODUCTION

Q. Please state your name and business address.

A. My name is Dirk Minson. My business address is 1000 South Highway 80, Benson, Arizona, 85602.

Q. By whom are you employed and in what capacity?

A. I am the Chief Financial Officer of Southwest Transmission Cooperative, Inc. ("SWTC"). As Chief Financial Officer, I serve on the Executive Management Team and report directly to the Chief Executive Officer. My specific responsibilities and duties include the accounting functions of the Cooperative, including establishing fiscal policy, procedure development and implementation of appropriate financial controls. Additional responsibilities include financial planning, rate design development and implementation, corporate treasury functions, as well as cash and working capital management, and inventory control.

Q. Please briefly describe your educational background and work-related experience.

A. I hold a B.S. Degree in Business Administration from Kansas State University and an M.B.A. from the University of Missouri. My entire 34-year career has been spent working directly or indirectly for electric cooperative utilities. I began my employment with Arizona Electric Power Cooperative, Inc. (whose

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

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

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

BACKGROUND

Q. Mr. Minson, please describe SWTC.

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

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

Q. Does SWTC have Class B Members?

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

Q. Does SWTC have transmission agreements with other entities?

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

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

A. Yes. Like AEPCO, SWTC is a borrower from the Rural Utilities Service ("RUS") which is a division of the United States Department of Agriculture. As an RUS borrower, SWTC is subject to its regulation--both by virtue of its mortgage and also pursuant to regulations promulgated by the RUS. SWTC is also a "transmitting utility" under Section 211 of the Federal Power Act. As a transmitting utility, SWTC is subject to certain jurisdiction of the Federal Energy 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.

OVERVIEW OF FILING

Q. Please summarize SWTC's rate request.

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

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

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

EXHIBIT
A-5
ADMITTED

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

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

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

Q. Have you previously testified before regulatory commissions?

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

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

A. No, I have not.

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

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

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

Q. Please describe Section G of the Schedules.

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

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

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

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

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

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

Q. Please describe Section H of the Schedules.

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

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

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

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

Q. Please summarize the rates which SWTC requests that the Commission approve.

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

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT
A-6
ADMITTED

REBUTTAL TESTIMONY OF

DR. JAY ZARNIKAU

ON BEHALF OF

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

July 30, 2010

15169-13/2536363

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1 **REBUTTAL TESTIMONY OF DR. JAY ZARNIKAU**

2 **BEFORE THE**

3 **ARIZONA CORPORATION COMMISSION**

4 **ON BEHALF OF**

5 **SOUTHWEST TRANSMISSION COOPERATIVE, INC.**

6 Q. Please state your name and business address.

7 A. My name is Jay Zarnikau. My business address is 1515 Capital of Texas Hwy.,
8 South, Suite 110, Austin, Texas.

9 Q. Are you the same Jay Zarnikau who filed direct testimony on behalf of Southwest
10 Transmission Cooperative, Inc. ("SWTC" or "Southwest") in this proceeding on
11 the topic of rate design?

12 A. Yes, I am.

13 Q. Please state the purpose of your rebuttal testimony.

14 A. My rebuttal testimony (1) responds to the direct testimony filed by Dennis
15 Kalbarczyk on behalf of the Utilities Division Staff of the Arizona Corporation
16 Commission, (2) describes some small corrections to a discounted rate involving
17 the Mohave Electric Cooperative ("MEC") and (3) presents a revised fully
18 allocated cost of service study which includes the proposed rate design necessary
19 to produce the revised revenue requirements discussed in Mr. Pierson's rebuttal
20 testimony.

21 Q. Have you attached any schedules to your testimony?

22 A. Yes. Attached are schedules JWZ-Schedules G and H.[1] They reflect the fully
23 allocated cost of service study methods which Staff witness Kalbarczyk and I
24 agree on and include the corrections and adjustments I just mentioned and will
25 describe shortly.

[1] These schedules use the billing units and changes in the revised G and H schedules filed by SWTC in December 2009 in response to Staff's sufficiency review.

1 Q. What are your comments on Mr. Kalbarczyk's testimony?

2 A. It is evident that Mr. Kalbarczyk and I are in complete agreement on the basic
3 cost allocation and rate design approaches which should be approved by the
4 Commission in this proceeding. As Mr. Kalbarczyk states, SWTC's "fully
5 allocated cost of service study… is reasonably consistent with the prior rate case
6 filing methods and is in compliance with Finding of Fact No. 45 in Decision
7 No. 68072."[2]

8 Q. Please describe the discounted rate issue which you want to discuss.

9 A. At page 7 of his testimony, Mr. Kalbarczyk noted that my treatment of a
10 discounted rate to MEC for its Second Network Transmission Agreement
11 ("MEC2") was a minor change from SWTC's prior rate case filing method.
12 Mr. Kalbarczyk's statement prompted me to re-examine the proposed treatment of
13 this network transmission agreement. Following that review, I am recommending
14 some minor adjustments to its treatment.

15 Q. As background, please describe the contractual arrangements between Southwest
16 and MEC.

17 A. When Arizona Electric Power Cooperative, Inc. ("AEPCO") was restructured in
18 August 2001 and SWTC became the transmission provider, MEC elected to
19 become a partial-requirements customer. SWTC and MEC then entered into an
20 overall transmission agreement through which Southwest provides network
21 transmission service to MEC. This agreement contemplated that the two parties
22 would enter into additional transmission agreements. Two of these agreements
23 enabled MEC to acquire non-AEPCO resources. These non-AEPCO resources
24 may be used as either a supplement to or as a substitute for MEC's interest in
25 power acquired from AEPCO.

26 Q. What are the differences between these two agreements?

27 A. One agreement provides for network transmission service for non-AEPCO
28 resources, while the other agreement provides point-to-point service for such

[2] Kalbarczyk Direct, p. 7, ll. 19-22.

resources. They permit MEC to use the Southwest system to serve MEC's loads with non-AEPCO resources which MEC has acquired. The MEC2 contract noted in Mr. Kalbarczyk's direct testimony is the network agreement for non-AEPCO resources. It parallels the network service arrangements of the initial transmission agreement, which is used for delivery of AEPCO Resources to MEC's native load. Having such network delivery arrangements (regardless of whether they are for AEPCO or MEC's other resources) is consistent with FERC's model for Network Integration Transmission Service.

Q. Why have you recommended that MEC2 be treated differently than any other contract through which SWTC provides transmission service?

A. Because the MEC2 agreement is unique. Under MEC2, MEC must arrange to have any non-AEPCO resources delivered to the Western Area Power Administration's Davis Substation in Mohave County in the northwest corner of Arizona. From the Davis Substation, Southwest then delivers the power to MEC's native loads through SWTC's transmission facilities. Had the parties not agreed to use the Davis delivery point, Southwest would have been obligated to plan for, fund and/or construct transmission system facilities from more remote resource locations to the Davis Substation and MEC would likely have been responsible for a large portion of those costs in its transmission service rates. MEC instead agreed to use Davis as a single point of receipt and Southwest agreed to insulate MEC from the future costs of new facilities that SWTC might later construct in the southeastern part of Arizona.

This pricing approach is balanced and in the best interests of the entire Southwest system. Although MEC receives a slightly discounted price and protection from price increases associated with transmission construction projects in the southeastern part of the State, SWTC's other members are similarly not exposed to any costs that might be incurred if SWTC was obligated to build additional transmission from more-distant resources to the Davis Substation.

1 Q. Please describe how you handled these unique provisions of the MEC2 agreement
2 in your direct testimony.
3 A. Originally, I removed all costs associated with the Apache Transformer
4 Replacement ("Apache Transformer") and the Bicknell Substation Upgrade
5 ("Bicknell") from the "system" costs which could potentially be allocated to MEC
6 under the MEC2 agreement. Under the MEC2 agreement, I thought that MEC
7 should be insulated from a share of the costs associated with these projects,
8 because they are located in southeastern Arizona. This calculation was presented
9 in Schedule G-2A, Page 4 of 14 of the rate filing schedules.
10 Q. Now that Mr. Kalbarczyk refocused your attention on the MEC2 discounted rate,
11 do you believe that your original treatment of this contract was appropriate?
12 A. No, my original treatment was incorrect in some fairly minor respects. Southwest
13 has informed me that some costs associated with the Apache Transformer and
14 Bicknell assets were ordinary repairs and replacements to facilities previously
15 included in the MEC2 rate base. Therefore, only a portion—not all—of the costs
16 associated with these two projects should be considered "new system costs."
17 And, only that portion of the costs that are associated with new system facilities
18 should be removed from those costs used to calculate the MEC2 discount.
19 Q. Please summarize the changes you have made to the allocation.
20 A. Instead of removing all costs of the Apache Transformer, only half of the costs, or
21 $1,036,546, should be removed from the costs allocated to MEC2. Second,
22 instead of removing all Bicknell costs, only $2,989,098 should be removed, rather
23 than the $3,145,320 plant-in-service which was initially removed. I have reduced
24 the amount of accumulated depreciation in a proportional manner. Also, property
25 taxes and transmission operation and maintenance expenses that are associated
26 with those system assets which should not be allocated to the MEC2 contract have
27 been removed.
28 Overall, the adjustments on the omitted property taxes and transmission operation
29 and maintenance expenses on assets <u>decrease</u> the price of service under the MEC2

1 contract, while the adjustments in relation to the Apache Transformer and
2 Bicknell increase the proposed revenues collected by Southwest through the
3 MEC2 agreement.
4 Q. What impacts do these changes have on your recommended rates?
5 A. These adjustments have the net effect of slightly reducing revenues received from
6 MEC. Proposed Network Services Revenues from the MEC2 contract decrease
7 from $487,084 to $476,773—a reduction of just over $10,000. The attached
8 JWZ-Schedules G and H incorporate these changes as well as the changes in
9 revenue requirements discussed in Mr. Pierson's testimony. I also attach a Proof
10 of Revenue Summary (Exhibit JWZ-1) and a Comparison of Current and
11 Proposed Rates, as originally filed; as adjusted by Staff; and as based on SWTC's
12 rebuttal (Exhibit JWZ-2).
13 Q. Does this conclude your rebuttal testimony?
14 A. Yes.

Southwest Transmission Cooperative, Inc.

JWZ SCH. G-1

Cost of Service Summary - Present Rates - SWTC vs. Staff Adjusted vs SWTC Rebuttal

Rebuttal

LINE NO.		PER SWTC TOTAL SYSTEM *		PER STAFF TOTAL SYSTEM	SWTC REBUTTAL TOTAL SYSTEM
	REVENUES:				
1.	NETWORK TRANSMISSION SERVICE	$ 22,328,219		$ 22,328,219	$ 22,328,219
2.	POINT-TO -POINT	3,484,662		3,484,662	3,484,662
3.	TOTAL ELECTRIC REVENUE:	25,812,881		25,812,881	25,812,881
4.	OTHER OPERATING REVENUE	598,408		598,408	598,408
5.	SPECIAL CONTRACTS & OTHER	1,365,938		1,365,938	1,365,938
6.	TOTAL OPERATING REVENUE	27,777,227		27,777,227	27,777,227
7.	OPERATING EXPENSES	27,947,057	(a)	*27,116,831*	*27,116,831*
8.	OPERATING INCOME (MARGINS)	(169,830)		660,396	660,396
9.	INCOME TAXES	-		-	-
10.	NET INCOME (MARGINS) (LINE 8 - LINE 9)	(169,830)		660,396	660,396
11.	RATE BASE	79,668,372	(b)	79,146,274	79,146,274
12.	RATE OF RETURN	-0.21%		0.83%	0.83%

Source Supporting Schedule Reference

* SWTC As-Filed Schedule G-1

(a) Staff Attachment RCS-2, Sch. A, Column D, Line 2

(b) Staff Attachment RCS-2, Sch. B, Column C, Line 9

Southwest Transmission Cooperative, Inc.

JWZ SCH. G-2

Cost of Service Summary - Proposed Rates - SWTC vs. Staff Adjusted vs SWTC Rebuttal

Rebuttal

LINE NO.		PER SWTC TOTAL SYSTEM *	PER STAFF TOTAL SYSTEM		SWTC REBUTTAL TOTAL SYSTEM
	REVENUES:				
1.	NETWORK TRANSMISSION SERVICE	$ 29,754,459	$ 29,749,860		29,019,048
2.	POINT-TO -POINT	3,711,841	3,711,841		3,617,027
3.	TOTAL ELECTRIC REVENUE	33,466,300	33,461,701		32,636,075
4.	OTHER OPERATING REVENUE	598,408	598,408		598,408
5.	SPECIAL CONTRACTS & OTHER	1,365,940	1,365,940		1,365,939
6.	TOTAL OPERATING REVENUE	35,430,648	35,426,049		34,600,422
7.	OPERATING EXPENSES	27,947,057	*27,116,831*	(a)	27,116,831
8.	OPERATING INCOME (MARGINS)	7,483,591	8,309,218		7,483,591
9.	INCOME TAXES	-	-		-
10.	NET INCOME (MARGINS) (LINE 6 - LINE 7)	7,483,591	8,309,218		7,483,591
11.	RATE BASE	79,668,372	79,146,274	(b)	79,146,274
12.	RATE OF RETURN	9.39%	10.50%		9.46%

Source Supporting Schedule Reference

* SWTC As-Filed Schedule G-2

(a) Staff Attachment RCS-2, Sch. A, Column D, Line 2

(b) Staff Attachment RCS-2, Sch. B, Column C, Line 9

Southwest Transmission Cooperative, Inc.

Derivation Of Revenue Requirement And Rates - SWTC vs. Staff Adjusted vs SWTC Rebuttal

LINE NO.		PER SWTC TOTAL *	PER STAFF TOTAL	SWTC REBUTTAL TOTAL
1.	OPERATING EXPENSES (EXCL. REVENUE TAX)	$ 27,947,057	$ 27,116,831	$ 27,116,831
2.	INTEREST & OTHER DEDUCTIONS:	4,761,153	4,761,153	4,761,153
3.	TOTAL OPERATING EXPENSES (INC. INTEREST)	32,708,210	31,877,984	31,877,984
4.	PLUS MARGIN REQUIREMENT	2,823,336	3,722,263	2,823,336
	LESS OTHER REVENUES:			
5.	OTHER OPERATING REVENUE	598,408	598,408	598,408
6.	SPECIAL CONTRACTS	1,295,300	1,295,300	1,295,300
7.	DIRECT ASSIGNMENT FACILITIES	1,545,318	1,545,318	1,545,318
8.	SYS. CTL. & LOAD DSPTCH N/I SP.CONT.	1,558,531	1,558,531	1,558,531
9.	TOTAL OTHER INCOME	4,997,557	4,997,557	4,997,557
10.	NON-OPERATING MARGINS	100,898	174,198 (a)	100,898 (b)
11.	PLUS EXTRAORDINARY ITEMS	-	-	
12.	NET REVENUE REQUIREMENT BEFORE REV. TAX	30,433,091	30,428,492	29,602,865
13.	REVENUE TAX		-	
14.	ANNUAL TRANSMISSION REVENUE REQUIREMENT	$ 30,433,091	$ 30,428,492	$ 29,602,865

Source Supporting Schedule Reference

*	SWTC As-Filed Schedule G-2A 1	
(a)	Staff Attachment RCS-2, Sch. C-5 (3yr Norm. of $219,800) addition for gain sharing	$ 73,300
(b)	Reversal of Staff's adjustment (3 yr Amort. of $219,800 for gain sharing).	$ (73,300)

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended March 31, 2009

		Point-to-Point	Network				Translate Rates to Monthly Rates	
Schedule 7&8/Network Transmission Rates		$3.608	$2,187,176	G-2A, Page 3 for Point-to-Point			wk	0.83262 Sched 7
		/kW-mo					Day	0.12027
MANDATORY ANCILLARY SERVICES							on-pk	0.00494
Schedule 1	System Control & load Dispatch	$0.245	$0.245 /kW-mo	G-2A, Page 5			off-peak	0.00867
Schedule 2	Var support / voltage Control	$0.049	$0.067 /kW-mo	G-2A, Page 6			wk	0.05654 Sched 1
							Day	0.00817
							on-pk	0.00034
	TOTAL MANDATORY SVCS	$3.902	$2,187,176 /kW-mo				off-peak	0.00059
FERC OPTIONAL ANCILLARY SVCS - AEPCO							wk	0.01140 Sched 2
		Gen Cap Rate	% Req'd	=	$/kW-mo		Day	0.00165
Schedule 3	Cost of Reg. & Frequency Response	$11.932	4.46%	=	$0.5325	G-2A, Page 7	on-pk	0.00007
				=			off-peak	0.00012
Schedule 5	Operating Reserves- Spinning	$13.197	5.35%	=	$0.7060	G-2A, Page 7	wk	0.12289 Sched 3
				=			Day	0.01775
							on-pk	0.00073
Schedule 6	Operating Reserve- Supplemental	$9.299	5.36%	=	$0.4981	G-2A, Page 7	off-peak	0.00128
				=				
							wk	0.16293 Sched 5
Schedule 4	Energy Imbalance - AEPCO		Energy in kind deviation +/-1.5%				Day	0.02353
							on-pk	0.00097
	AEPCO pays positive imbalance		$36.68 $/MWh			G-2A, Page 10	off-peak	0.00170
	Customer pays negative imbalance		$100.00 $/MWh				wk	0.11494 Sched 6
							Day	0.01660
							on-pk	0.00068
Non-FERC	Replacement Capacity - AEPCO				$4.245	G-2A, Page 7	off-peak	0.00120
							wk	0.83262 Sched 7
							Day	0.12027
Losses		0.0297				Loss Study	on-pk	0.00494
							off-peak	0.00867

Notes:

* Regulation Capacity as a Percentage of Regulated Load

12 CP Load	OS Sales	Reg. Load	NF Whl	Reg 12 CP	Reg Cap	Reg Pct
506.12	123.00	383.12	65.00	448.12	20.00	4.46%

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

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 RATE BASE & BILLING UNIT SUMMARY

TRANSMISSION PLANT			
INTANGIBLE	$4,246,440		
TRANSMISSION	$116,505,608		
GENERAL PLANT	$12,436,299		
A/C 106	$13,360,610		
A/C 107 @ 50%	$14,143,510		
ACQUISITION ADJ & 105	$0		
Staff Attachment RCS-2, Schs. B-1&2 Rem. Plant Held Future Use & Acq.Adj.			
$ (377,214) $ (4,413) TOTAL			$160,692,467
Sch. B-1 *Sch. B-2*			
DEPRECIATION & AMORTIZATION RESERVE			
TRANSMISSION	(60,986,081)		
GENERAL PLANT	(6,472,037)		
AMORTIZATION	(1,773,954)		
TOTAL		$	(69,232,072)
NET TRANSMISSION PLANT	$91,460,395		
Staff Attachment RCS-2, Sch. B-4 Adjust M&S			
WORKING CAPITAL $ (334)	$1,829,389		
Staff Attachment RCS-2, Sch. B-3 Remove Retirement WIP			
RETIREMENT WIP $ (140,137)	$0		
TOTAL RATE BASE			$93,289,784

	BU Summary			Total
TRANSMISSION LOAD	1 CP Load	683.7	683.7	Attach 1
	12 CP Load	506.1	506.1	Attach 1
NET INVESTMENT		$93,289,784	$0	$93,289,784
INTEREST & DSCR page 6	1.35	8.022%	8.022%	
ANNUAL CARRYING COSTS		$7,483,591	$0	$7,483,591
EXPENSES		$27,116,831	$0	$27,116,831
REVENUE CREDITS	System Control & Load Disp.	$1,558,531	$0	$1,558,531
	Direct Assignment Facility	$1,545,318	$0	$1,545,318
	Other Operating Revenue	$598,408	$0	$598,408
	Special Contracts & Other Wheeling	$1,295,300	$0	$1,295,300
	Total of Credits	$4,997,557	$0	$4,997,557
		$29,602,865	$0	$29,602,865
ANNUAL REVENUE REQUIREMENTS				
		Point to Point Rate/1 CP kW		
TOTAL ANNUAL COSTS/KW	/kW-yr	$43.298	$0.000	$43.298
	/kW-month	$3.608	$0.000	$3.608

EXPENSES and EXPENSE ALLOCATION SUMMARY

			SWTC-Claim	STAFF Adjustments See Staff Attachemnt RCS-2, Schedules C-1 to C-4				Totals
				C-1	C-2	C-3	C-4	
TRANSMISSION OP	$8,143,529	Less account RUS 561	$8,382,829	$ (218,305)	$ (20,995)			$ (239,300)
TRANSMISSION MNT	$4,216,955		$4,423,221	$ (188,169)	$ (18,097)			$ (206,266)
A&G	$4,465,862		$4,618,438	$ (112,104)	$ (10,781)	$ (521)	$ (29,170)	$ (152,576)
TAXES	$1,683,865		$1,683,865	$ -	$ -			$ -
DEP EXP	$4,312,850		$4,312,850	$ -	$ -			$ -
System Control & Dispatch	$4,293,770		$4,525,854	$ (211,722)	$ (20,362)			$ (232,084)
TOTAL		$27,116,831	$27,947,057	$ (730,300)	$ (70,235)	$ (521)	$ (29,170)	$ (830,226)
				$ (730,300)	$ (70,235)			

Staff Allocation - Payroll and Payroll Tax Adj. allocated based upon ratio of payroll increase			
TRANSMISSION OP	$256,697	29.89%	29.89%
TRANSMISSION MNT	$221,261	25.77%	25.77%
A&G	$131,819	15.35%	15.35%
TAXES	$0	0.00%	0.00%
DEP EXP	$0	0.00%	0.00%
System Control & Dispatch	$248,956	28.99%	28.99%
TOTAL	$858,733	100.00%	100.00%

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Mohave Network Service 2 discounted Rate

Twelve Months Ended March 31, 2009

SCHEDULE 7 & 8 / NETWORK TRANSMISSION RATE BASE & BILLING UNIT SUMMARY

TRANSMISSION PLANT				
INTANGIBLE	$4,246,440			
TRANSMISSION	$116,505,608			
GENERAL PLANT	$12,436,299			
A/C 106	$13,360,610			
A/C 107 @ 50%	$14,143,510			
ACQUISITION ADJ & 105	$0			
TOTAL		$160,692,467	Less: MEC NTS Discounted System Plant	$ 9,400,494
DEPRECIATION & AMORTIZATION RESERVE				
TRANSMISSION	(60,986,081)			
GENERAL PLANT	(6,472,037)			
AMORTIZATION	(1,773,954)		Less: MEC NTS Discounted System Plant	$ 1,196,199
TOTAL		(69,232,072)		
NET TRANSMISSION PLANT	91,460,395			
WORKING CAPITAL	1,829,389			
RETIREMENT WIP	-			
TOTAL RATE BASE		$93,289,784	Less: MEC NTS Discounted Rate Base	$8,204,295

	BU Summary			Total
TRANSMISSION LOAD	1 CP Load	683.7	0	683.7
	12 CP Load	506.12	0	506.12
NET INVESTMENT		$85,085,489	$8,204,295	$93,289,784
INTEREST & TIER page 6	0.00	8.022%	8.022%	8.022%
ANNUAL CARRYING COSTS				
		$6,825,453	$658,138	$7,483,591
EXPENSES		$26,237,884	$878,947	$27,116,831
REVENUE CREDITS	System Control & Load Disp.	$1,558,531	$0	$1,558,531
	Direct Assignment Facility	$1,545,318	$0	$1,545,318
	Other Operating Revenue	$598,408	$0	$598,408
	Special Contracts & Other Wheeling	$1,295,300	$0	$1,295,300
	Total of Credits	$4,997,557	$0	$4,997,557
		$28,065,780	$1,537,085	$29,602,865
ANNUAL REVENUE REQUIREMENTS				
POINT-TO-POINT REVENUE REQUIREMENTS		$3,387,032	$0	$3,387,032
DISCOUNTED NETWORK TRANMISSION REVENUE REQUIREMENT		$24,678,748		

EXPENSES and EXPENSE ALLOCATION SUMMARY

TRANSMISSION OP	8,143,529	Less account RUS 561		
TRANSMISSION MNT	4,216,955			
A&G	4,465,862			
TAXES	1,683,865			
DEP EXP	4,312,850		Depreciation @ 2.75%	$258,514
System Control & Dispatch	4,293,770			
TOTAL		$27,116,831		

System Plant Additions since 2005:		Plant In Service	Accumulated Depreciation	Net Book
Apache Spare 115/69 kV Transformer Permanent Replacement	05/31/2005	$ 247,056	$ 130,085	$ 116,972
Apache Transformer Replacement	12/31/2007	1,036,546	545,782	490,765
Bicknell Substation Upgrade	12/31/2008	2,989,098	20,550	2,968,548
Hackberry/Dos Condados OPGW	01/31/2007	270,095	31,017	239,078
Hackberry Sub Line Tap	01/31/2007	102,222	6,366	95,856
Hackberry Substation	03/31/2007	2,256,858	140,551	2,116,307
Hooker Tap Metering	12/31/2007	153,142	80,635	72,507
Mortensen Tap Meter	10/31/2005	114,089	60,072	54,017
Saddlebrooke Ranch Substation	05/31/2007	452,462	28,178	424,284
Sandario 115 kV Transmission Line	12/31/2005	165,979	52,513	113,466
Sandario Substation	05/31/2006	1,612,947	100,450	1,512,497
		$ 9,400,494	$ 1,196,199	$ 8,204,295

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 AEPCO			(407,904)	
AEPCO Ancilliary Services Sched.2-6			(348,813)	
	TOTAL	$	3,868,994	
RELIABILITY PORTION	50.00%	$	1,934,497	
Generation Capacity			657,000 kW	
System Control & Load Dispatch		$	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
		657,000	

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

		Orig Cost	Net	
1 Total production plant in service		$405,097,077	$189,399,425	Schedule G-2A, Page 9
2 Turbogenerator Systems		$54,638,869	$23,457,593	Schedule G-2A, Page 7
3 Accessory Electric Equipment		$20,143,173	$8,647,880	Schedule G-2A, Page 7
Separation of Production Plant Allocation to VAR Production		$74,782,041		
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	$405,272	
		8.022%		

Rates For VAR Production

	12 CP	1 CP
	506.12	683.7
$/kW/year	$0.801	$0.593
$/kW/month	$0.067	$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, 5 & 6: APACHE STATION COST SUPPORT BY UNIT

Gen. Units	name plate	Prod Invest.	Int plt, a/c 106,107 Transm,GP	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
	SRSG RATING		$50,496,560	$6,686,195	$21,814,465	less TURBO		$31,528,272	$12,455,363	$2,933,343	$8,348,168	$16,822,604	$72,087,750	
ST1	70,000	$ 22,196,122	$ 3,021,820	$ 19,397,858	$ 1,305,423	$ 25,609,185	$ 366	$ 1,886,718	$ 745,355	$ 175,537	$ 499,572	$ 1,006,700	$ 4,313,881	61.63
ST2	188,000	158,500,501	21,578,540	89,808,077	9,321,909	175,068,030	931	13,472,880	5,322,512	1,253,496	3,567,397	7,188,752	30,805,038	163.86
ST3	188,000	147,868,356	20,131,061	82,477,954	8,696,599	162,459,584	864	12,569,125	4,965,480	1,169,412	3,328,098	6,706,534	28,738,649	152.87
IC1/GT1	9,000	1,946,118	264,948	1,835,175	114,457	2,325,524	258	165,424	65,351	15,391	43,802	88,266	378,234	42.03
GT2	17,000	3,077,974	419,041	2,596,304	181,025	3,524,967	207	261,634	103,360	24,342	69,276	139,601	598,213	35.19
GT3	64,000	8,614,275	1,172,763	6,330,170	506,632	9,140,287	143	732,232	289,271	68,126	193,883	390,698	1,674,210	26.16
GT4	40,000	28,708,212	3,908,387	5,898,018	1,688,419	32,248,226	806	2,440,259	964,034	410,000	646,140	1,302,054	5,762,487	144.06
	576,000	$ 370,911,558	$ 50,496,560	$ 208,343,556	$ 21,814,465	$ 410,375,802		$ 31,528,272	$ 12,455,363	$ 3,116,305	$ 8,348,168	$ 16,822,604	$ 72,270,712	
			$ 421,408,118											

		turbo equip	Plant dep reserve	Turbo Depreciation Reserve	Net turbo plant
		314,315,344,345	assignable to gen units		
ST1	70,000	$ 6,344,228	$ (18,997,743)	$ (5,430,049)	$ 914,180
ST2	188,000	31,751,046	(86,950,886)	(17,418,125)	14,332,921
ST3	188,000	30,932,169	(79,812,422)	(16,695,738)	14,236,431
IC1/GT1	9,000	-	(1,800,094)	-	-
GT2	17,000	877,136	(2,540,819)	(724,062)	153,074
GT3	64,000	4,072,970	(6,174,886)	(2,919,587)	1,153,383
GT4	40,000	2,531,189	(5,380,513)	(474,397)	2,056,792
TOTAL	576000	$ 76,508,736	$ (201,657,361)	$ (43,661,958)	$ 32,846,781

Replacement

GT1	9,000	$144.062	$1,296,560
ST1	70,000	$61.627	$4,313,881
GT3	64,000	$26.160	$1,674,210
	143,000		$7,284,651
	$/kW/year		$50.942
	$/kW/month		$4.245

Schedule 3
Regulation

	kW Capacity	Cost/kW	Annual $
ST2	188,000	$163.857	$30,805,038
ST3	188,000	$152.865	$28,738,649
ST1	70,000	$61.627	$4,313,881
	446,000		$63,857,568
	$/kW/year		$143.178
	$/kW/month		$11.932

Schedule 5
Spinning

	kW Capacity	Cost/kW	Annual $
ST2	188,000	$163.857	$30,805,038
ST3	188,000	$152.865	$28,738,649
	376,000		$59,543,687
	$/kW/year		$158.361
	$/kW/month		$13.197

Schedule 6
Supplemental

	kW Capacity	Cost/kW	Annual $
GT4	40,000	$144.062	$5,762,487
GT2	17,000	$35.189	$598,213
	57,000		$6,360,701
	$/kW/year		$111.591
	$/kW/month		$9.299

Int plt, a/c 106,107, Transm,GP

Intangible Plant	6,337,186	
Transmission	$2,889,491	
General Plant	$19,286,132	
Acc 106	$1,998,986	
Acc 107	$19,984,765	Acc 107 + adj. to Acc 312
	$50,496,560	
Tot. Accum. Deprec. & Amort.		-$204,796,249
		$3,138,888
D Res. Retirement WIP		
Accumulated Depreciation Transmission Pls		$1,580,842
Accumulated Depreciation General and Inta		$10,016,425
Accumulated Amortization		$2,443,024
Retired Work in Progress		$3,547,307
		$17,587,598

Account 310: Land account

	SRSG RATING	
		$3,915,175
ST1	70,000	$475,803
ST2	188,000	1,277,870
ST3	188,000	1,277,870
IC1/GT1	9,000	61,175
GT2	17,000	115,552
GT3	64,000	435,019
GT4	40,000	271,887
	576,000	$3,915,175

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended March 31, 2009

DEBT SERVICE CALCULATIONS					
INTEREST ON LONG TERM DEBT		$ 4,999,328	(a)		
PRINCIPAL PAYMENTS		3,989,942	(b)		
TOTAL DEBT SERVICE		$ 8,989,270			
DSCR				INTEREST RATES	
	1.35	$ 12,135,514		1.35	8.022%
	1.20	$ 10,787,124		1.20	6.685%
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		$ 91,460,395	(d)		
WORKING CAPITAL		$ 1,829,389	(d)		
RETIREMENT WIP		$ -	(d)		
TOTAL RATE BASE		$ 93,289,784			

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

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended March 31, 2009

AEPCO PRODUCTION PLANT ORIGINAL COST AND NET PLANT SUMMARY FOR ANCILLARY SERVICES WORKSHEETS

INTANGIBLE	$ 5,290		
PRODUCTION			
STEAM 1	22,196,122		
STEAM 2	158,500,501		
STEAM 3	147,868,356		
GT 1	1,946,118		
GT 2	3,077,974		
GT 3	8,614,275		
GT 4	28,708,212		
Transmission	2,889,491		
GENERAL PLANT	19,286,132		
A/C 106	1,998,986		
A/C 107@50%	9,992,383		
ACQUISITION ADJ	13,238		
TOTAL		$ 405,097,077	

DEPRECIATION & AMORTIZATION RESERVE

PRODUCTION			
STEAM 1	$ (18,997,743)		
STEAM 2	(86,950,886)		
STEAM 3	(79,812,422)		
GT 1	(1,800,094)		
GT 2	(2,540,819)		
GT 3	(6,174,886)		
GT 4	(5,380,513)		
GENERAL & INTANGIB	(10,016,425)		
TRANSMISSION PLANT	(1,580,842)		
AMORTIZATION	(2,443,024)		
TOTAL		$ (215,697,652)	
NET PRODUCTION PLANT	$ 184,347,339	less turbo eqp.	$ 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	8,348,168	
TOTAL		$ 62,373,358

PRODUCTION CAPABILITY (kW on SRSG Basis)		576,000
NET INVESTMENT		$209,709,111
INTEREST & DSCR page 6	1.35	8.022%
ANNUAL CARRYING COSTS		$ 16,822,604
ANNUAL EXPENSES		$ 62,373,358
PLANT ANNUAL REVENUE REQUIREMENTS		$ 79,195,962
PLANT ANNUAL COSTS/KW		$ 137.49
MONTH		$ 11.46
Gen Plant Fixed Charge Rate (Rev Req't/ Rate Base)		37.765%

PURCHASE POWER CAPACITY (pro-forma 2009)		Test Year Actual
Purch Pwr Avg Contract Demand kW	300,000	300,000
Southpoint	150,000	150,000
Griffith	150,000	150000
Purch Pwr Annual Demand Charges	$2,365,328	$2,365,328
Southpoint	$1,389,300	$1,389,300
Griffith	$976,028	$976,028
Purch Pwr Monthly Costs/kW	$7.884	7.88
Southpoint	$9.262	$9.262
Griffith	$6.507	$6.507
PLANT + PP Annual Rev Req't	$81,561,290	$81,561,290
Annual cost/kW	$93.106	$93.106
Monthly cost/kw	$7.759	$7.759

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

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)
		$	95,538,990

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 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
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	576,000
	Rate p/p	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	
	Firm Pt to Pt - Agrmnts	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$2,078,208
Sulphur Springs	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242,756
Firm Point to Point	Rate P/P	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	
	Total Dollars P/P	$0	$0	$212,674	$170,492	$195,712	$45,699	$81,779	$63,739	$72,034	$16,615	$0	$17,120	$875,864
MW&E Safford Mine	Loads	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
wheeling	Rate p/p	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	
	Total Dollars P/P	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$432,960
TOTAL Point to Point														
	LOADS kW	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	77,965	62,605	58,000	62,745	938,756
	REVENUE	$209,264	$209,264	$421,938	$379,756	$404,976	$254,963	$291,043	$273,003	$281,298	$225,879	$209,264	$226,384	$3,387,032
Forecast Network Loads														Average
	2010 Network	344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	427,895
														12 CP Load
Total Point to Point and Network Loads		402,378	557,761	683,675	660,884	672,832	580,851	510,964	413,015	430,751	403,562	395,863	360,956	506,124

1 CP Load 683,675

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET

Revenue Credits

The Following Serve as Additional Bill Credits to Network Customers

Special Contract Revenue Credits		2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
AEPCO Firm	Firm Pt to Pt - Serv -kwh keep t	$10,000	$123,000	$180,000	$60,000	$110,000	$20,000	$35,000	$167,000	$187,000	$25,000	$0	$20,000	937,000
Point to Point	Rate	$0.0023	$0.0053	$0.0053	$0.0047	$0.0044	$0.0056	$0.0044	$0.0029	$0.0029	$0.0031	NA	$0.0041	
Energy-Based	Firm Pt to Pt - Serv	$23	$650	$952	$282	$481	$112	$153	$484	$535	$76	$0	$82	$3,831
AEPCO (kWh)	Loads in kWh			25,000	546,000	100,000	65,000	280,000	170,000	368,000				1,554,000
3rd party sales	Rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Non-Firm	Total Dollars P/P	$0	$0	$206	$3,024	$717	$411	$1,379	$992	$1,991	$0	$0	$0	$8,721
AEPCO	Loads in kWh	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	82,000	
Service to ED4 and	Rate p/p in mils/kWh	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
ED5	Total Dollars P/P	1004.08	289.51	4137.59	3676.44	2531.91	736.26	1269.56	442.51	3052.6	2346.98	241.55	272	$20,001
Mohave	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$68,387	$50,918	$23,944	$3,348	$5,204	$17,931	$35,216	$19,870	$12,123	$13,330	$7,740	$2,604	$260,615
Mohave	Loads	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132000
Firm P-t-P	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	
	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
Sulphur Springs	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$45	$6,740	$2,831	$20,573	$8,893	$5,884	$5,748	$2,955	$2,918	$1,109	$810	$76	$58,581
Sulphur Springs	Loads(kWh)	0	0	0	0	0	0	0	0	0	0	0	0	
Firm Point to	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Point Energy Based	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MWE - Safford Mine	Loads(kWh)	7,301,231	8,078,481	10,862,433	11,486,243	15,762,613	2,359,671	2,202,364	1,694,000	4,750,831	2,468,154	2,681,600	1,267,249	70,914,870
Non-Firm kWh	Rate p/p	0.0040	0.0040	0.0039	0.0039	0.0040	0.0038	0.0039	0.0038	0.0039	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	$278,950
Contract Minimum	Minimum Charge	$0	$0	$0	$0	$0	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$287,532
	Total Dollars P/P	$28,933	$32,048	$42,799	$44,916	$62,665	$50,154	$49,576	$47,506	$59,576	$50,354	$51,347	$46,608	$566,482
TEP Point to Point	Loads in kWh	0	0	0	3,964,000	0	9,635,000	5,333,000	794,000	123,000	759,000	0	85,000	
Energy Based	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars P/P	$0	$0	$0	$23,388	$0	$65,521	$32,314	$4,743	$577	$17,978	$20,376	$22,201	$187,098
TEP Non Firm	Loads in kWh	163,000	712,000	1,442,000	0	40,909,000	17,000	0	0	0	0	0	0	$43,243,000
	Rate	0.0047	0.0050	0.0068	NA	0.0072	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars	$764	$3,545	$9,814	$0	$33,209	$80	$0	$0	$0	$0	$0	$0	$47,412
Total Special Contract Credits		$111,036	$106,072	$96,564	$111,088	$125,581	$152,709	$137,536	$88,872	$92,653	$97,074	$92,394	$83,723	$1,295,300

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
NETWORK INTEGRATED TRANSMISSION SERVICES

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL	
COS Trans Revenue Requirements		$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 2,466,905	$ 29,602,865	$ 29,602,865
Avg Mo Rev from Pt to Pt Service		$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 282,253	$ 3,387,032	
Network Services Revenue Requirements		$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 2,184,653	$ 26,215,833	
Discount Revenue Shortfall		$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 2,523	$ 30,277.61	
Network Services	Network Revenue Req't	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111	
MEC Sytem Discount	Network Revenue Req't	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 24,678,748	

NETWORK		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL	
Anza	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	
	Loads: April 07 to March 08	6,468	6,132	9,936	11,832	10,716	9,036	5,592	6,564	9,156	7,440	7,596	6,408	96,876	
	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	
	Trans Cost	$ 38,758	$ 39,274	$ 39,626	$ 39,548	$ 39,428	$ 39,991	$ 40,631	$ 40,318	$ 40,480	$ 40,881	$ 40,884	$ 41,071		$480,889
Duncan	Loads: April 08 to March 09	3,860	6,040	6,960	5,940	6,620	5,360	4,020	2,780	4,300	3,900	3,900	3,500	57,180	
	Loads: April 07 to March 08	3,100	5,640	6,660	6,020	6,520	3,720	4,520	3,320	4,520	4,320	4,160	3,260	55,780	
	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	4,765	57,440	
	Trans Cost	$ 22,799	$ 22,942	$ 23,110	$ 23,372	$ 23,529	$ 24,384	$ 24,247	$ 24,128	$ 24,207	$ 24,105	$ 24,120	$ 24,358		$285,300
Graham	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562	
	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454	
	12 Month Rolling Avg	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326	
	Trans Cost	$ 130,318	$ 131,085	$ 131,294	$ 133,215	$ 134,064	$ 135,860	$ 135,401	$ 135,970	$ 136,403	$ 136,773	$ 137,139	$ 138,262		$1,615,784
Mohave 1	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	59,932	1,433,826	
	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	1,504,916	
	12 Month Rolling Avg	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460	
	Trans Cost	$ 606,826	$ 598,687	$ 597,898	$ 603,482	$ 605,245	$ 611,417	$ 621,924	$ 619,592	$ 620,226	$ 618,780	$ 617,102	$ 610,803		$ 7,331,982
Sulphur Springs 1	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319	
	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	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	148,426	143,207	136,946	132,359	128,536	125,193	123,983	122,027	122,693	123,527	124,443	1,583,465	
	Trans Cost	$ 736,090	$ 717,625	$ 693,813	$ 671,946	$ 652,663	$ 638,541	$ 623,750	$ 620,415	$ 614,976	$ 620,255	$ 627,904	$ 636,147		$ 7,854,125
Trico	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	80,987	72,838	1,359,160	
	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	
	12 Month Rolling Avg	110,304	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	
	Trans Cost	$ 533,734	$ 539,368	$ 547,761	$ 549,016	$ 555,410	$ 560,066	$ 564,325	$ 568,927	$ 571,934	$ 572,669	$ 574,340	$ 578,996		$ 6,716,547
Mohave 2	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578	
	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	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	$ 8,453	$ 15,184	$ 29,337	$ 39,871	$ 49,062	$ 48,211	$ 48,352	$ 48,563	$ 48,909	$ 48,366	$ 46,529	$ 45,895		$ 476,733
Safford	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	14,631	16,902	17,714	19,245	15,398	14,502	8,420	9,696	9,671	9,522	8,157	155,321	
		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	
	Trans Cost	$ 62,271	$ 63,193	$ 63,498	$ 64,466	$ 64,635	$ 65,172	$ 64,827	$ 65,265	$ 65,587	$ 65,535	$ 65,776	$ 65,896		$ 776,119
Sulphur Springs 2	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	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526	
	12 Month Rolling Avg	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700	
	Trans Cost	$ 18,357	$ 29,845	$ 29,906	$ 30,288	$ 30,438	$ 30,665	$ 30,755	$ 30,889	$ 31,109	$ 26,408	$ 19,929	$ 12,161		$ 320,752
Thatcher	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
		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	
	Trans Cost	$ 29,032	$ 29,009	$ 29,069	$ 29,440	$ 29,586	$ 29,807	$ 29,894	$ 30,024	$ 30,238	$ 30,332	$ 30,499	$ 30,672		$ 357,602
TOTAL Network loads 12 mo. 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	5,286,263	
Total Network Loads: April 07 to March 08		390,207	498,144	579,205	621,022	585,469	550,908	448,217	357,874	389,293	358,374	365,228	327,088	5,471,029	
Total Network Loads: April 08 to March 09		344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736	
TOTAL NETWORK DOLLARS		$ 2,186,639	$ 2,186,212	$ 2,185,313	$ 2,184,644	$ 2,184,060	$ 2,184,114	$ 2,184,105	$ 2,184,092	$ 2,184,070	$ 2,184,104	$ 2,184,221	$ 2,184,261	$ 26,215,833	$26,215,833
Per kW-month		4.84	4.83	4.84	4.90	4.92	4.96	4.98	5.00	5.03	5.05	5.08	5.11	4.96	

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 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
AEPCO														
Firm P-t-P	Loads	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	$3.423	$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	$1,971,648
Sulphur Springs	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242756
Firm P-t-P	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	
	Total Dollars P/P	$0	$0	$201,769	$161,750	$185,677	$43,356	$77,586	$60,471	$68,340	$15,763	$0	$16,242	$830,954
MW&E Safford Mine	Loads	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
Firm P-t-P	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	
	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	$410,760
TOTAL Point to Point														
	LOADS kW	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	77,965	62,605	58,000	62,745	938,756
	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	$3,213,362
Forecast Network Loads														
	2011 Network (2010 PRS)	344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736
Total Point to Point and Network Loads		402,378	557,761	683,675	660,884	672,832	580,851	510,964	413,015	430,751	403,562	395,863	360,956	Average 427,895
														12 CP Load 506,124
														1 CP Load 683,675

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET

Revenue Credits

The Following Serve as Additional Bill Credits to Network Customers

Special Contract Revenue Credits		2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
AEPCO Firm	Loads(kWh)	10,000	123,000	180,000	60,000	110,000	20,000	35,000	167,000	187,000	25,000	-	20,000	937,000
Point to Point	Rate p/p	$0.0023	$0.0053	$0.0053	$0.0047	$0.0044	$0.0056	$0.0044	$0.0029	$0.0029	$0.0031	NA	$0.0041	
Energy-Based	Total Dollars P/P	$23	$650	$952	$282	$481	$112	$153	$484	$535	$76	$0	$82	$3,831
AEPCO (kWh)	Loads in kWh	0	0	25000	546000	100000	65000	280000	170000	368000	0	0	0	1,554,000
3rd party sales	Rate	NA	NA	$0.0082	$0.0055	$0.0072	$0.0063	$0.0049	$0.0058	$0.0054	NA	NA	NA	
Non-Firm	Total Dollars P/P	$0	$0	$206	$3,024	$717	$411	$1,379	$992	$1,991	$0	$0	$0	$8,721
AEPCO	Loads in kWh	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	82,000	6,027,000
Service to ED4 and	Rate p/p in mils/kWh	$0.0028	$0.0032	$0.0037	$0.0036	$0.0036	$0.0026	$0.0029	$0.0028	$0.0030	$0.0033	$0.0038	$0.0033	
ED5	Total Dollars P/P	$1,004	$290	$4,138	$3,676	$2,532	$736	$1,270	$443	$3,053	$2,347	$242	$272	$20,001
Mohave	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$68,387	$50,918	$23,944	$3,348	$5,204	$17,931	$35,216	$19,870	$12,123	$13,330	$7,740	$2,604	$260,615
Mohave	Loads	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132000
Firm P-t-P	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	
	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
Sulphur Springs	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$45	$6,740	$2,831	$20,573	$8,893	$5,884	$5,748	$2,955	$2,918	$1,109	$810	$76	$58,581
Sulphur Springs	Loads(kWh)	0	0	0	0	0	0	0	0	0	0	0	0	-
Firm Point to	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Point Energy Based	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MWE - Safford Mine	Loads(kWh)	7,301,231	8,078,481	10,862,433	11,486,243	15,762,613	2,359,671	2,202,364	1,694,000	4,750,831	2,468,154	2,681,600	1,267,249	70,914,870
Non-Firm kWh	Rate p/p	$0.0040	$0.0040	$0.0039	$0.0039	$0.0040	$0.0038	$0.0039	$0.0038	$0.0039	$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	$278,950
Contract Minium	Minimum Charge	$0	$0	$0	$0	$0	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$287,532
	Total Dollars P/P	$28,933	$32,048	$42,799	$44,916	$62,665	$50,154	$49,576	$47,506	$59,576	$50,354	$51,347	$46,608	$566,482
TEP Point to Point	Loads in kWh	0	0	0	3,964,000	0	9,635,000	5,333,000	794,000	123,000	759,000	0	85,000	20,693,000
Energy Based	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars P/P	0	0	0	23,388	0	65,521	32,314	4,743	577	17,978	20,376	22,201	$187,098

TEP Non Firm	Loads in kWh	163,000	712,000	1,442,000	0	40,909,000	17,000	0	0	0	0	0	0	43,243,000
	Rate	$0.0047	$0.0050	$0.0068	NA	0.00717	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars	$764	$3,545	$9,814	$0	$33,209	$80	$0	$0	$0	$0	$0	$0	$47,412
Total Special Contract Credits		$99,156	$94,192	$84,684	$99,208	$113,701	$140,829	$125,656	$76,992	$80,773	$85,194	$80,514	$71,843	$1,295,300

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
NETWORK INTEGRATED TRANSMISSION SERVICES

			2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL	
	Network Revenue Req't		$ 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	
NETWORK																
Anza	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	
	Loads:	April 07 to March 08	6,468	6,132	9,936	11,832	10,716	9,036	5,592	6,564	9,156	7,440	7,596	6,408	96,876	
		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	
		Trans Cost	$ 28,500	$ 28,879	$ 29,137	$ 29,080	$ 28,992	$ 29,406	$ 29,876	$ 29,646	$ 29,766	$ 30,060	$ 30,062	$ 30,200		$353,604
Duncan	Loads:	April 08 to March 09	3,860	6,040	6,960	5,940	6,620	5,360	4,020	2,780	4,300	3,900	3,900	3,500	57,180	
	Loads:	April 07 to March 08	3,100	5,640	6,660	6,020	6,520	3,720	4,520	3,320	4,520	4,320	4,180	3,260	55,780	
		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	4,765	57,440	
		Trans Cost	$ 16,764	$ 16,869	$ 16,993	$ 17,186	$ 17,301	$ 17,930	$ 17,829	$ 17,741	$ 17,800	$ 17,725	$ 17,735	$ 17,911		$209,785
Graham	Loads:	April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562	
	Loads:	April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454	
		12 Month Rolling Avg	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326	
		Trans Cost	$ 95,824	$ 96,388	$ 96,542	$ 97,955	$ 98,579	$ 99,900	$ 99,562	$ 99,981	$ 100,299	$ 100,571	$ 100,840	$ 101,666		$1,188,106
Mohave 1	Loads:	April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	59,932	1,433,826	
	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	1,504,916	
		12 Month Rolling Avg	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460	
		Trans Cost	$ 446,207	$ 440,222	$ 439,642	$ 443,748	$ 445,044	$ 449,583	$ 457,308	$ 455,594	$ 456,060	$ 454,997	$ 453,763	$ 449,131		$5,391,298
Sulphur Springs 1	Loads:	April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319	
	Loads:	April 07 to March 08	122,269	164,707	196,965	203,463	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	148,426	143,207	136,946	132,359	128,536	125,193	123,983	122,027	122,693	123,527	124,443	1,583,465	
		Trans Cost	$ 541,256	$ 527,679	$ 510,170	$ 494,090	$ 479,911	$ 469,527	$ 458,651	$ 456,199	$ 452,200	$ 456,081	$ 461,706	$ 467,767		$5,775,237
Trico	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	
	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	
		12 Month Rolling Avg	110,304	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	
		Trans Cost	$ 392,461	$ 396,604	$ 402,775	$ 403,699	$ 408,400	$ 411,823	$ 414,955	$ 418,340	$ 420,550	$ 421,091	$ 422,320	$ 425,743		$4,938,762
Mohave 2	Loads:	April 08 to March 09	-	17,785	37,200	26,423	25,982	7,188	-	-	-	-	-	-	114,578	
	Loads:	April 07 to March 08	23,684	-	-	-	2,705	10,314	-	-	-	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	$ 6,610	$ 11,874	$ 22,942	$ 31,179	$ 38,367	$ 37,702	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890		$372,811
Safford	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	14,631	16,902	17,714	19,245	15,398	14,502	8,420	9,696	9,671	9,522	8,157	155,321	
			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	
		Trans Cost	$ 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
Sulphur Springs 2	Loads:	April 08 to March 09	-	28,548	-	-	-	-	-	-	-	-	-	-	28,548	
	Loads:	April 07 to March 08	-	-	-	-	-	-	-	-	-	11,388	15,639	18,499	45,526	
		12 Month Rolling Avg	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700	
		Trans Cost	$ 13,498	$ 21,945	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942		$235,853
Thatcher	Loads:	April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
	Loads:	April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
			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	
		Trans Cost	$ 21,348	$ 21,331	$ 21,375	$ 21,647	$ 21,755	$ 21,917	$ 21,981	$ 22,077	$ 22,234	$ 22,303	$ 22,426	$ 22,553		$262,949
TOTAL Network loads 12 mo. 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	5,286,263	
Total Network Loads: April 07 to March 08			390,207	498,144	579,205	621,022	585,469	550,908	448,217	357,874	389,293	358,374	365,228	327,088	5,471,029	
Total Network Loads: April 08 to March 09			344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736	
TOTAL NETWORK DOLLARS			$ 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	$ 19,299,096

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

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

FERC OPTIONAL ANCILLARY SVCS - AEPCO

		Gen Cap Rate	% Req'd	=	$/kW-mo
Schedule 3	Cost of Reg. & Frequency Response	$11.211	4.21%	=	$0.4720
	SW Gen Step Xfmrs ST 1, ST 2 & ST 3				
Schedule 5	Operating Reserves- Spinning	$14.433	4.94%	=	$0.7130
	SW Gen Step Xfmrs ST 2 & 3			=	
Schedule 6	Operating Reserve- Supplemental	$9.351	4.93%	=	$0.4610
	SW Gen Step Xfmrs GT 1, GT 2			=	

Schedule 4 Energy Imbalance - AEPCO — Energy in kind deviation +/-1.5%

AEPCO pays positive imbalance $23.25

Customer pays negative imbalance $100.00 $/MWh

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

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	Reg Pct
550.62	140.50	410.12	65.00	475.12	20.00	4.21%

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

Southwest Transmission Cooperative, Inc.

ANCILLARY SERVICE SCHEDULE 1 NEW RATE: 0.245

Network Customer	Units		Revenue
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
Total Network Customers	5,134,272	$	1,257,897

Firm Point-to-Point Customers	Units		Revenue
AEPCO	576,000	$	141,120
Sulphur Springs Firm Point to Point	242,756	$	59,475
MW&E Safford Wheeling	120,000	$	29,400
Total for Firm Point-to-Point Customers	938,756	$	229,995
Schedule 1 Revenue Credit		$	1,487,892
Adjustment for Other System Control & Load Dispatch		$	70,639
Total Schedule 1 Revenue Credit		$	1,558,531

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - SWTC Rebuttal
Test Year - Annualized

JWZ SCH. H-1
Rebuttal

LINE NO.	CLASS OF SERVICE	STAFF REVENUES IN TEST YEAR		STAFF PROPOSED INCREASE		SWTC REBUTTAL REVENUES IN TEST YEAR (a)		SWTC REBUTTAL PROPOSED INCREASE (b)	
		PRESENT	PROPOSED	AMOUNT	PERCENT	PRESENT	PROPOSED	AMOUNT	PERCENT
1.	NETWORK SERVICES	$22,328,219	$29,749,860	$7,421,642	33.24%	$22,328,219	$29,019,048	$6,690,829	29.97%
2	POINT-TO-POINT SERVICES	$3,484,662	$3,711,841	$227,180	6.52%	$3,484,662	$3,617,027	$132,366	3.80%
3.	TOTAL COMPANY	$25,812,880	$33,461,702	$7,648,822	29.63%	$25,812,881	$32,636,076	$6,823,195	26.43%

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	kW CONSUMPTION PRESENT	kW CONSUMPTION PROPOSED	REVENUE PRESENT	REVENUE PROPOSED	PROPOSED INCREASE AMOUNT	PROPOSED INCREASE PERCENT
		(a)	(a)	(a)	(a)	(a)	(a)	(a)
	Class A MEMBER CONTRACTS:							
1.	ANZA	1	96,412	96,412	$ 381,467	$ 504,510	$ 123,043	32.26%
2.	DUNCAN	1	57,180	57,180	226,310	299,309	72,999	32.26%
3.	GRAHAM	1	324,562	324,562	1,281,904	1,695,301	413,397	32.25%
4.	MOHAVE	1	1,433,826	1,433,826	5,805,674	7,683,269	1,877,595	32.34%
5.	MOHAVE 2	1	114,578	114,578	405,924	504,805	98,880	24.36%
6.	SULPHUR	1	1,493,319	1,493,319	6,206,806	8,219,988	2,013,182	32.44%
7.	SULPHER 2	1	28,548	28,548	244,103	327,746	83,643	34.27%
8.	TRICO	1	1,359,160	1,359,160	6,876,877	8,594,860	1,717,982	24.98%
9	Class A TOTAL MEMBER CONTRACTS:	8	4,907,585	4,907,585	$ 21,429,067	$ 27,829,788	$ 6,400,722	29.87%
	OTHER FIRM NETWORK CONTRACTS:							
1.	SAFFORD	1	154,687	154,687	$ 615,395	$ 814,017	$ 198,623	32.28%
2.	THATCHER	1	72,000	72,000	283,757	375,242	91,485	32.24%
3.	TOTAL FIRM CONTRACTS:	2	226,687	226,687	$ 899,152	$ 1,189,260	$ 290,107	32.26%
4.	TOTAL COMPANY	10	5,134,272	5,134,272	$ 22,328,219	$ 29,019,048	$ 6,690,829	29.97%

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

ANZA

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
		0.35997												
	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	5,592	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	5,592	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	$ 28,500	$ 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	1,651	2,164	3,066	3,007	2,875	2,799	1,980	1,557	2,561	2,339	2,044	1,822	27,863
11.	Total	$ 30,150	$ 31,043	$ 32,203	$ 32,087	$ 31,867	$ 32,204	$ 31,857	$ 31,203	$ 32,326	$ 32,399	$ 32,106	$ 32,022	$ 381,467
12.	Average Cost ($/KW)	$ 5.278	$ 4.146	$ 3.036	$ 3.084	$ 3.203	$ 3.326	$ 4.649	$ 5.791	$ 3.649	$ 4.003	$ 4.540	$ 5.080	$ 3.957
	PROPOSED REVENUE:													
13.	Network Services	$ 38,758	$ 39,274	$ 39,626	$ 39,548	$ 39,428	$ 39,991	$ 40,631	$ 40,318	$ 40,480	$ 40,881	$ 40,884	$ 41,071	$ 480,889
14.	Scheduling & Ld. Control	1,399	1,835	2,599	2,549	2,437	2,373	1,679	1,320	2,171	1,983	1,732	1,544	23,621
15.	Total	$ 40,158	$ 41,108	$ 42,225	$ 42,096	$ 41,865	$ 42,363	$ 42,309	$ 41,638	$ 42,651	$ 42,864	$ 42,616	$ 42,616	$ 504,510
16.	Average Cost ($/KW)	$ 7.030	$ 5.490	$ 3.980	$ 4.046	$ 4.208	$ 4.375	$ 6.175	$ 7.728	$ 4.814	$ 5.296	$ 6.027	$ 6.760	$ 5.233
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 10,008	$ 10,066	$ 10,022	$ 10,010	$ 9,998	$ 10,159	$ 10,453	$ 10,434	$ 10,325	$ 10,465	$ 10,510	$ 10,594	$ 123,043
18.	PERCENT INC.	33.19%	32.43%	31.12%	31.20%	31.38%	31.55%	32.81%	33.44%	31.94%	32.30%	32.74%	33.08%	32.26%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

DUNCAN VALLEY

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	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	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	4,320	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	4,765	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	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	4,320	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	4,765	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	$ 17,725	$ 17,735	$ 17,911	$ 209,785
10.	Scheduling & Ld. Control	1,116	1,746	2,011	1,717	1,913	1,549	1,162	803	1,243	1,127	1,127	1,012	16,525
11.	Total	$ 17,880	$ 18,615	$ 19,004	$ 18,902	$ 19,214	$ 19,479	$ 18,991	$ 18,545	$ 19,043	$ 18,852	$ 18,863	$ 18,923	$ 226,310
12.	Average Cost ($/KW)	$ 4.632	$ 3.082	$ 2.731	$ 3.182	$ 2.902	$ 3.634	$ 4.724	$ 6.671	$ 4.429	$ 4.834	$ 4.837	$ 5.406	$ 3.958
	PROPOSED REVENUE:													
13.	Network Services	$ 22,799	$ 22,942	$ 23,110	$ 23,372	$ 23,529	$ 24,384	$ 24,247	$ 24,128	$ 24,207	$ 24,105	$ 24,120	$ 24,358	$ 285,300
14.	Scheduling & Ld. Control	946	1,480	1,705	1,455	1,622	1,313	985	681	1,054	956	956	858	14,009
15.	Total	$ 23,744	$ 24,421	$ 24,815	$ 24,827	$ 25,151	$ 25,697	$ 25,232	$ 24,809	$ 25,261	$ 25,061	$ 25,075	$ 25,216	$ 299,309
16.	Average Cost ($/KW)	$ 6.151	$ 4.330	$ 3.726	$ 4.124	$ 3.858	$ 6.908	$ 5.582	$ 7.473	$ 5.589	$ 5.801	$ 5.999	$ 7.735	$ 5.366
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 5,865	$ 5,807	$ 5,811	$ 5,925	$ 5,937	$ 6,218	$ 6,241	$ 6,264	$ 6,218	$ 6,209	$ 6,213	$ 6,293	$ 72,999
18.	PERCENT INC.	32.80%	31.19%	30.58%	31.34%	30.90%	31.92%	32.86%	33.78%	32.65%	32.93%	32.94%	33.26%	32.26%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

GRAHAM COUNTY ELECTRIC

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	PRESENT:													
3.	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562
4.	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454
5.	12 Month Rolling Avg.	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326
	PROPOSED:													
6.	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562
7.	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454
8.	12 Month Rolling Avg.	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326
	PRESENT REVENUE :													
9.	Network Services	$ 95,824	$ 96,388	$ 96,542	$ 97,955	$ 98,579	$ 99,900	$ 99,562	$ 99,981	$ 100,299	$ 100,571	$ 100,840	$ 101,666	$ 1,188,106
10.	Scheduling & Ld. Control	6,059	9,107	11,546	11,481	10,689	9,324	7,222	5,331	5,966	5,778	5,438	5,858	93,798
11.	Total	$ 101,883	$ 105,495	$ 108,088	$ 109,436	$ 109,268	$ 109,224	$ 106,783	$ 105,312	$ 106,264	$ 106,348	$ 106,278	$ 107,524	$ 1,281,904
12.	Average Cost ($/KW)	$ 4.859	$ 3.348	$ 2.706	$ 2.755	$ 2.954	$ 3.385	$ 4.273	$ 5.709	$ 5.148	$ 5.320	$ 5.648	$ 5.304	$ 3.950
	PROPOSED REVENUE:													
13.	Network Services	$ 130,318	$ 131,085	$ 131,294	$ 133,215	$ 134,064	$ 135,860	$ 135,401	$ 135,970	$ 136,403	$ 136,773	$ 137,139	$ 138,262	$ 1,615,784
14.	Scheduling & Ld. Control	5,137	7,720	9,788	9,733	9,062	7,904	6,122	4,520	5,057	4,898	4,610	4,966	79,518
15.	Total	$ 135,454	$ 138,805	$ 141,082	$ 142,948	$ 143,126	$ 143,765	$ 141,523	$ 140,490	$ 141,460	$ 141,671	$ 141,749	$ 143,228	$ 1,695,301
16.	Average Cost ($/KW)	$ 6.461	$ 4.405	$ 3.531	$ 3.598	$ 3.870	$ 4.456	$ 5.664	$ 7.615	$ 6.853	$ 7.086	$ 7.533	$ 7.066	$ 5.223
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 33,571	$ 33,310	$ 32,994	$ 33,512	$ 33,858	$ 34,541	$ 34,739	$ 35,178	$ 35,196	$ 35,322	$ 35,471	$ 35,704	$ 413,397
18.	PERCENT INC.	32.95%	31.57%	30.53%	30.62%	30.99%	31.62%	32.53%	33.40%	33.12%	33.21%	33.38%	33.21%	32.25%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

MOHAVE ELECTRIC 1

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	PRESENT:													
3.	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	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	1,504,916
5.	12 Month Rolling Avg.	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460
	PROPOSED:													
6.	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	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	1,504,916
8.	12 Month Rolling Avg.	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	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	$ 5,391,298
10.	Scheduling & Ld. Control	31,507	40,320	43,210	48,701	48,990	46,389	39,858	27,433	24,508	23,627	22,510	17,320	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	$ 466,452	$ 5,805,674
12.	Average Cost ($/KW)	$ 4.382	$ 3.444	$ 3.229	$ 2.922	$ 2.914	$ 3.090	$ 3.605	$ 5.089	$ 5.667	$ 5.854	$ 6.115	$ 7.783	$ 4.049
	PROPOSED REVENUE:													
13.	Network Services	$ 606,826	$ 598,687	$ 597,898	$ 603,482	$ 605,245	$ 611,417	$ 621,924	$ 619,592	$ 620,226	$ 618,780	$ 617,102	$ 610,803	$ 7,331,982
14.	Scheduling & Ld. Control	26,710	34,181	36,631	41,286	41,531	39,326	33,790	23,256	20,777	20,030	19,083	14,683	351,287
15.	Total	$ 633,536	$ 632,868	$ 634,530	$ 644,769	$ 646,776	$ 650,744	$ 655,713	$ 642,848	$ 641,003	$ 638,810	$ 636,186	$ 625,487	$ 7,683,269
16.	Average Cost ($/KW)	$ 5.811	$ 4.536	$ 4.244	$ 3.826	$ 3.815	$ 4.054	$ 4.754	$ 6.772	$ 7.559	$ 7.814	$ 8.168	$ 10.437	$ 5.359
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 155,822	$ 152,326	$ 151,677	$ 152,319	$ 152,742	$ 154,772	$ 158,547	$ 159,821	$ 160,435	$ 160,186	$ 159,912	$ 159,035	$ 1,877,595
18.	PERCENT INC.	32.62%	31.70%	31.41%	30.93%	30.92%	31.21%	31.89%	33.09%	33.38%	33.47%	33.58%	34.09%	32.34%

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

MOHAVE ELECTRIC 2

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	MEC Network Service 2 Rev. Req.	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 2,056,562	$ 24,678,748
	PRESENT:													
3.	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578
4.	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	0	0	0	1,755	5,281	2,240	45,979
5.	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
	PROPOSED:													
6.	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578
7.	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	0	0	0	1,755	5,281	2,240	45,979
8.	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
	PRESENT REVENUE :													
9.	Network Services	$ 6,610	$ 11,874	$ 22,942	$ 31,179	$ 38,367	$ 37,702	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890	$ 372,811
10.	Scheduling & Ld. Control	-	5,140	10,751	7,636	7,509	2,077	-	-	-	-	-	-	33,113
11.	Total	$ 6,610	$ 17,014	$ 33,693	$ 38,816	$ 45,876	$ 39,779	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890	$ 405,924
12.	Average Cost ($/KW)	$ -	$ 0.957	$ 0.906	$ 1.469	$ 1.766	$ 5.534	$ -	$ -	$ -	$ -	$ -	$ -	$ 3.543
	PROPOSED REVENUE:													
13.	Network Services	$ 8,453	$ 15,184	$ 29,337	$ 39,871	$ 49,062	$ 48,211	$ 48,352	$ 48,563	$ 48,909	$ 48,366	$ 46,529	$ 45,895	$ 476,733
14.	Scheduling & Ld. Control	-	4,357	9,114	6,474	6,366	1,761	-	-	-	-	-	-	28,072
15.	Total	$ 8,453	$ 19,542	$ 38,451	$ 46,344	$ 55,428	$ 49,972	$ 48,352	$ 48,563	$ 48,909	$ 48,366	$ 46,529	$ 45,895	$ 504,805
16.	Average Cost ($/KW)	$ -	$ 1.099	$ 1.034	$ 1.754	$ 2.133	$ 6.952	$ -	$ -	$ -	$ -	$ -	$ -	$ 4.406
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 1,843	$ 2,527	$ 4,758	$ 7,529	$ 9,552	$ 10,193	$ 10,540	$ 10,586	$ 10,662	$ 10,543	$ 10,143	$ 10,004	$ 98,880
18.	PERCENT INC.	27.88%	14.85%	14.12%	19.40%	20.82%	25.62%	27.88%	27.88%	27.88%	27.88%	27.88%	27.88%	24.36%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

SULPHUR SPRINGS VALLEY 1

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	PRESENT:													
3.	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319
4.	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	184,378	178,211	161,454	123,855	152,809	120,700	124,451	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	1,583,465
	PROPOSED:													
6.	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319
7.	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	184,378	178,211	161,454	123,855	152,809	120,700	124,451	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	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	$ 5,775,237
10.	Scheduling & Ld. Control	29,708	34,777	38,823	37,089	37,378	38,245	35,066	31,598	37,378	37,194	38,856	35,460	431,569
11.	Total	$ 570,964	$ 562,455	$ 548,992	$ 531,179	$ 517,289	$ 507,772	$ 493,717	$ 487,797	$ 489,577	$ 493,275	$ 500,562	$ 503,227	$ 6,206,806
12.	Average Cost ($/KW)	$ 5.554	$ 4.674	$ 4.087	$ 4.139	$ 4.000	$ 3.837	$ 4.069	$ 4.462	$ 3.785	$ 3.833	$ 3.723	$ 4.101	$ 4.156
	PROPOSED REVENUE:													
13.	Network Services	$ 736,090	$ 717,625	$ 693,813	$ 671,946	$ 652,663	$ 638,541	$ 623,750	$ 620,415	$ 614,976	$ 620,255	$ 627,904	$ 636,147	$ 7,854,125
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	365,863
15.	Total	$ 761,275	$ 747,107	$ 726,725	$ 703,388	$ 684,349	$ 670,963	$ 653,477	$ 647,202	$ 646,663	$ 651,786	$ 660,844	$ 666,208	$ 8,219,988
16.	Average Cost ($/KW)	$ 7.406	$ 6.209	$ 5.410	$ 5.481	$ 5.291	$ 5.070	$ 5.386	$ 5.919	$ 5.000	$ 5.064	$ 4.915	$ 5.430	$ 5.505
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 190,311	$ 184,652	$ 177,733	$ 172,209	$ 167,061	$ 163,191	$ 159,760	$ 159,405	$ 157,086	$ 158,511	$ 160,282	$ 162,981	$ 2,013,182
18.	PERCENT INC.	33.33%	32.83%	32.37%	32.42%	32.30%	32.14%	32.36%	32.68%	32.09%	32.13%	32.02%	32.39%	32.44%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

SULPHUR SPRINGS VALLEY 2

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	PRESENT:													
3.	Loads: April 08 to March 09	0	28,548	0	0	0	0	0	0	0	0	0	0	28,548
4.	Loads: April 07 to March 08	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526
5.	12 Month Rolling Avg.	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700
	PROPOSED:													
6.	Loads: April 08 to March 09	0	28,548	0	0	0	0	0	0	0	0	0	0	28,548
7.	Loads: April 07 to March 08	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526
8.	12 Month Rolling Avg.	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700
	PRESENT REVENUE :													
9.	Network Services	$ 13,498	$ 21,945	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942	$ 235,853
10.	Scheduling & Ld. Control	-	8,250	-	-	-	-	-	-	-	-	-	-	8,250
11.	Total	$ 13,498	$ 30,196	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942	$ 244,103
12.	Average Cost ($/KW)	$ -	$ 1.058	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8.551
	PROPOSED REVENUE:													
13.	Network Services	$ 18,357	$ 29,845	$ 29,906	$ 30,288	$ 30,438	$ 30,665	$ 30,755	$ 30,889	$ 31,109	$ 26,408	$ 19,929	$ 12,161	$ 320,752
14.	Scheduling & Ld. Control	-	6,994	-	-	-	-	-	-	-	-	-	-	6,994
15.	Total	$ 18,357	$ 36,839	$ 29,906	$ 30,288	$ 30,438	$ 30,665	$ 30,755	$ 30,889	$ 31,109	$ 26,408	$ 19,929	$ 12,161	$ 327,746
16.	Average Cost ($/KW)	$ -	$ 1.290	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11.481
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 4,859	$ 6,643	$ 7,916	$ 8,017	$ 8,057	$ 8,117	$ 8,140	$ 8,176	$ 8,234	$ 6,990	$ 5,275	$ 3,219	$ 83,643
18.	PERCENT INC.	36.00%	22.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	34.27%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

TRICO ELECTRIC

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	PRESENT:													
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.	110,304	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
	PROPOSED:													
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.	110,304	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
	PRESENT REVENUE :													
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	414,955	418,340	420,550	421,091	422,320	425,743	4,938,762
11.	Scheduling & Ld. Control	24,766	36,372	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	$ 561,752	$ 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)	$ 6.372	$ 4.464	$ 3.520	$ 3.845	$ 3.742	$ 4.124	$ 4.967	$ 6.268	$ 6.379	$ 6.750	$ 7.095	$ 7.902	$ 5.060
	PROPOSED REVENUE:													
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	533,734	539,368	547,761	549,016	555,410	560,066	564,325	568,927	571,934	572,669	574,340	578,996	6,716,547
16.	Scheduling & Ld. Control	20,995	30,834	40,302	36,691	38,111	34,534	28,477	22,419	22,098	20,850	19,837	17,845	332,994
17.	Total	$ 683,506	$ 698,979	$ 716,839	$ 714,484	$ 722,298	$ 723,377	$ 721,579	$ 720,123	$ 722,808	$ 722,296	$ 722,954	$ 725,617	$ 8,594,860
18.	Average Cost ($/KW)	$ 7.976	$ 5.554	$ 4.358	$ 4.771	$ 4.643	$ 5.132	$ 6.208	$ 7.870	$ 8.014	$ 8.487	$ 8.929	$ 9.962	$ 6.324
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 137,502	$ 137,226	$ 137,747	$ 138,728	$ 140,166	$ 142,040	$ 144,255	$ 146,562	$ 147,415	$ 147,834	$ 148,458	$ 150,048	$ 1,717,982
20.	PERCENT INC.	25.18%	24.43%	23.79%	24.10%	24.08%	24.43%	24.99%	25.55%	25.62%	25.73%	25.84%	26.07%	24.98%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

Safford

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	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)	$ 4.620	$ 3.016	$ 2.982	$ 2.908	$ 2.807	$ 3.375	$ 3.897	$ 5.747	$ 5.444	$ 5.605	$ 5.523	$ 6.695	$ 3.978
	PROPOSED REVENUE:													
13.	Network Services	$ 62,271	$ 63,193	$ 63,498	$ 64,466	$ 64,635	$ 65,172	$ 64,827	$ 65,265	$ 65,587	$ 65,535	$ 65,776	$ 65,896	$ 776,119
14.	Scheduling & Ld. Control	2,590	4,175	4,247	4,435	4,625	3,805	3,237	2,154	2,292	2,221	2,264	1,853	37,898
15.	Total	$ 64,861	$ 67,368	$ 67,745	$ 68,900	$ 69,259	$ 68,977	$ 68,064	$ 67,419	$ 67,878	$ 67,756	$ 68,040	$ 67,749	$ 814,017
16.	Average Cost ($/KW)	$ 6.135	$ 3.953	$ 3.908	$ 3.807	$ 3.669	$ 4.441	$ 5.152	$ 7.668	$ 7.256	$ 7.474	$ 7.364	$ 8.957	$ 5.262
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 16,017	$ 15,976	$ 16,044	$ 16,267	$ 16,277	$ 16,567	$ 16,578	$ 16,888	$ 16,948	$ 16,947	$ 17,004	$ 17,109	$ 198,623
18.	PERCENT INC.	32.79%	31.09%	31.03%	30.91%	30.72%	31.61%	32.20%	33.42%	33.28%	33.36%	33.32%	33.79%	32.28%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

Thatcher

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	PRESENT:													
3.	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000
4.	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	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	72,000
	PROPOSED:													
6.	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000
7.	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	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	72,000
	PRESENT REVENUE :													
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	$ 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	20,808
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	$ 283,757
12.	Average Cost ($/KW)	$ 4.559	$ 3.336	$ 3.343	$ 3.381	$ 3.397	$ 3.420	$ 3.429	$ 4.704	$ 4.736	$ 4.750	$ 4.774	$ 4.800	$ 3.941
	PROPOSED REVENUE:													
13.	Network Services	$ 29,032	$ 29,009	$ 29,069	$ 29,440	$ 29,586	$ 29,807	$ 29,894	$ 30,024	$ 30,238	$ 30,332	$ 30,499	$ 30,672	$ 357,602
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	17,640
15.	Total	$ 30,257	$ 30,724	$ 30,784	$ 31,155	$ 31,301	$ 31,522	$ 31,609	$ 31,249	$ 31,463	$ 31,557	$ 31,724	$ 31,897	$ 375,242
16.	Average Cost ($/KW)	$ 6.051	$ 4.389	$ 4.398	$ 4.451	$ 4.472	$ 4.503	$ 4.516	$ 6.250	$ 6.293	$ 6.311	$ 6.345	$ 6.379	$ 5.212
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 7,465	$ 7,370	$ 7,386	$ 7,484	$ 7,523	$ 7,581	$ 7,605	$ 7,727	$ 7,784	$ 7,808	$ 7,853	$ 7,898	$ 91,485
18.	PERCENT INC.	32.75%	31.56%	31.57%	31.62%	31.64%	31.67%	31.68%	32.85%	32.87%	32.88%	32.90%	32.91%	32.24%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class

Test Year - Annualized

CLASS A MEMBER RATES

LINE NO.		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
						2008						2009		
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	PRESENT:													
3.	Loads: April 08 to March 09	328,049	477,075	543,066	529,102	533,943	488,302	411,346	322,381	338,135	327,545	323,098	285,543	4,907,585
4.	Loads: April 07 to March 08	374,500	475,157	554,631	597,736	559,992	527,862	425,455	345,630	374,893	343,050	351,231	314,035	5,244,172
5.	12 Month Rolling Avg.	433,143	433,303	432,340	426,620	424,449	421,153	419,977	418,039	414,976	413,684	411,340	408,965	5,057,990
	PROPOSED:													
6.	Loads: April 08 to March 09	328,049	477,075	543,066	529,102	533,943	488,302	411,346	322,381	338,135	327,545	323,098	285,543	4,907,585
7.	Loads: April 07 to March 08	374,500	475,157	554,631	597,736	559,992	527,862	425,455	345,630	374,893	343,050	351,231	314,035	5,244,172
8.	12 Month Rolling Avg.	433,143	433,303	432,340	426,620	424,449	421,153	419,977	418,039	414,976	413,684	411,340	408,965	5,057,990
	PRESENT REVENUE :													
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	1,541,121	1,540,461	1,540,192	1,539,208	1,538,976	1,538,419	1,538,609	1,538,191	1,537,797	1,537,766	1,537,466	1,537,251	18,465,457
11.	Scheduling & Ld. Control	94,806	137,875	156,946	152,910	154,310	141,119	118,879	93,168	97,721	94,661	93,375	82,522	1,418,292
12.	Total	$ 1,764,704	$ 1,807,112	$ 1,825,915	$ 1,820,895	$ 1,822,062	$ 1,808,315	$ 1,786,264	$ 1,760,135	$ 1,764,294	$ 1,761,203	$ 1,759,618	$ 1,748,549	$ 21,429,067
13.	Average Cost ($/KW)	$ 5.379	$ 3.788	$ 3.362	$ 3.441	$ 3.412	$ 3.703	$ 4.342	$ 5.460	$ 5.218	$ 5.377	$ 5.446	$ 6.124	$ 4.367
	PROPOSED REVENUE:													
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	2,095,335	2,094,009	2,092,746	2,090,738	2,089,839	2,089,135	2,089,384	2,088,803	2,088,245	2,088,237	2,087,946	2,087,693	25,082,112
16.	Scheduling & Ld. Control	80,372	116,883	133,051	129,630	130,816	119,634	100,780	78,983	82,843	80,249	79,159	69,958	1,202,358
17.	Total	$ 2,304,484	$ 2,339,669	$ 2,354,573	$ 2,349,144	$ 2,349,432	$ 2,337,546	$ 2,318,940	$ 2,296,562	$ 2,299,865	$ 2,297,262	$ 2,295,882	$ 2,286,428	$ 27,829,788
18.	Average Cost ($/KW)	$ 7.025	$ 4.904	$ 4.336	$ 4.440	$ 4.400	$ 4.787	$ 5.637	$ 7.124	$ 6.802	$ 7.014	$ 7.106	$ 8.007	$ 5.671
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 539,780	523,387	$ 528,658	$ 528,250	$ 527,369	$ 529,231	$ 532,676	$ 536,427	$ 535,570	$ 536,059	$ 536,264	$ 537,879	$ 6,400,722
20.	PERCENT INC.	30.59%	28.96%	28.95%	29.01%	28.94%	29.27%	29.82%	30.48%	30.36%	30.44%	30.48%	30.76%	29.87%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

Total For Network Tariff

LINE NO.		2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 2,187,176	$ 26,246,111
	PRESENT:													
3.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
4.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PROPOSED:													
6.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
7.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PRESENT REVENUE :													
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	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	1,483,805
12.	Total	$ 1,836,341	$ 1,881,857	$ 1,901,014	$ 1,897,199	$ 1,898,822	$ 1,884,665	$ 1,861,755	$ 1,834,188	$ 1,838,904	$ 1,835,760	$ 1,834,525	$ 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	$ 4.720	$ 5.132	$ 5.016	$ 5.572	$ 4.081
	PROPOSED REVENUE:													
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	2,186,639	2,186,212	2,185,313	2,184,644	2,184,060	2,184,114	2,184,105	2,184,092	2,184,070	2,184,104	2,184,221	2,184,261	26,215,833
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	1,257,897
17.	Total	$ 2,399,603	$ 2,437,762	$ 2,453,103	$ 2,449,200	$ 2,449,992	$ 2,438,045	$ 2,418,613	$ 2,395,230	$ 2,399,206	$ 2,396,575	$ 2,395,645	$ 2,386,074	$ 29,019,048
18.	Average Cost ($/KWH)	$ 6.138	$ 4.907	$ 4.240	$ 3.935	$ 4.179	$ 4.431	$ 5.411	$ 6.671	$ 6.158	$ 6.700	$ 6.550	$ 7.293	$ 5.304
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 563,262	$ 555,904	$ 552,089	$ 552,001	$ 551,170	$ 553,379	$ 556,858	$ 561,042	$ 560,302	$ 560,815	$ 561,120	$ 562,886	6,690,829
20.	PERCENT INC.	30.67%	29.54%	29.04%	29.10%	29.03%	29.36%	29.91%	30.59%	30.47%	30.55%	30.59%	30.87%	29.97%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

AVERAGE COST-CLASS A MEMBERS

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	AVG COST ($/kW) - PRESENT RATES													
1.	AEC	$ 5.278	$ 4.146	$ 3.036	$ 3.084	$ 3.203	$ 3.326	$ 4.649	$ 5.791	$ 3.649	$ 4.003	$ 4.540	$ 5.080	$ 3.957
2.	DVEC	$ 4.632	$ 3.082	$ 2.731	$ 3.182	$ 2.902	$ 3.634	$ 4.724	$ 6.671	$ 4.429	$ 4.834	$ 4.837	$ 5.406	$ 3.958
3.	GCEC	$ 4.859	$ 3.348	$ 2.706	$ 2.755	$ 2.954	$ 3.385	$ 4.273	$ 5.709	$ 5.148	$ 5.320	$ 5.648	$ 5.304	$ 3.950
4.	MEC	$ 4.382	$ 3.444	$ 3.229	$ 2.922	$ 2.914	$ 3.090	$ 3.605	$ 5.089	$ 5.667	$ 5.854	$ 6.115	$ 7.783	$ 4.049
	MEC2	$ -	$ 0.957	$ 0.906	$ 1.469	$ 1.766	$ 5.534	$ -	$ -	$ -	$ -	$ -	$ -	$ 3.543
5.	SSVEC	$ 5.554	$ 4.674	$ 4.087	$ 4.139	$ 4.000	$ 3.837	$ 4.069	$ 4.462	$ 3.785	$ 3.833	$ 3.723	$ 4.101	$ 4.156
	SSVEC2	$ -	$ 1.058	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8.551
6.	TEC	$ 6.372	$ 4.464	$ 3.520	$ 3.845	$ 3.742	$ 4.124	$ 4.967	$ 6.268	$ 6.379	$ 6.750	$ 7.095	$ 7.902	$ 5.060
7.	CLASS A MEMBER AVG.	$ 5.379	$ 3.788	$ 3.362	$ 3.441	$ 3.412	$ 3.703	$ 4.342	$ 5.460	$ 5.218	$ 5.377	$ 5.446	$ 6.124	$ 4.367
	AVG COST ($/kW) - PROPOSED RATES													
8.	AEC	$ 7.030	$ 5.490	$ 3.980	$ 4.046	$ 4.208	$ 4.375	$ 6.175	$ 7.728	$ 4.814	$ 5.296	$ 6.027	$ 6.760	$ 5.233
9.	DVEC	$ 6.151	$ 4.330	$ 3.726	$ 4.124	$ 3.858	$ 6.908	$ 5.582	$ 7.473	$ 5.589	$ 5.801	$ 5.999	$ 7.735	$ 5.366
10.	GCEC	$ 6.461	$ 4.405	$ 3.531	$ 3.598	$ 3.870	$ 4.456	$ 5.664	$ 7.615	$ 6.853	$ 7.086	$ 7.533	$ 7.066	$ 5.223
11.	MEC	$ 5.811	$ 4.536	$ 4.244	$ 3.826	$ 3.815	$ 4.054	$ 4.754	$ 6.772	$ 7.559	$ 7.814	$ 8.168	$ 10.437	$ 5.359
	MEC2	$ -	$ 1.099	$ 1.034	$ 1.754	$ 2.133	$ 6.952	$ -	$ -	$ -	$ -	$ -	$ -	$ 4.406
12.	SSVEC	$ 7.406	$ 6.209	$ 5.410	$ 5.481	$ 5.291	$ 5.070	$ 5.386	$ 5.919	$ 5.000	$ 5.064	$ 4.915	$ 5.430	$ 5.505
	SSVEC2	$ -	$ 1.290	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11.481
13.	TEC	$ 7.976	$ 5.554	$ 4.358	$ 4.771	$ 4.643	$ 5.132	$ 6.208	$ 7.870	$ 8.014	$ 8.487	$ 8.929	$ 9.962	$ 6.324
14.	CLASS A MEMBER AVG.	$ 7.025	$ 4.904	$ 4.336	$ 4.440	$ 4.400	$ 4.787	$ 5.637	$ 7.124	$ 6.802	$ 7.014	$ 7.106	$ 8.007	$ 5.671

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class
Test Year - Annualized

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

AEPCO Bundled Sales		2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
AEPCO	Firm Pt to Pt - Serv	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	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	
	Firm Pt to Pt - Serv	$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
Sulphur Springs	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242,756
Firm Point to Point	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	
	Total Dollars P/P	$0	$0	$201,769	$161,750	$185,677	$43,356	$77,586	$60,471	$68,340	$15,763	$0	$16,242	$ 830,954
MW&E Safford	Loads	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
wheeling	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	
	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	$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	$ 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	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	$ 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	$ 3,484,662

POINT TO POINT TRANSMISSION SERVICES-PROPOSED RATES		2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
AEPCO	Firm Pt to Pt - Agrmnts kV	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	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	$3.608	
	Firm Pt to Pt - Agrmnts	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$173,184	$ 2,078,208
Sulphur Springs	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242,756
Firm Point to Point	Rate P/P	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	
	Total Dollars P/P	$0	$0	$212,674	$170,492	$195,712	$45,699	$81,779	$63,739	$72,034	$16,615	$0	$17,120	$ 875,864
MW&E Safford	Loads	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
wheeling	Rate p/p	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	3.608	
	Total Dollars P/P	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$36,080	$432,960
	Total Revenue	$ 209,264	$ 209,264	$ 421,938	$ 379,756	$ 404,976	$ 254,963	$ 291,043	$ 273,003	$ 281,298	$ 225,879	$ 209,264	$ 226,384	$ 3,387,032
	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	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	$ 229,995
	Total Revenue	$ 223,474	$ 223,474	$ 450,589	$ 405,544	$ 432,476	$ 272,276	$ 310,806	$ 291,541	$ 300,399	$ 241,217	$ 223,474	$ 241,756	$ 3,617,027

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

	APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 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	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	$ 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	$ 3,484,662

POINT-TO-POINT TARIFF-PROPOSED RATES

	APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
Total Revenue	$ 209,264	$ 209,264	$ 421,938	$ 379,756	$ 404,976	$ 254,963	$ 291,043	$ 273,003	$ 281,298	$ 225,879	$ 209,264	$ 226,384	$ 3,387,032
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	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	$ 229,995
Total Revenue	$ 223,474	$ 223,474	$ 450,589	$ 405,544	$ 432,476	$ 272,276	$ 310,806	$ 291,541	$ 300,399	$ 241,217	$ 223,474	$ 241,756	$ 3,617,027

Exhibit JWZ-1

Southwest Transmission Cooperative, Inc.

PROOF OF REVENUE SUMMARY BY RATE CLASS - Present and Proposed Rates - SWTC Rebuttal

	Revenues				Rates			
	Current	Proposed	Increase	% Inc.	Current	Proposed	Increase	% Inc.
Class A - Firm Network Services								
Anza	$ 353,604	$ 480,889	$ 127,285	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Duncan Valley	209,785	285,300	75,515	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Graham County Electric	1,188,106	1,615,784	427,678	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Mohave Electric 1	5,391,298	7,331,982	1,940,683	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Mohave Electric 2	372,811	476,733	103,922	27.88%	$ 1,608,258	$ 2,056,562	$ 448,304	27.88%
Sulphur Springs Valley 1	5,775,237	7,854,125	2,078,888	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Sulphur Springs Valley 2	235,853	320,752	84,899	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Trico Electric	4,938,762	6,716,547	1,777,785	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Total Firm Members	$ 18,465,457	$ 25,082,112	$ 6,616,655	35.83%				
Other - Firm Network Services								
Safford	570,690	776,119	205,429	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Thatcher	262,949	357,602	94,653	36.00%	$ 1,608,258	$ 2,187,176	$ 578,918	36.00%
Total Other	833,639	1,133,721	300,082	36.00%				
Total Network Services	$ 19,299,096	$ 26,215,833	$ 6,916,737	35.84%				
Point-to-Point Services								
Network Transmission Rate								
AEPCO	$ 1,971,648	$ 2,078,208	$ 106,560	5.40%	$ 3.423	$ 3.608	$ 0.185	5.40%
Sulphur Springs	830,954	875,864	44,910	5.40%	$ 3.423	$ 3.608	$ 0.185	5.40%
MW&E Stafford Wheeling	410,760	432,960	22,200	5.40%	$ 3.423	$ 3.608	$ 0.185	5.40%
Total Point-to-Point	$ 3,213,362	$ 3,387,032	$ 173,670	5.40%				
Total Electric Revenue	$ 22,512,458	$ 29,602,865	$ 7,090,407					
Other Operating Revenues								
Class A - System Control & Load Dispatch								
Anza	$ 27,863	$ 23,621	$ (4,242)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Duncan Valley	16,525	14,009	(2,516)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Graham County Electric	93,798	79,518	(14,281)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Mohave Electric 1	414,376	351,287	(63,088)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Mohave Electric 2	33,113	28,072	(5,041)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs Valley 1	431,569	365,863	(65,706)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs Valley 2	8,250	6,994	(1,256)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Trico Electric	392,797	332,994	(59,803)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Total Other Members	$ 1,418,292	$ 1,202,358	$ (215,934)	-15.22%				
Other - System Control & Load Dispatch								
Safford	44,705	37,898	(6,806)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Thatcher	20,808	17,640	(3,168)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Total Other	65,513	55,538	(9,974)	-15.22%				
Other - System Control & Load Dispatch								
AEPCO	$ 166,464	$ 141,120	$ (25,344)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs	70,156	59,475	(10,681)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
MW&E Safford Wheeling	34,680	29,400	(5,280)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
	$ 271,300	$ 229,995	$ (41,305)	-15.22%				
Total System Control & Load Dispatch	$ 1,755,105	$ 1,487,892	$ (267,213)					
Adj. Other System Control & Load Disp.	70,639	70,639	-					
Total Sch 1 Revenue Credit	$ 1,825,744	$ 1,558,531	$ (267,213)					
Class A - Direct Assignment Facilities								
Trico Electric	1,545,318	1,545,318	-	0.00%				
Other Operating Revenues	598,408	598,408	-					
Special Contracts	1,295,300	1,295,300	(0)					
Total Other Operating Revenue	$ 5,264,771	$ 4,997,557	$ (267,214)					
Total Network Services	$ 27,777,228	$ 34,600,422	$ 6,823,193	24.56%				
Exhibit GEP-2	$ 27,777,227	$ 34,600,422	$ 6,823,195					
Proof	$ (1)	$ 0	$ 2					

Exhibit JWZ-2

COMPARISON OF CURRENT AND PROPOSED SWTC - AS FILED VS STAFF ADJUSTED VS SWTC REBUTTAL WITH % INCREASE

Transmission Services	SWTC Transmission Rates - As Filed Rates			SWTC Transmission Rates - Staff Adjusted Rates			SWTC Transmission Rates - SWTC Rebuttal Rates		
	Current	Proposed	% Inc.	Current	Proposed	% Inc.	Current	Proposed	% Inc.
Firm Network Service - $ Monthly Rev. Req.*	$ 1,608,258	$ 2,247,574	39.75%	$ 1,608,258	$ 2,247,326	39.74%	$ 1,608,258	$ 2,187,176	36.00%
Firm Network Service - $ Annual Rev. Req.*	$ 19,299,096	$ 26,970,888	39.75%	$ 19,299,096	$ 26,967,912	39.74%	$ 19,299,096	$ 26,246,111	36.00%
Firm Network Service - Moh Elec 2 $ Monthly Rev. Req.*	$ 1,608,258	$ 2,162,827	34.48%	$ 1,608,258	$ 2,155,588	34.03%	$ 1,608,258	$ 2,056,562	27.88%
Firm Network Service - Moh Elec 2 $ Annual Rev. Req.*	$ 19,299,096	$ 25,953,928	34.48%	$ 19,299,096	$ 25,867,053	34.03%	$ 19,299,096	$ 24,678,748	27.88%
Firm Point-to-Point Network Transmission ($/kW)	$ 3.423	$ 3.709	8.36%	$ 3.423	$ 3.709	8.36%	$ 3.423	$ 3.608	5.40%
Non-Firm Point-to-Point Network Transmission $/kW)	$ 3.423	$ 3.709	8.36%	$ 3.423	$ 3.709	8.36%	$ 3.423	$ 3.608	5.40%
Mandatory Ancillary Services:									
Sch. 1 - Network - System Control & Load Dispatch - ($/kW)	$ 0.289	$ 0.245	-15.22%	$ 0.289	$ 0.245	-15.22%	$ 0.289	$ 0.245	-15.22%
Sch. 1 - Point-to-Point - System Control & Load Dispatch - ($/kW)	$ 0.289	$ 0.245	-15.22%	$ 0.289	$ 0.245	-15.22%	$ 0.289	$ 0.245	-15.22%
Sch. 2 - Network - Var Support/ Voltage Control - ($/kW)	$ 0.120	$ 0.066	-45.00%	$ 0.120	$ 0.074	-38.26%	$ 0.120	$ 0.067	-44.39%
Sch. 2 - Point-to-Point - Var Support/ Voltage Control - ($/kW)	$ 0.094	$ 0.049	-47.87%	$ 0.094	$ 0.055	-41.65%	$ 0.094	$ 0.049	-47.45%
FERC Optional Ancillary Services - AEPCO									
Sch. 3 - Network - Req. & Freq. Resp ($/kW)	$ 0.4720	$ 0.3862	-18.18%	$ 0.4720	$ 0.4006	-15.12%	$ 0.4720	$ 0.5325	12.82%
Sch. 4 - Network - Energy Imbalance - Eng In-Kind +/-1.5% ($/MW)	$ 23.25	$ 36.38	56.47%	$ 23.25	$ 36.68	57.78%	$ 23.25	$ 36.68	57.78%
Sch. 5 - Network - Oper. Reserves - Spinning ($/kW)	$ 0.7130	$ 0.5121	-28.18%	$ 0.7130	$ 0.5311	-25.50%	$ 0.7130	$ 0.7060	-0.98%
Sch. 6 - Network - Oper. Reserve - Supplemental ($/kW)	$ 0.4610	$ 0.3652	-20.78%	$ 0.4610	$ 0.3783	-17.95%	$ 0.4610	$ 0.4981	8.04%
Direct Assignment Facilities									
Trico Electric Only - ($/mth)**	$ 128,777	$ 128,777		$ 128,777	$ 128,777		$ 128,777	$ 128,777	

* Memb Rate: $ annual rev req /12 x ratio of Memb's Currnt 12mth avg Load to that of same Sum Total Membs.Load

** Cost Alloc & assoc. charges for transmission construction by distribution cooperative - Trico Only

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF THE 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-09-0496

EXHIBIT
MEC-1
ADMITTED

SURREBUTTAL TESTIMONY

OF

CARL N. STOVER, JR.

ON BEHALF

OF

MOHAVE ELECTRIC COOPERATIVE, INC.

August 12, 2010

SURREBUTTAL TESTIMONY OF

CARL N. STOVER, JR.

ON BEHALF OF

MOHAVE ELECTRIC COOPERATIVE, INC.

INTRODUCTION

Q. Please state your name and business address.

A. My name is Carl N. Stover, Jr.; my business address is 5555 North Grand Boulevard, Oklahoma City, Oklahoma 73112-5507.

Q. By whom are you employed and what is your position?

A. I am employed by C. H. Guernsey & Company, Engineers • Architects • Consultants. I am currently Chairman of the Board. My consulting activities include rate and financial analysis on behalf of our clients before state and regulatory commissions. I am also involved in long-range system planning, power supply planning, and development of power supply resources.

Q. Please briefly summarize your educational background and your professional experience.

A. I have a Bachelor of Science degree in Electrical Engineering and a Master of Science degree in Industrial Engineering. I am a Registered Professional Engineer, licensed in the states of Oklahoma, Kansas, Colorado, Wyoming, Iowa, and Texas. I am a member of the Power Engineering Society and the Engineering Management Society of the Institute of Electrical and Electronics Engineers.

Q. Have you previously appeared before state regulatory commission on matters related to cost of service, rate design and power supply planning?

A. Yes. I have appeared before regulatory commissions in the states of Arkansas, Colorado, Kansas, New Mexico, Oklahoma, Texas and Wyoming. Exhibit CNS-1 attached to this testimony is my resume.

Q. Have you published or presented papers concerning planning, rate design, cost of service, etc.?

A. Yes. *See* Exhibit CNS-1 for a listing of my papers and presentations.

Q. Have you testified before the Arizona Corporation Commission before?

A. No.

Q. Upon whose behalf are you appearing in this proceeding?

A. I am appearing on behalf of Mohave Electric Cooperative, Inc. ("Mohave") an intervenor in this proceeding.

Q. Please describe your experience with Mohave Electric Cooperative, Inc.

A. I began working with Mohave in 2002. My work primarily relates to power supply-related activities including planning for power supply resources, integration of resources, and wholesale rates.

IMPACT OF SWTC APPLICATION ON MOHAVE

Q. What is the relationship between Mohave and Southwest Transmission Cooperative, Inc. ("SWTC")?

A. Mohave is a Member of SWTC. As a member, Mohave has a representative on the SWTC Board of Directors. SWTC provides Network, Point-To-Point, and ancillary services to Mohave.

Q. How is Mohave impacted by the proposed SWTC rate filing?

A. As a result of the SWTC rate application, Mohave will experience a substantial increase in cost of transmission service. The increase is:

1. Based on SWTC Filed Case: $2,209,382, or 35.7%
2. Based on ACC Staff Proposal: $2,201,070, or 35.43%
3. Based on SWTC Rebuttal Proposal: $1,976,476, or 31.82%

SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony in the proceeding?

A. I am offering surrebuttal testimony for three purposes:

First, to support SWTC's proposed net margin of $2,823,336 based upon a 1.35 Debt Service Coverage ("DSC") for a revenue increase of $6,823,195 as set forth in Mr. Pierson's Rebuttal Testimony and summarized on his Exhibit GEP-2. In doing so, I

will also explain why the Commission should reject ACC Staff's proposed net margin of $3,722,264 based on a 1.45 DSC for a revenue increase of $7,648,823.

Second, to support the Commission's rejection of Staff witness Ralph Smith's $73,300 "other Income" adjustment related to the gain on the sale of utility property.

Third, to preserve the issue of whether Dr. Zarnikau's proposed modification of the MEC2 rate is appropriate.

MOHAVE SUPPORTS SWTC'S REBUTTAL POSITION ON THE LEVEL OF RATE INCREASE

Q. Does Mohave Electric Cooperative support the $6,823,195 increase in annual revenues requested by SWTC in its Rebuttal Testimony?

A. Yes. As noted by Mr. Ralph C. Smith at page 7 of his Direct Testimony, "SWTC's actual recorded results for the test year ended March 31, 2009 do not indicate that a revenue increase would be required." Under its mortgage agreement with the Rural Utilities Service ("RUS"), SWTC is required to maintain a DSC of 1.0 and a Times Interest Earned Ratio ("TIER") of 1.05 in two out of three consecutive years. (*See* Direct Testimony of Randall Vickroy at page 3.) For the 12 months ended December 31, 2008 (a period including 9 months of the test year), SWTC achieved a TIER of 2.00, a DSC of 1.07 and net margins of $4,934,059. (*See* Exhibit LCG-2 to Direct Testimony of Randall Vickroy.)

However, as noted by SWTC and recognized by Staff, between December 2008 and December 31, 2009 contracts representing $8.6 million in annual revenue, about 24% of the SWTC's annual revenue, will expire. (*See* Direct Testimony of Randall Vickroy at page 2.) Mohave understands that in the absence of new contracts, SWTC must increase rates to its members and reduce operating expenses to offset this lost revenue.

SWTC originally sought a net increase of rates of approximately $7.65 million, or a 29.65% increase. As filed, the increased revenues provided SWTC with a TIER of 1.56, a DSC of 1.35 and net margins of $2,823,336. *See,* Exhibit GEP-2 to Pierson

Rebuttal Testimony. Staff has identified $830,226 in operating expense cost reductions: $730,000 is related to the significant work-force reduction SWTC has already implemented and $70,235 is related to incentive compensation. (*See* Direct Testimony of Ralph C. Smith at pages 22-28.) But, instead of passing the majority of those cost savings through to SWTC members, Staff has proposed SWTC increase its net margin and cash from operations, based upon a higher DSC than requested by SWTC (1.45 vs. 1.35). As a result, Staff proposed SWTC be permitted to increase revenues approximately $7.64 million, or 29.63%.

In contrast, SWTC's Rebuttal Testimony accepts all but one of Staff's proposed expense adjustments and revises its proposed increase downward to $6,823,195, a 26.43% increase in revenues over the adjusted test year level. As a result, Staff's proposal represents an additional $825,628 annual increase than now requested by SWTC.

Mohave supports the SWTC revised revenue proposal. Recognizing these are difficult economic times, SWTC appropriately seeks to minimize the adverse impacts on its members from the significant rate increase necessitated by the expiring service contracts. SWTC proposes revenues based upon a 1.35 DSC which, as recognized by Mr. Vickroy, enables it to accumulate cash and build equity barring unforeseen significant expenditures or revenue erosion.

STAFF'S PROPOSED NET MARGIN AND DSC RESULTS IN AN UNREASONABLE AND UNNECESSARY RATE INCREASE

Q. You reference the margin component of the total revenue requirement and you reference DSC. Please explain the components that determine the total revenue requirement in the SWTC filing and how margin and DSC are related.

A. The following will be helpful in understanding basic relationships that I will reference later in my testimony.

The total operating revenue requirements is the sum of:

1. Operating Expenses
    a. Operating Expense
    b. Depreciation & Amortization

c. Taxes

2. Interest & Other Deduction

3. Net Margin

4. Less: Non-Operating income

This format is used by both SWTC and Staff in identifying the SWTC revenue requirement. For example, referencing Attachment RCS-2, page 2 to Ralph C. Smith's Direct Testimony, the Operating Expense is shown on Line 2, the Interest and Other Deduction value is shown on Line 4, the Net Margin (or Net Income) is shown on Line 7, and Non-Operating income (or Other Non-Operating Income) is shown on line 5.

Mr. Smith provides a summary of both SWTC and Staff values. In this case there is no difference between SWTC and Staff recommended depreciation, interest on long-term debt ("LTD"), or principal payments. As discussed above, there is a difference in operation and maintenance expense ("O&M") in the amount of $830,226 and Non-Operating income of $73,300. The total difference related to O&M adjustments and Non-Operating income is $903,526. SWTC Rebuttal Testimony accepts all but the $70,300 adjustment. Instead of flowing these adjustments through to the revenue requirement as proposed by SWTC in its Rebuttal Testimony, Staff, based on Mr. Vickroy's recommendation of a 1.45 DSC, increased the net margin component of the revenue requirement by $898,928. The margin adjustment essentially offsets all of the Staff expense and Non-Operating income adjustments.

Q. Mr. Vickroy references margin, cash flow, and DSC in his recommendations. What is the relationship between margin, cash flow and DSC?

A. Margin, cash flow and DSC are different measures of the financial health of an entity at a particular revenue level. A particular margin, cash flow or DSC result can be obtained simply by adjusting the revenue requirement, assuming all else is held constant. Given a depreciation expense and debt service (principal + interest on LTD), a particular DSC will result in a specific margin and cash flow.

Q. What does the margin measure?

A. The margin is a metric that measures the revenues remaining after paying operating expenses. When the margin is calculated prior to considering interest on LTD and other interest expense, it is referred to as the operating margin or operating

income/loss. When the margin is calculated after consideration of interest expense and other non-operating expenses and credits, it is referred to as the net margin or net income/loss.

Q. What does cash flow measure?

A. Cash flow is a metric that measures the cash available to the entity for operations. For cooperatives, cash flow is generally derived by adding the non-cash operating expenses of depreciation and amortization to the margin. The equation for Cash Flow from operations after debt service is defined by the following formula:

Cash Flow from Operations after DS = Margin + Depreciation + Interest – Debt Service

Q. What is measured by DSC?

A. DSC is a metric that measures the cash available before debt as a ratio to debt service. The equation for DSC at a given margin is defined as:

DSC = (Margin + Depreciation + Interest)/Debt Service

The margin required to produce a particular DSC is defined by the following equation:

Margin = (DSC)*(Debt Service) – (Interest LTD) – (Depreciation)

Q: Using the values established for SWTC in this docket, can you demonstrate the relationship between net margin, cash flow and DSC at both a 1.35 DSC, as proposed by SWTC, and a 1.45 DSC, as proposed by Mr. Vickroy?

A: Both Staff and SWTC use the following values as reflected on Attachment RCS-2, page 2 of Mr. Smith's Direct Testimony and on Exhibit GEP-2 of Mr. Pierson's Rebuttal Testimony:

Interest LTD:	$4,999,328
Principal:	$3,989,942
Debt Service:	$8,989,270
Depreciation & Amort:	$4,312,850

Using these values the net margin required to produce a specific DSC is:

Net Margin @ 1.35 = (1.35)*(8,989,270) - (4,999,328) – (4,312,850) = $2,823,336
Net Margin @ 1.45 = (1.45)*(8,989,270) – (4,999,328) – (4,312,850) = $3,722,264

Table 1 shows the development of Margin and Cash Flow calculations for SWTC at both a 1.35 DSC and a 1.45 DSC utilizing the foregoing figures.

			(A)	(B)	(C)
			Net Margin	Net Margin	
			& Cash	& Cash	
		Reference	DSC 1.35	DSC 1.45	Difference
		---	---	---	---
1	Net Margin		$ 2,823,337	$ 3,722,264	$898,927
2	Plus: Interest	RCS-2, Line17	$ 4,999,328	$ 4,999,328	$ -
3	Plus: Depreciation	RCS-2, Line 18	$ 4,312,850	$ 4,312,850	$ -
4	Cash Before Debt Service	L1 + L2 + L3	$ 12,135,515	$ 13,034,442	$898,927
5	Debt Service	L 10	$ (8,989,270)	$ (8,989,270)	$ -
6	Cash After Debt Service		$ 3,146,245	$ 4,045,172	$898,927
7	DSC	L 4/L10	1.35	1.45	
	Debt Service				
8	Principal	RCS-2, Line 21	$ 3,989,942		
9	Interest	RCS-2, Line 20	$ 4,999,328		
10	Total	L8 + L9	$ 8,989,270		

Table 1

Therefore, when referencing the margin component of the revenue requirement for SWTC using adjusted test year data developed in this proceeding a 1.35 DSC, a $2.8 million net margin, and a $3.1 million cash flow are all consistent references and will result in the same revenue requirement. Reference to a 1.45 DSC, a $3.7 million net margin, and $4.05 million cash flow are also all consistent references reflecting a revenue requirement $898,927 greater than a 1.35 DSC.

SUMMARY OF ISSUES WITH VICKROY TESTIMONY

Q. What are the primary issues with Mr. Vickroy's testimony?

A. Mr. Vickroy summarizes his recommendations on page 9 beginning at line 12:

First, Mr. Vickroy identifies a range of appropriate DSC values of 1.35 – 1.55. While acknowledging at pages 7-8 of his Direct Testimony that the Key Trend Ratio Analysis ("KTRA") prepared by CFC had limited data on transmission entities, that the only other pure transmission company "was many times the size of SWTC," and that median DSC ratios for the transmission category was between 1.31 and 1.37, Mr. Vickroy still relied on KTRA data to suggest SWTC is under performing financially. He also underestimates the available cash after debt service available under SWTC's rates, with Staff's adjustment, by a million dollars (2.1 million vs. 3.1 million). (*See* Vickroy Direct Testimony at page 9 vs. Table 1 above.) He also apparently took into consideration the Staff's proposed operating expense adjustments in setting the appropriated DSC range. (*See* Vickroy Direct Testimony at page 9, line 16.) As noted, by taking these adjustments into consideration in setting the DSC, Mr. Vickroy increased SWTC's margins so as to off-set the eliminated expense dollars when the revenue requirement and rates paid by SWTC customers could have been and should have been lowered, as subsequently proposed by SWTC in its Rebuttal Testimony.

Second, he then picks the mid-point of the range as an appropriate recommendation. The only explanation for picking the mid-point is as follows: "Using the mid-point of this range, a DSC target of 1.45 times, would result in a net margin of $2.8 million and net cash flow after principal payments of $3.0 million." (*See* Vickroy Direct Testimony at page 9, line 16-18.) The problem is that a 1.45 DSC corresponds to a net margin of $3.7 million not $2.8 million, and a cash after debt service of $4.05 million and not $3.0 million.

Q. What value is used by other Staff witnesses in developing the total revenue requirement?

A. Mr. Smith makes reference to Mr. Vickroy's recommendation of 1.45 DSC (*see* Smith Direct Testimony at 8, line 19.) With a 1.45 DSC the resulting net margin of $3.722

million is used to determine the total Staff recommended revenue requirement, instead of the $2.8 million net margin Mr. Vickroy testified would result from the use of a 1.45 DSC.

Q. If Mr. Smith had used a net margin of $2.8 million as the reference from Mr. Vickroy rather than the DSC reference, would the Staff recommended revenue requirement change?

A. Yes. The revenue requirement would be reduced by $898,927.

Q. If Mr. Smith had used a cash flow of $3.0 million as the reference from Mr. Vickroy, what would be the revenue requirement?

A. The Staff revenue requirement would be reduced by approximately $1.05 million.

Q. It appears that Mr. Vickroy has provided three reference values in his recommendation and that two of the metrics (net margin and cash flow) are comparable in terms of the final revenue requirement, and the third (DSC) is not consistent with the other two. How do you reconcile these differences?

A. Clearly, the DSC reference of 1.45 is not consistent with the references to a net margin of $2.8 million or cash flow of $3.0 million. If Mr. Smith had used either the net margin or cash flow reference in Mr. Vickroy's Direct Testimony there would not be a net margin requirement issue to address in rebuttal. The result would have been a revenue requirement reflected in SWTC's Rebuttal Testimony because it produces a net margin of $2.8 million and a cash flow of $3.1 million.

Q. What other explanation does Mr. Vickroy give as to why he is proposing a DSC level that requires approximately a $900,000 greater revenue requirement than his net margin or cash flow recommendation produces?

A. Mr. Vickroy makes references to his concern that a margin of $2.8 million is thin. He also references that he considered the Staff expense adjustments of $903,526 (page 9, line 16) in setting the DSC. By raising the DSC to 1.45 he effectively used the Staff's expense adjustments as a cushion for economic uncertainty. He also references a "large contingency" event could "consume most or all of such a small annual margin" (*see* Vickroy Direct Testimony at page 8, lines 24-26). At this point he seems to be saying that the margin component of the revenue requirement should reflect some cushion or excess amount to cover future contingency. His proposed DSC

recommendation would then appear to quantify the contingency as the approximate amount of the staff expense adjustments.

Q. Do you believe this is appropriate?

A. No. If there is some uncertainty as to the appropriate operating expense level for ratemaking purposes, this would be addressed by the witnesses dealing with the expense adjustments. A more basic question is the extent to which it is appropriate to make adjustments when median DSC ratios for the transmission category are between 1.31 and 1.37 (*see* Vickroy Direct Testimony at page 8, line 7), and no evidence indicates a margin based on a 1.35 DSC is unreasonable.

Q. Does Mr. Vickroy indicate the net margins and cash flow requested by SWTC are sufficient to provide equity capital and cash balance?

A. Yes. He states the margin of $2.8 million would produce ".... cash flow sufficient to increase its cash balances to support working capital needs by about $10 million over three years." (*See* Vickroy Direct Testimony at page 4, lines 11-14.) He also states, "SWTC has estimated that the increased rates would increase equity as a percentage of capitalization to slightly over 10 percent (from 9 percent) at the end of the test period." (*See* Vickroy Direct Testimony at page 4, lines 14-16.) Later in his testimony he does state that the SWTC requested margin of $2.8 million and a cash flow after debt service of $3.15 million to be "fairly thin and marginally sufficient" (*see* Vickroy Direct Testimony at page 8, lines 23-24), but relies on purely speculative future events to support his characterization.

Q. At the top of page 9 of his Direct Testimony, Mr. Vickroy states the available cash flow after debt service with the Staff adjustments would be $2.1 million, which you have indicated under-estimates the cash flow with a DSC of 1.35 by $1 million. Even assuming a $2.1 million cash flow, does Mr. Vickroy indicate there are conditions when this level of cash flow would be acceptable?

A. Yes. He states that even assuming only $2.1 million cash available after debt service, "The cash flow could prove sufficient for SWTC in the future if the Cooperative does not experience large lags between cash payments for capital expenditures and the related draw down from FFB loans." (*See* Vickroy Direct Testimony at page 9, line 4.)

Q. Does Mr. Vickroy indicate that this lag will in fact be a concern?

A. He goes on to state that, "SWTC advises that it now has an interim financing facility that should greatly reduce this potential cash flow lag." (*See* Vickroy Direct Testimony at page 9, line 6.)

Q. Did Mr. Vickroy reference any other evidence that supports a finding that a 1.35 DSC is reasonable and just for SWTC at this time?

A. Mr. Vickroy's recommendation of 1.45 DSC results in a $4.05 million cash flow from operations after debt service. (*See* Table 1 above.) On page 10, line 17 of his Direct Testimony, Mr. Vickroy indicates he asked SWTC for an updated financial forecast. This appears to be a reference to Data Request response STF 3.5.

That response assumes the SWTC rates for 2011 and 2012 and then assumes rates that will produce a 1.10 DSC each year 2013-2015. The balance sheet shows that cash position increases to $31.2 million by 2012 and continues to increase even with a 1.10 DSC to $43.7 million by 2015. This is compared to the stated objective of establishing working capital of $10 million. Given this projection it would appear to me that the requested 1.35 DSC already allows for some cushion for uncertain events.

SUMMARY AS TO DSC

Q. Please summarize your conclusions as to an appropriate DSC for SWTC.

A. Mr. Vickroy's recommended DSC of 1.45 is not consistent with the net margin and cash flow he indicates, in the same sentence, will result if the 1.45 DSC is adopted. (*See* Vickroy Direct Testimony at page 9, lines 16-18). Mr. Vickroy rejects SWTC's recommendation of a 1.35 DSC based solely upon conjuncture and speculation about potential contingencies, such as the loss of remaining point-to-point customers or major operation and maintenance issues that "could consume most or all" of its margin. (*See* Vickroy Direct Testimony at page 8, lines 24-26). Mr. Vickroy acknowledges that the SWTC-requested margins allow SWTC to build both cash and equity. (*See* Vickroy Direct Testimony at page 4, lines 11-16.) Staff provides no affirmative evidence demonstrating that the net margin and cash flow realized with a 1.35 DSC are insufficient or inadequate. SWTC's members must not be burdened with a rate increase above the 26.43% requested by SWTC and supported by its

members. Staff has provided no evidence to support off-setting the operating expense adjustments it has recommended with a higher DSC and net margin. Even Mr. Vickroy testifies that barring unforeseen contingencies, the 1.35 DSC will provide thin but sufficient margins and cash for working capital. (*See* Vickroy Direct Testimony at page 8, lines 23-24.) It should also be noted that, even with a long-term 1.10 DSC, the working capital increases to more than four times the stated objective. Finally, the members should benefit from adjustments in operating expenses deemed necessary by Staff. Such benefits should flow through to lower rates rather than increase margins, unless it is demonstrated that the utility's recommended rates will render it financially unhealthy. No such demonstration has been made by Staff. Under such circumstances, SWTC's members should not be burdened with a rate increase greater than the 26.43% increase requested by SWTC in its Rebuttal Testimony and supported by its members.

For these reasons I believe SWTC's revenue requirement should be based on a 1.35 DSC and the corresponding net margin and cash flow, all as SWTC has requested in its Rebuttal Testimony.

STAFF'S ADJUSTMENT FOR GAIN IS INAPPROPRIATE

Q. Does Mohave support Staff's proposed adjustment of $73,300 relating to SWTC's gain on the sale of utility property?

A. No. While Mohave agrees with Staff that 100% of the gain from the sale of SWTC's utility property should flow to its members (*see* Smith Direct Testimony at page 31, lines 10-13), Mr. Pierson correctly notes that the members are already credited with the sale proceeds and any further adjustment would constitute a double credit. (*See* Pierson Rebuttal Testimony at page 3, lines 1-3.)

SWTC'S ADJUSTMENT IN THE MEC2 RATE

Q. Does Mohave support SWTC's modification of the MEC2 rate as proposed by Dr. Jay Zarnikau in his Rebuttal Testimony?

A. SWTC did not discuss Dr. Zarnikau's proposal to modify the MEC2 rate with Mohave prior to filing its Rebuttal Testimony. Mohave is still reviewing the MEC2 agreement and is in the process of requesting and reviewing the underlying documentation

regarding the Apache Transformer and the Bicknell Substation Upgrade expenditures. Therefore, it reserves its right to object to the proposed modification.

Q. Does this conclude your testimony?

A. Yes, it does.

EDUCATION:

M.S., Industrial Engineering, The University of Oklahoma, 1969
B.S., Electrical Engineering, The University of Oklahoma, 1963
Stanford University School of Business Administration, "Leading Change and Organizational Renewal," Summer 2001.
Harvard Business School Executive Education, "What's Next & So What? – Leading in the 21st Century," January 2000.
Harvard Graduate School of Business Administration, "Leadership in Professional Service Firms," June 1995.

REGISTRATIONS:

Professional Engineer: Colorado - 12931, Iowa - 11754, Kansas - 6261, Oklahoma - 8526, Texas - 67676, Wyoming - 1215

PROFESSIONAL ACTIVITIES / HONORS:

Associate Member, National Rural Electric Cooperative Association, 1998 - Present
Associate Member, American Public Power Association, 1997 - Present
Member, College of Engineering Board of Visitors, The University of Oklahoma, 1989 - Present
Member, Chairman; Electric Power Advisory Board, School of Electrical Engineering and Computer Science, The University of Oklahoma, 1985 - Present
Member, Institute of Electrical and Electronics Engineers, 1970 – Present
Distinguished Graduates Society Inductee, College of Engineering, The University of Oklahoma, 1998

EXPERIENCE RECORD:

1966 - Present **C. H. Guernsey & Company, Oklahoma City, Okla.**

2005-Present, Chairman of the Board
1990-2005, Chairman of the Board, CEO and President
1989-1990, President, Board of Directors
1980-1989, Executive Vice President, Board of Directors
1972-1980, Vice President, Board of Directors

Mr. Stover's primary areas of responsibility include preparation of retail and wholesale rate analysis for regulated and unregulated systems, strategic planning, financial analysis and forecasting, resource planning and power supply negotiations, and training for utility clients. Mr. Stover has appeared before the Arkansas, Colorado, Kansas, Oklahoma, Texas, Utah and Wyoming state commissions, as well as the Federal Energy Regulatory Commission.

1963 - 1966 USAF. Assigned to Inertial Guidance Laboratory at Holloman AFB, New Mexico.

Lt. Stover served as engineer in testing and evaluation of inertial guidance systems, and received an honorable discharge as 1st Lieutenant.

SPECIFIC CONSULTING EXPERIENCE:

Rate Proceedings – Distribution Cooperatives

Arkansas (Arkansas Public Service Commission)

- Ozarks Electric Cooperative Corporation, Fayetteville (Docket 86-162-U)

COLORADO (Colorado Public Utilities Commission)

- Delta-Montrose Electric Association, Delta
- Empire Electric Association, Inc., Cortez
- Gunnison County Electric Association, Inc., Gunnison
- Holy Cross Electric Association, Inc., Glenwood Springs
- Intermountain Rural Electric Association, Sedalia
- La Plata Electric Association, Inc., Durango
- Moon Lake Electric Association, Inc., Roosevelt, UT
- Poudre Valley Rural Electric Association, Inc., Ft. Collins
- San Isabel Electric Association, Inc., Pueblo
- San Luis Valley Rural Electric Cooperative, Inc., Monte Vista
- San Miguel Power Association, Inc., Nucla
- United Power, Inc., Brighton
- White River Electric Association, Inc., Meeker

Illinois

- Egyptian Electric Cooperative Association, Steeleville
- SouthEastern Illinois Electric Cooperative, Inc., Eldorado
- Southern Illinois Electric Cooperative, Dongola

Indiana (Indiana Public Service Commission)

- Clark County Rural Electric Membership Corporation, Sellersburg

Kansas (Kansas Corporation Commission)

- Ark Valley Electric Cooperative Association, Inc., Hutchinson
- C.M.S. Electric Cooperative, Inc., Meade
- D.S.&O. Rural Electric Cooperative Association, Inc., Solomon
- Lane-Scott Electric Cooperative, Inc., Dighton
- Ninnescah Rural Electric Cooperative Association, Inc., Pratt
- Sedgwick County Electric Cooperative Association, Inc., Cheney
- Sumner-Cowley Electric Cooperative, Inc., Wellington
- Victory Electric Cooperative Association, Inc., Dodge City
- Western Cooperative Electric Association, Inc., WaKeeney

Nebraska

- McCook Public Power District, McCook
- Panhandle Rural Electric Membership Corporation, Alliance
- Twin Valleys Public Power District, Cambridge

Oklahoma (Oklahoma Corporation Commission)

- Caddo Electric Cooperative, Binger
- Canadian Valley Electric Cooperative, Seminole
- Central Rural Electric Cooperative, Stillwater
- Cimarron Electric Cooperative, Kingfisher
- Cookson Hills Electric Cooperative, Inc., Stigler
- Cotton Electric Cooperative, Walters
- East Central Oklahoma Electric Cooperative, Inc., Okmulgee
- Harmon Electric Association, Inc., Hollis
- Indian Electric Cooperative, Inc., Cleveland
- Kay Electric Cooperative, Blackwell
- Kiwash Electric Cooperative, Inc., Cordell
- Lake Region Electric Cooperative, Inc., Hulbert
- Northeast Oklahoma Electric Cooperative, Inc., Vinita
- Northfork Electric Cooperative, Sayre
- Northwestern Electric Cooperative, Inc., Woodward
- Oklahoma Electric Cooperative, Norman
- Oklahoma Gas & Electric Company, Cause No. 29450
- People's Electric Cooperative, Ada
- Red River Valley Rural Electric Association, Marietta
- Rural Electric Cooperative, Inc., Lindsay
- Southwest Rural Electric Association, Inc., Tipton
- Sun Oil vs. Arkansas Louisiana Gas Company
- Verdigris Valley Electric Cooperative, Inc., Collinsville

South Dakota

- West Central Electric Cooperative, Inc., Murdo

Texas (Public Utility Commission of Texas)

- Bailey County Electric Cooperative Association (2915, 5003, 7900)
- Bandera Electric Cooperative, Inc. (2786, 4279)
- Bluebonnet Electric Cooperative, Inc. (266, 4070, 7415, 12126)
- Central Texas Electric Cooperative, Inc. (3170, 6363, 7661, 10325, 12127)
- Cherokee County Electric Cooperative Association (817)
- City of Austin (6560 - in behalf of Bergstrom AFB
- Coleman County Electric Cooperative, Inc. (4875, 13335)
- Comanche County Electric Cooperative, Inc. (5272, 8272)
- Concho Valley Electric Cooperative, Inc. (3550, 4797, 6540, 9056, 13334)
- Cooke County Electric Cooperative Association (9240)
- CoServ Electric (3470, 4189, 5165, 9892, 21669)

- Deaf Smith Electric Cooperative, Inc. (4481, 5019, 8354)
- Department of Defense (Bergstrom AFB v. City of Austin (6560)
- Fannin County Electric Cooperative, Inc. (3747, 4940, 9992)
- Farmers Electric Cooperative, Inc. (3780, 4422, 5259, 6475)
- Fort Belknap Electric Cooperative, Inc. (4396, 6558, 9944)
- Grayson-Collin Electric Cooperative, Inc. (3945, 6510)
- Greenbelt Electric Cooperative, Inc. (5038, 9930, 10405)
- Guadalupe Valley Electric Cooperative, Inc. (398, 3397, 4516, 6338, 7550)
- Hamilton County Electric Cooperative Association (5971)
- HILCO Electric Cooperative, Inc. (7154)
- Houston Lighting and Power Company (5779 and 8425)
- Jackson Electric Cooperative, Inc. (2753, 4710, 10561)
- Lamb County Electric Cooperative, Inc. (3270)
- Lighthouse Electric Cooperative, Inc. (2995, 4612, 8097)
- Lyntegar Electric Cooperative, Inc. (2988, 4564)
- Magic Valley Electric Cooperative, Inc. (1991, 3212, 5477, 20281, 20314)
- Medina Electric Cooperative, Inc. (4113, 11048)
- Big County Electric Cooperative (formerly Midwest) (2717, 3711, 6983)
- Navarro County Electric Cooperative, Inc. (3116)
- Navasota Valley Electric Cooperative, Inc. (7355)
- North Plains Electric Cooperative, Inc. (2934, 4958, 5214)
- Nueces Electric Cooperative, Inc. (3936, 5203, 23454)
- Pedernales Electric Cooperative, Inc. (2247, 3437, 5109)
- Rio Grande Electric Cooperative, Inc. (521, 3681)
- Rita Blanca Electric Cooperative, Inc. (2527, 8422)
- Rusk County Electric Cooperative, Inc. (3383)
- San Bernard Electric Cooperative, Inc. (2699, 3692, 4534, 5467, 6218)
- South Plains Electric Cooperative, Inc. (2936, 4822, 6985)
- Southwest Texas Electric Cooperative, Inc. (5335)
- Swisher Electric Cooperative, Inc. (3062, 6796)
- Taylor Electric Cooperative, Inc. (3679, 5767, 9159)
- Victoria Electric Cooperative Company (770, 3949, 6680)
- Wharton County Electric Cooperative, Inc. (4541, 6685)

<u>Utah</u> (Utah Public Service Commission)

- Empire Electric Association, Inc., Cortez, Colo.
- Moon Lake Electric Association, Inc., Roosevelt

<u>Wyoming</u> (Wyoming Public Service Commission)

- Big Horn Rural Electric Company (9076)
- Bridger Valley Electric Association, Inc. (9447)
- Carbon Power & Light, Inc. (9022)
- Garland Power & Light, Inc. (9575)
- High Plains Power
- Niobrara Electric Association, Inc. (9572)
- Wheatland Rural Electric Association (9574)

- Wyrulec Company (9097)

Rate Proceedings – Municipal Utilities

- Altus, Okla.
- AWC of LCRA, Texas
- Blackwell, Okla.
- Braman, Okla.
- Bryan, Texas
- Chanute, Kans.
- Chatham, Ill.
- Cody, Wyo.
- Cushing, Okla.
- Fredericksburg, Texas (7661, Certification - Central Texas EC)
- Lamar, Mo. vs. SWPA
- Larned, Kans.
- New Braunfels Utilities, Texas
- Oklahoma Municipal Power Authority, Okla.
- Osborne, Kans.
- Piedmont Municipal Power Authority, S. Car.
- Ponca City, Okla.
- Raton, N. Mex.
- Riverton, Ill.
- Stillwater, Okla.
- Torrington, Wyo.
- Vernon, Texas
- Wellington, Kans.

Rate Proceedings - Wholesale

Arkansas (Arkansas Public Service Commission)

- Arkansas Electric Cooperative Corporation Docket Nos. U-3071, 83-023-U

Colorado

- Tri-State G&T Association, Inc. Docket No. 98A-511E

Illinois

- Southern Illinois Power Cooperative

Iowa

- Corn Belt Power Cooperative, Inc.
- Northwest Iowa Power Cooperative, Inc.

Kansas

- Kansas Electric Power Cooperative, Inc.

Louisiana

- Cajun Electric Power Cooperative, Inc. Docket No. U-17735

Minnesota

- Great River Energy

Missouri

- M & A Electric Power Cooperative

New Mexico

- Plains Electric G&T Cooperative, Inc. Merger with Tri-State G&T Assn.

Nebraska

- Nebraska Electric G&T Cooperative, Inc., Columbus

North Carolina

- North Carolina Electric Membership Corporation

North Dakota

- Basin Electric Cooperative, Inc.
- Central Power Electric Cooperative, Inc.

South Dakota

- Rushmore Electric Power Cooperative, Inc.

Texas (Public Utility Commission)

- Brazos Electric Cooperative Docket Nos. 4079, 8868, 12757, 13100, 22531
- Central and South West Corp. / American Electric Power Company Docket No. 19265
- Golden Spread Electric Cooperative Docket Nos. 13444, 14980, 15100, 16738
- Lower Colorado River Authority Docket Nos. 366, 1521, 2503, 3522, 3838, 6027, 7512, 8032, 8400, 9427
- Rayburn Country Electric Cooperative Docket No. 7361
- San Miguel Electric Cooperative, Inc. Docket No. 4127, 5351
- South Texas Electric Cooperative, Inc. Docket Nos. 4128, 5077, 5387, 5440, 8952, 22344
- Southwestern Electric Service Company Docket No. 2817
- Southwestern Public Service Company Docket Nos. 4387, 6055
- Texas Electric Service Company Docket Nos. 527, 1903, 2606, 3250, 4097, 5200
- Texas Power & Light Company Docket Nos. 3006, 3780, 4321
- Texas Utilities Electric Company Docket Nos. 5640, 9300, 13100
- Texland Electric Cooperative, Inc. Docket No. 3896
- West Texas Utilities Company Docket No. 4716

Utah

- Deseret G&T Cooperative, Inc. Docket No. OA97-3-000; Docket No. 98-2035-04 PacifiCorp / ScottishPower Merger

Rate Proceedings - Federal Power Commission (Federal Energy Regulatory Commission)

- Cajun Electric Power Cooperative vs. Gulf States Utilities Company Docket Nos. EL87-051, ER88-477

- Central and South West Services — Docket No. ER84-031
- Central Power & Light Company — Docket Nos. ER77-331, ER81-387, ER86-721
- El Paso Electric Company — Docket Nos. ER76-409, ER77-488, ER79-526, ER81-426, ER84-236, ER86-368
- Golden Spread Electric Cooperative — Docket Nos. ER87-396, EL89-050 EL95-24
- Oklahoma Gas & Electric Company — Docket Nos. ER77-127, ER77-215, ER78-423, ER80-421, ER82-256, ER84-541
- Public Service Company Colorado — Docket Nos. ER76-381, ER76-687, ER78-507, ER80-407
- Public Service Company Oklahoma — Docket Nos. ER77-422, ER78-511, ER82-545
- Southwestern Public Service Co. — Docket Nos. ER84-604, ER85-477, EL89-051
- West Texas Utilities Company — Docket Nos. ER80-038, ER82-023, ER82-708, ER83-694, ER84-236, ER85-081, ER87-065

Transmission Wheeling / Interconnection Analysis

- Central and South West Services, Inc. — Docket No. EL79-008, ER82-545, et.al.
- LCRA Wheeling Case before the Texas PUC — Docket No. 6995

Power Supply Planning

A. System Resource Planning:

- Golden Spread Electric Cooperative, Inc.: Notice of Intent (PUCT Docket No. 13444)
- Golden Spread Electric Cooperative, Inc.: Exempt Wholesale Generation Contract Certification (PUCT Docket No. 15100)
- Holy Cross Energy and Yampa Valley Electric Association, Colorado
- South Texas Electric Cooperative, Texas

B. Long-Range Power Cost - 20-Year Forecast:

- Golden Spread Electric Cooperative, Inc. — Southwestern Public Service Company
- Mid-Tex G&T Electric Cooperative, Inc. — West Texas Utilities Company and Brazos Electric Cooperative
- Magic Valley Electric Coop., Inc. — South Texas Electric Coop., Inc.
- Rio Grande Electric Cooperative, Inc. — Central Power & Light Company
- Magic Valley Electric Cooperative, Inc. — City of Brownsville/Central Power & Light Co.

C. Other Power Supply Planning Projects:

- Golden Spread Electric Cooperative, Inc., TX — Mustang Station
- Magic Valley Electric Cooperative, Inc., TX — Magic Valley Station

Training

Training - NRECA

"Financial Planning and Strategies Workshop," presented for NRECA's Management Internship Program, Madison, Wisconsin; Yearly in May: 2005, 2006, and 2007.

"Financial Strategy and Rate Design for a Competitive World," presented for NRECA's Financial Planning and Strategies Workshop; Lincoln, Nebraska; Yearly in May: 2000, 2001, 2002 and 2004.

"Rate Design in a Restructured Environment," presented for NRECA's Management Internship Program; Lincoln, Nebraska; Yearly: 1999-2001.

"Financial Strategy and Rate Issues for the Changing Utility Industry," NRECA's Advanced Financial Planning; Lincoln, Nebraska; 1997-99.

"Rate Issues and Strategy for the Changing Utility Industry," NRECA's Management Internship Program; Lincoln, Nebr., 1987-98.

"Identifying Revenues and Costs Associated with Marketing Solutions," NRECA's Strategic Marketing Planning for Management Conference; Lincoln, Nebr., 1996-97.

"Application of Market-Based Rates in a Competitive Utility Industry," presented to NRECA's Tech Advantage '97 Annual Meeting; Las Vegas, Nevada; March 15, 1997.

"Rate Analysis," NRECA MIP Advanced Planning and Analysis Workshop; Lincoln, Nebr.; 1990-96.

"Power Supply Issues in the U.S. and Abroad - Increasing Competition and Deregulation," for Management and Technical Issues Conference for International Guests at 1996 NRECA Annual Meeting; Houston, Texas; March 23, 1996.

"Rates and Related Issues," for Management and Technical Issues Conference for International Guests at 1996 NRECA Annual Meeting; Houston, Texas; March 23, 1996.

"Rate Issues and Philosophies," NRECA's Management Internship Program; Lincoln, Nebr.; 1986-96.

"Competitive Strategies: The Economics of Serving Large Loads," NRECA's Summer School; New Orleans, La., June 30-August 1, and Hilton Head, S.C., July 18-19, 1995.

"Competitive Strategies: The Economics of Serving Large Loads," NRECA G&T Rates Conference; Lincoln, Nebr., June 20-21, 1995.

"Competitive Strategies: The Economics of Serving Large Loads," NRECA G&T Rates Conference; Lincoln, Nebr., June 14-15, 1994.

"Competing in the '90s and Beyond," 1994 NRECA G&T Rates Conference; San Antonio, Texas; June 5-8, 1994.

"Implementation of Demand-Side Component of IRP," NRECA's Finance for Marketing Professionals Workshop; Lincoln, Nebr.; 1993-95.

"Competing for Retail Loads," NRECA's 1994 G&T Legal Seminar; New Orleans, La., November 10, 1994.

"Transmission Access Revolution," NRECA's 1993 G&T Director's Update Conference; Nashville, Tenn.; December 2, 1993.

"Coordination of IRP and Marketing Strategy with G&T Wholesale Rate Design," NRECA's G&T Rates & G&T Marketing Conference; Lexington, Ky.; June 8, 1993.

"Rates as a Marketing Tool," NRECA's G&T Marketing Seminar; Denver, Colo.; September 10, 1992.

"Development of a Rate Strategy for the Cooperative System," 1991 Rural Electric Expo for NRECA; New Orleans, La.; February 2-3, 1991.

"Innovative Rate Forms," 1991 NRECA Engineering and Operations Conference; New Orleans, La.; January 31, 1991.

"Making Sense of Your System's Rate Structure," NRECA 1990 Member Services Communication Conference; Charlotte, N.C.; July 31, 1990.

"Service to Large Industrial Customers," NRECA's Rural Electric Management Council; Fargo, N. Dak.; May 17, 1989.

"Rate Design for Attracting and Maintaining Loads," NRECA's Management Internship Program; Lincoln, Nebr.; October 1, 1986.

"Preconference Workshop: Basic Issues in Rate Design," NRECA's 1986 National Accounting and Finance Conference; Tampa, Fla.; September 9, 1986.

"Marketing: Distribution Benefits Through Sale of Surplus Power and Jointly Designed Marketing Rates," 1987 NRECA Engineering and Operations Conference; Denver, Colo.; November 20, 1987.

Training - International

Rate Training Course presented for electric utility executives of Russia, coordinated through Institute of International Education; Moscow, Russia; November 1994.

Rate Training Course presented for electric utility executives of India, coordinated through Institute of International Education; Hyderabad, India; November 1994.

Rate Training Course presented for members of Bangladesh REB coordinated through NRECA; Oklahoma City, Okla.; October 28-November 8, 1991.

"Development of Rate Schedules for an Electric Utility," CAST/CSEE/NRECA Workshop; Kunming, Republic of China; May 14-19, 1984.

"A Planning Model for the Analysis of Long Range Distribution System Design Alternatives," IEEE PES Summer Meeting and EHV/UHV Conference; Vancouver, Canada; July 1973.

Presentations and Papers

"Rate Analysis and Cost of Service Study," presented with Judy Lambert to Region VIII Electric Cooperative Accountants' Association, in Oklahoma City, Okla., April 12, 2002.

"How to Position Cooperatives to Compete in a Customer-Choice Environment," presented to the Texas Statewide group in Austin, Texas; April 11, 2002.

"Positioning The Member Distribution Cooperative to Deal with a Customer Choice Environment," Panel discussion at Brazos Electric Cooperative's Strategic Planning Workshop; Waco, Texas; October 5, 2001.

"Restructuring Issues for the G&T," presented for G&T Accounting and Finance Association's 2000 Conference; Breckenridge, Colorado; June 19, 2000.

"The Restructuring of the Electric Power Industry in Oklahoma and in the Southwest," Panel Discussion Participant; Institute for Energy Economics and Policy, et al; Sarkeys Energy Center, The University of Oklahoma, Norman; December 10, 1999.

"Application of Leadership Skills," presentation for Dr. Jerry Holmes' engineering students at The University of Oklahoma, Norman; April 22 and December 2, 1999.

"Rate Design and the Changing Electric Industry," WREA Annual Meeting; Cheyenne, Wyoming; September 24, 1998.

"Rate Design and the Changing Electric Industry," CFC's Annual Meeting; Colorado Springs, Colorado; July 3, 1998.

"Preparing for the Future Cooperative Electric Service in Texas," presented to Texas Electric Cooperatives' Managers' Conference; Austin, Texas; December 5, 1996.

"Industry Restructuring Implications for Cooperatives," presented to Texas Electric Cooperatives' Government Relations Committee; Austin, Texas; July 1, 1996.

"The Economics of Serving Large Loads," Electric Cooperatives of South Carolina's Competitive Strategies Workshop, Columbia, S.C., August 15-16, 1995.

"Evolving Cooperative Structures," CFC's Cooperative Financing Forum; Chicago, Ill.; July 11, 1995.

"Takeover Workshop," Texas Electric Cooperatives, Inc.; Lubbock and Cleburne, Texas; April 6-7, 1995.

"The Power in the Partnership: Changing the Co-Op Power Supply," TEC 54th Annual Meeting; Fort Worth, Texas, August 2, 1994.

"Implementation of Demand-Side Component of IRP," Georgia EMC in coordination with NRECA; Ga., April 27, 1994.

"The Transmission Access Revolution," Special G&T Director's Update Program for Brazos Electric Power Cooperative, DFW Airport Marriott Hotel, Texas; March 21-22, 1994.

"Buy-Out and Refinancing of REA Loans: Factors to Consider in Evaluation Analysis," Texas Electric Cooperatives, Inc.; Austin, Texas; December 3, 1993.

"Update on Current Issues — Texas RECs and PUCT," Texas Electric Cooperatives, Inc.; Austin, Texas; November 15, 1993.

"The Co-Op Power Picture in Texas," TEC's 52nd Annual Meeting; Houston, Texas; July 28, 1992.

"Ratemaking Activities for Rural Electric Cooperatives," TEC's Seminar on Electric Cooperatives; Austin, Texas; October 18, 1991.

"Cost of Service Major Points," TEC Accounting Association Annual Meeting; San Antonio, Texas; April 20, 1990.

"Rate Design for Large Power Service and Options for Marketing and Incentive Rates," TEC Engineering Association; Austin, Texas; September 27, 1989.

"Revenue Requirements and Cost of Service Considerations at the PUC," TEC Engineering Association; Austin, Texas; April 28, 1988.

"Course 495.3 - Rate Issues and Philosophies," 1987 Wisconsin Electric Cooperative Association; Wisconsin Rapids, Wis.; December 1-3, 1987.

"Cost Bases for Incentive Rates Applicable to Industrial Loads," 1987 Conference on Industrial Energy Technology; Houston, Texas; September 16-17, 1987.

"Considerations in Cooperative Consolidations," with Martin Lowery at NRECA's 1987 Accounting and Finance Conference; Lexington, Ky.; September 9, 1987.

"Rates to Attract Attractive Loads," Association of Louisiana Electric Cooperatives, in coordination with AHP Systems, Inc.; Baton Rouge, La.; July 1-2, 1987.

"Rates to Attract Attractive Loads," Wisconsin Electric Cooperative Association in Coordination with AHP Systems, Inc.; Stephens Point, Wis.; February 12, 1987.

"Rate Seminar," Indiana Statewide Association of REC, Inc., (Co-Presenter: David Hedberg); Indianapolis, Ind.; September 25, 1986.

"Cost of Service and Rate Design Issues Affecting Industrial Customers in Retail Rate Proceedings," Public Utility Commission of Texas 1986 Industrial Energy Technology Conference; Houston, Texas; June 1986.

"The Importance of the Impact of Rates," NRECA's Management Services Conference -- Preparing Now to Prevent a Takeover or Sellout; Denver, Colo.; April 17-18, 1986; and New Orleans, La.; May 14-15, 1986.

"Energy Cost for Industrial Customers," (Co-Author: M.K. Moore) ACEC Research & Management Foundation's Industrial Energy Management Forum; Tempe, Ariz., March 26, 1986.

"Analysis of Financial and Operating Ratios," REA National Conference; San Antonio, Texas; July 10, 1985.

"Coordination of Wholesale/Retail Rate Design for Effective Marketing Strategy," NRECA's National Marketing Conference; Kansas City, Mo., June 5, 1985.

"Development of a Rate Analysis," NRECA Management Quarterly; Washington, D.C.; Volume 24, No. 3; Summer 1983.

"Cost Allocation Considerations for Rural Distribution Systems," NARUC Biennial Regulatory Information Conference; Columbus, Ohio; October 19, 1978.

"Cost Allocation Considerations and Methods for Electric Rate Analysis and Design for Rural Distribution Systems," IEEE Transactions on Industry Application; Volume 1A-13, No. 2; 1977.

"Design of Irrigation Rates Under Load Management Program," (Co-Authors: S.P. Patwardhan and B.E. Smith), presented at IEEE Rural Power Conference; Kansas City, Mo.; May 16, 1977.

"Cost Allocation Considerations and Methods for Electric Rate Analysis and Design for Rural Distribution Systems," IEEE Rural Electric Power Conference; Omaha, Nebr.; April 1975.

"A Financial Forecasting Model for Rural Electric Distribution Systems," IEEE PES Summer Power Meeting and Energy Resources Conference; Anaheim, Calif.; July 1974.

"Transmission Substation Control Using On-Site Computer Directed Simulation and Closed Loop Control," (Co-Author: H.E. Michel).

"The Development of Design Objectives for Electric Utility Rate Schedules," Master's Thesis; University of Oklahoma, Norman; 1969.

BEFORE THE ARIZONA CORPORATION COMMISSION

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

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 DESIGN TO DEVELOP SUCH RETURNS	)	DOCKET NO. E-04100A-09-0496

DIRECT

TESTIMONY

OF

RICHARD MAZZINI

(CONSULTANT)

ON BEHALF OF THE STAFF OF THE

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 18, 2010

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INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Richard A. Mazzini. My business address is The Liberty Consulting Group, 65 Main Street, Quentin, PA, 17083. I am a consultant affiliated with The Liberty Consulting Group.

Q. Please describe your educational background and professional experience as they relate to the subject of your Testimony.

A. I have been engaged as a consultant and utility manager in the electric utility industry since 1967. Until 1995, I was employed by Pennsylvania Power & Light Company in a variety of senior management positions. After entering the consulting business in 1995, I served in senior positions with Washington International Energy Group, Navigant Consulting and ABB. I have been an independent consultant since 2001. As a consultant, I have assisted utilities throughout the United States, Canada, the Caribbean and Europe and have worked on behalf of many utility regulatory authorities.

I have a BEE degree from Villanova University and an MS degree in Nuclear Engineering from Columbia University. I am a Registered Professional Engineer in Pennsylvania and a member of the Institute of Electrical and Electronics Engineers and the American Nuclear Society.

Exhibit LCG-4 provides a more detailed summary of my background.

Q. What is the purpose of your Testimony?

A. On behalf of the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission"), I reviewed the rate filing of the Southwest Transmission Cooperative

("SWTC"), Docket No. E-04100A-09-0496. My assignment was to conduct an engineering analysis of the filing, with particular note of SWTC's maintenance practices and the performance of its system. In addition, I was charged with reviewing facilities being added to the rate base and the degree to which such facilities are "used and useful". The purpose of my testimony is to present the conclusions I reached as a result of that work.

Q. Have you prepared a report on your findings?

A. Yes. A detailed engineering analysis is attached as Exhibit LCG-3.

Q. Please summarize your major conclusions.

A. The results of my review are generally positive. SWTC has adequately justified its projects, and managed its construction effectively. Maintenance practices are appropriate, and the maintenance process is managed with state of the art systems. Reliability performance is good and outage time has consistently averaged well under one hour per year per customer. Operating costs appear consistent and reasonable, with the caution that management could improve the quality of cost analysis and oversight.

Q. Did you physically examine SWTC facilities?

A. Yes, I visited a number of facilities, including three substations at which new investments had been made, the operations center, the corporate headquarters, and warehouse facilities. The three substations visited were:

- Winchester Substation and the recently installed 345kV connection with TEP;
- Bicknell Substation and the new 230kV/115kV transformer upgrade;
- Sandario Substation and the new connection to the Avra Valley – Three Points line.

I found all facilities to be functional and in good condition.

Q. How did you reach your conclusions on the 'used and useful' nature of new rate base additions and what were those conclusions?

A. I reviewed the justification materials for all new major projects and found them to be appropriate. In addition, I discussed each project with SWTC management, and was satisfied that their discussion of the need for each project was appropriate and consistent with the documentation. Finally, I visited several of the new projects, including the three susbstations mentioned above (Winchester, Bicknell and Sandario) and found the physical inspection to support management's explanations. I concluded that there was a sound process and prudent decision-making behind the new additions to rate base.

Q. Does that conclude your testimony?

A. Yes.

Rate Application of Southwest Transmission Cooperative, Inc

Engineering Analysis

On Behalf of the Staff of the Arizona Corporation Commission

Liberty conducted an engineering analysis of the assets of Southwest Transmission Cooperative, Incorporated ("SWTC"). As described in the work plan of Liberty's proposal to conduct this review, our goal was to evaluate SWTC's electric transmission service quality and maintenance practices. We reviewed existing maintenance practices, examined how SWTC documents them, and reviewed management controls to ensure proper implementation and execution of those practices. Liberty also reviewed outages on the transmission system. Liberty also conducted a review designed to determine the "used & useful" nature of rate-base assets. Liberty's review included physical field inspections of SWTC facilities and interviews with the personnel responsible for managing them.

This report presents the results of Liberty's review, categorized into the following subjects:

- Capital additions and rate base
- Operation and Maintenance
- Reliability
- Facility Review

A. Summary

Liberty has found SWTC's technical performance, its people and its facilities to be sound. The management team appeared knowledgeable, engaged, open and supportive of Liberty's evaluation. Considering the comparatively small size of the transmission cooperative's operations and asset basis, the organization appeared to have expertise and tools commensurate with the needs and challenges that SWTC faces.

New projects are often triggered by the individual needs of members, as opposed to general system needs. Whatever their origin, however, they require an extensive evaluation and

justification process before SWTC commits to them. Some new facilities of SWTC are lightly loaded. Liberty found no indication that any facilities were built prematurely or without substantial justification. Liberty found no reason to question whether any property placed in service should not be considered "used and useful" for ratemaking purposes. Liberty's inspection of SWTC facilities included several recent additions to rate base as well as the control center and warehouse. In all cases, the facilities are in good condition and functioning as expected.

Maintenance practices conform to industry standards and SWTC employs a state-of-the-art maintenance management system. Compliance audits undertaken in 2008 and 2009 surfaced several issues; all have been satisfactorily resolved.

Reliability performance is good. A proportionately high rate of outages due to equipment and materials failures is a potential area of improvement and may merit a review of the cause of such outages versus maintenance practices. In addition, there appears to be a relatively high number of outages due to errors, including those of operators and technicians as well as relay settings, which may also be a potential area for improvement.

Cost performance in the management of capital projects appears to be good. Projects are generally completed at slightly under budget and there are very few projects that over-run by large amounts.

Operating cost performance is difficult to judge in absolute terms because of the lack of benchmarks. The historical data and future projections exhibited some anomalous patterns that were not suitably explained by SWTC.

B. Background

The Arizona Electric Power Cooperative ("AEPCO") was founded in 1961. Through a major restructuring in 2001, AEPCO was organized into three entities: 1) AEPCO, as a power supply organization, 2) SWTC as the transmission entity for serving the needs of member cooperatives

and 3) Sierra Southwest Cooperative Services ("Sierra"), which provides services and personnel for both AEPCO and SWTC. This structure was originally designed to match the changing requirements in the industry, in particular to position the enterprise to address market opening measures that, at the time, looked to be emerging. The original allocation of personnel placed most personnel at Sierra, but assigned staff directly to the other two entities to align with a RUS requirement that the CEO described as requiring each of the three entities to have intellectual capital. SWTC currently owns, maintains, and operates 23 substations and 610 miles of transmission lines.

All of SWTC's senior managers are employees of SWTC. The remainder of the transmission cooperative's staff is split between SWTC and Sierra. Management observes that SWTC has retained "core" functions in the transmission cooperative. The organization chart, however, does not seem to exhibit such a pattern[1]. Combining shared-service functions into a separate organization to serve multiple business units has been demonstrated as an effective option. However, it is rare to find such "fuzzy" delineation, especially among production resources. For example, Operations and Maintenance and Engineering are primarily Sierra employees, while Technical Services and System Operations are primarily SWTC employees.

Liberty did not see a particular logic behind or benefit to this organizational division. However, we also saw no evidence of this hybrid structure impeding overall effectiveness in any way. In practice, we observed that the SWTC and Sierra technical transmission personnel seem to operate as a single organization, regardless of the entity that employs them technically. There may be two organizations on paper, but Liberty found only one in practice, at least when it comes to technical execution. Accordingly, Liberty found no reason for criticism of the organization's design, functioning, and effectiveness.

SWTC also has a challenging ownership structure. Not all its members are full requirements customers. This differentiation complicates the planning process and has the potential to lead to

[1] STF 1.25

governance issues. Liberty did not analyze any consequences of this structure and saw no reason to assume that such issues are a problem at this time.

C. Capital Additions and Rate Base

1. The Planning Process

The Southwest Area Transmission ("SWAT") planning group and its various subcommittees coordinate sub-regional planning. SWTC participates in the SWAT planning process. SWTC also participates actively with various subcommittees of the Western Electricity Coordination Council ("WECC").

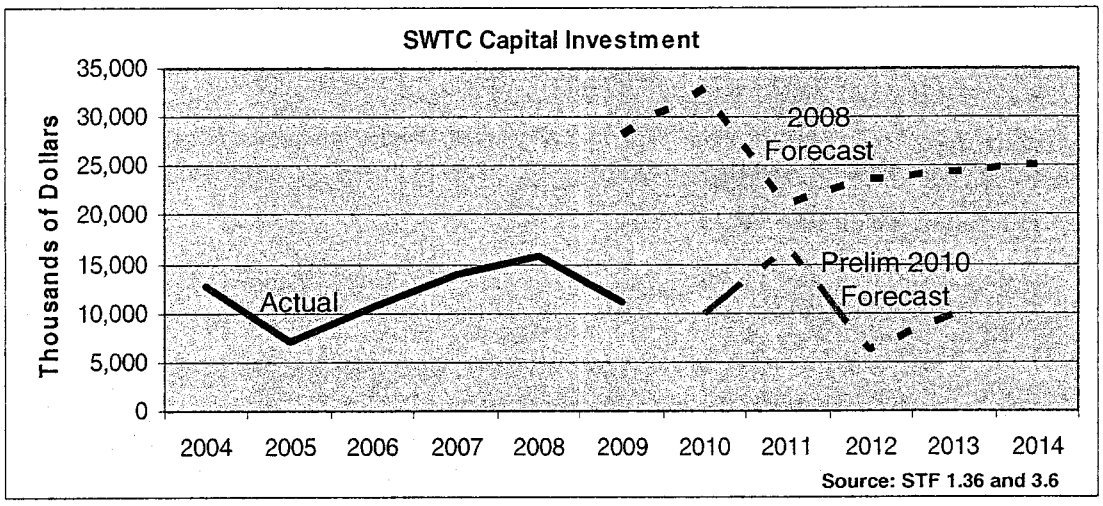
SWTC is also an active participant in WestConnect. It is one of the twelve original signatories to the WestConnect Project Agreement for Sub-regional Transmission Planning. WestConnect is a voluntary group that formed to coordinate transmission planning with the intention of creating an economic path on a non-firm basis. The objective is to eliminate pancaking by charging only the highest rate along the path (losses continue to be pancaked).

SWTC operates under a formal internal planning process that meets RUS requirements. An SWTC Transmission Planning group evaluates system needs, and determines future facility requirements. In accordance with RUS requirements, SWTC completes a "Capital Project Analysis" form that provides a justification for all new facilities. These 3-5 page analyses offer a summary of the technical and economic factors surrounding proposed projects. In addition, alternates to the proposed project, including "do nothing," are presented.

New construction falls into one of two categories: system or direct assignment. The latter covers improvements made specifically for the benefit of a particular member, which bears all of the costs. System improvements benefit all members; therefore, all share in their costs.

2. Capital Budget

SWTC's perceptions on its future needs have changed significantly in the past two years, as the next chart illustrates.



Spending had been projected to essentially double from recent annual levels of $10-15 million. But SWTC was not immune from the economic downturn. Load growth plunged from the 8 percent range to a small fraction of that. In addition, the end of AEPCO's 100 MW sale to Salt River Project at the end of 2010 will affect SWTC. Management therefore reports now that "capital is being reduced." The revised level represents a roughly 60 percent decrease from the previously expected levels of more than $25 million.

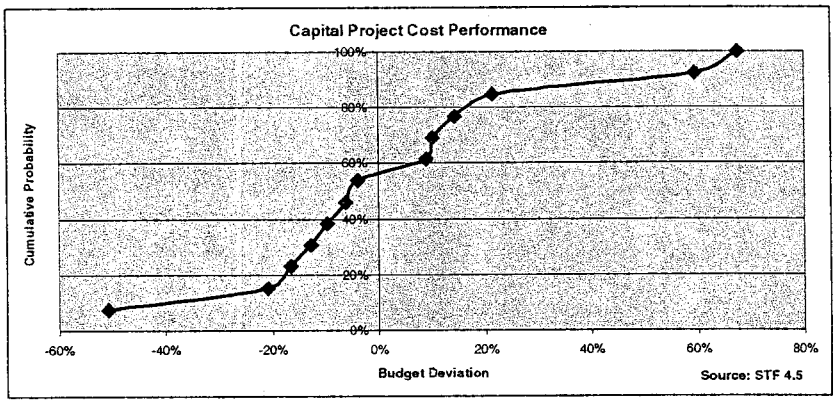
It is clear that planning has proven difficult for SWTC in recent years. The economic downturn has increased the planning challenge for everyone. SWTC has been particularly hard hit because of its previously high growth rates. Management has indicated that the uncertainties of recent years have been so volatile that multi-year forecasts have often had to be completely re-done. The more traditional simple updates no longer served.

Future needs have been affected by more than declining load growth and the lost Salt River Project sale. The third factor concerns strategic moves relating primarily to reserves, at both AEPCO and SWTC. The benefits of such reserve-sharing reduce capacity requirements.

The precipitous drop in perceived needs begs the question as to the need for new facilities that were caught in the economic downturn. Some of those facilities include those that are a subject of this rate case. Liberty thus paid special attention to the question of need and the degree to which the facilities being added to the rate base are indeed "used and useful."

With respect to management of construction, SWTC uses a project management approach. It reports projects to be invariably under budget by 5-10 percent. A summary of the 13 projects completed since 2008 indicates an average under-run of 16%, but that is almost all due to one project. On a median basis, the under-run is 4%.

The accompanying chart shows the distribution of budget deviations across the 13 projects. The data points are concentrated in a ± 20% range with a preponderance of under-running projects. Any project variances over the lesser of $100,000 or 30% require board approval. There were three such projects since 2008.



3. New Facilities

Liberty specifically reviewed major (>$500,000) new facilities being added to rate base. Such projects amount to $29.4 million as detailed in the accompanying table.

New Additions to Rate Base (>$500,000)			
In Service	Asset	Cost ($1,000)	Need
2004	TEP 345kV Connect to Winchester Sub	965	Increase load serving capability into the SATS area.
2006	Sandario Substation	3,040	Requested by Trico for load growth. Direct assignment.
2007	Hackberry Substation	2,218	Required to serve the Phelps Dodge Safford Mine.
2007	Kartchner Substation	1,001	Replace 50 MVA transformer with 100 due to load growth.
2007	Saddlebrook Ranch Substation	3,815	Requested by Trico due to regional growth. Direct assignment.
2008	Bicknell Sub Transformer Upgrade	3,145	Add a second 100 MVA transformer due to overload conditions.
2009	Hackberry to Thatcher 69kV line	5,406	Maintain reliability to customers in Graham County. This line to the new Hackberry Sub avoids construction of a new substation.
2009	Palo Verde to Pinal West line	2,854	Provides increased import / export capability and particularly enhanced access to Palo Verde.
2009	Parker Bagdad Reroute	588	The ground was subsiding around some of the structures on this line.
2009	Pinal West Sub	6,385	Associated with the particpation in the connection of the 500kV line from Palo Verde to the 345kV TEP Westwing to Vail line

Source: STF 1.34 and Capital Project Analysis sheets

Liberty's review consisted of: a) a study of the SWTC documents which justified the projects (the Capital Project Analysis sheets), b) discussions with the SWTC team, reviewing the details of the projects, their genesis, need, objectives and execution, and c) a physical inspection of selected facilities.

Because of the recent sharp drop in facility needs, Liberty was especially attuned to the appropriateness of very recent additions, considering these facilities carefully in discussions with management. Liberty's review determined that the investments had been based on sound planning principles and the decisions were prudently made. Specific considerations include the following:

- The Bicknell upgrade was necessary due to an analysis showing overload conditions; specifically, the prior facility did not meet N-1 criteria. The addition of a second transformer was a logical and economic response.

- The Hackberry to Thatcher 69kV line took advantage of a new substation at Hackberry (see 2007) that was constructed to serve a Phelps Dodge mine. The construction of this line was a lower cost alternative to building another new substation to serve Graham County load.
- The Parker-Bagdad relocation became necessary due to unstable ground conditions.
- The Pinal West substation and the associated line from Palo Verde are part of a joint project in which SWTC owns between 4 and 24 percent of various parts. This participation is of strategic import to SWTC; it enhances access to the critical Palo Verde and Westwing hubs. SWTC's members are likely to become increasingly dependent on purchased power, including joint agreements, in the years ahead. In such an environment, increased access to the major regional hubs will prove especially valuable. These investments are fully consistent with a prudent consideration of future procurement strategies. From a timing point of view, it is clear that SWTC had no real options. As a small participant, SWTC had no choice but to "get on board" when the opportunity presented itself or lose that opportunity.

4. Aging Infrastructure

Many utilities throughout the United States are beginning to confront issues of aging infrastructure, particularly because the many facilities constructed in the high growth 1960s are all reaching the end of design life at the same time. In 2007, RUS required SWTC to conduct a "useful life study" of SWTC assets. That study, performed by Burns & McDonnell, was designed to assess "the ability of the power delivery network assets to remain in commercial operation through the year 2035." The consultant concluded that "the SWTC power delivery network assets have a remaining useful life that extends to at least 2035" and that the "overall condition of the system is good".[2]

Burns & McDonnell calculated an average remaining life of 23.3 years for the system, which of course falls short of 2035. They concluded that the system has a useful life of 2035 and beyond

[2] STF 1.30

"with the continuation of the practices followed by SWTC pertaining to system operation and maintenance and the *system renewals and replacements* (Liberty emphasis)." It is fair to question the appropriateness of the life assessment when it is predicated on continuing renewals and replacement, since that condition would of course allow an infinite life.

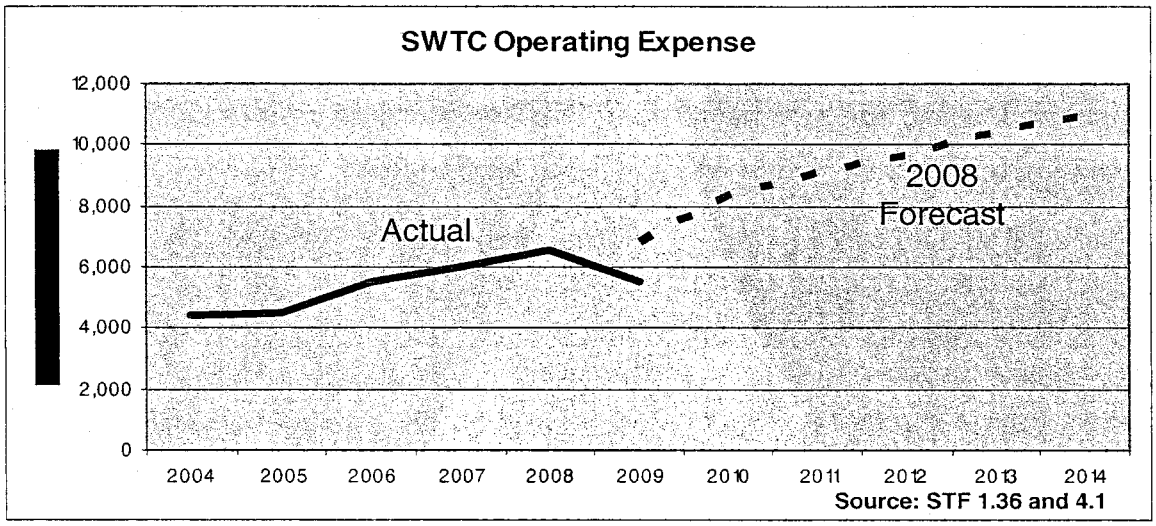
The study provides details for every class of equipment, and rolls these details together in facility and system averages. Some facilities (not many) are shown to have limited remaining life, but this information generally is not included in SWTC's planning studies. Those studies are primarily driven by load and reliability considerations. Aging infrastructure is not now an issue for SWTC nor is it likely to be an issue in the near future, but the useful life study contributes little to that conclusion.

D. Operation and Maintenance

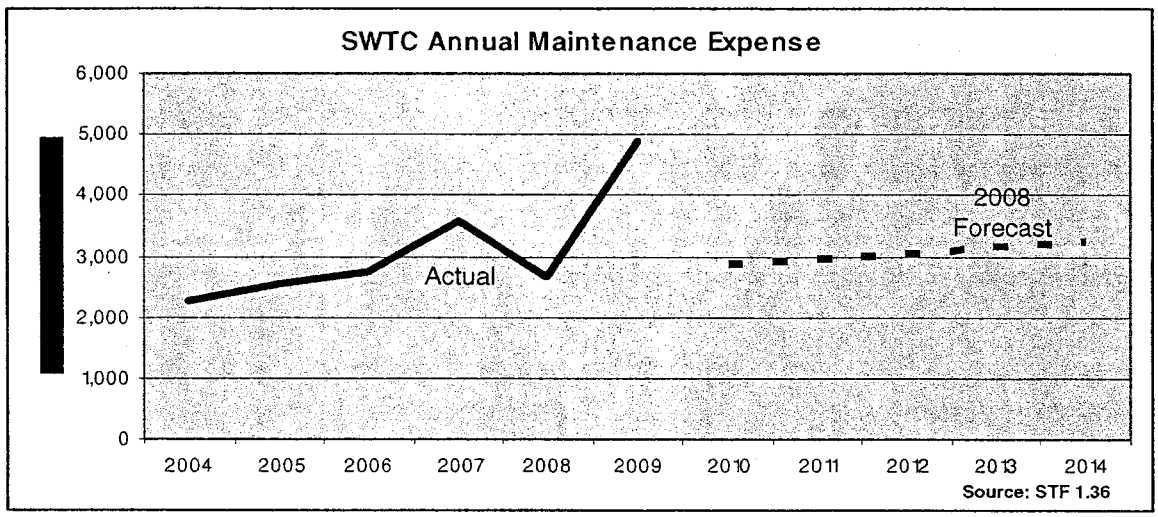
1. Cost

SWTC's costs have exhibited unusual patterns of late. Operating costs, shown on the accompanying chart, have risen sharply in recent years. Of equal concern is a forecasted rise in future costs. They result in a doubling of 2009 costs by 2014. SWTC attributes the high forecast to the previous high growth rates and indicates that this forecast will see a "significant decrease" in the new financial forecast[3].

[3] STF 4.3



Maintenance costs also exhibit an unusually discontinuous pattern. They exhibit a substantial spike in 2009, which follows a lesser spike in 2007. SWTC has indicated that reported costs may vary between accounts on a year-to-year basis, requiring that any analysis be limited to total O&M costs[4]. SWTC also provides explanations for the apparent spikes, but they do not appear sufficient to explain the differential. Specifically, many of the changes cited are ongoing expenses, not one-time. In addition, increases have been attributed to the higher forecasted capital spending, which of course did not materialize.



[4] STF 4.1

SWTC does not benchmark costs against other similar firms; therefore, no peer comparisons are available. Liberty generally encourages such comparisons by utilities, including participation in industry groups such as the Electric Utility Cost Group (www.eucg.org). It is not necessarily clear that SWTC would benefit from such an association, but it should at least be considered.

2. Processes and Systems

SWTC appears to have implemented an approach to maintenance that is consistent with its size and that is effective. The cooperative has struck a good balance between the sophistication of management systems and the recognition that a smaller network simply does not require the same degree of rigor in its approach.

This is not to suggest that SWTC lags behind others in a material way. To the contrary, the SAP systems that SWTC uses for maintenance are notable, as is much of the technology used in facilities. Liberty simply observes that management has correctly avoided going overboard and has crafted systems and approaches that are fully consistent with SWTC's size and needs.

Liberty reviewed SWTC's general approach to maintenance management[5], procedures[6], controls and compliance[7]. The management of maintenance is highlighted by the SAP module designated as the Computerized Maintenance System. The software performs scheduling, record keeping, reporting, inventory control, purchasing and cost tracking. Several years were required to bring the system to its current state. Management reports that this investment is now paying dividends. SWTC also maintained a Transmission Asset Management Information System (TAMIS) which is characterized now as a GIS legacy system. It is no longer being updated.

SWTC operations and restoration have been facilitated by a new Substation Networking Project. Remote terminal units allow personnel to access substation data from their desks or other remote locations.

[5] STF 1.26
[6] STF 1.27
[7] STF 1.28

As required by NERC, SWTC has been audited for compliance with various standards. The latest audit was conducted by the Western Electricity Coordinating Council ("WECC") in early 2009. The audit covered 35 NERC Reliability Standards and three WECC Regional Reliability Standards. The results of that audit reflected strong performance. The audit's only identified non-compliances related to what appear to be relatively confined training questions.

An earlier WECC review had identified two other non-compliances. One related to preparation for inoperability of the control center and the other dealt with protection system maintenance and testing. In September 2009, SWTC and WECC reached mutual agreement on the disposition of the earlier non-compliances and the 2009 training findings. This resulted in the payment of a $44,000 penalty to WECC by SWTC.

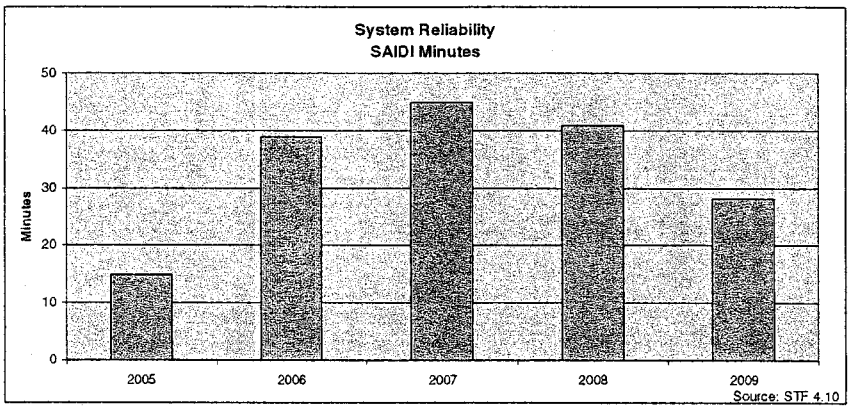
All non-compliances must be taken seriously, which SWTC does. Liberty has nevertheless seen no indication that SWTC's maintenance activities fail to conform to good utility practice overall.

3. Balancing Reliability and Maintenance

Liberty addressed the degree to which maintenance is optimized for its impact on reliability. SWTC has not performed any such analysis.[8]

E. System Reliability

1. Reliability Performance



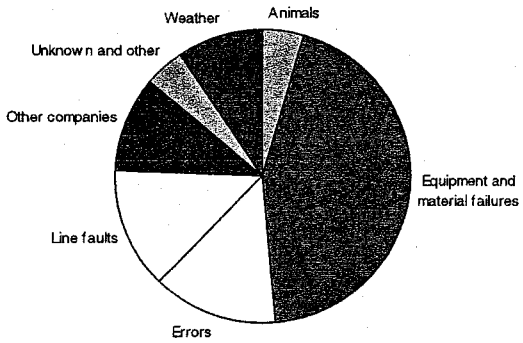
The reliability of the SWTC system is not inconsistent with utilities having similar characteristics. SAIDI[9] has averaged 34 minutes over the

[8] STF 1.29
[9] System Average Interruption Duration Index = sum of all customer interruption durations divided by the number of customers.

past 5 years, as illustrated in the accompanying table. Reportable outages average about 20 per year, and the small quantity makes it difficult to ascribe any significance to year-over-year results. The analytical challenge is heightened since some outages are directly related to others, making the actual number of outages somewhat difficult to interpret.

Liberty reviewed all reportable outages (those >100 customer-hours) in the past 5 years and summarized the causes, as illustrated on the accompanying pie chart. Nearly half of customer-hours are the result of equipment and material failures. The nature of the system is such that weather and vegetation do not have the same impact they would have elsewhere, so one would expect the other categories to be higher on a percentage basis. Nevertheless, the high number of equipment and material failures suggests that a linkage with maintenance be analyzed as a potential performance improvement.

Reportable Outages
(>100 customer-hours)



Source: Liberty analysis of STF 1.32

"Errors" accounted for about 14% of the customer-hours but 20% of the reportable outages. We have included in this category operator and technician errors as well as improper relay settings. This is an area for potential improvement.

2. Lessons Learned

Liberty examined the degree to which SWTC analyzes and reviews reliability data to bring about improvements in design, operating and maintenance practices. SWTC provided a lengthy list of such improvements, stretching back to 2000.[10] The data Liberty reviewed indicated that an effective process for identifying root causes and implementing corrective measures is in place. There is no documented or otherwise obvious linkage, however, between these many improvements and specific outages or reliability-focused analyses. In other words, SWTC seems effective in this area, but lacks a formal program and process.

SWTC also provided documentation of all equipment outages, regardless of customer impact. That documentation included comments on each incident that describe cause and response. Again, however, there is no indication of structured analysis leading to improvements.

F. Facility Review

Liberty visited a number of SWTC facilities, including several of these now being added to rate base. This physical review included:

- Winchester Substation and the recently installed 345kV connection with TEP
- Bicknell Substation and the new 230kV/115kV transformer upgrade
- Sandario Substation and the new connection to the Avra Valley – Three Points line
- The System Operating center at the Benson headquarters
- The SWTC warehouse facilities at the Benson headquarters
- The SWTC switchyard at Apache (from outside the fence as part of a separate visit to AEPCO at Apache)

These visits were conducted with the guidance of SWTC O&M management who were helpful, and answered all questions to Liberty's satisfaction. Liberty found the facilities, whether old or new, to be in good shape. The grounds were clean and secure.

All equipment appeared to be well maintained, exhibiting no visible signs of wear and tear or lack of maintenance. Control houses were efficiently laid out and SWTC's remote communications system, as discussed above, was in place and functional.

Warehouse facilities were clean and orderly with controlled access. The SAP system is used for inventory management and was reported to be very effective.

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[10] STF 1.33

Richard Mazzini

Areas of Specialization

Management and regulatory audits; utility operations, including nuclear and other power production; power marketing and risk management; strategic planning; organization analysis and competitive re-structuring; project management; cost management; and tariff design and management.

Relevant Experience

The Liberty Consulting Group

Public Service Commission of New York – A management audit of Con Edison. Project Manager for a 13-member Liberty consultant team.

Maine Public Utilities Commission – Review and analysis of proposed new transmission project, the Maine Power Reliability Project (MPRP). Lead Consultant for economic analysis.

Public Service Commission of Maryland – Consultant supervising the various auctions for procurement of power for Maryland's standard offer service (SOS) customers and support for the PSC in their analysis of new approaches to SOS supply.

Management Audits

Public Service Commission of New York – An operational audit of Con Edison's reliability and emergency response planning and processes. Lead Consultant for corporate strategy and priorities, emergency planning and organization.

Federal Energy Regulatory Commission (FERC) – A review of the California ISO. Examined governance issues, operating procedures, transmission planning and analysis, organizational issues, interfaces with stakeholders and recommendations for the restructuring of the California market.

City of Seattle (Washington) – Review of the City's utility, commissioned by City Council and the Office of City Auditor, to analyze financial strategies, power market and risk management strategies and governance schemes. Lead Consultant for risk management.

St. Vincent Electricity Services, Ltd. – A management audit commissioned by the Board of Directors. Scope included generation, transmission, distribution, organizational assessment, safety, procurement and fuel.

New Jersey Bureau of Public Utilities – Evaluation of the gas supply and hedging programs of the four New Jersey gas distribution companies.

New York Power Authority – Consulting support for an internally sponsored audit of energy risk management functions.

Strategic Business Planning

Barbados Light & Power Company – Project Manager and Lead Consultant for a strategic planning initiative. Major areas of attention included new generation options, regulatory strategies, competitive threats, tariff design, new business opportunities, human resource issues, and planning processes.

Barbados Light & Power Company – Project Manager and Lead Consultant for the development of a model for the risk analysis of various new generation investments.

Electricité de France – Provided business planning and analysis services in the furtherance of the utility's wholesale and retail businesses. The work included research and analysis of potential gas partnerships, trading alliances and development of new retail markets throughout Europe.

SaskPower (Saskatchewan) – Project Manager and Lead Consultant for development of a strategic plan for the Power Production Business Unit. The project included asset valuation and optimization, transmission plans and strategies, efficiency improvement, market analysis and organizational options.

Omaha Public Power District – Project Manager and Lead Consultant for an extensive strategic business planning initiative. This multi-phase project spanned one year and included (1) asset evaluation, estimation of potential stranded costs and stranded cost mitigation strategies; (2) business growth strategies, including retail retention and expansion, new products and services, new utility businesses, wholesale marketing and bulk power trading; (3) corporate restructuring through the formation of four new business units; (4) organization design, including the creation of two new marketing organizations and a new trading floor; and (5) regulatory and legislative strategy development.

Omaha Public Power District – Project Manager and Lead Consultant for a follow-up analysis to the above project a year later to recommend added steps and course corrections. Provided new recommendations on organization design, customer service, stranded costs, energy marketing and trading initiatives, risk management, new business development, new products and services and strategic planning processes.

A Large Canadian Provincial Electric Utility – Strategic planning and business support in the analysis of future generation and transmission options associated with a major new generation construction project.

Tennessee Valley Public Power Association - Project Manager and Lead Consultant for development of a comprehensive new business strategy that reinvented the Association for a competitive environment. Key elements of the plan included a new expanded focus on

government relations and the influencing of public policy, as well as the creation of four newly created business units and business endeavors.
City Council of Los Angeles (California) - Advice to the Council on the strategic plans of its municipal electric utility. Conduct of a workshop for the Council and staff on restructuring and competitive issues. Review of power marketing alliance strategies.

Riverside Public Utilities (California) - Analysis of the potential to sell all or part of the utility. Development of a new business vision and strategy. Analysis of outsourcing and alliance possibilities. Development of a power supply alliance, including design of the venture, development of RFP, evaluation of bidders, selection of finalist and negotiations. Organizational design and implementation. Planning and project management support for activities leading to open access.

Lower Colorado River Authority – Consulting support for strategic review and development of alliance strategies. Facilitation of management workshop to develop strategic responses to key issues and to examine options for strategic alliances.

ElectriCities of North Carolina – Business simulations and strategic planning for the North Carolina Power Agencies.

ElectriCities of North Carolina – Analysis of the Carolina P&L – Florida Progress merger with resulting strategies and negotiations on behalf of ElectriCities.

4–County Electric Cooperative - Strategic planning support for the Chief Executive Officer and Board of Directors. Designed and facilitated a planning workshop for the Board of Directors and key managers. Followed up with subsequent action plan for the Board.

Project and Cost Management

Omaha Public Power District (OPPD) – Lead Consultant responsible for design and implementation of a cost management program for a major overhaul of the Fort Calhoun Station. This $400 million project involved replacement of the two steam generators, pressurizer and reactor vessel head.

Power Marketing, Procurement and Risk Management

Public Service Commission of Maryland – Consultant supervising the various auctions for procurement of power for Maryland's standard offer service (SOS) customers and support for the PSC in their analysis of new approaches to SOS supply.

Electricité de France – Supporting services for the implementation of a large trading and marketing alliance in Europe, including reporting and control processes and training workshops for employees.

SaskPower - Project Manager and Lead Consultant for the expansion of the bulk power marketing program and creation of an energy trading floor. Work included extensive recommendations on corporate structure, organization, trading and marketing strategies, trading floor characteristics, management controls, risk management strategies, training, alliance building and external interfaces.

Public Service Commission of Maryland – Provided consulting support to the PSC in the approval of the settlement agreement relating to Standard Offer Service (SOS).

New Businesses

BGE Corporation (Constellation Nuclear Services) – Project Manager and Lead Consultant for the business analysis, planning, design and startup of a new subsidiary business for the client. The business, provision of nuclear related services to U.S. and international utilities, was successfully started in July 1999.

Electricité de France – Provided support in the planning, analysis, structure and negotiation of a large international energy trading and marketing alliance (EDF Trading, based in London).

Tennessee Valley Public Power Association – Project Manager and Lead Consultant for a survey and analysis of the Association's more than 150 member utilities. Produced an analysis with recommendations for the products and services that can best serve the members in a deregulated environment.

Municipal Electric Association (Ontario) – Project Manager and Lead Consultant for the development of a definitive business plan for a new power procurement business on behalf of the Association's more than 250 municipal electric utilities. Work included initial feasibility assessments followed by a complete actionable plan for the creation of the new organization, including structure, organization, staffing, financing, market analysis, contingency plans, product offerings and promotional strategies. The resulting new company became a reality in late 1997.

ENERconnect (Ontario) – Served as interim Vice President of Marketing and Customer Service for the startup of this new power procurement and services company. Project Manager and Lead Consultant for the development of a detailed operational plan for startup. Assisted in all aspects of startup including organizational design, business strategies, product design and development and support to executive management and the Board.

ABB Energy Solution Partners – Consulting support for ESP-sponsored projects, including customer and project research, project structure, energy supply options, alliances and preparation of proposals. Included regulatory research and discussions in Nevada, Michigan, New Jersey and New York.

Ambient Corporation – Consulting support for strategic and tactical business planning for this startup firm specializing in power line communications (PLC), including development of commercialization plan and supporting management processes, support of business plan, product and service development, regulatory strategies and financing documentation.

PacifiCorp - Customer research with two groups of large industrial and commercial customers. Designed and managed interactive workshops to obtain their input, served as subject matter expert for the sessions, produced and presented comprehensive analyses of the results with strategic insights for the client's marketing initiatives.

T&D Support

Alberta Electric System Operator – Analysis of transmission loss methodologies for the Alberta market.

A Large Canadian Provincial Electric Utility - Business planning support for the transmission business unit. Analysis of the business potential of new transmission opportunities. Analysis of U.S. transmission policies and their potential impact on a Canadian player in the U.S. markets.

Utility Management

Pennsylvania Power & Light Company - Served in a variety of management positions in a long career with the utility. Responsible for strategic business planning, rates, bulk power marketing, system operation, management of non-utility generation contracts, rate design, market research and contract negotiations with large customers. Key management roles in cost management, planning and scheduling for all Susquehanna nuclear station design, licensing, and startup activities including outage management.

Other Consulting Positions

Senior Vice President for ABB Energy Consulting, responsible for managing consulting engagements for a variety of U.S. and European energy firms.

Principal for Navigant Consulting, Inc., involved in numerous consulting engagements serving the electric utility industry in competitive initiatives.

Senior Vice President for the Washington International Energy Group, responsible for the firm's competitive positioning practice.

Education

M.S., Nuclear Engineering, Columbia University
B.E.E., cum laude, Villanova University

Registrations

Registered Professional Engineer – Pennsylvania

Memberships

Institute of Electrical and Electronics Engineers
American Nuclear Society

BEFORE THE ARIZONA CORPORATION COMMISSION

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

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-09-0496

DIRECT

TESTIMONY

OF

RANDALL VICKROY

(CONSULTANT)

ON BEHALF OF THE STAFF OF THE

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 18, 2010

ALL-STATE LEGAL®
EXHIBIT
S-2

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INTRODUCTION AND QUALIFICATIONS

Q. Please state your names, business addresses, and positions.

A. My name is Randall Vickroy. I am a senior consultant for The Liberty Consulting Group ("Liberty") My Liberty business address is: The Liberty Consulting Group, 65 Main Street, P.O. Box 1237, Quentin, Pennsylvania 17083.

Q. Have you prepared summaries of your backgrounds and qualifications?

A. Yes, they are provided in Exhibit LCG-1.

Q. Mr. Vickroy, please describe your educational background and professional experience as they relate to the subjects of this testimony.

A. I spent 12 years with a major Mountain States electric and gas utility, starting as a financial analyst in the corporate finance and planning department, and then became financial supervisor, director of analysis, business development manager, and assistant to the chief financial officer. My responsibilities included financial planning, capital acquisition, capital spending analysis and allocation, treasury operations, securitization financing, project financing, mergers and acquisitions, cash management, and investor relations.

I have been consulting since 1991 on corporate finance and business issues in the electricity, natural gas, and telecommunications industries. During this time, I have provided consulting services to utility commissions and to companies in over 25 states and in three foreign countries. I received a Bachelor of Arts from Monmouth College with a major in business administration and a Masters of Business Administration degree from the University of Denver with an emphasis in finance.

Q. For whom are you appearing in this proceeding?

A. I am appearing on behalf of the Staff of the Arizona Corporation Commission ("Staff").

Q. What is the purpose of your testimony?

A. My testimony provides a review, an evaluation and recommendations regarding cost-of-capital issues for the Southwest Transmission Cooperative, Inc. ("SWTC" or "Cooperative") rate filing, as summarized in the company's Schedules A-1 and A-2. Cost-of-capital issues include the cost of debt, financial coverage ratios such as Times Interest Earned Ratio ("TIER") and Debt Service Coverage ("DSC"), equity ratios, and cash flow indicators. I also discuss my evaluation of whether SWTC's cost-of-capital request provides adequate margins, debt coverage and cash flow to finance its investment and rate base as of the test period ended March 31, 2009.

Q. Please explain why SWTC considers its rate increase request to be necessary from a financial standpoint.

A. Between December 2008 and December 31, 2010 SWTC will lose about $8.6 million in revenue annually from the termination, reduction, or expiration of several point-to-point transmission service contracts. The net revenue lost from these contracts represents about 24 percent of the company's annual revenue. The largest reduction of point-to-point revenues will occur when the Arizona Electric Power Cooperative, Inc. ("AEPCO") 100 MW sales agreement with Salt River Project expires on December 31, 2010. AEPCO purchases 100 MW of point-to-point transmission service from SWTC to deliver the Salt River Project power; therefore, it will lose about $4.5 million in annual revenues from this sales contract alone. SWTC proposes to increase rates by about $7.7 million annually, primarily to recover the lost revenue from these contracts.

SWTC FINANCIAL RESULTS

Q. What have the financial ratio results been for SWTC over the past five years?

A. The DSC, TIER, and equity as a percent of total capitalization comprise primary financial ratios and indicators of SWTC financial health. The Cooperative's Rural Utilities Service ("RUS") mortgage agreement debt covenants require a DSC of 1.0 times and a TIER of 1.05 times in two of three consecutive years. Exhibit LCG-2 provides the company's DSC, TIER, and equity ratio for each year from 2002 through 2009. We consider the DSC to be more significant here than the TIER. The DSC takes into account cash flow items such as depreciation and principal payments, and provides a better indicator of whether an enterprise is generating sufficient cash to meet its debt and principal requirements. The exhibit shows that SWTC has generated DSC ratios of between 1.03 and 1.10 times in each of the calendar years 2006 through 2009. The Cooperative estimates that, without the requested rate increase, this key ratio would fall to only .50 times for the test period, or to default level on its mortgage covenants.

Since the last SWTC rate case, equity as a percentage of capitalization has increased from only 1.27 percent at December 31, 2005 to 9.04 percent at year-end 2008 and to 7.76 percent at year-end 2009.

Q. Please summarize SWTC's actual results for the test period, and as adjusted for the loss of transmission business and other adjustments proposed by the company.

A. SWTC's Schedule A-2 reports actual net margins for the test year ended March 31, 2009 of about $4.7 million. SWTC's adjustments for revenue lost from transmission contracts after the test period and small adjustments to operating expenses transform that positive margin to a net margin loss of about $4.8 million for the same test period. The Cooperative's DSC would fall to 0.50 times and the TIER would fall to only .03 times.

SWTC would not meet the debt covenants on its RUS mortgage agreements if such low debt coverage ratios were to continue. SWTC primarily seeks through the increase it has requested here to replace the lost contract revenue from its remaining network and point-to-point customers.

Q. What are SWTC's expected financial results for the test period after the proposed increase, considering the need to provide for appropriate levels of equity capital and cash balances?

A. SWTC based its requested increase upon producing the revenue necessary to achieve a DSC ratio of 1.35 times in the test year. The requested increase would also result in a TIER ratio of about 1.56 times. The Cooperative has calculated that these coverage ratios would provide net margins of about $2.8 million per year, and would produce operating cash flow sufficient to increase its cash balances to support working capital needs by about $10 million over three years. SWTC has estimated that the increased rates would increase equity as a percentage of capitalization to slightly over 10 percent (from about 9 percent) at the end of the test period. SWTC notes that rate levels take priority over equity levels in setting rates for the cooperative.

SWTC COST OF DEBT

Q. Please summarize SWTC's calculations of its cost of debt.

A. SWTC Schedule F-1, page 2 of 2, reports long-term debt expense for the test year ended March 31, 2009 was $4,898,007. Long-term debt expense arises primarily from interest on the Company's Federal Financing Bank ("FFB") debt, represented by numerous notes, which account for over 80 percent of its long-term debt outstanding. SWTC also had long-term debt outstanding at March 31, 2009 with Central Bank for Cooperatives of $10.2 million, the National Rural Utilities Cooperative Finance Corporation ("CFC")

Series 1994A bonds ($7.4 million), and small amounts of CFC and Rural Electric Administration ("REA") debt of $0.4 and $0.2 million, respectively. The total long-term debt outstanding at the end of the test period was $101.1 million. SWTC annualized the interest charges for long-term debt in place at the end of the test year. This annualization calculation resulted in an annualized interest expense of $5.328 million. SWTC then credited the annualized interest expense with a $0.329 million payment from AEPCO for interest on regulatory assets that remained on AEPCO's books following the company's 2001 restructuring. The net result of annualizing the interest was a net increase of about $101,000 above the test period's actual long-term debt interest costs. SWTC's Schedule D-2 for the test year shows the results of the annualization of interest charges. Annualized long-term debt interest of $4.999 million produces a cost rate of 4.944 percent on the $101.1 million principal. Short-term debt, also shown in Schedule D-2, consists of the $2 million outstanding on the Cooperative's $6 million CFC credit facility at March 31, 2009. The interest rate is 4.25 percent. SWTC Schedule D-1 shows a composite cost of debt for SWTC at a composite rate of 4.93 percent on $103.1 million of total debt outstanding.

Q. What do you conclude about the appropriateness of SWTC's annualization adjustment as a basis for adjusting the cost of debt?

A. I consider the interest annualization to be properly reflective of a known and measurable adjustment. It updates the cost of debt for both new issuances and maturities of debt that occur during the test period, and provides an accurate representation of debt costs expected to be incurred following the end of the test period.

Q. Please describe your understanding of the extension of maturities on SWTC's FFB debt and its effect on the company's debt principal payments.

A. SWTC recognized that it had a scheduled "bubble" of greatly increased principal payments on its long-term debt, most significantly in 2009 through 2011. This bubble caused the need to plan for refinancing above the levels of approved FFB loans. The elevated levels of principal payments would also make meeting minimum DSC ratios difficult, because principal payments are included in DSC obligations that must be "covered" with operating cash sources. SWTC and AEPCO had discussed with the RUS extending the loan maturities on certain FFB issuances to better coordinate their terms with new, longer estimates of the remaining generation and transmission asset useful lives. As of December 31, 2008, the maturities of 45 SWTC loans with FFB were extended.

This extension greatly reduced the principal bubble. FFB principal payments were reduced by around $13.5 million in 2009, by $10.5 million in 2010, and by $7.1 million in 2011. SWTC was able to meet its DSC coverage requirements in 2009. It would have fallen far short of the 1.0 minimum DSC requirement without the maturity extensions. The maturity extensions also eased the pressure for SWTC to find additional funding sources in order to meet the elevated principal bubble payments.

Q. Please explain the Cooperative's request for $2 million of short-term debt in the capital structure as of March 31, 2009.

A. SWTC had outstanding at the end of the test year on March 31, 2009, $2 million on its $6 million credit facility with CFC. The cooperative included this short-term debt amount in its cost of debt calculation at an interest rate of 4.25 percent. SWTC effectively annualized the interest rate on the $2 million amount, and included it in the cost of debt, consistently with the long-term debt portion. SWTC's underlying rationale in including

short-term interest is the assumption that a similar level of short-term debt to fund a portion of working capital needs is required during the test period. This rationale is reasonable for the cost of debt calculation. Its inclusion results in slightly lower cost of debt.

Q. What is your overall evaluation of the Cooperative's requested cost of debt as presented in Schedules D-1 and D-2?

A. SWTC's requested composite cost of debt of 4.93 percent is an accurate representation of the annualized cost of debt experienced by SWTC as of the end of the test period as of March 31, 2009.

FINANCIAL COMPARISONS

Q. What debt coverage and equity ratios typically apply for transmission companies that are comparable to SWTC?

A. The CFC prepares operating and financial statistics for Generation and Transmission ("G&T") cooperatives on an annual basis. The CFC presents them in its Key Trend Ratio Analysis ("KTRA"). The KTRA provides data for four sub-categories of G&T businesses: a) generation companies (generate more than one-half of their power requirements); b) purchase companies (purchase more than one-half of their power requirements); c) transmission companies (purchase more than one-half of power requirements from another G&T); and d) participation companies (more than one-half of power requirements obtained from joint participation projects). SWTC and Georgia Transmission Corporation comprise the only pure transmission companies included in the transmission category.

Georgia Transmission is many times the size of SWTC. Therefore, as SWTC opines, the transmission grouping in the KTRA analysis does not compare well with SWTC. Nevertheless, the KTRA key financial indicators do provide some insight into the median financial statistics for G&T companies in general. At the least, these indicators generally tell whether SWTC is a substantial outlier when it comes to financial ratios and results.

The 2008 KTRA report displays median DSC ratios of between 1.31 and 1.37 times for the transmission category between 2005 and 2008. TIER ratios for the transmission group ranged from 1.44 to 2.21 times during these four years. Equity ratios for the category remained very consistent (from 25.0 percent to 26.2 percent) from 2005 through 2008. Transmission category entities had substantially higher equity ratios than did the overall G&T group (which combined all categories). The overall G&T group had equity ratios ranging from 13.2 to 15.2 percent over these same four years. SWTC's financial management considers an equity ratio of 15 to 17 percent to be desirable for the long-term. SWTC's equity ratios of 1 to 9 percent during this period certainly fell far below both those of the loosely defined transmission group and of G&Ts overall.

RATE SUFFICIENCY

Q. Are the adjusted test period net margin and cash flow produced by rates based on the Cooperative's proposed DSC and TIER ratios sufficient for SWTC?

A. SWTC has estimated that net margins of about $2.8 million would be generated by applying the increased rates to the test year revenue and expenses, after adjusting for transmission-contract losses. I consider this net margin to be fairly thin and marginally sufficient, even before any negative revenue requirements adjustments. A large contingency such as the loss of remaining point-to-point customers or major operational and maintenance issues could consume most or all of such a small annual margin. The

proposed rates, with the Staff adjustments, would provide operating cash generation of about $6.1 million to cover debt principal payments of $4.0, leaving about $2.1 million of cash to meet working capital requirements. This level of net cash generation is marginal when viewed in light of the adjusted test year. The cash flow could prove sufficient for SWTC in the future if the Cooperative does not experience large lags between cash payments for capital expenditures and the related draw from FFB loans. SWTC advises that it now has an interim financing facility that should greatly reduce this potential cash flow lag. The expected level of cash generation, when added to the available funds of $4 million under the CFC credit facility, would provide only minimally sufficient cash for SWTC when viewed in the context of adjusted test period revenue and expenses.

Recognizing the need to provide sufficient margins and cash generation as measured by the adjusted test period, I would therefore consider the Cooperative's proposed DSC of 1.35 to reflect the lower bound of a range of acceptable DSC levels. I would consider the top end of that range to be at 1.55 times, considering the circumstances of SWTC and the Staff's proposed operating expense adjustments of $903,526. Using the mid-point of this range, a DSC target of 1.45 times, would result in a net margin of $2.8 million and net cash flow after principal payments of $3.0 million. The net DSC considering the Staff adjustment would return to 1.35 times, and the TIER to 1.56 times for the test period. I recommend that the DSC used to set SWTC rates for the test period fall within a range from 1.35 to 1.55 times, and I find the mid-point of this range of 1.45 times acceptable for setting rates.

Q. Do you believe that the SWTC equity ratio as a percentage of capitalization is sufficient as of the test period?

A. The ratio remains lower than I consider appropriate for the long term. However, raising it immediately to a more appropriate level would require drastic additional rate increases, whether measured in the immediate or the intermediate term. SWTC does, however, need to address means for strengthening its equity ratio over the long term. That said, it is important to realize that rate increases are not the only equity-building option. Asset sales and sale/leasebacks also require consideration. I recommend that the Commission require SWTC to work with Staff to identify options and to develop a plan for building equity over time in a manner that is consistent with an appropriate future rate path.

Q. Have you considered whether the rates established by this cost of capital will be sufficient on a going-forward basis?

A. As I have stated, they are appropriate when viewed in the context of the test year. There is, however, information on increased interest expense and attrition on Construction Work in Progress ("CWIP"), for example, indicating the potential for SWTC earnings to erode quickly in 2011 after new rates are established. I have requested that SWTC provide updated financial projections. The Cooperative has recently provided re-estimated capital expenditure and operating expense forecasts. SWTC has already discussed cutting its capital budget in half for the next few years, which will have a profound impact on forecast financial results, cash requirements and the need for additional rate requests. The information is so recent that it has not yet been presented to and approved by the SWTC Board of Directors. The data that I have received so far is not yet in a form that allows me to have confidence in the consistency of all of the data provided or in the forecasts of financial results. The vintage of the test year for this proceeding contributes to the need

for assuring that more current information is available and useable on a going-forward basis.

Therefore, I strongly recommend that the Commission require SWTC to work with Staff to develop forecasts that will allow for careful and regular monitoring of emerging threats to SWTC's financial condition. The loss of major revenue sources, and the very large change that economic conditions appear to have on growth rates at SWTC underscore the need for the Cooperative and the Commission to develop and maintain an ability to respond with dispatch to changing circumstances.

SWTC should report quarterly its most recent 12 months and forecasted (for the next 12 months) DSC, TIER, equity ratio, and cash and liquidity from credit facilities. Cash forecasting should take the form and have the content now being prepared by SWTC for its Board. The Cooperative has stated that cash flow forecasts for the current calendar year are updated with actual information on a monthly basis and presented to its Board. The Cooperative should update these cash forecasts for each quarterly filing with the most recent available information. There should be provision for regular meetings with Staff following the submission of each report, in order to promote a frank discussion of any potential issues and to encourage the development of a more robust, consistent SWTC forecasting process and sharing of forecasted information with the Commission.

As an example of the need for vigilance, I would cite the results of SWTC's financial forecasts for 2011 and 2012, which include the effects of granting 100 percent of its rate request. Those forecasts show a DSC of only 1.10 in 2011 and 1.03 in 2012. They also show an equity ratio of less than 7 percent in each year. The ratios would be even lower if the $0.9 million Staff adjustments for operating expenses are considered. Notably,

however, the forecasts show significant levels of available cash, but it is not clear that this result is consistent with the other data I have had time to review. Plans already exist for future SWTC rate filings. SWTC expects to use 2011 as a test year for establishing new rates effective in 2013. Should the forecasts prove accurate, it appears that there is a strong chance that an increase could be required sooner.

These forecasts, of course, do not bear on the test year in this case, but they do show the potential for a number of factors to cause future financial problems for SWTC. Those factors include capital expenditure-to-loan draw lag, a major system-operation or maintenance problem, and the customer retention consequences of rapidly increasing rates, among others. I am not recommending that these forecasted results be used to adjust upward SWTC's proposed cost of capital recommendation. Rather, I am pointing out the need for measures to remain abreast of post test-period changes in areas such as revenue, interest expense, operating expenses, and capital expenditures, which create the risk of immediate and interim-term changes of consequence for SWTC.

Q. Does this conclude your Direct testimony?

A. Yes.

Randall E. Vickroy

Areas of Specialization

Mr. Vickroy has over 20 years of experience in the utility industry, including ten years as a management consultant. He has managed and performed numerous high-level consulting assignments at companies and utility commissions in over 25 states. His areas of expertise include corporate finance and treasury management; capital markets and financing vehicles; utility industry restructuring; utility rates and pricing; non-regulated lines of business and affiliations; strategy and planning issues; asset valuations and decision-making; capital and expense budgeting and forecasting; corporate resource allocation; and financial and economic analysis.

Relevant Experience

Lead Consultant on electrical energy and capacity purchases and sales and hedging and capital budgeting on Liberty's management and operations audit of the electricity, natural gas, and steam operations of ConEd for the New York Public Service Commission.

Served as Lead Consultant in an audit of the fuel and purchased-power procurement practices and costs of Arizona Public Service Company for the Arizona Corporation Commission. Responsible for reviews of its contracting and supply-management practices for natural gas. His assignment in the Arizona project included an examination of the reasons for differences in off-system sales between Arizona Public Service, including specifically PNM and Salt River Project

Led the review of finance and the protection and insulation of the utility from parent and non-utility operations and finances on Liberty's focused and general management audits of NJR, New Jersey Natural Gas, and affiliates for the New Jersey Board of Public Utilities. This project included detailed examinations of affiliate relationships, governance, financing and utility ring-fencing, compliance with New Jersey EDECA requirements for affiliate separation, protection of confidential information, non-discrimination against third-party competitors with utility affiliates, and other code-of-conduct issues.

Lead Consultant in Liberty's audit of Duke Energy Carolinas for the North Carolina Utilities Commission, focusing on issues of compliance with regulatory conditions and code of conduct.

Led the review of finance and the protection and insulation of the utility from parent and non-utility operations and finances on Liberty's focused and general management audits of SJI, South Jersey Gas, and affiliates for the New Jersey Board of Public Utilities. This project included detailed examinations of affiliate relationships, governance, financing and utility ring-fencing, compliance with New Jersey EDECA requirements for affiliate separation, protection of confidential information, non-discrimination against third-party competitors with utility affiliates, and other code-of-conduct issues.

Lead for examination of financing and risk management on Liberty's focused audit of NUI Corporation and NUI Utilities. This audit included a detailed examination of the reasons for poor financial performance of non-utility operations, affect of affiliate operations, including commodity trading on utility credit and finance, downgrades of utility credit beneath investment grade, and retail and wholesale gas supply and trading operations. The audit included detailed examinations of financial results, sources and uses of funds, accounting systems and controls, credit intertwining, cash commingling, and affiliate transactions, among others. Liberty's examination included very detailed, transaction-level analyses of commodities trading undertaken by a utility affiliate both for its own account and for that of utility operations.

Served as Lead Consultant in Liberty's review of acquisitions of UniSource (Arizona) and Portland General Electric (Oregon) focusing on utility financial insulation, governance, service reliability, access to information, and community presence issues.

Lead Consultant in Liberty's comprehensive analysis of the ratemaking implications of Commonwealth Edison's Chicago electric service outages for the Illinois Commerce Commission. Responsible for investigating and analyzing ComEd's capital budgeting, resource allocation, project management, expenditure levels and rate base impacts for operations leading up to and in response to the outages.

Lead Consultant in Liberty's review of the financial integrity and earnings of Verizon New Jersey's rate regulated and competitive businesses for the New Jersey BPU. Responsible for the financial evaluation of VNJ's earnings, capital structure, rates of return, dividend policies, credit ratings, financial reporting, SEC reporting, and BPU surveillance reports.

Lead Consultant in Liberty's financial audit for ratemaking purposes of Verizon New Hampshire for the New Hampshire Public Utilities Commission. Responsible for a broad and comprehensive analysis of the financial status of VNH, including an audit of the books and records of the Verizon parent, in order to assist the commission in determining rate base, rates of return and appropriate adjustments for the test year.

Project Manager for the development and implementation of regulatory financial systems and models for deregulated ratemaking at Pacific Gas and Electric Company. The project involved developing regulatory strategy, California PSC earnings monitoring models, data bases, analytical models and reporting for all regulatory requirements of PG&E's regulated businesses.

Led the development of a framework and strategy to resolve all electric industry restructuring issues between the State of New Hampshire, Public Service Company of New Hampshire, and the NHPSC. Project included assessment and valuation of all key assets and development of a disposition strategy for all generation assets, contracts and obligations. The project also included the assessment of alternative rate paths; planning for the securitization and recovery of stranded costs; and the development of provisions for power supply purchases during a transition period.

Team leader for the review of the New York Power Authority's profitability, financial reporting, rate competitiveness, pricing policies, power plant economics and economic development

programs in this management audit for the state of New York. NYPA is the largest generator and carrier of power in New York, providing over 25 percent of the electricity sold.

Team leader in providing consulting assistance to Kentucky Utilities in preparing its 1993 application for implementing an environmental surcharge. Responsibilities included analyzing legislation, analysis of capital expenditures, analysis of KU's Clean Air Act compliance plan, analysis of costs recoverable under the surcharge, and developing testimony, exhibits, special accounting systems, and rate tariffs.

Project Leader for providing consulting assistance to Big Rivers Electric in preparing its 1994 application for implementing an environmental surcharge. Responsibilities included a review and evaluation of the economics of a major investment in a flue gas scrubber, analysis of Big Rivers' Clean Air Act compliance plan, evaluating cost recoverable under the surcharge, and developing surcharge testimony, exhibits, accounting systems and rate tariffs.

Consultant in Liberty's management audit of GTE South - Kentucky for the Kentucky Public Service Commission. Responsible for the analysis of the financial-management of GTE as it relates to the operation of its GTE South subsidiary.

Lead Consultant in Liberty's management audit of Bell Atlantic - Pennsylvania and Bell Atlantic - District of Columbia for their respective commissions. Responsible for reviewing Bell Atlantic's capital structure, finance and controller functions, financial systems, and treasury operations. Focus areas included the impact of telephone industry competition on capital budgeting, financial management strategy, and treasury operations.

Leader for all financial areas in the review of affiliate transactions among Public Service Electric and Gas, its holding company parent, and the extensive diversified businesses of the holding company. Responsible for evaluating PSE&G's consolidated finance functions to determine whether the financial integrity, flexibility, and cost of capital of the regulated utility had been adversely affected by the activities of diversified affiliates. Work included the review and analysis of the long-term financing, cash management, direct and indirect credit support mechanisms, investor relations, and all transactions between and among the affiliates.

Led the review of finance, cash management, budgeting, and rates in Liberty's comprehensive management audit of Southern Connecticut Gas for the Connecticut DPUC. Responsibilities included operational audits of all finance, regulatory and budgeting processes of SCG.

Led the review of the finance, cash management, budgeting, accounting and rate functions in Liberty's comprehensive management audit of Connecticut Natural Gas for the Connecticut DPUC. Work also included a focus on the financial impacts of CNG's non-regulated businesses, which includes a large steam system in downtown Hartford.

Led the review of the finance, cash management, budgeting, rates, and tax functions in Liberty's comprehensive management audit of Yankee Gas for the Connecticut DPUC. Evaluation included an in-depth analysis of the effectiveness of Yankee's capital and expense budgeting processes and the integration of market and competitive components into these processes.

Led the review of the finance, regulatory and accounting functions in Liberty's management audit of United Cities Gas for the Tennessee Public Service Commission. Responsibilities included a review of all financial functional areas, as well as a review of the impact of all affiliate transactions between the regulated and non-regulated businesses.

Led the evaluation of the financial relationships between Hawaiian Electric Industries and Hawaiian Electric Company for the Hawaii Department of Commerce and Consumer Affairs. The focus of the review was the credit and financial support provided by the utility company to the holding company and its diversified businesses.

Led the review and analysis of corporate governance, financial relationships and affiliate transactions between Virginia Power and its parent, Dominion Resources for the Virginia State Corporation Commission. The review included an evaluation of all utility and non-utility financing, governance and economic impacts. The engagement was in response to a well-publicized dispute between the holding company and Virginia Power.

Led the consulting and monitoring of contracting for electric supply by Western Massachusetts Power following the sale of its generation assets under electric deregulation.

Led the review and evaluation of the financial management practices of a major utility holding company. Engagement included an assessment of overall financial management and crisis-liquidity plans; strategic and business planning; asset valuations and their accounting impacts upon deregulation; independent power contract buy-downs; and rate reduction strategies.

Led the evaluation and recommendation of strategic lines of business for a major municipal utility facing industry deregulation.

Led the development of a strategic framework for the establishment and growth of non-regulated businesses for a major international electric holding company.

Led the development, analysis, and recommendation of alternative electric generation and power resource strategies for a regional generation and transmission company in preparation for electric deregulation.

Led the review and evaluation of all utility and non-utility financing, financial relationships, and affiliate transactions between a major utility holding company and its electric company subsidiary.

Leader for all financial areas in the evaluation of the diversified businesses of a major utility holding company. Engagement determined the impact on financial integrity, financial flexibility, credit mechanisms, and the cost of capital of the substantially diversified businesses of the holding company.

Led the development of an overall gas business strategy, capital asset allocation methods, financial analysis programs and gas main extension policy for a Midwestern combination utility.

Education

M.B.A., Finance, University of Denver
B.A., Business Administration, Monmouth College

Southwest Transmission Cooperative, Inc.
Computation of TIER, DSC and Equity Ratios
Twelve Months Ended December 31, 2001 through 2008

ITEM	5 Mos. Ended 12/31/2001	12 Mos. Ended 12/31/2002	12 Mos. Ended 12/31/2003	12 Mos. Ended 12/31/2004	12 Mos. Ended 12/31/2005	12 Mos. Ended 12/31/2006	12 Mos. Ended 12/31/2007	12 Mos. Ended 12/31/08
Times Interest Earned Ratio Calculation:								
Net Patronage Capital or Margins	$ (842,195)	$ 405,571	$ 2,021,945	$ 785,434	$ (3,789,772)	$ 954,674	$ 2,272,039	$ 4,936,128
Interest on Long-Term Debt	1,890,652	4,269,116	4,155,671	4,413,386	4,956,797	4,867,080	5,026,821	4,934,059
Total	$ 1,048,457	$ 4,674,687	$ 6,177,616	$ 5,198,820	$ 1,167,025	$ 5,821,754	$ 7,298,860	$ 9,870,187
Times Interest Earned Ratio	0.55	1.10	1.49	1.18	0.24	1.20	1.45	2.00
Debt Service Coverage Ratio Calculation:								
Net Patronage Capital or Margins	$ (842,195)	$ 405,571	$ 2,021,945	$ 785,434	$ (3,789,772)	$ 954,674	$ 2,272,039	$ 4,936,128
Depreciation & Amortization Expense	2,610,905	6,265,707	6,435,516	7,021,968	9,573,460	7,539,508	7,549,428	4,347,789
Interest on Long-Term Debt	1,890,652	4,269,116	4,155,671	4,413,386	4,956,797	4,867,080	5,026,821	4,934,059
Total	$ 3,659,362	$ 10,940,394	$ 12,613,201	$ 12,220,788	$ 10,740,485	$ 13,361,262	$ 14,848,288	$ 14,217,976
Principal Payments	2,993,177	5,716,145	6,065,083	6,986,136	7,534,936	8,153,265	8,812,350	8,330,766
Interest on Long Term Debt	1,890,652	4,269,116	4,155,671	4,413,386	4,956,797	4,867,080	5,026,821	4,934,059
Total	$ 4,883,829	$ 9,985,261	$ 10,220,754	$ 11,399,522	$ 12,541,733	$ 13,020,345	$ 13,839,171	$ 13,264,825
Debt Service Coverage Ratio	0.75	1.10	1.23	1.07	0.86	1.03	1.07	1.07
Equity as a Percent of Total Capitalization:								
Margins and Equity	$ 1,812,664	$ 2,218,235	$ 4,240,180	$ 5,025,614	$ 1,235,842	$ 2,190,516	$ 4,462,555	$ 9,398,683
Short Term Debt	-	-	-	-	-	$ -	-	-
Long Term Debt	93,212,774	87,496,630	86,765,581	92,055,461	96,081,798	95,186,071	91,345,173	94,539,306
Total Capitalization	$ 95,025,438	$ 89,714,865	$ 91,005,761	$ 97,081,075	$ 97,317,640	$ 97,376,587	$ 95,807,728	$ 103,937,989
Equity Ratio Percentage	1.91%	2.47%	4.66%	5.18%	1.27%	2.25%	4.66%	9.04%

BEFORE THE ARIZONA CORPORATION COMMISSION

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

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-09-0496

DIRECT

TESTIMONY

OF

RALPH C. SMITH

(CONSULTANT)

ON BEHALF OF THE STAFF OF THE

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 18, 2010

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EXHIBIT
S-3

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EXECUTIVE SUMMARY
SOUTHWEST TRANSMISSION COOPERATIVE, INC.
DOCKET NO. E-04100A-09-0496

My testimony and Attachment RCS-2 present Staff's recommended rate base, net income (margin) and revenue increase for Southwest Transmission Cooperative, Inc.'s ("SWTC"). In computing Staff's recommended revenue increase, I used the debt service coverage ("DSC") method and applied the DSC ratio of 1.45 recommended by Staff witness Vickroy.

Staff's recommended rate base is $79.1 million versus the $79.7 million requested by SWTC. The following table summarizes Staff's recommended rate base adjustments:

Summary of Staff Adjustments to Rate Base		
Adj. No.	Description	Increase (Decrease)
B-1	Plant Held for Future Use	$ (377,214)
B-2	Acquisition Adjustment	$ (4,413)
B-3	Accumulated Depreciation - Retirement Work in Progress	$ (140,137)
B-4	Materials and Supplies	$ (334)
	Total of Staff Adjustments	**$ (522,098)**
	SWTC Proposed Rate Base (Original Cost)	$ 79,668,372
	Staff Proposed Rate Base (Original Cost)	**$ 79,146,274**

Both SWTC and Staff have used original cost information to derive the fair value rate base. Because SWTC is a cooperative, a DSC method is being used to derive the recommended revenue requirement, and the revenue requirement does not vary with the amount of rate base.

Staff's adjustments produce an adjusted net income (margin) of negative $3.9 million versus the negative $4.8 million proposed by SWTC. Staff's recommended adjustments to income are summarized in the following table:

Summary of Staff Adjustments to Net Income (Margin)		
		Net Income (Margin)
Adj. No.	Description	Increase (Decrease)
C-1	Work Force Reduction	$ 730,300
C-2	Incentive Compensation	$ 70,235
C-3	Donations	$ 521
C-4	Lobbying Expense in Association Dues	$ 29,170
C-5	Gain on Sale of Utility Property	$ 73,300
Total of Staff's Adjustments to Net Operating Income		**$ 903,526**
	Adjusted Net Income per SWTC	$ (4,830,085)
	Adjusted Net Income per Staff	$ (3,926,559)

On Attachment RCS-2, Schedule A, page 1, I present Staff's calculation of the revenue deficiency for SWTC. As shown on Schedule A, page 1, column D, lines 16-26, using the DSC ratio of 1.45 recommended by Staff witness Vickroy, my calculations show a revenue deficiency of $7.649 million. As shown on Attachment RCS-2, Schedule C, column D, line 24, this represents an increase of approximately 34.0 percent over adjusted total electric revenues at SWTC's current rates.

I. INTRODUCTION

A. Background and Qualifications

Q. Please state your name, position and business address.

A. Ralph C. Smith. I am a Senior Regulatory Consultant at Larkin & Associates, PLLC, 15728 Farmington Road, Livonia, Michigan 48154.

Q. Please describe Larkin & Associates.

A. Larkin & Associates is a Certified Public Accounting and Regulatory Consulting firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin & Associates has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings including numerous telephone, water and sewer, gas, and electric matters.

Q. Mr. Smith, please summarize your educational background.

A. I received a Bachelor of Science degree in Business Administration (Accounting Major) with distinction from the University of Michigan - Dearborn, in April 1979. I passed all parts of the C.P.A. examination in my first sitting in 1979, received my CPA license in 1981, and received a certified financial planning certificate in 1983. I also have a Master of Science in Taxation from Walsh College, 1981, and a law degree (J.D.) cum laude from Wayne State University, 1986. In addition, I have attended a variety of continuing education courses in conjunction with maintaining my accountancy license. I am a licensed Certified Public Accountant and attorney in the State of Michigan. I am also a Certified Financial Planner™ professional and a Certified Rate of Return Analyst (CRRA). Since 1981, I have been a member of the Michigan Association of Certified Public Accountants. I am also a member of the Michigan Bar Association and the Society

of Utility and Regulatory Financial Analysts (SURFA). I have also been a member of the American Bar Association (ABA), and the ABA sections on Public Utility Law and Taxation.

Q. Please summarize your professional experience.

A. Subsequent to graduation from the University of Michigan, and after a short period of installing a computerized accounting system for a Southfield, Michigan realty management firm, I accepted a position as an auditor with the predecessor CPA firm to Larkin & Associates in July 1979. Before becoming involved in utility regulation where the majority of my time for the past 30 years has been spent, I performed audit, accounting, and tax work for a wide variety of businesses that were clients of the firm.

During my service in the regulatory section of our firm, I have been involved in rate cases and other regulatory matters concerning numerous electric, gas, telephone, water, and sewer utility companies. My present work consists primarily of analyzing rate case and regulatory filings of public utility companies before various regulatory commissions and, where appropriate, preparing testimony and schedules relating to the issues for presentation before these regulatory agencies.

I have performed work in the field of utility regulation on behalf of industry, state attorneys general, consumer groups, municipalities, and public service commission staffs concerning regulatory matters before regulatory agencies in Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, New York, Nevada, North Dakota, Ohio, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, Washington, Washington D.C.,

West Virginia, Wisconsin, and Canada as well as the Federal Energy Regulatory Commission and various state and federal courts of law.

Q. Have you prepared an attachment summarizing your educational background and regulatory experience?

A. Yes. Attachment RCS-1 provides details concerning my experience and qualifications.

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

A. Yes. I have previously testified before the Commission on a number of occasions. I most recently testified before the Commission in Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343 involving general rate case requests by Arizona-American Water Company. I testified in Docket No. E-01345A-06-0009, involving an emergency rate increase request by Arizona Public Service Company ("APS"), APS' Docket Nos. E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827, concerning proceedings involving APS base rates and other matters, and the most recent APS case, Docket No. E-01345A-08-0172, concerning an emergency rate increase and general rate case request. I also testified before the Commission in the last UNS Gas, Inc. rate cases, Docket Nos. G-04204A-08-0571, G-04204A-06-0463, G-04204A-06-0013 and G-04204A-05-0831, in a previous UNS Electric, Inc. rate case, Docket No. E-04204A-06-0783, as well as the last Southwest Gas Corporation rate case, Docket No. G-01551A-07-0504, and Tucson Electric Power Company rate case, Docket No. E-01933A-07-0402, among others.

B. Purpose of Testimony

Q. On whose behalf are you appearing?

A. I am appearing on behalf of the Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Staff ("Staff").

Q. What is the purpose of the testimony you are presenting?

A. The purpose of my testimony is to address the application for a general rate increase filed by Southwest Transmission Cooperative, Inc. ("SWTC" or "Company"). Specifically, I will be addressing the revenue requirement, rate base, and net operating income.

Q. Please briefly describe the information you reviewed in preparation for your testimony.

A. The information I reviewed included SWTC's application and testimony, SWTC's responses to data requests of Staff, information provided to me by Staff, and other publicly available information.

C. Content of Attachments to Testimony

Q. Have you attached any exhibits to be filed with your testimony?

A. Yes. I am attaching two exhibits, Attachments RCS-2 and RCS-3.

Q. What is shown in each of those attachments?

A. Attachment RCS-2 presents the results of my analysis including Staff's recommended revenue requirement, rate base and adjusted net operating income. Attachment RCS-3 presents copies of responses to data requests and selected documents that are referenced in my testimony.

D. General Background to SWTC's Rate Request

Q. Please briefly provide some background for the request that SWTC has made in the current proceeding.

A. SWTC is a non-profit, transmission cooperative which primarily provides wholesale transmission services to its six Class A (Anza Electric Cooperative, Inc., Duncan Valley

Electric Cooperative Inc., Graham County Electric Cooperative, Inc., Trico Electric Cooperative, Inc., Mohave Electric Cooperative, Inc., and Sulphur Springs Valley Electric Cooperative, Inc.) and two Class B (Arizona Electric Power Cooperative, Inc. and Sierra Southwest Cooperative Services, Inc.) members. SWTC owns about 622 miles of transmission lines and 24 substations, some jointly owned with the Salt River Project and Tucson Electric Power.

SWTC's current base rates became effective September 1, 2005 pursuant to Decision No. 68072, dated August 17, 2005. That case, Docket No. E-04100A-04-0527, used a test year ending December 31, 2003.

On October 16, 2009, SWTC filed with the Commission an application for a net increase in rates of approximately $7.65 million, using a test year ending March 31, 2009.

II. REVENUE REQUIREMENT

A. Summary of SWTC's Requested Increase

Q. Please briefly summarize SWTC's basis for its request for a rate increase.

A. Using a test year ending March 31, 2009, with pro forma adjustments, SWTC is seeking a base rate increase of $7.65 million, or approximately 34.0% over SWTC's adjusted test year electric revenue.

SWTC's requested revenue increase is designed to produce a net margin of $2.823 million, a Times Interest Earned Ratio ("TIER") of 1.56 and a Debt Service Coverage Ratio ("DSC" or "DSCR") of 1.35. As described by SWTC witness Minson, at page 5, lines 4-14, of his direct testimony:

> *In general, on a test year adjusted basis, SWTC had negative margins of just under $170,000 which produce a TIER of .03 and a DSC of .50. Given this, SWTC is requesting an overall increase in revenues of approximately $7.7 million. The revised rates are designed to produce a TIER of 1.56 and a DSCR of 1.35 which, if achieved, will keep SWTC in compliance with the standards required by its RUS mortgage and RUS rules. It will provide modest margins, continue to build equity and afford some gradual improvement in working capital coverage. Finally, SWTC requests that the new rates not take effect until January 1, 2011 so as to coincide with the large loss of transmission revenues associated with expiration of AEPCO's 100 MW sales contract with SRP.*

As noted above, SWTC has requested that the rates in its general rate application become effective on January 1, 2011.

Q. What is causing SWTC's request for a revenue increase?

A. SWTC's request for a revenue increase is largely attributable to events occurring after the test year, including post-test year revenue losses. SWTC's application at page 2, paragraph 6, states that:

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

Put another way, SWTC's actual recorded results for the test year ended March 31, 2009 do not indicate that a revenue increase would be required. SWTC's recorded results, as summarized on Attachment RCS-2, Schedule A, column A, line 7, indicate a positive net income of $4,727,711.

As also shown on Schedule A, page 2, lines 16-18, SWTC's requested revenue increase of $7,653,421 can be shown to consist of two components: a component to cover its pro forma adjusted test year net operating loss of $4,830,085 plus a coverage requirement of $2,823,336.

The estimated impact of SWTC's proposed pro forma adjustments on its margins and revenue requirement is shown in the following table:

Line No.	Description	SWTC Adj. No.	Impact on Income (A)	Impact on Revenue Requirement (B)
	SWTC's Proposed Pro Forma Adjustments			
1	AEPCO City of Mesa P-t-P Termination Adjustment	1	$ (501,120)	$ 501,120
2	Thatcher Network Conversion Adjustment	2	$ (213,696)	$ 213,696
3	Additional Network Services Adjustment	3	$ (702,969)	$ 702,969
4	TEP Non- Firm Point-to-Point Adjustment	4	$ (647,946)	$ 647,946
5	WALC Topock P-t-P Termination Adjustment	5	$ (326,656)	$ 326,656
6	WALC Topock IPP Termination Adjustment	6	$ (480,000)	$ 480,000
7	MWE Morenci P-t-P Termination Adjustment	7	$ (1,190,955)	$ 1,190,955
8	AEPCO SRP P-t-P Termination Adjustment	8	$ (4,454,400)	$ 4,454,400
9	Payroll and RSI Increases Adjustment	9	$ (858,733)	$ 858,733
10	Amortization of Rate Case Exp. Adjustment	10	$ (80,000)	$ 80,000
11	Annualize Interest on LTD Adjustment	11	$ (101,321)	$ 101,321
12	Totals		$ (9,557,796)	$ 9,557,796

It is thus entirely SWTC's pro forma adjusted results, which reflect adjustments for events through January 1, 2011, that causes SWTC to be requesting a revenue increase.

Q. Has SWTC presented reconstructed cost new less depreciation ("RCND") information in its filing for determining the amount of fair value rate base?

A. No. The direct testimony of SWTC witness Gary Pierson states at page 4, lines 11-14 that Schedules B-3 and B-4, concerning RCND rate base were not completed and "[a]s a non-profit cooperative, SWTC stipulates to the use of its original cost rate base as its fair value rate base."

Q. Has Staff also used SWTC's original cost information for determining the amount of fair value rate base?

A. Yes.

B. Summary of Staff's Recommendation

Q. What revenue increase does Staff recommend?

A. Staff recommends a base rate revenue increase of $7.649 million.

Q. What calculations have you presented in support of that recommendation?

A. On Attachment RCS-2, Schedule A, page 1, I present a calculation of the revenue deficiency for SWTC. As shown on Schedule A, page 1, column D, lines 16-26, using the DSC ratio of 1.45 recommended by Staff witness Vickroy, my calculations show a revenue deficiency of $7.649 million. As shown on Attachment RCS-2, Schedule C, column D, line 24, this represents an increase of approximately 34.0 percent over adjusted total electric revenues at current rates.

C. Test Year

Q. What test year is being used in this case?

A. SWTC's filing is based on the historic test year ended March 31, 2009. Staff's calculations use the same historic test year.

Q. Could you please discuss the test year concept?

A. Yes. In Arizona, a historic test year approach is used. Various adjustments are made to the historic test year amounts to ensure that there is a matching of investment, revenues and expenses. Rate base items, such as plant in service and accumulated depreciation, are based on the actual level as of the end of the historic test year. Rate base items that tend to fluctuate from month to month, such as materials and supplies, are based on a test year average level.

As time goes forward, changes in the Company's cost structure will occur. For example, rate base will typically increase as new plant is added to serve new customers, revenue will change as existing contracts expire or new ones are added, expenses will fluctuate, etc. It is very important to be consistent with a test period approach to ensure that there is a consistent matching between investment, revenues and costs. Any adjustments that reach beyond the end of the historic test year must be very carefully considered before being adopted. For example, it would be inappropriate and unbalanced to recognize only increases to labor expense occurring beyond the test year, and to ignore offsetting known and measureable decreases to labor cost.

D. Organization of Staff Accounting Schedules

Q. How are Staff's accounting schedules organized?

A. Staff's accounting schedules are presented in Attachment RCS-2. They are organized into summary schedules and adjustment schedules. The summary schedules consist of Schedules A, B, B.1, C, C.1 and D. Attachment RCS-2 also contains rate base adjustment Schedules B-1 through B-4 and net operating income adjustment Schedules C-1 through C-5. The revenue requirement for SWTC was based upon the ACC jurisdictional adjusted results.

Q. What is shown on Schedule A of Attachment RCS-2?

A. Attachment RCS-2 presents the Staff Accounting Schedules and revenue requirement determination. Schedule A presents the overall financial summary, giving effect to all the adjustments I am recommending in my testimony, as well as the recommended DSC coverage recommended on behalf of Staff by Randall Vickroy of Liberty Consulting. This schedule presents the change in the Company's gross revenue requirement needed for the Company to have the opportunity to achieve Staff's recommended coverage.

Q. What is shown in each column of Schedule A, page 1?

A. Column A shows SWTC's actual unadjusted test year results. Those actual results show that for the 12 months ending March 31, 2009, SWTC had net margins of $4.728 million. To achieve a TIER of approximately 1.565, based on the test year <u>unadjusted</u> results for SWTC, a revenue reduction of approximately $1.962 million would be in order.

Column B presents SWTC's proposed test year adjusted results. This reflects the impact of the pro forma adjustments proposed by SWTC. As shown on line 7, SWTC's adjusted

results show a net negative margin of approximately $4.83 million. This equates to a TIER of only 0.03 and a DSCR of approximately 0.5.

As shown in column C, the Cooperative's pro forma adjusted results were used by SWTC to derive its proposed revenue increase of $7.65 million to produce its requested TIER of approximately 1.565 and a DSCR of 1.35.

Column D shows the test year adjusted results per Staff.

Column E shows the derivation of the amount of rate increase using Staff's adjusted test year operating results and Staff's recommended coverage.

Q. What is shown in each section of Attachment RCS-2, Schedule A, page 1?

A. Section I of Schedule A shows the derivation of SWTC's net operating income. Section II shows the derivation of the revenue increase using a TIER basis. Section III shows the derivation of the revenue increase using a DSC basis. Both the TIER and DSC method of deriving a utility's revenue requirement are considered cash methods (as opposed to the rate base/rate of return method that is typically used for investor-owned utilities). Section IV shows the components of the return and the return on rate base produced by the recommended revenue increase.

Q. How does the rate base affect the amount of revenue requirement requested by SWTC and proposed by Staff?

A. As noted above, the rate base and return on fair value rate base are shown on Schedule A, part IV, lines 28-32. Because the amount of revenue requirement requested by SWTC and the amount proposed by Staff in this case (as shown in sections II and III of Schedule A)

are both calculated based on a cash coverage ratio basis (as opposed to a rate of return on rate base), the amount of rate base does not affect the SWTC revenue requirement.

Q. How does the recommended DSC affect the amount of net income?

A. As shown on Schedule A, page 1, Staff witness Vickroy recommended DSC of 1.45, which results in a net income of $3,722,264.

Q. What is shown on Schedule B?

A. Schedule B presents SWTC's proposed adjusted test year Original Cost and Staff's proposed adjusted test year Original Cost rate base. The beginning rate base amounts presented on Schedule B are taken from the Company's filing for the test year, specifically SWTC Schedule B-1. Staff's recommended adjustments to rate base are summarized on Schedule B.1.

Schedules B-1 through B-4 provide further support and calculations for the rate base adjustments Staff is recommending.

Q. What is shown on Schedule C?

A. The starting point on Schedule C is SWTC's adjusted test year net operating income, as provided on Company Schedule C-1. Staff's recommended adjustments to SWTC's adjusted test year revenues and expenses are summarized on Schedule C.1. Each of these adjustments is discussed in my testimony.

Schedules C-1 through C-5 provide further support and calculations for the net operating income adjustments Staff is recommending.

Q. What is shown on Schedule D?

A. Schedule D summarizes the capital structure and cost of capital that was proposed by SWTC and the capital structure and cost of capital that is recommended by Staff witness Vickroy.

III. RATE BASE

Q. Have you prepared a schedule that summarizes Staff's proposed adjustments to rate base?

A. Yes. As noted above, the adjusted rate base is shown on Attachment RCS-2, Schedule B. The adjustments to SWTC's proposed rate base are summarized on Schedule B.1. A comparison of the Company's proposed rate base and Staff's recommended rate base on an Original Cost is presented below:

Summary of Rate Base	SWTC	Staff	Difference
Original Cost Rate Base	$ 79,668,372	$ 79,146,274	$ (522,098)
Fair Value Rate Base	$ 79,668,372	$ 79,146,274	$ (522,098)

As noted above, both SWTC and Staff are using the original cost rate base as the fair value rate base in this case.

Cash Working Capital

Q. What is cash working capital?

A. Cash working capital is the cash needed by the Company to cover its day-to-day operations. If the Company's cash expenditures, on an aggregate basis, precede the cash recovery of expenses, investors must provide cash working capital. In that situation a positive cash working capital requirement exists. On the other hand, if revenues are typically received prior to when expenditures are made, on average, then ratepayers provide the cash working capital to the utility, and the negative cash working capital

allowance is reflected as a reduction to rate base. In this case, the cash working capital requirement is a reduction to rate base as ratepayers are essentially supplying these funds.

Q. What has SWTC proposed for Cash Working Capital?

A. SWTC has proposed a zero amount for Cash Working Capital because it did not prepare a lead-lag study.[1]

Q. For purposes of this rate case, does Staff agree with the use of a zero amount for Cash Working Capital?

A. Yes. Since SWTC did not prepare a lead-lag study, a zero amount should be used for Cash Working Capital.

Prepayments

Q. How has SWTC treated Prepayments for purposes of rate base?

A. SWTC has excluded Prepayments from rate base because of the position taken by Staff in its 2004-2005 rate case.[2]

Q. Does Staff agree that Prepayments should be excluded from rate base in the current SWTC rate case?

A. Yes. SWTC's exclusion of Prepayments from rate base is consistent with Staff's recommendation in SWTC's and AEPCO's previous rate cases. For example, in Docket No. E-01773A-04-0528, Staff pointed out that the cooperatives failed to conduct a lead-lag study, thus omitting a major component of Working Capital, which could decrease rate base due to the long lags applied to significant expenses such as property taxes and

[1] See, e.g., SWTC's filing at Schedule B-5, page 2, and the direct testimony of SWTC witness Gary Pierson at page 4, lines 18-21.
[2] Id., lines 21-23.

interest. Additionally, Staff noted that in Decision No. 58405, the Commission removed prepayments. Consequently, Staff concurs with SWTC's exclusion of Prepayments from rate base in the current SWTC rate case.

SWTC-Proposed Rate Base Adjustments

Q. Did SWTC propose any pro forma adjustments to rate base in the current SWTC rate case?

A. No.[3]

Staff Rate Base Adjustments

Q. Is Staff proposing any adjustments to rate base that were not made by SWTC?

A. Yes. Staff's recommended adjustments to rate base are discussed below.

B-1. Plant Held for Future Use

Q. Please discuss the adjustment to remove Plant Held for Future Use ("PHFFU") from rate base.

A. SWTC included $377,214 for PHFFU in rate base. Data request STF 2.78 asked SWTC to provide, among other things, the original purchased date, and planned in-service date. SWTC's response indicated that this is for two parcels of land in Oro Valley that were purchased in 1999, but did not provide a description of the proposed future use in providing utility service or a planned in-service date. Because there is no description of the proposed future use in providing utility service or any planned in-service date (much less an in-service date in the near future), this item is being removed from rate base, as shown on Staff Schedule B-1.

[3] See, e.g., SWTC Schedule B-1, and the direct testimony of Gary Pierson at page 4, lines 10-11.

Q. What did SWTC indicate to Staff regarding this PHFFU in SWTC's last rate case?

A. In response to data request CSB 2-29 in SWTC's last rate case, SWTC indicated that the land had been purchased for a substation site's right-of-ways, and because the location of the substation had changed, the land was no longer needed and would likely be liquidated.

Q. Did Staff remove PHFFU in SWTC's last rate case?

A. Yes.

Q. Did SWTC accept Staff's adjustment to remove PHFFU from rate base in SWTC's last rate case?

A. Yes.

Q. Please summarize Staff's recommendation.

A. The $377,214 PHFFU should be removed from rate base in SWTC's current rate case, as shown on Attachment RCS-2, Schedule B-1.

B-2 Acquisition Adjustment

Q. Please discuss the adjustment to remove the Acquisition Adjustment from rate base.

A. SWTC included an acquisition adjustment of $4,413, which it had recorded in Account 114, in rate base. This can be seen on SWTC's Schedule E-5, page 1, line 2. SWTC carried this amount into its proposed amount for Plant in Service in rate base on its Schedule B-2 and Schedule B-1. This item is being removed from rate base, as shown on Attachment RCS-2, Schedule B-2.

Q. Did Staff remove the acquisition adjustment from rate base in SWTC's last rate case?

A. Yes. Staff removed this acquisition adjustment from rate base in SWTC's last rate case, Docket No. E-04100A-04-0527. Additionally, Staff also removed it in the prior rate case to that one, as indicated in Decision No. 65367 (dated November 5, 2002) at page 4, lines 21-24.

Q. Did SWTC accept Staff's adjustment to remove the acquisition adjustment from rate base in SWTC's last rate case?

A. Yes.

Q. Why should the acquisition adjustment be removed from rate base in SWTC's current rate case?

A. Original cost rate base is calculated using the original cost of plant assets. An acquisition adjustment, by definition, is not the original cost of an asset because it is the difference between the original cost of an asset and the purchase price. Non-recognition of the acquisition adjustment in rate base is the normal ratemaking treatment. Also, As noted above, this acquisition adjustment was removed in the last two SWTC rate cases.

Q. Please summarize Staff's recommendation.

A. The $4,413 acquisition adjustment that SWTC recorded in Account 114 should be removed from rate base in SWTC's current rate case, as shown on Attachment RCS-2, Schedule B-2.

B-3 Accumulated Depreciation – Retirement Work in Progress

Q. What has SWTC proposed for Accumulated Depreciation?

A. SWTC proposed using $69,091,935 for Accumulated Depreciation in deriving its rate base, inclusive of the following components:

Components of Accumulated Depreciation in SWTC's Proposed Rate Base	
Component	**Amount**
Lines	$ (60,986,081)
Substation	$ -
General Plant	$ (6,472,037)
Retirements	$ 140,137
Accumulated Amortization	$ (1,773,954)
Total	**$ (69,091,935)**
Source: SWTC filing Schedule E-5	

Q. Is Retirement Work in Progress ("RWIP") normally a component of rate base?

A. No. RWIP should reflect a coordinated treatment of the plant to be retired, accumulated depreciation, salvage value and disposal cost. The retirement should be completed before rate base is adjusted.

Q. What adjustment does Staff recommend?

A. Staff recommends increasing Accumulated Depreciation by $140,137 to remove RWIP from rate base as shown on Attachment RCS-2, Schedule B-3. This adjustment decreases SWTC's proposed rate base by $140,137.

Q. Is the removal of RWIP from SWTC's rate base consistent with the treatment in previous SWTC rate cases?

A. Yes. Staff removed RWIP from SWTC's rate base in SWTC's last rate case, Docket No. E-04100A-04-0527. Additionally, in Decision No. 65367 (November 5, 2002) RWIP was removed from rate base per a Staff recommendation that was accepted by the Commission.[4]

B-4 Materials and Supplies

Q. In developing its amount for Materials and Supplies ("M&S") in rate base, did SWTC use the averaging approach recommended by Staff in SWTC's last rate case?

A. Yes. In verifying the SWTC test year amounts, however, a minor error was discovered.

Q. Please discuss the minor correction shown on Schedule B-4.

A. As described in SWTC's response to STF 2.7, a minor correction was discovered in SWTC's filing for the month of October 2008. The recorded M&S balance was $1,792,459, whereas SWTC's filing at Schedule B-5, page 3, had reflected an amount of $1,796,459. This minor correction is immaterial and would reduce SWTC's rate base by only $334.

IV. ADJUSTMENTS TO OPERATING INCOME

Q. Please describe how you have summarized Staff's proposed adjustments to operating income.

A. Schedule C summarizes Staff's recommended net operating income. Schedule C.1 presents Staff's recommended adjustments to test year revenues and expenses. Because SWTC is a tax-exempt non-profit corporation organized under the provisions of Section

[4] See Decision No. 65367, page 4, lines 21-24.

501(c)(12) of the Internal Revenue Code, it does not pay income taxes and consequently, there is no impact on state and federal income taxes associated with each of the recommended adjustments to operating income.

As shown on Attachment RCS-2, Schedule C, SWTC's proposed adjusted test year net operating income is ($4.8) million (as shown in column A), whereas Staff's recommended adjusted net operating income is ($3.9) million before the recommended revenue increase and $3.7 million after the increase (as shown in columns C and E, respectively).

Each of Staff's recommended adjustments to operating income are discussed below in the same order as they appear on Schedule C.1.

SWTC's Pro Forma Adjustments to Operating Income

Q. Before we discuss Staff's recommended adjustments to operating income, can you briefly review SWTC's pro forma adjustments?

A. Yes. SWTC's pro forma adjustments to operating income are summarized on Attachment RCS-2, Schedule A, page 2, on lines 1-12. SWTC has proposed eleven pro forma adjustments, which reduce its net income by a total of $9.558 million.

Lost Revenue Adjustments. SWTC's adjustments 1 through 8 relate to losses of revenue that have occurred or are expected to occur from contract terminations. These include the loss of revenue for point-to-point transmission service related to Arizona Electric Power Cooperative's ("AEPCO") contract with Salt River Project ("SRP") which terminates on December 31, 2010. Based on the review conducted to date, these SWTC adjustments have been accepted; however, this is subject to potential refinement or adjustment when Staff completes its rate design analysis. The rate design analysis typically involves a

detailed review of existing and proposed revenues from each customer class, and the preparation of a proof of revenues. Consequently, it is possible that concerns about SWTC's existing revenues may come to light during the rate design analysis that were not apparent during the revenue requirement analysis.

Labor Cost Increases. SWTC's adjustment 9 increases labor cost for post-test year pay and employee benefit increases. This SWTC adjustment has been accepted subject to making an offsetting adjustment for a known post-test year work force downsizing that is quantified in Staff adjustment C-1.

Rate Case Cost. SWTC's adjustment 10 is for an annual allowance of $80,000 for legal and consultant costs for the current SWTC rate case. SWTC's response to data request STF 2.51 did not provide the detailed itemization that was sought in that request.[5] This amount has been accepted conditionally, pending receipt of additional detail.

Interest Expense Annualization. SWTC's pro forma adjustment 11 increases test year interest expense by $101,321. SWTC proposes using an adjusted amount for interest on long-term debt of $4,999,388. Staff has accepted SWTC's adjustment to interest expense and has used the same amount of interest on long-term debt for purposes of calculating coverage requirements.

[5] A copy of SWTC's response to data request STF 2.51 is included in Attachment RCS-3.

Staff Adjustments to Operating Income

Q. Now will you discuss the adjustments to net operating income that are being recommended by Staff?

A. Yes. Each Staff adjustment to SWTC's net operating income is discussed below.

C-1 Work Force Reduction

Q. Please explain the adjustment for the significant work force reduction made by SWTC and its related companies.

A. The response to data request STF 2.31 indicates that SWTC, AEPCO and Sierra have made a reduction in work force of seventeen employees. Moreover, SWTC calculates that the reduction in force will reduce its labor costs by approximately $730,000 on an annual basis. SWTC provided a confidential attachment to its response to data request STF 2.31 showing details.

Q. What has SWTC stated concerning whether the impact of this significant work force reduction should be recognized as a pro forma adjustment?

A. SWTC's supplemental response to data request STF 2.31 states that:

> *Because the reduction in force occurred more than a year after closure of the test period, SWTC has not submitted this matter as an additional pro forma adjustment in supplemental response to STF 2.35. In that regard, SWTC has also not requested adjustments for various <u>increases</u> in certain post-test year expenses similar to the expense increases identified by AEPCO in its response to STF 3.1 ...*

SWTC attached a copy of AEPCO's response to Staff data request 3.1 in Docket No. E-01773A-09-0472. A copy of that response is also attached for ease of reference in Attachment RCS-3 to my testimony.

Q. Docket No. E-01773A-09-0472 is Arizona Electric Power Cooperative's current rate case. What was data request STF 3.1 in that docket?

A. Data request STF 3.1 was issued in the AEPCO rate case docket in order to help evaluate whether a comprehensive update of AEPCO's filing using a test year ending December 31, 2009 rather than a test year ending March 31, 2009 should be undertaken.

Q. What does AEPCO's response to STF 3.1 in Docket No. E-01773A-09-0472 show?

A. AEPCO's response to data request STF 3.1 in Docket No. E-01773A-09-0472 shows that AEPCO had identified five material changes from March 31, 2009 through December 31, 2009. It shows that three changes affected test year operating expenses: (1) fuel expense related to new contracts; (2) payroll and pension expense due to wage increases and National Rural Electric Cooperative Association ("NRECA") pension funding requirement increases; and (3) a SAP software capital lease. The response indicates that each of these three changes were in fact reflected as pro forma adjustments in AEPCO's rate filing in the "C" schedules and are identified there as Coal Price Adjustment, Payroll and Pension Adjustment and SAP Software Amortization Adjustment.

AEPCO's response to data request STF 3.1 states further that changes related to a telephone system capital lease, post-test year plant in service and net debt increases were not included as adjustments because AEPCO believed Staff would not consider such post-test year expenses to be appropriate adjustments.

Q. Has SWTC requested increases in expenses for changes occurring subsequent to the test year?

A. Yes. For labor costs alone, SWTC has requested increased expenses of $858,733 in its pro forma adjustment no. 9 for Payroll and RSI Increases. Reflecting the impact of the

work force change would help to mitigate the impact of the other post-test year increases to labor (and other) costs requested by SWTC.

Q. Should the significant work force change that was identified by SWTC in response to data request STF 2.31 be reflected as pro forma adjustment in setting SWTC's rates in the current case?

A. Yes, it should. This is a significant change in work force and it significantly impacts SWTC's proposed labor costs. Moreover, SWTC's proposed labor costs include the impact of other post-test year changes, but only changes which increased expense (and decreased margin), such as post-test year wage increases that occurred on September 21, 2009 and a post-test year increase in pension costs. To not reflect the offsetting reduction to SWTC's labor costs related to the known downsizing of the work force would serve to overstate SWTC's labor cost significantly on a going-forward basis.

Additionally, as noted above, SWTC's filing includes other significant pro forma adjustments for other items that extend even further beyond the test year ending March 31, 2009, such as changes related to the expiration on December 31, 2010 of AEPCO's sales agreement with SRP.[6]

Q. What is the impact of this adjustment on SWTC's labor costs and margin?

A. As shown on Attachment RCS-2, this adjustment decreases SWTC's labor costs by approximately $730,000 and increases margins by a similar amount.

[6] See, e.g., SWTC's proposed pro forma adjustments 3 (Additional Network Services Adjustment) and 8 (Salt River Project Contract Adjustment).

Q. Do you have an alternative recommendation if the Commission does not reflect the impact of the significant post-test year work force decrease on SWTC's labor costs?

A. Yes. If this adjustment to decrease SWTC's labor costs for the work force downsizing is not reflected in deriving SWTC's revenue requirement, alternatively, I would recommend that the other post-test year pro forma adjustments requested by SWTC, which significantly increased expense (and reduced margins) also be rejected. Rejecting SWTC's proposed pro forma adjustment no. 9 for Payroll and Retirement Plan Increases would decrease SWTC's requested expense by $858,733, and would increase margins by a similar amount.

C-2 Incentive Compensation

Q. Does SWTC have an incentive compensation plan?

A. Yes. SWTC's response to data request STF 2.30(d), (e), and (f) provided information concerning SWTC's incentive compensation. Copies of the relevant incentive program plan documents provided by SWTC in response to that data request are included in Attachment RCS-3.

Q. What trigger mechanisms are provided for in SWTC's incentive compensation plan?

A. As shown in the documentation provided by SWTC in response to STF 2.30, the plan has four trigger mechanisms, which must be met or exceeded by SWTC to open the program to funding. For the 2008 and 2009 plans, the four trigger mechanisms were:

1. Positive Net Margin.
2. Times Interest Earned Ratio ("TIER") of 1.10.
3. Debt Service Coverage Ratio ("DSC") of 1.00.
4. Circuit Segment Hours of Availability ("CSHA") of 99.955%.

For the 2010 incentive program, the four trigger mechanisms are:

1. Positive Net Margin.
2. Times Interest Earned Ratio (TIER) of 1.05.
3. Debt Service Coverage Ratio (DSC) of 1.00.
4. Circuit Segment Hours of Availability (CSHA) of 99.979%.

Q. How is the SWTC incentive plan funded?

A. The SWTC incentive plan is funded subject to a cap each year that has been approved by the Board of Directors, and is to be funded on a 50/50 split from the savings in actual expenses reduced from those forecast in SWTC's Budget.[7] Additionally, the plan provides that[8]:

> *All triggers must be satisfied and the achievement with respect to the combined goals must be positive, including provision for funding the program, before the Incentive Plan will be funded. Both SWTC and AEPCO will fund the Incentive Plan proportionately.*

Q. Do these plan provisions raise some concerns about inclusion of the incentive compensation expense in rates?

A. Yes. The first three triggers appear to be minimal targets that would not reflect adequate financial performance by SWTC. In contrast with those minimal targets for incentive compensation triggers, SWTC is seeking, and Staff is recommending, much higher levels in the current rate case. For instance, apparently even $1 in positive net margin would meet trigger #1. In the current rate case, SWTC is seeking a positive net margin of $2.823 million and Staff is recommending an amount of $3.722 million.[9] The SWTC and Staff recommended positive net margins being recommended in the rate case are thus 2.823

[7] See, e.g., "Funding Amount" section of SWTC Incentive Plan documents included in Attachment RCS-3.
[8] See, "Introduction" section of SWTC Incentive Plan documents included in Attachment RCS-3.
[9] See, e.g., Attachment RCS-2, Schedule A.

million and 3.722 million, respectively, times as high as the $1 of positive net margin that would apparently trigger item #1 in the SWTC incentive compensation plan.

Similarly, the SWTC incentive plan trigger #2 is a TIER of only 1.10 for 2008 and 2009, and even lower at only 1.05 in 2010. In contrast, SWTC is seeking, and Staff has recommended, a revenue increase that would provide for a TIER of 1.564743.[10] This coverage margin for TIER for determining the revenue increase at 0.564743 is over 11 times the 0.05 that would trigger incentive compensation in SWTC's 2010 plan.

Finally, the DSC provided for in the SWTC incentive compensation plan as trigger item #3 is only 1.00, whereas the DSC ratio requested by SWTC and recommended by Staff for purposes of determining SWTC's revenue requirement in the current SWTC rate case is 1.35 and 1.45, respectively.

The first three trigger items in SWTC's incentive compensation plan thus are far below the comparable levels being used for purposes of determining SWTC's revenue requirement in the current SWTC rate case. It is questionable whether the trigger levels in SWTC's incentive compensation plan even represent a minimal level of financial performance. Consequently, the awarding of incentive compensation based on trigger levels which appear to be set below a minimally acceptable level of financial performance appears to be questionable.

[10] See, e.g., Attachment RCS-2, Schedule A, line 13.

Q. What other aspects of the incentive compensation program raise concerns about including an expense amount for that in operating expenses?

A. The funding of the incentive compensation, as described in the plan documents, is to be based upon a 50/50 split of savings in actual expenses reduced from those forecast in the Budget. SWTC has not demonstrated that its test year expenses reflect such savings. Consequently, including the incentive compensation expense as an operating expense in determining SWTC's revenue requirement would be questionable.

Q. How much expense did SWTC incur in the test year for incentive compensation?

A. SWTC's response to data request STF 2.44 indicates that SWTC incurred $70,235 of expense for incentive compensation in the test year. No expense for incentive compensation was incurred in 2009.

Q. Why should incentive compensation expense be removed from test year expenses?

A. In addition to the concerns identified above, there is no assurance that the expense levels included in the test year will be repeated in future years. As noted above, SWTC's response to data request STF 2.44 indicates there was no expense incurred in, or expected for, 2009.

C-3 Charitable Contributions

Q. Please explain the adjustment to remove Charitable Contributions expense.

A. In response to data request STF 2.23, SWTC identified $521 for Charitable Contributions in the test year. As shown on Schedule C-3, the amounts of $521 recorded by SWTC for such Charitable Contributions are being removed from operating expenses. It is not appropriate to include Charitable Contributions in the cost of service for a public utility because donations are not necessary for the provision of utility service.

C-4 Lobbying in Association Dues

Q. Please explain the adjustment to remove lobbying expense in Association Dues.

A. SWTC pays dues to various industry associations. Some of those associations engage in lobbying activities. The lobbying activities should be charged below-the-line and excluded from the utility's cost of service. During the test year, two of the industry associations to which SWTC paid dues were engaged in lobbying and advocacy activities. As described in SWTC's response to data request STF 2.24, Grand Canyon State Electric Cooperative Association ("GCSECA") estimated that 26 percent of its dues go to lobbying and advocacy activities. The NRECA estimate was 24 percent. Schedule C-4 shows the amounts of dues paid by SWTC to these organizations, calculates the amount included in the test year based on the information provided in response to data request STF 2.24, and excludes from test year operating expenses the portion of such dues that are related to lobbying and advocacy activities. As shown on Schedule C-4, test year expense is reduced by $23,240 for the portion of GCSECA dues related to lobbying and by $5,930 for NRECA dues related to lobbying, for a total reduction of $29,170.

C-5 Gain on Sale of Utility Property

Q. Did SWTC recently sell some of its utility property?

A. Yes. As described in the response to data request STF 2.54:

> *In 2005, SWTC sold 5.7 miles of the Davis-Rivera 69 kV line to Mohave Electric Cooperative for a little less than $643,000. SWTC recorded a gain on its books in 2005 of $243,000. In 2009, SWTC sold the remaining 3.2 miles of the Davis-Rivera 69 kV line to Mohave Electric Cooperative for $370,000 and recorded a gain on its books in 2009 of about $220,000. Both gains were recorded in the year that the sale was made.*

Q. How are gains on the sale of utility property typically treated for ratemaking purposes by the Commission?

A. For investor-owned utilities, gains on the sale of utility property have typically been treated for ratemaking purposes by sharing such gains 50/50 between the utility's shareholders and ratepayers, with the ratepayers' share of the gains being normalized over a representative period, such as the period used in the rate case for the normalization of the utility's rate case cost.

Q. Can you provide an illustrative example of where that was done?

A. Yes. Such treatment was applied in Southwest Gas Corporation's ("SWG") last rate case, Docket No. G-01551A-07-0504. My direct testimony filed in that case on behalf of Staff discussed the ratemaking treatment of a gain realized by SWG on the sale of utility property. In that case, SWG had responded to a Staff data request describing the nature of the gain and the typical ratemaking treatment. As described in SWG's response to Staff data request STF-1-96[11] in Docket No. G-01551A-07-0504:

> *In September 2007, the Company sold land and structures in Cave Creek, Arizona, which had been included in gas plant in service. The property acquired in the BMG acquisition had a net book value of $1,025,676 at the time of the sale. The land had a net book value of $502,044 and the structure had a net book value of $523,632. The net proceeds of the 2007 sale were $1,433,107, resulting in a gain of $418,196. This gain was recorded in Account 2530, "Other Deferred Credits". ... Historically, the Commission has amortized, over a multiple-year period, the gain or loss on Southwest's disposition of property previously included in rate base, 50 percent above-the-line to ratepayers and 50 percent below-the-line to shareholders.*

[11] A copy of that referenced SWG response is included in Attachment RCS-3 to my testimony in the current SWTC rate case.

Q. How was the gain realized by SWG treated for ratemaking purposes in that case?

A. The gain was shared between SWG's ratepayers and shareholders using a 50/50 sharing ratio. A normalization period of three years was used to determine the annual amount to be recognized in the ratemaking process. Three years was the same period that Southwest had used for normalizing its proposed allowance for rate case costs in that case.

Q. How should the gains realized by SWTC be treated for ratemaking purposes in the current SWTC rate case?

A. The gain realized by SWTC on the sale of utility property should be recognized for ratemaking purposes, since ratepayers have paid for the assets. Because SWTC is a member-owned cooperative and not an investor-owned utility, the full amount of the gain should benefit ratepayers. The gain should be normalized over a three-year period. Similar to the period used in the SWG rate case cited above, three years is the same period that SWTC proposes using for normalizing its proposed allowance for rate case costs in the current case.

Q. What adjustment does this produce?

A. As shown on Schedule C-5, normalization of the gain over the recommended three-year period increases SWTC's net income by $73,300.

Q. Does this conclude your Direct testimony?

A. Yes, it does.

Attachment RCS-1
QUALIFICATIONS OF RALPH C. SMITH

Accomplishments

Mr. Smith's professional credentials include being a Certified Financial Planner™ professional, a Certified Rate of Return Analyst, a licensed Certified Public Accountant and attorney. He functions as project manager on consulting projects involving utility regulation, regulatory policy and ratemaking and utility management. His involvement in public utility regulation has included project management and in-depth analyses of numerous issues involving telephone, electric, gas, and water and sewer utilities.

Mr. Smith has performed work in the field of utility regulation on behalf of industry, public service commission staffs, state attorney generals, municipalities, and consumer groups concerning regulatory matters before regulatory agencies in Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, New York, Nevada, North Carolina, North Dakota, Ohio, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, Washington, Washington DC, West Virginia, Canada, Federal Energy Regulatory Commission and various state and federal courts of law. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on several occasions.

Project manager in Larkin & Associates' review, on behalf of the Georgia Commission Staff, of the budget and planning activities of Georgia Power Company; supervised 13 professionals; coordinated over 200 interviews with Company budget center managers and executives; organized and edited voluminous audit report; presented testimony before the Commission. Functional areas covered included fossil plant O&M, headquarters and district operations, internal audit, legal, affiliated transactions, and responsibility reporting. All of our findings and recommendations were accepted by the Commission.

Key team member in the firm's management audit of the Anchorage Water and Wastewater Utility on behalf of the Alaska Commission Staff, which assessed the effectiveness of the Utility's operations in several areas; responsible for in-depth investigation and report writing in areas involving information systems, finance and accounting, affiliated relationships and transactions, and use of outside contractors. Testified before the Alaska Commission concerning certain areas of the audit report. AWWU concurred with each of Mr. Smith's 40 plus recommendations for improvement.

Co-consultant in the analysis of the issues surrounding gas transportation performed for the law firm of Cravath, Swaine & Moore in conjunction with the case of Reynolds Metals Co. vs. the Columbia Gas System, Inc.; drafted in-depth report concerning the regulatory treatment at both state and federal levels of issues such as flexible pricing and mandatory gas transportation.

Lead consultant and expert witness in the analysis of the rate increase request of the City of Austin - Electric Utility on behalf of the residential consumers. Among the numerous ratemaking issues addressed were the economies of the Utility's employment of outside services; provided both written and oral testimony outlining recommendations and their bases. Most of Mr. Smith's recommendations were adopted by the City Council and Utility in a settlement.

Key team member performing an analysis of the rate stabilization plan submitted by the Southern Bell Telephone & Telegraph Company to the Florida PSC; performed comprehensive analysis of the Company's projections and budgets which were used as the basis for establishing rates.

Lead consultant in analyzing Southwestern Bell Telephone separations in Missouri; sponsored the complex technical analysis and calculations upon which the firm's testimony in that case was based. He has also assisted in analyzing changes in depreciation methodology for setting telephone rates.

Lead consultant in the review of gas cost recovery reconciliation applications of Michigan Gas Utilities Company, Michigan Consolidated Gas Company, and Consumers Power Company. Drafted recommendations regarding the appropriate rate of interest to be applied to any over or under collections and the proper procedures and allocation methodology to be used to distribute any refunds to customer classes.

Lead consultant in the review of Consumers Power Company's gas cost recovery refund plan. Addressed appropriate interest rate and compounding procedures and proper allocation methodology.

Project manager in the review of the request by Central Maine Power Company for an increase in rates. The major area addressed was the propriety of the Company's ratemaking attrition adjustment in relation to its corporate budgets and projections.

Project manager in an engagement designed to address the impacts of the Tax Reform Act of 1986 on gas distribution utility operations of the Northern States Power Company. Analyzed the reduction in the corporate tax rate, uncollectibles reserve, ACRS, unbilled revenues, customer advances, CIAC, and timing of TRA-related impacts associated with the Company's tax liability.

Project manager and expert witness in the determination of the impacts of the Tax Reform Act of 1986 on the operations of Connecticut Natural Gas Company on behalf of the Connecticut Department of Public Utility Control - Prosecutorial Division, Connecticut Attorney General, and Connecticut Department of Consumer Counsel.

Lead Consultant for The Minnesota Department of Public Service ("DPS") to review the Minnesota Incentive Plan ("Incentive Plan") proposal presented by Northwestern Bell Telephone Company ("NWB") doing business as U S West Communications ("USWC"). Objective was to express an opinion as to whether current rates addressed by the plan were appropriate from a Minnesota intrastate revenue requirements and accounting perspective, and to assist in developing recommended modifications to NWB's proposed Plan.

Performed a variety of analytical and review tasks related to our work effort on this project. Obtained and reviewed data and performed other procedures as necessary (1) to obtain an understanding of the Company's Incentive Plan filing package as it relates to rate base, operating income, revenue requirements, and plan operation, and (2) to formulate an opinion concerning the reasonableness of current rates and of amounts included within the Company's Incentive Plan filing. These procedures included requesting and reviewing extensive discovery, visiting the Company's offices to review data, issuing follow-up information requests in many instances, telephone and on-site discussions with Company representatives, and frequent discussions with counsel and DPS Staff assigned to the project.

Lead Consultant in the regulatory analysis of Jersey Central Power & Light Company for the Department of the Public Advocate, Division of Rate Counsel. Tasks performed included on-site review and audit of Company, identification and analysis of specific issues, preparation of data requests, testimony, and cross examination questions. Testified in Hearings.

Assisted the NARUC Committee on Management Analysis with drafting the Consultant Standards for Management Audits.

Presented training seminars covering public utility accounting, tax reform, ratemaking, affiliated transaction auditing, rate case management, and regulatory policy in Maine, Georgia, Kentucky, and Pennsylvania. Seminars were presented to commission staffs and consumer interest groups.

Previous Positions

With Larkin, Chapski and Co., the predecessor firm to Larkin & Associates, was involved primarily in utility regulatory consulting, and also in tax planning and tax research for businesses and individuals, tax return preparation and review, and independent audit, review and preparation of financial statements.

Installed computerized accounting system for a realty management firm.

Education

Bachelor of Science in Administration in Accounting, with distinction, University of Michigan, Dearborn, 1979.

Master of Science in Taxation, Walsh College, Michigan, 1981. Master's thesis dealt with investment tax credit and property tax on various assets.

Juris Doctor, cum laude, Wayne State University Law School, Detroit, Michigan, 1986. Recipient of American Jurisprudence Award for academic excellence.

Continuing education required to maintain CPA license and CFP® certificate.

Passed all parts of CPA examination in first sitting, 1979. Received CPA certificate in 1981 and Certified Financial Planning certificate in 1983. Admitted to Michigan and Federal bars in 1986.

Michigan Bar Association.

American Bar Association, sections on public utility law and taxation.

Partial list of utility cases participated in:

79-228-EL-FAC	Cincinnati Gas & Electric Company (Ohio PUC)
79-231-EL-FAC	Cleveland Electric Illuminating Company (Ohio PUC)
79-535-EL-AIR	East Ohio Gas Company (Ohio PUC)
80-235-EL-FAC	Ohio Edison Company (Ohio PUC)

80-240-EL-FAC	Cleveland Electric Illuminating Company (Ohio PUC)
U-1933*	Tucson Electric Power Company (Arizona Corp. Commission)
U-6794	Michigan Consolidated Gas Co. --16 Refunds (Michigan PSC)
81-0035TP	Southern Bell Telephone Company (Florida PSC)
81-0095TP	General Telephone Company of Florida (Florida PSC)
81-308-EL-EFC	Dayton Power & Light Co.- Fuel Adjustment Clause (Ohio PUC)
810136-EU	Gulf Power Company (Florida PSC)
GR-81-342	Northern States Power Co. -- E-002/Minnesota (Minnesota PUC)
Tr-81-208	Southwestern Bell Telephone Company (Missouri PSC))
U-6949	Detroit Edison Company (Michigan PSC)
8400	East Kentucky Power Cooperative, Inc. (Kentucky PSC)
18328	Alabama Gas Corporation (Alabama PSC)
18416	Alabama Power Company (Alabama PSC)
820100-EU	Florida Power Corporation (Florida PSC)
8624	Kentucky Utilities (Kentucky PSC)
8648	East Kentucky Power Cooperative, Inc. (Kentucky PSC)
U-7236	Detroit Edison - Burlington Northern Refund (Michigan PSC)
U6633-R	Detroit Edison - MRCS Program (Michigan PSC)
U-6797-R	Consumers Power Company -MRCS Program (Michigan PSC)
U-5510-R	Consumers Power Company - Energy conservation Finance Program (Michigan PSC)
82-240E	South Carolina Electric & Gas Company (South Carolina PSC)
7350	Generic Working Capital Hearing (Michigan PSC)
RH-1-83	Westcoast Transmission Co., (National Energy Board of Canada)
820294-TP	Southern Bell Telephone & Telegraph Co. (Florida PSC)
82-165-EL-EFC (Subfile A)	Toledo Edison Company(Ohio PUC)
82-168-EL-EFC	Cleveland Electric Illuminating Company (Ohio PUC)
830012-EU	Tampa Electric Company (Florida PSC)
U-7065	The Detroit Edison Company - Fermi II (Michigan PSC)
8738	Columbia Gas of Kentucky, Inc. (Kentucky PSC)
ER-83-206	Arkansas Power & Light Company (Missouri PSC)
U-4758	The Detroit Edison Company – Refunds (Michigan PSC)
8836	Kentucky American Water Company (Kentucky PSC)
8839	Western Kentucky Gas Company (Kentucky PSC)
83-07-15	Connecticut Light & Power Co. (Connecticut DPU)
81-0485-WS	Palm Coast Utility Corporation (Florida PSC)
U-7650	Consumers Power Co. (Michigan PSC)
83-662	Continental Telephone Company of California, (Nevada PSC)
U-6488-R	Detroit Edison Co., FAC & PIPAC Reconciliation (Michigan PSC)
U-15684	Louisiana Power & Light Company (Louisiana PSC)
7395 & U-7397	Campaign Ballot Proposals (Michigan PSC)
820013-WS	Seacoast Utilities (Florida PSC)
U-7660	Detroit Edison Company (Michigan PSC)
83-1039	CP National Corporation (Nevada PSC)
U-7802	Michigan Gas Utilities Company (Michigan PSC)
83-1226	Sierra Pacific Power Company (Nevada PSC)
830465-EI	Florida Power & Light Company (Florida PSC)
U-7777	Michigan Consolidated Gas Company (Michigan PSC)
U-7779	Consumers Power Company (Michigan PSC)
U-7480-R	Michigan Consolidated Gas Company (Michigan PSC)
U-7488-R	Consumers Power Company – Gas (Michigan PSC)
U-7484-R	Michigan Gas Utilities Company (Michigan PSC)
U-7550-R	Detroit Edison Company (Michigan PSC)
U-7477-R**	Indiana & Michigan Electric Company (Michigan PSC)
18978	Continental Telephone Co. of the South Alabama (Alabama PSC)

R-842583	Duquesne Light Company (Pennsylvania PUC)
R-842740	Pennsylvania Power Company (Pennsylvania PUC)
850050-EI	Tampa Electric Company (Florida PSC)
16091	Louisiana Power & Light Company (Louisiana PSC)
19297	Continental Telephone Co. of the South Alabama (Alabama PSC)
76-18788AA &76-18793AA	Detroit Edison - Refund - Appeal of U-4807 (Ingham County, Michigan Circuit Court)
85-53476AA & 85-534785AA	Detroit Edison Refund - Appeal of U-4758 (Ingham County, Michigan Circuit Court)
U-8091/U-8239	Consumers Power Company - Gas Refunds (Michigan PSC)
TR-85-179**	United Telephone Company of Missouri (Missouri PSC)
85-212	Central Maine Power Company (Maine PSC)
ER-85646001 & ER-85647001	New England Power Company (FERC)
850782-EI & 850783-EI	Florida Power & Light Company (Florida PSC)
R-860378	Duquesne Light Company (Pennsylvania PUC)
R-850267	Pennsylvania Power Company (Pennsylvania PUC)
851007-WU & 840419-SU	Florida Cities Water Company (Florida PSC)
G-002/GR-86-160	Northern States Power Company (Minnesota PSC)
7195 (Interim)	Gulf States Utilities Company (Texas PUC)
87-01-03	Connecticut Natural Gas Company (Connecticut PUC))
87-01-02	Southern New England Telephone Company (Connecticut Department of Public Utility Control)
3673-	Georgia Power Company (Georgia PSC)
29484	Long Island Lighting Co. (New York Dept. of Public Service)
U-8924	Consumers Power Company – Gas (Michigan PSC)
Docket No. 1	Austin Electric Utility (City of Austin, Texas)
Docket E-2, Sub 527	Carolina Power & Light Company (North Carolina PUC)
870853	Pennsylvania Gas and Water Company (Pennsylvania PUC)
880069**	Southern Bell Telephone Company (Florida PSC)
U-1954-88-102 T E-1032-88-102	Citizens Utilities Rural Company, Inc. & Citizens Utilities Company, Kingman Telephone Division (Arizona CC)
89-0033	Illinois Bell Telephone Company (Illinois CC)
U-89-2688-T	Puget Sound Power & Light Company (Washington UTC))
R-891364	Philadelphia Electric Company (Pennsylvania PUC)
F.C. 889	Potomac Electric Power Company (District of Columbia PSC)
Case No. 88/546*	Niagara Mohawk Power Corporation, et al Plaintiffs, v. Gulf+Western, Inc. et al, defendants (Supreme Court County of Onondaga, State of New York)
87-11628*	Duquesne Light Company, et al, plaintiffs, against Gulf+ Western, Inc. et al, defendants (Court of the Common Pleas of Allegheny County, Pennsylvania Civil Division)
890319-EI	Florida Power & Light Company (Florida PSC)
891345-EI	Gulf Power Company (Florida PSC)
ER 8811 0912J	Jersey Central Power & Light Company (BPU)
6531	Hawaiian Electric Company (Hawaii PUCs)
R0901595	Equitable Gas Company (Pennsylvania Consumer Counsel)
90-10	Artesian Water Company (Delaware PSC)
89-12-05	Southern New England Telephone Company (Connecticut PUC)
900329-WS	Southern States Utilities, Inc. (Florida PSC)
90-12-018	Southern California Edison Company (California PUC)
90-E-1185	Long Island Lighting Company (New York DPS)

R-911966	Pennsylvania Gas & Water Company (Pennsylvania PUC)
I.90-07-037, Phase II	(Investigation of OPEBs) Department of the Navy and all Other Federal Executive Agencies (California PUC)
U-1551-90-322	Southwest Gas Corporation (Arizona CC)
U-1656-91-134	Sun City Water Company (Arizona RUCO)
U-2013-91-133	Havasu Water Company (Arizona RUCO)
91-174***	Central Maine Power Company (Department of the Navy and all Other Federal Executive Agencies)
U-1551-89-102 & U-1551-89-103	Southwest Gas Corporation - Rebuttal and PGA Audit (Arizona Corporation Commission)
Docket No. 6998	Hawaiian Electric Company (Hawaii PUC)
TC-91-040A and TC-91-040B	Intrastate Access Charge Methodology, Pool and Rates Local Exchange Carriers Association and South Dakota Independent Telephone Coalition
9911030-WS & 911-67-WS	General Development Utilities - Port Malabar and West Coast Divisions (Florida PSC)
922180	The Peoples Natural Gas Company (Pennsylvania PUC)
7233 and 7243	Hawaiian Nonpension Postretirement Benefits (Hawaiian PUC)
R-00922314 & M-920313C006	Metropolitan Edison Company (Pennsylvania PUC)
R00922428	Pennsylvania American Water Company (Pennsylvania PUC)
E-1032-92-083 & U-1656-92-183	Citizens Utilities Company, Agua Fria Water Division (Arizona Corporation Commission)
92-09-19	Southern New England Telephone Company (Connecticut PUC)
E-1032-92-073	Citizens Utilities Company (Electric Division), (Arizona CC)
UE-92-1262	Puget Sound Power and Light Company (Washington UTC))
92-345	Central Maine Power Company (Maine PUC)
R-932667	Pennsylvania Gas & Water Company (Pennsylvania PUC)
U-93-60**	Matanuska Telephone Association, Inc. (Alaska PUC)
U-93-50**	Anchorage Telephone Utility (Alaska PUC)
U-93-64	PTI Communications (Alaska PUC)
7700	Hawaiian Electric Company, Inc. (Hawaii PUC)
E-1032-93-111 & U-1032-93-193	Citizens Utilities Company - Gas Division (Arizona Corporation Commission)
R-00932670	Pennsylvania American Water Company (Pennsylvania PUC)
U-1514-93-169/ E-1032-93-169	Sale of Assets CC&N from Contel of the West, Inc. to Citizens Utilities Company (Arizona Corporation Commission)
7766	Hawaiian Electric Company, Inc. (Hawaii PUC)
93-2006- GA-AIR*	The East Ohio Gas Company (Ohio PUC)
94-E-0334	Consolidated Edison Company (New York DPS)
94-0270	Inter-State Water Company (Illinois Commerce Commission)
94-0097	Citizens Utilities Company, Kauai Electric Division (Hawaii PUC)
PU-314-94-688	Application for Transfer of Local Exchanges (North Dakota PSC)
94-12-005-Phase I	Pacific Gas & Electric Company (California PUC)
R-953297	UGI Utilities, Inc. - Gas Division (Pennsylvania PUC)
95-03-01	Southern New England Telephone Company (Connecticut PUC)
95-0342	Consumer Illinois Water, Kankakee Water District (Illinois CC)
94-996-EL-AIR	Ohio Power Company (Ohio PUC)
95-1000-E	South Carolina Electric & Gas Company (South Carolina PSC)
Non-Docketed Staff Investigation	Citizens Utility Company - Arizona Telephone Operations (Arizona Corporation Commission)
E-1032-95-473	Citizens Utility Co. - Northern Arizona Gas Division (Arizona CC)
E-1032-95-433	Citizens Utility Co. - Arizona Electric Division (Arizona CC)
	Collaborative Ratemaking Process Columbia Gas of Pennsylvania (Pennsylvania PUC)

GR-96-285	Missouri Gas Energy (Missouri PSC)
94-10-45	Southern New England Telephone Company (Connecticut PUC)
A.96-08-001 et al.	California Utilities' Applications to Identify Sunk Costs of Non-Nuclear Generation Assets, & Transition Costs for Electric Utility Restructuring, & Consolidated Proceedings (California PUC)
96-324	Bell Atlantic - Delaware, Inc. (Delaware PSC)
96-08-070, et al.	Pacific Gas & Electric Co., Southern California Edison Co. and San Diego Gas & Electric Company (California PUC)
97-05-12	Connecticut Light & Power (Connecticut PUC)
R-00973953	Application of PECO Energy Company for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code (Pennsylvania PUC)
97-65	Application of Delmarva Power &Light Co. for Application of a Cost Accounting Manual and a Code of Conduct (Delaware PSC)
16705	Entergy Gulf States, Inc. (Cities Steering Committee)
E-1072-97-067	Southwestern Telephone Co. (Arizona Corporation Commission)
Non-Docketed Staff Investigation	Delaware - Estimate Impact of Universal Services Issues (Delaware PSC)
PU-314-97-12	US West Communications, Inc. Cost Studies (North Dakota PSC)
97-0351	Consumer Illinois Water Company (Illinois CC)
97-8001	Investigation of Issues to be Considered as a Result of Restructuring of Electric Industry (Nevada PSC)
U-0000-94-165	Generic Docket to Consider Competition in the Provision of Retail Electric Service (Arizona Corporation Commission)
98-05-006-Phase I	San Diego Gas & Electric Co., Section 386 costs (California PUC)
9355-U	Georgia Power Company Rate Case (Georgia PUC)
97-12-020 - Phase I	Pacific Gas & Electric Company (California PUC)
U-98-56, U-98-60, U-98-65, U-98-67	Investigation of 1998 Intrastate Access charge filings (Alaska PUC)
(U-99-66, U-99-65, U-99-56, U-99-52)	Investigation of 1999 Intrastate Access Charge filing (Alaska PUC)
Phase II of 97-SCCC-149-GIT	Southwestern Bell Telephone Company Cost Studies (Kansas CC)
PU-314-97-465	US West Universal Service Cost Model (North Dakota PSC)
Non-docketed Assistance	Bell Atlantic - Delaware, Inc., Review of New Telecomm. and Tariff Filings (Delaware PSC)
Contract Dispute	City of Zeeland, MI - Water Contract with the City of Holland, MI (Before an arbitration panel)
Non-docketed Project	City of Danville, IL - Valuation of Water System (Danville, IL)
Non-docketed Project	Village of University Park, IL - Valuation of Water and Sewer System (Village of University Park, Illinois)
E-1032-95-417	Citizens Utility Co., Maricopa Water/Wastewater Companies et al. (Arizona Corporation Commission)
T-1051B-99-0497	Proposed Merger of the Parent Corporation of Qwest Communications Corporation, LCI International Telecom Corp., and US West Communications, Inc. (Arizona CC)
T-01051B-99-0105	US West Communications, Inc. Rate Case (Arizona CC)
A00-07-043	Pacific Gas & Electric - 2001 Attrition (California PUC)
T-01051B-99-0499	US West/Quest Broadband Asset Transfer (Arizona CC)
99-419/420	US West, Inc. Toll and Access Rebalancing (North Dakota PSC)
PU314-99-119	US West, Inc. Residential Rate Increase and Cost Study Review (North Dakota PSC
98-0252	Ameritech - Illinois, Review of Alternative Regulation Plan (Illinois CUB)
00-108	Delmarva Billing System Investigation (Delaware PSC)
U-00-28	Matanuska Telephone Association (Alaska PUC)

Non-Docketed	Management Audit and Market Power Mitigation Analysis of the Merged Gas System Operation of Pacific Enterprises and Enova Corporation (California PUC)
00-11-038	Southern California Edison (California PUC)
00-11-056	Pacific Gas & Electric (California PUC)
00-10-028	The Utility Reform Network for Modification of Resolution E-3527 (California PUC)
98-479	Delmarva Power & Light Application for Approval of its Electric and Fuel Adjustments Costs (Delaware PSC)
99-457	Delaware Electric Cooperative Restructuring Filing (Delaware PSC)
99-582	Delmarva Power & Light dba Conectiv Power Delivery Analysis of Code of Conduct and Cost Accounting Manual (Delaware PSC)
99-03-04	United Illuminating Company Recovery of Stranded Costs (Connecticut OCC)
99-03-36	Connecticut Light & Power (Connecticut OCC)
Civil Action No. 98-1117	West Penn Power Company vs. PA PUC (Pennsylvania PSC)
Case No. 12604	Upper Peninsula Power Company (Michigan AG)
Case No. 12613	Wisconsin Public Service Commission (Michigan AG)
41651	Northern Indiana Public Service Co Overearnings investigation (Indiana UCC)
13605-U	Savannah Electric & Power Company – FCR (Georgia PSC)
14000-U	Georgia Power Company Rate Case/M&S Review (Georgia PSC)
13196-U	Savannah Electric & Power Company Natural Gas Procurement and Risk Management/Hedging Proposal, Docket No. 13196-U (Georgia PSC)
Non-Docketed	Georgia Power Company & Savannah Electric & Power FPR Company Fuel Procurement Audit (Georgia PSC)
Non-Docketed	Transition Costs of Nevada Vertically Integrated Utilities (US Department of Navy)
Application No. 99-01-016, Phase I	Post-Transition Ratemaking Mechanisms for the Electric Industry Restructuring (US Department of Navy)
99-02-05	Connecticut Light & Power (Connecticut OCC)
01-05-19-RE03	Yankee Gas Service Application for a Rate Increase, Phase I-2002-IERM (Connecticut OCC)
G-01551A-00-0309	Southwest Gas Corporation, Application to amend its rate Schedules (Arizona CC)
00-07-043	Pacific Gas & Electric Company Attrition & Application for a rate increase (California PUC)
97-12-020 Phase II	Pacific Gas & Electric Company Rate Case (California PUC)
01-10-10	United Illuminating Company (Connecticut OCC)
13711-U	Georgia Power FCR (Georgia PSC)
02-001	Verizon Delaware § 271(Delaware DPA)
02-BLVT-377-AUD	Blue Valley Telephone Company Audit/General Rate Investigation (Kansas CC)
02-S&TT-390-AUD	S&T Telephone Cooperative Audit/General Rate Investigation (Kansas CC)
01-SFLT-879-AUD	Sunflower Telephone Company Inc., Audit/General Rate Investigation (Kansas CC)
01-BSTT-878-AUD	Bluestem Telephone Company, Inc. Audit/General Rate Investigation (Kansas CC)
P404, 407, 520, 413 426, 427, 430, 421/ CI-00-712	Sherburne County Rural Telephone Company, dba as Connections, Etc. (Minnesota DOC)
U-01-85	ACS of Alaska, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)

U-01-34	ACS of Anchorage, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
U-01-83	ACS of Fairbanks, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
U-01-87	ACS of the Northland, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
96-324, Phase II	Verizon Delaware, Inc. UNE Rate Filing (Delaware PSC)
03-WHST-503-AUD	Wheat State Telephone Company (Kansas CC)
04-GNBT-130-AUD	Golden Belt Telephone Association (Kansas CC)
Docket 6914	Shoreham Telephone Company, Inc. (Vermont BPU)
Docket No. E-01345A-06-009	Arizona Public Service Company (Arizona Corporation Commission)
Case No. 05-1278-E-PC-PW-42T	Appalachian Power Company and Wheeling Power Company both d/b/a American Electric Power (West Virginia PSC)
Docket No. 04-0113	Hawaiian Electric Company (Hawaii PUC)
Case No. U-14347	Consumers Energy Company (Michigan PSC)
Case No. 05-725-EL-UNC	Cincinnati Gas & Electric Company (PUC of Ohio)
Docket No. 21229-U	Savannah Electric & Power Company (Georgia PSC)
Docket No. 19142-U	Georgia Power Company (Georgia PSC)
Docket No. 03-07-01RE01	Connecticut Light & Power Company (CT DPUC)
Docket No. 19042-U	Savannah Electric & Power Company (Georgia PSC)
Docket No. 2004-178-E	South Carolina Electric & Gas Company (South Carolina PSC)
Docket No. 03-07-02	Connecticut Light & Power Company (CT DPUC)
Docket No. EX02060363, Phases I&II	Rockland Electric Company (NJ BPU)
Docket No. U-00-88	ENSTAR Natural Gas Company and Alaska Pipeline Company (Regulatory Commission of Alaska)
Phase 1-2002 IERM, Docket No. U-02-075	Interior Telephone Company, Inc. (Regulatory Commission of Alaska)
Docket No. 05-SCNT-1048-AUD	South Central Telephone Company (Kansas CC)
Docket No. 05-TRCT-607-KSF	Tri-County Telephone Company (Kansas CC)
Docket No. 05-KOKT-060-AUD	Kan Okla Telephone Company (Kansas CC)
Docket No. 2002-747	Northland Telephone Company of Maine (Maine PUC)
Docket No. 2003-34	Sidney Telephone Company (Maine PUC)
Docket No. 2003-35	Maine Telephone Company (Maine PUC)
Docket No. 2003-36	China Telephone Company (Maine PUC)
Docket No. 2003-37	Standish Telephone Company (Maine PUC)
Docket Nos. U-04-022, U-04-023	Anchorage Water and Wastewater Utility (Regulatory Commission of Alaska)
Case 05-116-U/06-055-U	Entergy Arkansas, Inc. EFC (Arkansas Public Service Commission)
Case 04-137-U	Southwest Power Pool RTO (Arkansas Public Service Commission)
Case No. 7109/7160	Vermont Gas Systems (Department of Public Service)
Case No. ER-2006-0315	Empire District Electric Company (Missouri PSC)
Case No. ER-2006-0314	Kansas City Power & Light Company (Missouri PSC)
Docket No. U-05-043,44	Golden Heart Utilities/College Park Utilities (Regulatory Commission of Alaska)
A-122250F5000	Equitable Resources, Inc. and The Peoples Natural Gas Company, d/b/a Dominion Peoples (Pennsylvania PUC)
E-01345A-05-0816	Arizona Public Service Company (Arizona CC)
Docket No. 05-304	Delmarva Power & Light Company (Delaware PSC)
05-806-EL-UNC	Cincinnati Gas & Electric Company (Ohio PUC)
U-06-45	Anchorage Water Utility (Regulatory Commission of Alaska)

03-93-EL-ATA, 06-1068-EL-UNC	Duke Energy Ohio (Ohio PUC)
PUE-2006-00065	Appalachian Power Company (Virginia Corporation Commission)
G-04204A-06-0463 et. al	UNS Gas, Inc. (Arizona CC)
Docket No. 2006-0386	Hawaiian Electric Company, Inc (Hawaii PUC)
E-01933A-07-0402	Tucson Electric Power Company (Arizona CC)
G-01551A-07-0504	Southwest Gas Corporation (Arizona CC)
Docket No.UE-072300	Puget Sound Energy, Inc. (Washington UTC)
PUE-2008-00009	Virginia-American Water Company (Virginia SCC)
PUE-2008-00046	Appalachian Power Company (Virginia SCC)
E-01345A-08-0172	Arizona Public Service Company (Arizona CC)
A-2008-2063737	Babcock & Brown Infrastructure Fund North America, LP. and The Peoples Natural Gas Company, d/b/a Dominion Peoples (Pennsylvania PUC)
08-1783-G-42T	Hope Gas, Inc., dba Dominion Hope (West Virginia PSC)
08-1761-G-PC	Hope Gas, Inc., dba Dominion Hope, Dominion Resources, Inc., and Peoples Hope Gas Companies (West Virginia PSC)
Docket No. 2008-0085	Hawaiian Electric Company, Inc. (Hawaii PUC)
Docket No. 2008-0266	Young Brothers, Limited (Hawaii PUC)
G-04024A-08-0571	UNS Gas, Inc. (Arizona CC)
Docket No. 09-29	Tidewater Utilities, Inc. (Delaware PSC)
Docket No. UE-090704	Puget Sound Energy, Inc. (Washington UTC)
Docket No. 09-0319	Illinois-American Water Company (Illinois Commerce Commission)
Docket No. 09-414	Delmarva Power & Light Company (Delaware PSC)
R-2009-2132019	Aqua Pennsylvania, Inc. (Pennsylvania PUC)
Docket Nos. U-09-069, U-09-070	ENSTAR Natural Gas Company (Regulatory Commission of Alaska)
Docket Nos. U-04-023, U-04-024	Anchorage Water and Wastewater Utility - Remand (Regulatory Commission of Alaska)
W-01303A-09-0343 & SW-01303A-09-0343	Arizona-American Water Company
09-0872-EL-FAC	Financial Audits of the FAC of the Columbus Southern Power Company and the Ohio Power Company (Ohio PUC)

Southwest Transmission Cooperative, Inc.
Docket No. E-104100A-09-0496
Attachment RCS-2
Staff Accounting Schedules
Accompanying the Direct Testimony of Ralph C. Smith

Schedule	Description	Pages	Page No.	Note
	Revenue Requirement Summary Schedules			
A	Calculation of Revenue Deficiency (Sufficiency)	2	2-3	
B	Adjusted Rate Base	1	4	
B.1	Summary of Adjustments to Rate Base	1	5	
C	Adjusted Net Operating Income	1	6	
C.1	Summary of Net Operating Income Adjustments	1	7	
D	Capital Structure and Cost Rates	1	8	
	Rate Base Adjustments			
B-1	Plant Held for Future Use	1	9	
B-2	Acquisition Adjustment	1	10	
B-3	Accumulated Depreciation - Retirement Work in Progress	1	11	
B-4	Materials and Supplies	1	12	
	Net Operating Income Adjustments			
C-1	Work Force Reduction	1	13	
C-2	Incentive Compensation	1	14	
C-3	Donations	1	15	
C-4	Lobbying Expense in Association Dues	1	16	
C-5	Gain on Sale of Utility Property	1	17	
	Total Pages (including Contents page)	17		

Southwest Transmission Cooperative, Inc.
Computation of Increase in Gross Revenue Requirement

Docket No. E-04100A-09-0496
Schedule A
Page 1 of 2

Test Year Ended March 31, 2009

Line No.	Description	Reference	Per SWTC Test Year Actual (A)	Per SWTC Test Year Adjusted (B)	Per SWTC Proposed Rates (C)	Per Staff Test Year Adjusted (D)	Per Staff Proposed Rates (E)
	I. Net Income Summary						
1	Gross Revenue		$ 37,698,829	$ 27,777,227	$ 35,430,648	$ 27,777,227	$ 35,426,050
2	Operating Expenses		$ 28,412,184	$ 27,947,057	$ 27,947,057	$ 27,116,831	$ 27,116,831
3	Electric Operating Income (Margins)	L1 - L2	$ 9,286,645	$ (169,830)	$ 7,483,591	$ 660,396	$ 8,309,219
4	Total Interest & Other Deductions		$ 4,659,832	$ 4,761,153	$ 4,761,153	$ 4,761,153	$ 4,761,153
5	Total Other Non Operating Income		$ 100,898	$ 100,898	$ 100,898	$ 174,198	$ 174,198
6	Extraordinary Items		$ -	$ -	$ -	$ -	$ -
7	Net Income (Margins)	L3-L4+L5&6	$ 4,727,711	$ (4,830,085)	$ 2,823,336	$ (3,926,559)	$ 3,722,264
	II. Times Total Interest Earned (TIER)						
8	Net Income Margins (Loss)	Line 7	$ 4,727,711	$ (4,830,085)	$ 2,823,336	$ (3,926,559)	$ 3,722,264
9	Interest on Long Term Debt	Note A	$ 4,898,007	$ 4,999,328	$ 4,999,328	$ 4,999,328	$ 4,999,328
10	Sum of Margin and Interest on LTD	L8 + L9	$ 9,625,718	$ 169,243	$ 7,822,664	$ 1,072,769	$ 8,721,592
11	Interest on Long Term Debt	L9	$ 4,898,007	$ 4,999,328	$ 4,999,328	$ 4,999,328	$ 4,999,328
12	TIER Achieved	L10 / L11	1.965232	0.033853	1.564743	0.214583	1.744553
13	Required TIER	Note B	1.564743	1.564743	1.564743	1.744553	1.744553
14	Increased (Decreased) Coverage Needed	L13 - L12	-0.400488	1.530890	0.000000	1.529970	0.000000
15	Increased (Decreased) Revenue Needed	L14 x L9	$ (1,961,595)	$ 7,653,421	$ -	$ 7,648,823	$ -
	III. Debt Service Coverage (DSC)						
16	Net Income Margins (Loss)	Line 7		$ (4,830,085)	$ 2,823,336	$ (3,926,559)	$ 3,722,264
17	Interest on Long Term Debt	L9		$ 4,999,328	$ 4,999,328	$ 4,999,328	$ 4,999,328
18	Depreciation & Amortization	Sch C		$ 4,312,850	$ 4,312,850	$ 4,312,850	$ 4,312,850
19	Sum of Above			$ 4,482,093	$ 12,135,514	$ 5,385,619	$ 13,034,442
20	Interest on Long Term Debt	Line 9		$ 4,999,328	$ 4,999,328	$ 4,999,328	$ 4,999,328
21	Principal Payments	Note C		$ 3,989,942	$ 3,989,942	$ 3,989,942	$ 3,989,942
22	Debt Service			$ 8,989,270	$ 8,989,270	$ 8,989,270	$ 8,989,270
23	DSC Achieved	L19 / L22		0.4986	1.3500	0.5991	1.4500
24	Required DSC	Note B		1.3500	1.3500	1.4500	1.4500
25	Increased Coverage Needed			0.8513952	-	0.85088361	-
26	Increased (Decreased) Revenue Needed			$ 7,653,422	$ -	$ 7,648,823	$ -
27	Revenue Increase Proposed vs TY Adjusted	Line 1 difference			$ 7,653,421		$ 7,648,823
					Col.C - Col.B		Col.E - Col.D
	IV. Return on Fair Value Rate Base						
28	Net Income	L7			$ 2,823,336		$ 3,722,264
29	Interest on Long Term Debt	L9			$ 4,999,328		$ 4,999,328
30	Sum of Net Income and Interest on LTD				$ 7,822,664		$ 8,721,592
31	Rate Base (Original Cost and FVRB are Same)	Sch B			$ 79,668,372		$ 79,146,274
32	Return on Fair Value Rate Base	L30 / L31			9.82%		11.02%

Notes and Source

Col.A-C:
L1-7: SWTC Schedule A-2
For Columns B and C, also see Attachment RCS-2, Schedule C
Col.D:
L1-7: Schedule C, Col. C
Col.E:
L1-7: Schedule C, Col. E
Notes A-C:
A SWTC from SWTC Excel file; Staff from Schedule C, line 11
B Derived from SWTC Excel file for SWTC Schedule A-2; Staff per witness Vickroy
For SWTC also see Company Schedules A-2 and F-4
C SWTC Excel file detail for SWTC Schedule A-2

Southwest Transmission Cooperative, Inc.
Components of Increase in Gross Revenue Requirement

Docket No. E-04100A-09-0496
Schedule A
Page 2 of 2

Test Year Ended March 31, 2009

Line No.	Description	SWTC Adj. No.	Impact on Income (A)	Impact on Revenue Requirement (B)
	I. SWTC's Proposed Pro Forma Adjustments			
1	AEPCO City of Mesa P-t-P Termination Adjustment	1	$ (501,120)	$ 501,120
2	Thatcher Network Conversion Adjustment	2	$ (213,696)	$ 213,696
3	Additional Network Services Adjustment	3	$ (702,969)	$ 702,969
4	TEP Non- Firm Point-to-Point Adjustment	4	$ (647,946)	$ 647,946
5	WALC Topock P-t-P Termination Adjustment	5	$ (326,656)	$ 326,656
6	WALC Topock IPP Termination Adjustment	6	$ (480,000)	$ 480,000
7	MWE Morenci P-t-P Termination Adjustment	7	$ (1,190,955)	$ 1,190,955
8	AEPCO SRP P-t-P Termination Adjustment	8	$ (4,454,400)	$ 4,454,400
9	Payroll and RSI Increases Adjustment	9	$ (858,733)	$ 858,733
10	Amortization of Rate Case Exp. Adjustment	10	$ (80,000)	$ 80,000
11	Annualize Interest on LTD Adjustment	11	$ (101,321)	$ 101,321
12	Totals		$ (9,557,796)	$ 9,557,796
	II. Components of SWTC's Requested Revenue Increase			
13	Increase in Revenue Requirement from SWTC Pro Forma Adjustments			$ 9,557,796
14	Test Year Actual Income		$ 4,727,711	$ 4,727,711
15	Adjusted Test Year Income with SWTC's Pro Forma Adjustments		$ (4,830,085)	$ 4,830,085
16	Increase in Revenue Requirement from SWTC Income Deficiency			$ 4,830,085
17	Margin Requirement requested by SWTC			$ 2,823,336
18	Revenue Increase Requested by SWTC - Calculated per Above			$ 7,653,421
19	Difference			$ -
20	Revenue Increase Requested by SWTC per Schedule A, page 1			$ 7,653,421
	III. Staff's Proposed Adjustments	Staff Adj. No.		
21	Work Force Reduction	C-1	$ 730,300	$ (730,300)
22	Incentive Compensation	C-2	$ 70,235	$ (70,235)
23	Donations	C-3	$ 521	$ (521)
24	Lobbying Expense in Association Dues	C-4	$ 29,170	$ (29,170)
25	Gain on Sale of Utility Property	C-5	$ 73,300	$ (73,300)
26	Totals		$ 903,526	$ (903,526)
27	Adjusted Test Year Income with Staff's Pro Forma Adjustments		$ (3,926,559)	L15 + L26
	IV. Components of Staff's Recommended Revenue Increase			
28	Increase in Revenue Requirement from Staff Income Deficiency		Line 27	$ 3,926,559
29	Margin Requirement Recommended by Staff		Schedule A, p.1	$ 3,722,264
30	Revenue Increase Recommended by Staff - Calculated per Above			$ 7,648,823
31	Difference			$ -
32	Revenue Increase Recommended by Staff per Schedule A, page 1			$ 7,648,823

Notes and Source

SWTC Schedule C-2 and Staff Schedule A, page 1

Line 17, Margin on LTD Interest Requested by SWTC	LTD Interest	TIER	Margin
SWTC Adjusted Pro Forma Amount	$ 4,999,328	1.564743101	$ 2,823,336
Test Year Recorded Amount	$ 4,898,007		
Increase (Decrease) in Interest on Long Term Debt	$ 101,321		

Southwest Transmission Cooperative, Inc.
Original Cost Adjusted Rate Base

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule B
Page 1 of 1

Line No.	Description	Original Cost As Adjusted by SWTC (A)	Staff Adjustments (B)	As Adjusted by Staff (C)
1	Gross Utility Plant in Service	$ 146,553,370	$ (4,413)	$ 146,548,957
2	Less: Accumulated Depreciation	$ (69,091,935)	$ (140,137)	$ (69,232,072)
3	Net Utility Plant in Service	$ 77,461,435	$ (144,550)	$ 77,316,885
4	Customer Advances for Construction	$ -	$ -	$ -
5	Contributions in Aid of Construction	$ -	$ -	$ -
6	Allowance for Working Capital - M&S	$ 1,829,723	$ (334)	$ 1,829,389
7	Plant Held for Future Use	$ 377,214	$ (377,214)	$ -
8	Deferred Debits	$ -	$ -	$ -
9	Total Rate Base	$ 79,668,372	$ (522,098)	$ 79,146,274

Notes and Source

Col. A: Southwest Transmission Cooperative, Inc. filing, Schedule B-1

Southwest Transmission Cooperative, Inc.
Summary of Rate Base Adjustments

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule B.1
Page 1 of 1

Line No.	Description	Staff Adjustments	Plant Held for Future Use	Acquisition Adjustment	Accumulated Depreciation - Retirement Work in Progress	Materials and Supplies
			B-1	B-2	B-3	B-4
1	Gross Utility Plant in Service	$ (4,413)		$ (4,413)		
2	Less: Accumulated Depreciation	$ (140,137)			$ (140,137)	
3	Net Utility Plant in Service	$ (144,550)	$ -	$ (4,413)	$ (140,137)	$ -
4	Customer Advances for Construction	$ -				
5	Contributions in Aid of Construction	$ -				
6	Allowance for Working Capital - M&S	$ (334)				$ (334)
7	Plant Held for Future Use	$ (377,214)	$ (377,214)			
8	Deferred Debits	$ -				
9	Total Rate Base	$ (522,098)	$ (377,214)	$ (4,413)	$ (140,137)	$ (334)

Southwest Transmission Cooperative, Inc.
Adjusted Net Operating Income

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule C
Page 1 of 1

Line No.	Description	As Adjusted by SWTC (A)	Staff Adjustments (B)	As Adjusted by Staff (C)	Staff Proposed Changes (D)	Staff Recommended (E)
	Operating Revenues					
1	Network Transmission Service	$ 19,299,096	$ -	$ 19,299,096	$ 7,421,653	$ 26,720,749
2	Point-To-Point	$ 3,213,362	$ -	$ 3,213,362	$ 227,170	$ 3,440,532
3	Total Electric Revenue	$ 22,512,458	$ -	$ 22,512,458	$ 7,648,823	$ 30,161,281
4	Other Operating Revenue	$ 5,264,769	$ -	$ 5,264,769		$ 5,264,769
5	**Total Operating Revenue**	$ 27,777,227	$ -	$ 27,777,227	$ 7,648,823	$ 35,426,050
	Operating Expenses					
6	Operations & Maintenance	$ 21,950,342	$ (830,226)	$ 21,120,116		$ 21,120,116
7	Depreciation & Amortization	$ 4,312,850	$ -	$ 4,312,850		$ 4,312,850
8	Other Taxes	$ 1,683,865	$ -	$ 1,683,865		$ 1,683,865
9	**Total Operating Expenses**	$ 27,947,057	$ (830,226)	$ 27,116,831	$ -	$ 27,116,831
10	**Operating Income (Margins)**	$ (169,830)	$ 830,226	$ 660,396	$ 7,648,823	$ 8,309,219
	Interest & Other Deductions					
11	Long-Term Debt	$ 4,999,328	$ -	$ 4,999,328		$ 4,999,328
12	Interest Charged To Constr	$ (488,105)	$ -	$ (488,105)		$ (488,105)
13	Other Interest Expense	$ 249,930	$ -	$ 249,930		$ 249,930
14	**Total Interest Expense**	$ 4,761,153	$ -	$ 4,761,153	$ -	$ 4,761,153
15	**Margin After Interest Expense**	$ (4,930,983)	$ 830,226	$ (4,100,757)	$ 7,648,823	$ 3,548,066
16	**Other Income & Deductions**	$ 100,898	$ 73,300	$ 174,198		$ 174,198
17	**Net Income (Margins)**	$ (4,830,085)	$ 903,526	$ (3,926,559)	$ 7,648,823	$ 3,722,264

Notes and Source

Col. A: Southwest Transmission Cooperative, Inc. filing, Schedule C-1
Col. B: Staff Schedule C.1
Col.C: Cols. A + B
Col. D, line 3: Staff Schedule A, Column D, line 26
Col. D, lines 1 and 2, revenue increase spread in same proportion as SWTC-proposed increase per SWTC Schedule A-1, lines 8 and 9 (to be refined as necessary in Staff's rate design filing):

	Description	Existing Revenues (F)	Revenue Increase (G)	Proportion Of Total Increase (H)	Calculated Percentage Increase (I) = G/F
	Per SWTC:				
18	Network Services	$ 19,299,096	$ 7,426,241	97.03%	38.5%
19	Point-to-Point Services	$ 3,213,362	$ 227,180	2.97%	7.1%
20	Total Electric Revenue	$ 22,512,458	$ 7,653,421	100.00%	34.0%
	Per Staff:				
21	Staff Total Revenue Increase from Schedule A, column D, line 26:			$ 7,648,823	
22	Network Services	$ 19,299,096	$ 7,421,653		38.5%
23	Point-to-Point Services	$ 3,213,362	$ 227,170		7.1%
24	Total Electric Revenue	$ 22,512,458	$ 7,648,823		34.0%

Col.E: Cols. C + D
Col.F: Lines 1-3 above in columns A and C, respectively
Col.G: SWTC Schedule A-1, lines 8 and 9
Col.H: Col.G amounts on lines 18 and 19 divided by total amount on line 20

Southwest Transmission Cooperative, Inc.
Summary of Net Operating Income Adjustments

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule C.1
Page 1 of 1

Line No.	Description	Staff Adjustments	Work Force Reduction	Incentive Compensation	Donations	Lobbying Expense in Association Dues	Gain on Sale of Utility Property
			C-1	C-2	C-3	C-4	C-5
	Operating Revenues						
1	Network Transmission Service	$ -					
2	Point-To -Point	$ -					
3	Total Electric Revenue	$ -	$ -	$ -	$ -	$ -	$ -
4	Other Operating Revenue	$ -					
5	Total Operating Revenue	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expenses:						
6	Operations & Maintenance	$ (830,226)	$ (730,300)	$ (70,235)	$ (521)	$ (29,170)	
7	Depreciation & Amortization	$ -					
8	Other Taxes	$ -					
9	Total Operating Expenses	$ (830,226)	$ (730,300)	$ (70,235)	$ (521)	$ (29,170)	$ -
10	Operating Income (Margins)	$ 830,226	$ 730,300	$ 70,235	$ 521	$ 29,170	$ -
	Interest & Other Deductions:						
11	Long-Term Debt	$ -					
12	Interest Charged To Constr	$ -					
13	Other Interest Expense	$ -					
14	Total Interest Expense	$ -	$ -	$ -	$ -	$ -	$ -
15	Margin After Interest Expense	$ 830,226	$ 730,300	$ 70,235	$ 521	$ 29,170	$ -
16	Other Income & Deductions	$ 73,300					$ 73,300
17	Net Income (Margins)	$ 903,526	$ 730,300	$ 70,235	$ 521	$ 29,170	$ 73,300

Southwest Transmission Cooperative, Inc.
Capital Structure & Cost Rates

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule D
Page 1 of 1

Line No.	Capital Source	Capitalization Amount (A)	Capitalization Percent (B)	Capitalization Debt Only Percent (C)	Cost Rate (D)	Weighted Average Cost of Capital (E)	Annualized Cost With Short Term Debt (F)	Annualized Cost Without Short Term Debt (G)
	I. SWTC Proposed							
1	Short-Term Debt	$ 2,000,000	1.76%	1.94%	4.250%	0.082%	$ 85,000	
2	Long-Term Debt	$ 101,120,306	89.10%	98.06%	4.944%	4.848%	$ 4,999,388	$ 4,999,388
3	Margins and Equity	$ 10,377,088	9.14%			0.000%	$ -	$ -
4	Total Capital	$ 113,497,394	100.00%	100.00%		4.930%	$ 5,084,388	$ 4,999,388
	II. Staff Proposed							
5	Short-Term Debt	$ 2,000,000	1.76%	1.94%	4.250%	0.082%	$ 85,000	
6	Long-Term Debt	$ 101,120,306	89.10%	98.06%	4.944%	4.848%	$ 4,999,388	$ 4,999,388
7	Margins and Equity	$ 10,377,088	9.14%			0.000%	$ -	$ -
8	Total Capital	$ 113,497,394	100.00%	100.00%		4.930%	$ 5,084,388	$ 4,999,388
9	Difference					0.00%		$ -

Notes and Source

Lines 1-4 taken from Southwest Transmission Cooperative, Inc. filing, Schedule D-1, Revised Schedule D-2, and SWTC Schedule A-3, actual test year, 3/31/2009

Lines 5-8: SWTC Schedule A-3, actual test year, 3/31/2009, confirmed with Staff witness Randall Vickroy

Southwest Transmission Cooperative, Inc.
Plant Held for Future Use

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule B-1
Page 1 of 1

Line No.	Description	Amount	Reference
1	Plant Held for Future Use	$ (377,214)	A&B

Notes and Source

A: SWTC Filing, Schedule B-1, Line 7 and Schedule E-5, page 2, Line 40
B: SWTC's response to STF 2.78

Southwest Transmission Cooperative, Inc.
Acquisition Adjustment

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule B-2
Page 1 of 1

Line No.	Description	Amount	Reference
1	Remove Acquisition Adjustment from rate base	$ (4,413)	A&B

Notes and Source

A: SWTC Filing, Schedule E-5, page 1, line 2, and SWTC Schedules B-2 and B-1.
B: Testimony of Staff witness Ralph Smith

Southwest Transmission Cooperative, Inc.
Accumulated Depreciation - Retirement Work in Progress

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule B-3
Page 1 of 1

Line No.	Description	Amount	Reference
1	Adjust Accumulated Depreciation to remove Retirement Work in Progress from rate base	$ (140,137)	A&B

Notes and Source

A: SWTC Filing, Schedule E-5, page 2 of 4 and Schedule B-2
B: Testimony of Staff witness Ralph Smith

Southwest Transmission Cooperative, Inc.
Materials and Supplies

Docket No. E-04100A-09-0496
Schedule B-4
Page 1 of 1

Test Year Ended March 31, 2009

Line No.	Month	SWTC Filed Month-End Balances (A)	SWTC Filed Monthly Average (B)	SWTC Corrected Month-End Balances (C)	SWTC Corrected Monthly Average (D)	Correction (E)
1	March (Prior Yr)	$ 1,808,993		$ 1,808,993		
2	April	$ 1,734,433	$ 1,771,713	$ 1,734,433	$ 1,771,713	
3	May	$ 1,676,776	$ 1,705,605	$ 1,676,776	$ 1,705,605	
4	June	$ 1,757,685	$ 1,717,231	$ 1,757,685	$ 1,717,231	
5	July	$ 1,759,197	$ 1,758,441	$ 1,759,197	$ 1,758,441	
6	August	$ 1,778,090	$ 1,768,644	$ 1,778,090	$ 1,768,644	
7	September	$ 1,786,303	$ 1,782,197	$ 1,786,303	$ 1,782,197	
8	October	$ 1,796,459	$ 1,791,381	$ 1,792,459	$ 1,789,381	
9	November	$ 1,752,734	$ 1,774,597	$ 1,752,734	$ 1,772,597	
10	December	$ 2,020,194	$ 1,886,464	$ 2,020,194	$ 1,886,464	
11	January	$ 2,007,254	$ 2,013,724	$ 2,007,254	$ 2,013,724	
12	February	$ 1,990,694	$ 1,998,974	$ 1,990,694	$ 1,998,974	
13	March	$ 1,984,714	$ 1,987,704	$ 1,984,714	$ 1,987,704	
14	Total	$ 23,853,526	$ 21,956,673	$ 23,849,526	$ 21,952,673	
15	12-Month Average		$ 1,829,723		$ 1,829,389	$ (334)

Notes and Source

Cols.A and B: SWTC filing, Schedule B-5, page 3

Col.C, line 8: SWTC response to STF 2.7 corrects the amount for October 2008

Southwest Transmission Cooperative, Inc.
Work Force Reduction

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule C-1
Page 1 of 1

Line No.	Description	Amount	Reference
1	Payroll	$ (521,700)	STF 2.31
2	Benefits	$ (208,600)	STF 2.31
3	Net Decrease in Labor Expense	$ (730,300)	

Notes and Source

SWTC's supplemental response to data request STF 2.31

Southwest Transmission Cooperative, Inc.
Incentive Compensation Expense

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule C-2
Page 1 of 1

Line No.	Description	Amount	Reference
1	Incentive Compensation Expense	$ (70,235)	See below

Notes and Source

SWTC's response to data requests STF 2.44

Southwest Transmission Cooperative, Inc.
Donations

Docket No. E-04100A-09-0496
Schedule C-3
Page 1 of 1

Test Year Ended March 31, 2009

Line No.	Description	Account	Amount	Reference
	Remove Donations from Test Year			
1	Our Energy - Our Future	5230000	$ 371	Note A
2	Tucson Wildlife Center	5400110	$ 150	Note A
3	Total		$ 521	
4	Adjustment to Remove Donations		$ (521)	

Notes and Source

[A] SWTC's response to STF 2.23

Southwest Transmission Cooperative, Inc.
Lobbying Expense in Association Dues

Docket No. E-04100A-09-0496
Schedule C-4
Page 1 of 1

Test Year Ended March 31, 2009

Line No.	Description	Account	Membership Dues Paid To Lobbying Organizations	Date Paid	Months of Expense in Test Year	Amount In Test Year	Percent Lobbying	Adjustment
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Grand Canyon State Electric Cooperative Association ("GCSECA")	5910200	$ 80,750	Jan-08	9	$ 60,563		
2		5400930	$ 115,286	Jan-09	3	$ 28,822		
3	Subtotal GCSECA				12	$ 89,385	26%	$ (23,240)
4	National Rural Electric Cooperative ("NRECA")	5910200	$ 23,437	Feb-08	10	$ 19,531		
5		5400930	$ 31,063	Feb-09	2	$ 5,177		
6	Subtotal NRECA				12	$ 24,708	24%	$ (5,930)
7	Total					$ 114,093		$ (29,170)

Notes and Source
SWTC Response to STF 2.24

Southwest Transmission Cooperative, Inc.
Gain on Sale of Utility Property

Test Year Ended March 31, 2009

Docket No. E-04100A-09-0496
Schedule C-5

Line No.	Description	Account	Amount	Reference
1	Gain on Sale of Utility Property	6130500	$ 219,800	A
2	Ratemaking recognition percent		100.0%	B
3	Amount of gain to recognize for ratemaking purposes		$ 219,800	
4	Normalization period, in years		3	C
5	Adjustment to Net Income for gain sharing		$ 73,300	

Notes and Source

A SWTC response to STF 2.54
SWTC response to STF 2.10, Account 613500, Gains from Dispositions

B In rate cases involving investor-owned utilities that have had gains on the sale of utility property, the Commission has applied a 50/50 sharing between shareholders and ratepayers. Because SWTC is a member-owned cooperative, not an investor-owned utility, the full benefit of the gain should be recognized for ratemaking purposes, normalized over an appropriate period.

C Same period used by SWTC for normalization of rate case cost, see SWTC response to STF 2.51

BEFORE THE ARIZONA CORPORATION COMMISSION

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

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-09-0496

DIRECT

TESTIMONY

OF

DENNIS M. KALBARCZYK

ON BEHALF OF

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 28, 2010

ALL-STATE LEGAL®
EXHIBIT
S-5

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Dennis M. Kalbarczyk. My business address is 910 Piketown Road, Harrisburg, Pennsylvania 17112.

Q. By whom are you employed and in what capacity?

A. I am the principal of Utility Rate Resources, and maintain a professional relationship with the Liberty Consulting Group, Inc., ("Liberty"). Liberty has been engaged by the Arizona Corporation Commission ("ACC" or "Commission") to assist the Utilities Division ("Staff") in the review of Southwest Transmission Cooperative Inc.'s ("Southwest" or "SWTC") application for a general rate increase in the proceeding at Docket No. E-04100A-09-0496.

Q. Briefly summarize your education background and professional qualification.

A. I graduated in 1971 with a Bachelor of Science Degree in Accounting from Husson College (now Husson University), in Bangor, Maine. In 1969, I received an Associate in Art Degree in Accounting from Strayer College (now Strayer University), in Washington D.C. I am the principal in Utility Rate Resources, which was formed in October 1990. I have prepared over fifty rate case filings which included almost all key aspects such as revenue requirement elements, rate of return, cost of service, rate design, and other specialty tariff rate design matters.

I was employed by Drazen-Brubaker & Associates, Inc. from March 1988 to September 1990. I presented testimony and prepared financial statements necessary for applications for Certificates of Public Convenience before the Pennsylvania Public Utility Commission ("PaPUC"). Additionally, I was responsible for the preparation and filing of rate cases, and testified on behalf of utilities under PaPUC regulation. Prior to March 1988, I was employed

by Metropolitan Edison Company, a subsidiary of GPU Energy, formerly General Public Utilities. I spent three years in the utility's Rate Revenue Requirement Department as a Senior Financial Analyst. My responsibilities included the preparation, review, and analysis of financial reports, budgets, and management responsibility for rate and regulatory matters before the PaPUC.

From 1975 through 1985, I was employed by the PaPUC, serving primarily in the performance of financial and operations audits and in rate proceedings. I testified on revenue requirements matters in nearly all the major electric rate cases during my time at the PaPUC, and performed audits on electric, gas, and water companies for compliance with Commission regulations in the areas of energy cost, coal and gas contracts, and affiliated service contracts. I testified in Energy Cost Rate, Gas Cost Rate, and Coal Compliance proceedings. I actively participated in developing the Commission's first set of regulations on Fuel Procurement Policy and Procedures, Tariffs and Procedures on Energy Cost Rates for electric companies and Gas Cost Rates for gas companies, and designed computerized procedures for electric utilities to report fossil fuel purchases to the PaPUC. From 1972 to 1975 I held progressive degrees of responsibilities with Certified Public Accounting firms performing accounting, auditing and tax preparation duties.

I have specialized in the area of utility rate and economic consulting related to the financial aspects of public utility rates and regulation. My work has encompassed rate case filings, certificates of public convenience, expert testimony, and financial applications for funding by the Pennsylvania Infrastructure Investment Authority. I have participated in regulatory and legal proceedings concerning investor-owned and municipal utilities, and testified before governmental agencies and courts, and have represented utilities as well as consumers of utility services. From 2002 to date, I have been providing senior level consulting services to

Liberty, participating in an audit of electricity distribution service costs for inclusion in revenue requirement before at the Illinois Commerce Commission, and serving as a team member on focused audits (for the New Jersey Board of Public Utilities) addressing financing, accounting, and affiliate charges of National Utilities Inc. (Elizabethtown Gas), South Jersey Gas, and New Jersey Natural Gas. I have also participated in Liberty examinations of fuel adjustment mechanism costs and issues for staffs of the Arizona Corporation Commission and the Nova Scotia Utility and Review Board.

I have testified in more than 60 rate and regulatory matters on behalf of state regulatory commissions, utilities, municipal authorities, and various consumer groups.

Q. What do you understand to be the nature of this proceeding?

A. On October 16, 2009, Southwest Transmission Cooperative, Inc. ("SWTC") filed a general rate application with the Commission, requesting an overall revenue increase of approximately $7.65 million. SWTC's increase request reflects a 29.65 percent increase over a test-period adjusted rate base of approximately $79.7 million, and would produce a rate of return of 9.39 percent. SWTC is requesting approval of all new rates by January 2011, including:

- The Network Services Rate's monthly revenue requirement of $2,247,574
- The Point-to-Point Services Rate of $3.709/kW month
- A System Control and Load Dispatch Rate of $0.245/kW month.

SWTC estimates the monthly bill impact of this requested wholesale transmission rate increase on the retail consumer to be approximately $4.60 for a retail user of 1,000 kWh.

Q. What is the purpose of your testimony?

A. I am addressing on behalf of the Staff SWTC's fully allocated cost of service study and proposed rate design as submitted by SWTC witness Dr. Jay Zarnikau.

II. ALLOCATED COST OF SERVICE STUDY AND RATE DESIGN

Q. Provide a brief overview of SWTC's allocated cost of service study and proposed rate design.

A. A fundamental criterion for establishing an adequate rate design is that it should reflect the cost of providing service to the customer or appropriate customer class based upon the cost causative factors commensurate with the customer or class service requirements. In order to determine appropriate rates, the total annual cost of providing service or the annual revenue requirement must be allocated among the various customers or customer classes based upon their respective cost causative factors. A detailed fully allocated cost of service study is generally performed to determine the cost of service for the respective customer classes. Then, an appropriate rate design is developed for the purpose of designing rates that will recover those costs. From a ratemaking perspective, rates based upon the fully allocated costs of service study are deemed to be cost-based.

In certain circumstances it may be appropriate to deviate from this approach; however, care must be taken to minimize the impact on customers, given that basing rates on non-cost of service principles and techniques can create issues of cross subsidization among classes. SWTC's proposed rate design is cost-based.

Q. What costs has SWTC used to form its proposed rate design?

A. The following table summarizes SWTC's adjusted current and proposed test year revenues, operating expenses, net income (margins), and overall rates of return under

current and SWTC proposed rates. The table also provides a summary of Staff's adjusted revenue requirements under Staff proposed rates. In summary, under SWTC's current rates revenues will produce a negative margin of $169,830 and a negative overall rate of return of 0.21 percent when compared to its adjusted revenue requirement claims. Revenues under SWTC's proposed rates would produce a positive margin of $7,483,591 and a positive overall rate of return of 9.39 percent. Staff's adjusted proposed revenue requirement and cost of capital would produce a positive margin of $8,309,218 and a positive 10.50 percent overall rate of return. Staff witness Smith will address revenue requirement component allowances and adjustments; Staff witness Vickroy address cost of capital.

Table I – Cost of Service Summary

	SWTC Claim		Staff Adjusted	
Revenues	**Current**	**Proposed**	**Current**	**Proposed**
Network Transmission Service	$22,328,219	$29,754,459	$22,328,219	$29,749,860
Point-to-Point	3,484,662	3,711,841	3,484,662	3,711,841
Total Electric Revenue	$25,812,881	$33,466,300	$25,812,881	$33,461,701
Other Operating Revenue	598,408	598,408	598,408	598,408
Special Contracts & Other	1,365,938	1,365,940	1,365,938	1,365,940
Total Operating Revenue	$27,777,227	$35,430,648	$27,777,227	$35,426,049
Operating Expenses	27,947,057	27,947,057	27,116,831	27,947,057
Operating Income (Margins)	($169,830)	$ 7,483,591	$ 660,396	$ 8,309,218
Income Taxes	-	-	-	-
Net Income (Margins)	($169,830)	$ 7,483,591	$ 660,396	$ 8,309,218
Rate Base	$79,668,372	$79,668,372	$79,146,274	$79,146,274
Rate of Return	-0.21%	9.39%	0.83%	10.50%

Q. What is your understanding of SWTC's proposed rate design?

A. SWTC is a non-profit electric transmission cooperative subject to certain Federal Energy Regulatory Commission ("FERC") jurisdictional requirements; specifically, SWTC must comply with FERC Order 888 and maintain an Open Access Transmission Tariff ("OATT"). The Commission has jurisdiction over the rates and charges applied by SWTC to its six Class

A and three Class B members. Consistent with FERC's OATT requirements, SWTC seeks approval of proposed monthly Network Services Rate, Point-to-Point Service Rate and an ancillary service rate for System Control and Load Dispatch, one of six ancillary service rates provided for under regulation. The following table summarizes SWTC's and Staff's proposed rates to that of current rates, along with the respective percentage increase under said proposals.

Table II- Current and Proposed SWTC/STAFF RATES WITH % INCREASE

		SWTC Claim		STAFF Adjusted	
Transmission Services	**Current**	**Proposed**	**% Inc.**	**Proposed**	**% Inc.**
Firm Network Service -$Monthly Rev. Req.*	$ 1,608,258	$ 2,247,574	39.75%	$ 2,247,326	39.74%
Firm Network Service -$Annual Rev. Req.*	$19,299,096	$26,970,890	39.75%	$26,967,912	39.74%
Firm Network Service -MohElec 2 $ Monthly Rev.Req.*	$ 1,608,258	$ 2,162,827	34.48%	$ 2,155,588	34.03%
Firm Network Service - Moh Elec 2 $ Annual Rev.Req.*	$19,299,096	$25,953,928	34.48%	$25,867,053	34.03%
Firm Point-to-Point Transmission ($/kW)	$ 3.423	$ 3.709	8.36%	$ 3.709	8.36%
Non-Firm Point-to-Point Transmission $/kW)	$ 3.423	$ 3.709	8.36%	$ 3.709	8.36%
Mandatory Ancillary Services:					
Sch. 1- Sys Control & Load Dispatch - ($/kW)	$ 0.289	$ 0.245	- 15.22%	$ 0.245	- 15.22%
Sch. 2- Network Var Support/Voltage Control- ($/kW)	$ 0.120	$ 0.066	- 45.00%	$ 0.074	- 38.26%
Sch.2- Point-to-Point VarSupport/VoltageContrl- ($/kW)	$ 0.094	$ 0.049	- 47.87%	$ 0.055	- 41.65%
FERC Optional Ancillary Services – AEPCO					
Sch. 3- Network - Req. & Freq. Resp ($/kW)	$ 0.4720	$ 0.3862	- 18.18%	$ 0.4006	- 15.12%
Sch. 4- Network - Eng Imbalance - +/-1.5% ($/MW)	$ 23.25	$ 36.68	57.76%	$ 36.68	57.78%
Sch. 5- Network - Oper. Reserves - Spinning ($/kW)	$ 0.7130	$ 0.5121	- 28.18%	$ 0.5311	- 25.50%
Sch. 6- Network - Oper. Reserve - Supplemental ($/kW)	$ 0.4610	$ 0.3652	- 20.78%	$ 0.3783	- 17.95%
Direct Assignment Facilities					
Trico Electric Only - ($/mth)**	$ 128,777	$ 128,777		$ 128,777	

* Memb Rate: $ annual rev req /12 x ratio of Memb's Currnt 12mth avg Load to that of same Sum Total Membs.Load
** Cost Alloc & assoc. charges for transmission construction by distribution cooperative - Trico Only

Q. Please describe SWTC's allocated Cost of Service study and proposed rate design methods.

A. I have reviewed SWTC's cost of service study and proposed rate design methods. SWTC

witness Zarnikau prepared a fully allocated cost of service study based upon Southwest's as-filed transmission revenue requirement study; *i.e.*, total pro forma operating expenses less other revenues plus its requested margin requirements. Witness Zarnikau's direct testimony (at pages 3-6) explains the underlying process and methods he employed in preparing his study and proposed rate design. His testimony explains that SWTC is using the same cost allocation and rate design methods in this proceeding as used in the prior rate proceeding. SWTC has used the same basic approach since it commenced operations in 2001. Witness Zarnikau's study merely updates the elements of the claimed, underlying revenue requirements and billing determinants, as they relate to the pro forma test period discussed by SWTC witness Pierson in his testimony (presented in Schedules A through F).

Q. What is your opinion of SWTC's fully allocated Cost of Service study and proposed rate design?

A. I have reviewed SWTC witness Zarnikau's testimony, supporting exhibits, work papers, and SWTC's answer to interrogatories. SWTC provides the costs for ancillary services, broken down by FERC-defined types of ancillary services (see SWTC filing Schedule G-2A, pages 2-14). Additionally, SWTC provides a breakdown of the Direct Assignment Facilities ("DAF") costs and related monthly charge to which Trico is the only distribution cooperative member which has a DAF. I believe that the fully allocated cost of service study based upon the as-filed revenue requirements and proposed rate design methods is reasonably consistent with the prior rate case filing methods and is in compliance with Finding of Fact No. 45 in Decision No. 68072. With regard to similarities between the prior and current rate filings, I note one minor change in methods. The Network Services Rates' monthly revenue requirement provides for a discounted rate to Mohave Electric Cooperative, Inc. ("MEC") Unit 2 ("MEC2"). This change insulates this cooperative member's unit 2 facilities from certain costs associated with system improvements that do not directly benefit MEC2.

Q. Briefly describe your review process.

A. I validated all of SWTC's allocated cost of service study calculations and the flow through of calculation results to the exhibits contained in SWTC's application. I reviewed the methods used to develop the underlying allocation factors, and I examined the allocated costs that resulted from the application of these factors to the as-filed revenue requirement elements for each rate-design component proposed by SWTC. I also compared the methods used here and in the prior rate-case filing. This review confirmed that the methods and approach here were the same as applied in the prior rate case filing. There was one small exception; *i.e.*, the MEC2 network service rate.

I confirmed that the derivation of the various transmission rates provided for under FERC Order 888, (firm or non-firm Point-to-Point and firm Network services and mandatory/option ancillary service charges) consistently used the same annual revenue requirement carrying costs elements to develop the fully allocated cost of service for each type of service to be provided. I also confirmed that the development of each respective rate was: (a) based upon the resultant allocated revenue requirement for each transmission service offered, and then (b) divided by the same appropriate billing determinant approach as used in the prior rate case proceeding. For example, the development of the firm Point-to-Point rate in the instant filing was based upon the annual transmission requirement divided by the coincidental peak demand divided by 12 to arrive at the proposed monthly rate. The same approach was applied in the prior proceeding. Similar to the prior rate proceeding, the development of the Network annual service rate was based upon the product of the annual transmission revenue requirement less the Point-to-Point revenues divided by 12 to arrive at the proposed monthly rate.

My overall conclusion is that the approach used to develop rate design in the instant proceeding mirrors the approach used in the prior proceeding.

Q. Briefly identify the primary rates which SWTC requests that the commission approve.

A. The primary rates identified by SWTC in witness Zarnikau's testimony are: (a) Network Services Rate's monthly revenue requirement of $2,247,574, (b) Point-to-Point Services Rate of $3.709/kW month, and (c) a System Control and Load Dispatch Rate of $0.245/kW month. In addition to the above, his study and rate design also reflect a MEC2 Network Services Rate's monthly revenue requirement of $2,162,827.

Q. Are you recommending approval of SWTC's above referenced fully allocated Cost of Service study and rate design as-filed and requested?

A. No. I have no reason to oppose SWTC's fully allocated cost of service study methods. However, Staff witnesses Smith and Vickroy proposed adjustments to SWTC's pro forma test year revenue requirement claim elements such as operating expenses, other revenues, and net income (margin and/or overall rate of return). I have updated the fully allocated cost of service study methods, but incorporating the adjustments of Staff witnesses Smith and Vickroy. The updated study includes my proposed rate design necessary to produce Staff's proposed revenue requirement. The results of my study are attached as DMK-Schedules G and H, respectively. In order to provide for ease of comparison, I used the same Schedule G and H references as those in SWTC witness Zarnikau's testimony and supporting exhibits.

Finally, DMK- Schedule A-1 provides a proof of revenue by rate class which demonstrates that Staff's proposed rates and other revenues will produce approximately the same $7,648,823 revenue increase as reflected in Staff witness Smith's testimony at Attachment RCS-2, Schedule A, page 1, Column E, line 1. For the reasons noted herein, I recommend adoption of Staff's proposed rates as summarized in my testimony at Table II above.

Q. Does that conclude your testimony?

A. Yes.

Southwest Transmission Cooperative, Inc.

PROOF OF REVENUE SUMMARY BY RATE CLASS - Present and Proposed Rates - Staff Adjusted

	Revenues				Rates			
	Current	Proposed	Increase	% Inc.	Current	Proposed	Increase	% Inc.
Class A - Firm Network Services								
Anza	$ 353,604	$ 494,114	$ 140,510	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Duncan Valley	209,785	293,146	83,362	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Graham County Electric	1,188,106	1,660,220	472,114	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Mohave Electric 1	5,391,298	7,533,620	2,142,322	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Mohave Electric 2	372,811	499,688	126,877	34.03%	$ 1,608,258	$ 2,155,588	$ 547,330	34.03%
Sulphur Springs Valley 1	5,775,237	8,070,123	2,294,886	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Sulphur Springs Valley 2	235,853	329,573	93,720	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Trico Electric	4,938,762	6,901,261	1,962,499	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Total Firm Members	$ 18,465,457	$ 25,781,746	$ 7,316,289	39.62%				
Other - Firm Network Services								
Safford	570,690	797,463	226,773	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Thatcher	262,949	367,437	104,487	39.74%	$ 1,608,258	$ 2,247,326	$ 639,068	39.74%
Total Other	833,639	1,164,900	331,260	39.74%				
Total Network Services	$ 19,299,096	$ 26,946,646	$ 7,647,550	39.63%				
Point-to-Point Services								
Network Transmission Rate								
AEPCO	$ 1,971,648	$ 2,136,384	$ 164,736	8.36%	$ 3.423	$ 3.709	$ 0.286	8.36%
Sulphur Springs	830,954	900,382	69,428	8.36%	$ 3.423	$ 3.709	$ 0.286	8.36%
MW&E Stafford Wheeling	410,760	445,080	34,320	8.36%	$ 3.423	$ 3.709	$ 0.286	8.36%
Total Point-to-Point	$ 3,213,362	$ 3,481,846	$ 268,484	8.36%				
Total Electric Revenue	$ 22,512,458	$ 30,428,492	$ 7,916,034					
Other Operating Revenues								
Class A - System Control & Load Dispatch								
Anza	$ 27,863	$ 23,621	$ (4,242)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Duncan Valley	16,525	14,009	(2,516)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Graham County Electric	93,798	79,518	(14,281)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Mohave Electric 1	414,376	351,287	(63,088)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Mohave Electric 2	33,113	28,072	(5,041)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs Valley 1	431,569	365,863	(65,706)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs Valley 2	8,250	6,994	(1,256)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Trico Electric	392,797	332,994	(59,803)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Total Other Members	$ 1,418,292	$ 1,202,358	$ (215,934)	-15.22%				
Other - System Control & Load Dispatch								
Safford	44,705	37,898	(6,806)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Thatcher	20,808	17,640	(3,168)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Total Other	65,513	55,538	(9,974)	-15.22%				
Other - System Control & Load Dispatch								
AEPCO	$ 166,464	$ 141,120	$ (25,344)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs	70,156	59,475	(10,681)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
MW&E Stafford Wheeling	34,680	29,400	(5,280)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
	$ 271,300	$ 229,995	$ (41,305)	-15.22%				
Total System Control & Load Dispatch	$ 1,755,105	$ 1,487,892	$ (267,213)					
Adj. Other System Control & Load Disp.	70,639	70,639	-					
Total Sch 1 Revenue Credit	$ 1,825,744	$ 1,558,531	$ (267,213)					
Class A - Direct Assignment Facilities								
Trico Electric	1,545,318	1,545,318	-	0.00%				
Other Operating Revenues	598,408	598,408	-					
Special Contracts	1,295,300	1,295,300	-					
Total Other Operating Revenue	$ 5,264,770	$ 4,997,557	$ (267,213)					
Total Network Services	$ 27,777,228	$ 35,426,049	$ 7,648,821	27.54%				
Revenues Per Staff Attach. RCS-2, Sch. A, Columns, D-E, Line 1	$ 27,777,227	$ 35,426,050	$ 7,648,823					
Proof	$ (1)	$ 1	$ 2					

Southwest Transmission Cooperative, Inc.

DMK SCH. G-1

Cost of Service Summary - Present Rates - SWTC vs. Staff Adjusted

LINE NO.		PER SWTC TOTAL SYSTEM *		PER STAFF TOTAL SYSTEM
	REVENUES:			
1.	NETWORK TRANSMISSION SERVICE	$ 22,328,219		$ 22,328,219
2.	POINT-TO -POINT	3,484,662		3,484,662
3.	TOTAL ELECTRIC REVENUE:	25,812,881		25,812,881
4.	OTHER OPERATING REVENUE	598,408		598,408
5.	SPECIAL CONTRACTS & OTHER	1,365,938		1,365,938
6.	TOTAL OPERATING REVENUE	27,777,227		27,777,227
7.	OPERATING EXPENSES	27,947,057	(a)	*27,116,831*
8.	OPERATING INCOME (MARGINS)	(169,830)		660,396
9.	INCOME TAXES	-		-
10.	NET INCOME (MARGINS) (LINE 8 - LINE 9)	(169,830)		660,396
11.	RATE BASE	79,668,372	(b)	79,146,274
12.	RATE OF RETURN	-0.21%		0.83%

Source Supporting Schedule Reference

* SWTC As-Filed Schedule G-1

(a) Staff Attachment RCS-2, Sch. A, Column D, Line 2

(b) Staff Attachment RCS-2, Sch. B, Column C, Line 9

Southwest Transmission Cooperative, Inc.

DMK SCH. G-2

Cost of Service Summary - Proposed Rates - SWC vs. Staff Adjusted

LINE NO.		PER SWTC TOTAL SYSTEM *		PER STAFF TOTAL SYSTEM	
	REVENUES:				
1.	NETWORK TRANSMISSION SERVICE	$ 29,754,459		$ 29,749,860	4,599
2.	POINT-TO -POINT	3,711,841		3,711,841	
3.	TOTAL ELECTRIC REVENUE	33,466,300		33,461,701	
4.	OTHER OPERATING REVENUE	598,408		598,408	
5.	SPECIAL CONTRACTS & OTHER	1,365,940		1,365,940	
6.	TOTAL OPERATING REVENUE	35,430,648		35,426,049	
7.	OPERATING EXPENSES	27,947,057	(a)	*27,116,831*	
8.	OPERATING INCOME (MARGINS)	7,483,591		8,309,218	
9.	INCOME TAXES	-		-	
10.	NET INCOME (MARGINS) (LINE 6 - LINE 7)	7,483,591		8,309,218	
11.	RATE BASE	79,668,372	(b)	79,146,274	
12.	RATE OF RETURN	9.39%		10.50%	

Source Supporting Schedule Reference

* SWTC As-Filed Schedule G-2

(a) Staff Attachment RCS-2, Sch. A, Column D, Line 2

(b) Staff Attachment RCS-2, Sch. B, Column C, Line 9

Southwest Transmission Cooperative, Inc.

Derivation Of Revenue Requirement And Rates - SWTC vs. Staff Adjusted

LINE NO.		PER SWTC TOTAL *		PER STAFF TOTAL
1.	OPERATING EXPENSES (EXCL. REVENUE TAX)	$ 27,947,057		$ 27,116,831
2.	INTEREST & OTHER DEDUCTIONS:	4,761,153		4,761,153
3.	TOTAL OPERATING EXPENSES (INC. INTEREST)	32,708,210		31,877,984
4.	PLUS MARGIN REQUIREMENT	2,823,336		3,722,263
	LESS OTHER REVENUES:			
5.	OTHER OPERATING REVENUE	598,408		598,408
6.	SPECIAL CONTRACTS	1,295,300		1,295,300
7.	DIRECT ASSIGNMENT FACILITIES	1,545,318		1,545,318
8.	SYS. CTL. & LOAD DSPTCH N/I SP.CONT.	1,558,531		1,558,531
9.	TOTAL OTHER INCOME	4,997,557		4,997,557
10.	NON-OPERATING MARGINS	100,898	(a)	174,198
11.	PLUS EXTRAORDINARY ITEMS	-		-
12.	NET REVENUE REQUIREMENT BEFORE REV. TAX	30,433,091		30,428,492
13.	REVENUE TAX			-
14.	ANNUAL TRANSMISSION REVENUE REQUIREMENT	$ 30,433,091		$ 30,428,492

Source Supporting Schedule Reference

* SWTC As-Filed Schedule G-2A 1

(a) Staff Attachment RCS-2, Sch. C-5 (3yr Norm. of $219,800) addition for gain sharing $ 73,300

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

	Point-to-Point	Network				Translate Rates to Monthly Rates	
Schedule 7&8/Network Transmission Rates	$3.709 /kW-mo	$2,247,326	G-2A, Page 3 for Point-to-Point			wk	0.85593 Sched 7
						Day	0.12363
MANDATORY ANCILLARY SERVICES						on-pk	0.00508
Schedule 1 System Control & load Dispatch	$0.245	$0.245 /kW-mo	G-2A, Page 5			off-peak	0.00891
Schedule 2 Var support / voltage Control	$0.055	$0.074 /kW-mo	G-2A, Page 6			wk	0.05654 Sched 1
						Day	0.00817
TOTAL MANDATORY SVCS	$4.009	$2,247,326 /kW-mo				on-pk	0.00034
						off-peak	0.00059
FERC OPTIONAL ANCILLARY SVCS - AEPCO						wk	0.01266 Sched 2
	Gen Cap Rate	% Req'd	=	$/kW-mo		Day	0.00183
Schedule 3 Cost of Reg. & Frequency Response	$8.976	4.46%	=	$0.4006	G-2A, Page 7	on-pk	0.00008
			=			off-peak	0.00013
Schedule 5 Operating Reserves- Spinning	$9.928	5.35%	=	$0.5311	G-2A, Page 7	wk	0.09245 Sched 3
			=			Day	0.01335
						on-pk	0.00055
Schedule 6 Operating Reserve- Supplemental	$7.062	5.36%	=	$0.3783	G-2A, Page 7	off-peak	0.00096
			=				
Schedule 4 Energy Imbalance - AEPCO		Energy in kind deviation +/-1.5%				wk	0.12257 Sched 5
						Day	0.01770
AEPCO pays positive imbalance		$36.68 $/MWh			G-2A, Page 10	on-pk	0.00073
						off-peak	0.00128
Customer pays negative imbalance		$100.00 $/MWh				wk	0.08729 Sched 6
						Day	0.01261
Non-FERC Replacement Capacity - AEPCO				$3.200	G-2A, Page 7	on-pk	0.00052
						off-peak	0.00091
						wk	0.85593 Sched 7
Losses	0.0297					Day	0.12363
					Loss Study	on-pk	0.00508
						off-peak	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	Reg Pct
506.12	123.00	383.12	65.00	448.12	20.00	4.46%

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

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

SCHEDULE 7 & 8 / NETWORK TRANSMISSION RATE BASE & BILLING UNIT SUMMARY

TRANSMISSION PLANT

INTANGIBLE	$4,246,440	
TRANSMISSION	$116,505,608	
GENERAL PLANT	$12,436,299	
A/C 106	$13,360,610	
A/C 107 @ 50%	$14,143,510	
ACQUISITION ADJ & 105	$0	

Staff Attachment RCS-2, Schs. B-1&2 Rem. Plant Held Future Use & Acq.Adj.

$ (377,214) $ (4,413) TOTAL $160,692,467

Sch. B-1 *Sch. B-2*

DEPRECIATION & AMORTIZATION RESERVE

TRANSMISSION	(60,986,081)	
GENERAL PLANT	(6,472,037)	
AMORTIZATION	(1,773,954)	
TOTAL		$ (69,232,072)

NET TRANSMISSION PLANT		$91,460,395
Staff Attachment RCS-2, Sch. B-4 Adjust M&S		
WORKING CAPITAL	$ (334)	$1,829,389
Staff Attachment RCS-2, Sch. B-3 Remove Retirement WIP		
RETIREMENT WIP	$ (140,137)	$0
TOTAL STAFF ADJUSTED RATE BASE		$93,289,784

	BU Summary			Total
TRANSMISSION LOAD	1 CP Load	683.7	683.7	Attach 1
	12 CP Load	506.1	506.1	Attach 1
NET INVESTMENT		$93,289,784	$0	$93,289,784
INTEREST & DSCR page 6	1.45	8.907%	8.907%	
ANNUAL CARRYING COSTS		$8,309,218	$0	$8,309,218
EXPENSES		$27,116,831	$0	$27,116,831
REVENUE CREDITS System Control & Load Disp.		$1,558,531	$0	$1,558,531
Direct Assignment Facility		$1,545,318	$0	$1,545,318
Other Operating Revenue		$598,408	$0	$598,408
Special Contracts & Other Wheeling		$1,295,300	$0	$1,295,300
Total of Credits		$4,997,557	$0	$4,997,557
ANNUAL REVENUE REQUIREMENTS		$30,428,492	$0	$30,428,492

TOTAL ANNUAL COSTS/KW — Point to Point Rate/1 CP kW

/kW-yr	$44.506	$0.000	$44.506
/kW-month	$3.709	$0.000	$3.709

EXPENSES and EXPENSE ALLOCATION SUMMARY

STAFF Adjustments See Staff Attachemnt RCS-2, Schedules C-1 to C-4

	Staff Adjusted		SWTC-Claim	C-1	C-2	C-3	C-4	Totals
TRANSMISSION OP	$8,143,529	Less acct RUS 561	$8,382,829	$(218,305)	$(20,995)			$ (239,300)
TRANSMISSION MNT	$4,216,955		$4,423,221	$(188,169)	$(18,097)			$ (206,266)
A&G	$4,465,862		$4,618,438	$(112,104)	$(10,781)	$ (521)	$ (29,170)	$ (152,576)
TAXES	$1,683,865		$1,683,865	$ -	$ -			$ -
DEP EXP	$4,312,850		$4,312,850	$ -	$ -			$ -
System Control & Dispatch	$4,293,770		$4,525,854	$(211,722)	$(20,362)			$ (232,084)
TOTAL		$27,116,831	$27,947,057	$(730,300)	$(70,235)	$ (521)	$ (29,170)	$ (830,226)
				$(730,300)	$(70,235)			

Staff Allocation - Payroll and Payroll Tax Adj. allocated based upon ratio of payroll increase			
TRANSMISSION OP	256697	29.89%	29.89%
TRANSMISSION MNT	221261	25.77%	25.77%
A&G	131819	15.35%	15.35%
TAXES	0	0.00%	0.00%
DEP EXP	0	0.00%	0.00%
System Control & Dispatch	248956	28.99%	28.99%
TOTAL	$858,733	100.00%	100.00%

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Mohave Network Service 2 discounted Rate - Staff Adjusted

Twelve Months Ended March 31, 2009

SCHEDULE 7 & 8 / NETWORK TRANSMISSION RATE BASE & BILLING UNIT SUMMARY

TRANSMISSION PLANT

INTANGIBLE	$4,246,440			
TRANSMISSION	$116,505,608			
GENERAL PLANT	$12,436,299			
A/C 106	$13,360,610			
A/C 107 @ 50%	$14,143,510			
ACQUISITION ADJ & 105	$0			
Staff Attachment RCS-2, Schs. B-1&2 Rem. Plant Held Future Use & Acq.Adj.			Less: MEC NTS Discounted	
$ (377,214) $ (4,413) TOTAL		$160,692,467	System Plant	$ 10,593,263
Sch. B-1 *Sch. B-2*				

DEPRECIATION & AMORTIZATION RESERVE

TRANSMISSION	(60,986,081)			
GENERAL PLANT	(6,472,037)			
AMORTIZATION	(1,773,954)		Less: MEC NTS Discounted	
			System Plant	$ 1,743,055
TOTAL		(69,232,072)		
NET TRANSMISSION PLANT	91,460,395			
Staff Attachment RCS-2, Sch. B-4 Adjust M&S				
WORKING CAPITAL $ (334)	1,829,389			
Staff Attachment RCS-2, Sch. B-3 Remove Retirement WIP				
RETIREMENT WIP $ (140,137)	-			
			Less: MEC NTS Discounted	
TOTAL STAFF ADJUSTED RATE BASE		$93,289,784	Rate Base	$8,850,208

	BU Summary			Total
TRANSMISSION LOAD	1 CP Load	683.7	0	683.7
	12 CP Load	506.12	0	506.12
NET INVESTMENT		$84,439,576	$8,850,208	$93,289,784
INTEREST & TIER page 6	0.00	8.907%	8.907%	8.907%
ANNUAL CARRYING COSTS		$7,520,940	$788,278	$8,309,218
EXPENSES		$26,825,516	$291,315	$27,116,831
REVENUE CREDITS	System Control & Load Disp.	$1,558,531	$0	$1,558,531
	Direct Assignment Facility	$1,545,318	$0	$1,545,318
	Other Operating Revenue	$598,408	$0	$598,408
	Special Contracts & Other Wheeling	$1,295,300	$0	$1,295,300
	Total of Credits	$4,997,557	$0	$4,997,557
ANNUAL REVENUE REQUIREMENTS		$29,348,899	$1,079,593	$30,428,492
POINT-TO-POINT REVENUE REQUIREMENTS		$3,481,846	$0	$3,481,846
DISCOUNTED NETWORK TRANMISSION REVENUE REQUIREMENT		$25,867,053		

EXPENSES and EXPENSE ALLOCATION SUMMARY

	Staff Adjusted			
TRANSMISSION OP	7,652,529	Less account RUS 561		
TRANSMISSION MNT	4,352,986			
A&G	4,588,747			
TAXES	1,683,865			
DEP EXP	4,312,850		Depreciation @ 2.75%	$291,315
System Control & Dispatch	4,525,854			
TOTAL		$27,116,831		

System Plant Additions since 2005:		Plant In Service	Accumulated Depreciation	Net Book
Apache Spare 115/69 kV Transformer Permanent Replacement	05/31/2005	$ 247,056	$ 130,085	$ 116,972
Apache Transformer Replacement	12/31/2007	2,073,093	1,091,564	981,529
Bicknell Substation Upgrade (2)	12/31/2008	3,145,320	21,624	3,123,696
Hackberry/Dos Condados OPGW	01/31/2007	270,095	31,017	239,078
Hackberry Sub Line Tap (2)	01/31/2007	102,222	6,366	95,856
Hackberry Substation (2)	03/31/2007	2,256,858	140,551	2,116,307
Hooker Tap Metering	12/31/2007	153,142	80,635	72,507
Mortensen Tap Meter	10/31/2005	114,089	60,072	54,017
Saddlebrooke Ranch Substation (2)	05/31/2007	452,462	28,178	424,284
Sandario 115 kV Transmission Line	12/31/2005	165,979	52,513	113,466

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

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 AEPCO			(407,904)	
AEPCO Ancilliary Services Sched.2-6			(348,813)	
	TOTAL	$	3,868,994	
RELIABILITY PORTION	50.00%	$	1,934,497	
Generation Capacity			657,000	kW
System Control & Load Dispatch		$	0.245	/kW-mo

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

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

Schedule 2: COST OF REACTIVE POWER (VAR) PRODUCTION

AEPCO system investment in Power Production Facilities

		Orig Cost	Net	
1 Total production plant in service		$405,097,077	$189,399,425	Schedule G-2A, Page 9
2 Turbogenerator Systems		$54,638,869	$23,457,593	Schedule G-2A, Page 7
3 Accessory Electric Equipment		$20,143,173	$8,647,880	Schedule G-2A, Page 7
Separation of Production Plant Allocation to VAR Production		$74,782,041		
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	1.450	$449,984	
		8.907%		

Rates For VAR Production

	12 CP	1 CP
	506.12	683.7
$/kW/year	$0.889	$0.658
$/kW/month	$0.074	$0.055

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 - Staff Adjusted

Twelve Months Ended March 31, 2009

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

Gen. Units	name plate SRSG RATING	Prod Invest.	Int plt, a/c 106,107 Transm,GP $50,496,560	Accum Depreciation + Retirement WIP $6,686,195	Working Capital $21,814,465	net. Prod. Invest less TURBO	Prod $/kW	O&M Exp $12,871,680	A&G $12,054,892	Taxes $2,933,343	Depreciation $7,693,790	Annual Carrying Costs $18,678,558	Annual Revenue Rqt	Annual RevRqt/kW
ST1	70,000	$ 22,196,122	$ 3,021,820	$ 19,397,858	$ 1,305,423	$ 25,609,185	$ 366	$ 770,268	$ 721,390	$ 175,537	$ 460,412	$ 1,117,764	$ 3,245,372	46.36
ST2	188,000	158,500,501	21,578,540	89,808,077	9,321,909	175,068,030	931	5,500,416	5,151,380	1,253,496	3,287,764	7,981,851	23,174,907	123.27
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	1,169,412	3,067,222	7,446,432	21,620,344	115.00
ICI/GT1	9,000	1,946,118	264,948	1,835,175	114,457	2,325,524	258	67,536	63,250	15,391	40,368	98,004	284,549	31.62
GT2	17,000	3,077,974	419,041	2,596,304	181,025	3,524,967	207	106,814	100,036	24,342	63,846	155,002	450,041	26.47
GT3	64,000	8,614,275	1,172,763	6,330,170	506,632	9,140,287	143	298,940	279,970	68,126	178,685	433,802	1,259,523	19.68
GT4	40,000	28,708,212	3,908,387	5,898,018	1,688,419	32,248,226	806	996,256	933,038	410,000	595,492	1,445,703	4,380,489	109.51
	576,000	$ 370,911,558	$ 50,496,560	$ 208,343,556	$ 21,814,465	$ 410,375,802		$ 12,871,680	$ 12,054,892	$ 3,116,305	$ 7,693,790	$ 18,678,558	$ 54,415,225	
			$ 421,408,118											

		turbo equip 314,315,344,345	Plant dep reserve assignable to gen units	Turbo Depreciation Reserve	Net turbo plant
ST1	70,000	$ 6,344,228	$ (18,997,743)	$ (5,430,049)	$ 914,180
ST2	188,000	31,751,046	(86,950,886)	(17,418,125)	14,332,921
ST3	188,000	30,932,169	(79,812,422)	(16,695,738)	14,236,431
ICI/GT1	9,000	-	(1,800,094)	-	-
GT2	17,000	877,136	(2,540,819)	(724,062)	153,074
GT3	64,000	4,072,970	(6,174,886)	(2,919,587)	1,153,383
GT4	40,000	2,531,189	(5,380,513)	(474,397)	2,056,792
TOTAL	576000	$ 76,508,736	$ (201,657,361)	$ (43,661,958)	$ 32,846,781

Replacement

GT1	9,000	$109.512	$985,610
ST1	70,000	$46.362	$3,245,372
GT3	64,000	$19.680	$1,259,523
	143,000		$5,490,505
	$/kW/year		$38.395
	$/kW/month		$3.200

Schedule 3

Regulation

	kW Capacity	Cost/kW	Annual $
ST2	188,000	$123.271	$23,174,907
ST3	188,000	$115.002	$21,620,344
ST1	70,000	$46.362	$3,245,372
	446,000		$48,040,623
	$/kW/year		$107.714
	$/kW/month		$8.976

Schedule 5

Spinning

	kW Capacity	Cost/kW	Annual $
ST2	188,000	$123.271	$23,174,907
ST3	188,000	$115.002	$21,620,344
	376,000		$44,795,251
	$/kW/year		$119.136
	$/kW/month		$9.928

Schedule 6

Supplemental

	kW Capacity	Cost/kW	Annual $
GT4	40,000	$109.512	$4,380,489
GT2	17,000	$26.473	$450,041
	57,000		$4,830,530
	$/kW/year		$84.746
	$/kW/month		$7.062

Int plt, a/c 106,107, Transm,GP

Intangible Plant	$6,337,186	
Transmission	$2,889,491	
General Plant	$19,286,132	
Acc 106	$1,998,986	
Acc 107	$19,984,765	Acc 107 + adj. to Acc 312
	$50,496,560	
Tot. Accum. Deprec. & Amort.		-$204,796,249
		$3,138,888

D Res. Retirement WIP

Accumulated Depreciation Transmission Pla	$1,580,842
Accumulated Depreciation General and Intai	$10,016,425
Accumulated Amortization	$2,443,024
Retired Work in Progress	$3,547,307
	$17,587,598

Account 310: Land account

	SRSG RATING	
		$3,915,175
ST1	70,000	$475,803
ST2	188,000	1,277,870
ST3	188,000	1,277,870
ICI/GT1	9,000	61,175
GT2	17,000	115,552
GT3	64,000	435,019
GT4	40,000	271,887
	576,000	$3,915,175

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

DMK SCH. G-2A

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

DEBT SERVICE CALCULATIONS						
INTEREST ON LONG TERM DEBT		$	4,999,328	(a)		
PRINCIPAL PAYMENTS			3,989,942	(b)		
TOTAL DEBT SERVICE		$	8,989,270			
DSCR					INTEREST RATES	
	1.45	$	13,034,441		1.45	8.907%
	1.20	$	10,787,124		1.20	6.685%
LESS:						
DEPRECIATION & AMORTIZATION		$	4,312,850	(c)		
NON-OPERATING MARGINS		$	174,198	(c)		
PLUS:						
OTHER INTEREST EXPENSE		$	248,531	(c)		
OTHER DEDUCTIONS		$	1,399	(c)		
INTEREST CHARGED TO CONSTRUCTION		$	(488,105)	(c)		
RETURN						
	1.45	$	8,309,218			
	1.20	$	6,236,099			
NET UTILITY PLANT		$	91,460,395	(d)		
WORKING CAPITAL		$	1,829,389	(d)		
RETIREMENT WIP		$	-	(d)		
TOTAL RATE BASE		$	93,289,784			

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

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

AEPCO PRODUCTION PLANT ORIGINAL COST AND NET PLANT SUMMARY FOR ANCILLARY SERVICES WORKSHEETS

INTANGIBLE	$	5,290	
PRODUCTION			
STEAM 1		22,196,122	
STEAM 2		158,500,501	
STEAM 3		147,868,356	
GT 1		1,946,118	
GT 2		3,077,974	
GT 3		8,614,275	
GT 4		28,708,212	
Transmissior		2,889,491	
GENERAL PLANT		19,286,132	
A/C 106		1,998,986	
A/C 107@50%		9,992,383	
ACQUISITION ADJ		13,238	
TOTAL			$ 405,097,077

DEPRECIATION & AMORTIZATION RESERVE

PRODUCTION			
STEAM 1	$	(18,997,743)	
STEAM 2		(86,950,886)	
STEAM 3		(79,812,422)	
GT 1		(1,800,094)	
GT 2		(2,540,819)	
GT 3		(6,174,886)	
GT 4		(5,380,513)	
GENERAL & INTANGIB		(10,016,425)	
TRANSMISSION PLANT		(1,580,842)	
AMORTIZATION		(2,443,024)	
TOTAL			$ (215,697,652)

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

EXPENSE ALLOCATION

PRODUCTION OP	[illegible]
PRODUCTION MNT	[illegible]
OTHER	[illegible]
* TRANSMISSION EXP	[illegible]
A&G	[illegible]
TAXES	[illegible]
DEP EXP	[illegible]
TOTAL	$ 62,373,358

PRODUCTION CAPABILITY (kW on SRSG Basis)		576,000
NET INVESTMENT		$209,709,111
INTEREST & DSCR page 6	1.45	8.907%
ANNUAL CARRYING COSTS		$ 18,678,558
ANNUAL EXPENSES		$ 62,373,358
PLANT ANNUAL REVENUE REQUIREMENTS		$ 81,051,916
PLANT ANNUAL COSTS/KW		$ 140.72
MONTH		$ 11.73
Gen Plant Fixed Charge Rate (Rev Req't/ Rate Base)		38.650%

PURCHASE POWER CAPACITY (pro-forma 2009)		Test Year Actual
Purch Pwr Avg Contract Demand kW	300,000	300,000
Southpoint	150,000	150,000
Griffith	150,000	150000
Purch Pwr Annual Demand Charges	$2,365,328	$2,365,328
Southpoint	$1,389,300	$1,389,300
Griffith	$976,028	$976,028
Purch Pwr Monthly Costs/kW	$7.884	7.88
Southpoint	$9.262	$9.262
Griffith	$6.507	$6.507
PLANT + PP Annual Rev Req't	$83,417,244	$83,417,244
Annual cost/kW	$95.225	$95.225
Monthly cost/kw	$7.935	$7.935

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
NETWORK INTEGRATED TRANSMISSION SERVICES

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL	
COS Trans Revenue Requirements		$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 2,535,708	$ 30,428,492	$ 30,428,492
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		$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 2,245,554	$ 26,946,646	
Discount Revenue Shortfall		$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 1,772	$ 21,265.90	
Network Services	Network Revenue Req't	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912	
MEC Sytem Discount	Network Revenue Req't	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 25,867,053	

NETWORK		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL	
Anza	Loads: April 08 to March 09	5,712	7,488	10,608	10,404	9,948	9,684	8,352	5,388	8,360	8,093	7,071	6,304	96,412	
	Loads: April 07 to March 08	6,463	8,132	9,936	11,832	10,716	9,036	5,592	8,564	9,156	7,440	7,596	6,408	96,876	
	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	
	Trans Cost	$ 39,824	$ 40,354	$ 40,716	$ 40,635	$ 40,513	$ 41,090	$ 41,748	$ 41,426	$ 41,594	$ 42,005	$ 42,008	$ 42,201		$494,114
Duncan	Loads: April 08 to March 09	3,360	6,040	6,960	5,940	6,620	5,360	4,020	2,780	4,300	3,900	3,900	3,500	57,180	
	Loads: April 07 to March 08	3,100	5,640	6,860	8,020	6,520	3,720	4,520	3,320	4,520	4,320	4,180	3,260	55,780	
	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	4,765	57,440	
	Trans Cost	$ 23,426	$ 23,572	$ 23,745	$ 24,015	$ 24,176	$ 25,054	$ 24,914	$ 24,791	$ 24,873	$ 24,768	$ 24,783	$ 25,028		$293,146
Graham	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,936	32,263	24,958	18,448	20,642	19,992	18,818	20,271	324,562	
	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,493	21,918	20,119	18,731	19,458	323,454	
	12 Month Rolling Avg	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326	
	Trans Cost	$ 133,901	$ 134,690	$ 134,905	$ 136,879	$ 137,751	$ 139,597	$ 139,124	$ 139,710	$ 140,154	$ 140,534	$ 140,910	$ 142,064		$1,660,220
Mohave 1	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	54,804	81,756	77,891	59,932	1,433,826	
	Loads: April 07 to March 08	109,021	158,516	154,516	173,516	172,516	156,516	118,918	107,021	93,804	89,756	39,891	32,925	1,504,916	
	12 Month Rolling Avg	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460	
	Trans Cost	$ 623,514	$ 615,151	$ 614,341	$ 620,079	$ 621,890	$ 628,232	$ 639,027	$ 636,631	$ 637,283	$ 635,797	$ 634,073	$ 627,601		$ 7,533,620
Sulphur Springs 1	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319	
	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	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	148,426	143,207	136,946	132,359	128,536	125,193	123,983	122,027	122,693	123,527	124,443	1,583,465	
	Trans Cost	$ 756,334	$ 737,361	$ 712,894	$ 690,426	$ 670,612	$ 656,102	$ 640,904	$ 637,478	$ 631,889	$ 637,312	$ 645,172	$ 653,642		$ 8,070,123
Trico	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	
	Loads: April 07 to March 08	88,723	110,813	146,455	163,750	146,828	139,724	109,919	88,372	92,888	87,572	84,462	69,545	1,326,679	
	12 Month Rolling Avg	110,304	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	
	Trans Cost	$ 548,413	$ 554,202	$ 562,825	$ 564,115	$ 570,685	$ 575,468	$ 579,844	$ 584,574	$ 587,663	$ 588,418	$ 590,135	$ 594,919		$ 6,901,261
Mohave 2	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578	
	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	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	$ 8,860	$ 15,915	$ 30,750	$ 41,790	$ 51,425	$ 50,533	$ 50,681	$ 50,902	$ 51,264	$ 50,695	$ 48,769	$ 48,105		$ 499,688
Safford	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	14,631	16,902	17,714	19,245	15,398	14,502	8,420	9,696	9,671	9,522	8,157	155,321	
		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	
	Trans Cost	$ 63,984	$ 64,931	$ 65,244	$ 66,239	$ 66,412	$ 66,964	$ 66,610	$ 67,060	$ 67,390	$ 67,337	$ 67,585	$ 67,708		$ 797,463
Sulphur Springs 2	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	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526	
	12 Month Rolling Avg	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700	
	Trans Cost	$ 18,862	$ 30,666	$ 30,729	$ 31,121	$ 31,275	$ 31,509	$ 31,601	$ 31,739	$ 31,965	$ 27,134	$ 20,477	$ 12,496		$ 329,573
Thatcher	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
		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	
	Trans Cost	$ 29,831	$ 29,807	$ 29,868	$ 30,249	$ 30,400	$ 30,626	$ 30,716	$ 30,850	$ 31,070	$ 31,166	$ 31,338	$ 31,515		$ 367,437
TOTAL Network loads 12 mo. 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	5,286,263	
Total Network Loads: April 07 to March 08		390,207	498,144	579,205	621,022	585,469	550,908	448,217	357,874	389,293	358,374	365,228	327,088	5,471,029	
Total Network Loads: April 08 to March 09		344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736	
TOTAL NETWORK DOLLARS		$ 2,246,949	$ 2,246,649	$ 2,246,017	$ 2,245,547	$ 2,245,137	$ 2,245,175	$ 2,245,169	$ 2,245,160	$ 2,245,144	$ 2,245,168	$ 2,245,250	$ 2,245,279	$ 26,946,646	$26,425,692
Per kW-month		4.97	4.97	4.98	5.04	5.06	5.10	5.11	5.14	5.17	5.19	5.22	5.25	5.10	

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET

POINT TO POINT TRANSMISSION SERVICES

STAFF ADJUSTED WORKSHEET

Loads in kW and rates in $ per kW-mo. unless otherwise indicated

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO	Firm Pt to Pt - Agrmnts -kW di	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	
	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	$2,136,384
Sulphur Springs Firm Point to Point	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242,756
	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	
	Total Dollars P/P	$0	$0	$218,627	$175,265	$201,191	$46,978	$84,068	$65,523	$74,050	$17,080	$0	$17,599	$900,382
MW&E Safford Mine wheeling	Loads	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	
	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	$445,080
TOTAL Point to Point														
	LOADS kW	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	77,965	62,605	58,000	62,745	938,756
	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	$3,481,846
Forecast Network Loads														
	2010 Network	344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	Average 427,895
Total Point to Point and Network Loads		402,378	557,761	683,675	660,884	672,832	580,851	510,964	413,015	430,751	403,562	395,863	360,956	12 CP Load 506,124

1 CP Load 683,675

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET

Revenue Credits

The Following Serve as Additional Bill Credits to Network Customers

Special Contract Revenue Credits		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO Firm Point to Point Energy-Based	Firm Pt to Pt - Serv -kwh keep t	$10,000	$123,000	$180,000	$60,000	$110,000	$20,000	$35,000	$167,000	$187,000	$25,000	$0	$20,000	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	
	Firm Pt to Pt - Serv	$23	$650	$952	$282	$481	$112	$153	$484	$535	$76	$0	$82	$3,831
AEPCO (kWh) 3rd party sales Non-Firm	Loads in kWh			25,000	546,000	100,000	65,000	280,000	170,000	368,000				1,554,000
	Rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars P/P	$0	$0	$206	$3,024	$717	$411	$1,379	$992	$1,991	$0	$0	$0	$8,721
AEPCO Service to ED4 and ED5	Loads in kWh	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	82,000	
	Rate p/p in mils/kWh	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	3052.6	2346.98	241.55	272	$20,001
Mohave 3rd party sales Umbrella	Loads(kWh)	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	
	Total Dollars P/P	$68,387	$50,918	$23,944	$3,348	$5,204	$17,931	$35,216	$19,870	$12,123	$13,330	$7,740	$2,604	$260,615
Mohave Firm P-t-P	Loads	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132000
	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	
	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
Sulphur Springs 3rd party sales Umbrella	Loads(kWh)	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	
	Total Dollars P/P	$45	$6,740	$2,831	$20,573	$8,893	$5,884	$5,748	$2,955	$2,918	$1,109	$810	$76	$58,581
Sulphur Springs Firm Point to Point Energy Based	Loads(kWh)	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	
	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MWE - Safford Mine Non-Firm kWh	Loads(kWh)	7,301,231	8,078,481	10,862,433	11,486,243	15,762,613	2,359,671	2,202,364	1,694,000	4,750,831	2,468,154	2,681,600	1,267,249	70,914,870
	Rate p/p	0.0040	0.0040	0.0039	0.0039	0.0040	0.0038	0.0039	0.0038	0.0039	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	$278,950
Contract Minium	Minimum Charge	$0	$0	$0	$0	$0	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$287,532
	Total Dollars P/P	$28,933	$32,048	$42,799	$44,916	$62,665	$50,154	$49,576	$47,506	$59,576	$50,354	$51,347	$46,608	$566,482
TEP Point to Point Energy Based	Loads in kWh	0	0	0	3,964,000	0	9,635,000	5,333,000	794,000	123,000	759,000	0	85,000	
	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars P/P	$0	$0	$0	$23,388	$0	$65,521	$32,314	$4,743	$577	$17,978	$20,376	$22,201	$187,098
TEP Non Firm	Loads in kWh	163,000	712,000	1,442,000	0	40,909,000	17,000	0	0	0	0	0	0	$43,243,000
	Rate	0.0047	0.0050	0.0068	NA	0.0072	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars	$764	$3,545	$9,814	$0	$33,209	$80	$0	$0	$0	$0	$0	$0	$47,412
Total Special Contract Credits		$111,036	$106,072	$96,564	$111,088	$125,581	$152,709	$137,536	$88,872	$92,653	$97,074	$92,394	$83,723	$1,295,300

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

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)
		$	95,538,990

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 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
AEPCO														
Firm P-t-P	Loads	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	$3.423	$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	$1,971,648
Sulphur Springs	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242756
Firm P-t-P	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	
	Total Dollars P/P	$0	$0	$201,769	$161,750	$185,677	$43,356	$77,586	$60,471	$68,340	$15,763	$0	$16,242	$830,954
MW&E Safford Mine	Loads	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
Firm P-t-P	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	
	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	$410,760
TOTAL Point to Point														
	LOADS kW	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	77,965	62,605	58,000	62,745	938,756
	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	$3,213,362
Forecast Network Loads														
	2011 Network (2010 PRS)	344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736
Total Point to Point and Network Loads		402,378	557,761	683,675	660,884	672,832	580,851	510,964	413,015	430,751	403,562	395,863	360,956	Average 427,895
														12 CP Load 506,124
														1 CP Load 683,675

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
Revenue Credits

The Following Serve as Additional Bill Credits to Network Customers

Special Contract Revenue Credits		2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
AEPCO Firm	Loads(kWh)	10,000	123,000	180,000	60,000	110,000	20,000	35,000	167,000	187,000	25,000	-	20,000	937,000
Point to Point	Rate p/p	$0.0023	$0.0053	$0.0053	$0.0047	$0.0044	$0.0056	$0.0044	$0.0029	$0.0029	$0.0031	NA	$0.0041	
Energy-Based	Total Dollars P/P	$23	$650	$952	$282	$481	$112	$153	$484	$535	$76	$0	$82	$3,831
AEPCO (kWh)	Loads in kWh	0	0	25000	546000	100000	65000	280000	170000	368000	0	0	0	1,554,000
3rd party sales	Rate	NA	NA	$0.0082	$0.0055	$0.0072	$0.0063	$0.0049	$0.0058	$0.0054	NA	NA	NA	
Non-Firm	Total Dollars P/P	$0	$0	$206	$3,024	$717	$411	$1,379	$992	$1,991	$0	$0	$0	$8,721
AEPCO	Loads in kWh	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	82,000	6,027,000
Service to ED4 and	Rate p/p in mils/kWh	$0.0028	$0.0032	$0.0037	$0.0036	$0.0036	$0.0026	$0.0029	$0.0028	$0.0030	$0.0033	$0.0038	$0.0033	
ED5	Total Dollars P/P	$1,004	$290	$4,138	$3,676	$2,532	$736	$1,270	$443	$3,053	$2,347	$242	$272	$20,001
Mohave	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$68,387	$50,918	$23,944	$3,348	$5,204	$17,931	$35,216	$19,870	$12,123	$13,330	$7,740	$2,604	$260,615
Mohave	Loads	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132000
Firm P-t-P	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	
	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
Sulphur Springs	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$45	$6,740	$2,831	$20,573	$8,893	$5,884	$5,748	$2,955	$2,918	$1,109	$810	$76	$58,581
Sulphur Springs	Loads(kWh)	0	0	0	0	0	0	0	0	0	0	0	0	-
Firm Point to	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Point Energy Based	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MWE - Safford Mine	Loads(kWh)	7,301,231	8,078,481	10,862,433	11,486,243	15,762,613	2,359,671	2,202,364	1,694,000	4,750,831	2,468,154	2,681,600	1,267,249	70,914,870
Non-Firm kWh	Rate p/p	$0.0040	$0.0040	$0.0039	$0.0039	$0.0040	$0.0038	$0.0039	$0.0038	$0.0039	$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	$278,950
Contract Minium	Minimum Charge	$0	$0	$0	$0	$0	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$287,532
	Total Dollars P/P	$28,933	$32,048	$42,799	$44,916	$62,665	$50,154	$49,576	$47,506	$59,576	$50,354	$51,347	$46,608	$566,482
TEP Point to Point	Loads in kWh	0	0	0	3,964,000	0	9,635,000	5,333,000	794,000	123,000	759,000	0	85,000	20,693,000
Energy Based	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars P/P	0	0	0	23,388	0	65,521	32,314	4,743	577	17,978	20,376	22,201	$187,098

TEP Non Firm	Loads in kWh	163,000	712,000	1,442,000	0	40,909,000	17,000	0	0	0	0	0	0	43,243,000
	Rate	$0.0047	$0.0050	$0.0068	NA	0.00717	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars	$764	$3,545	$9,814	$0	$33,209	$80	$0	$0	$0	$0	$0	$0	$47,412
Total Special Contract Credits		$99,156	$94,192	$84,684	$99,208	$113,701	$140,829	$125,656	$76,992	$80,773	$85,194	$80,514	$71,843	$1,295,300

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
NETWORK INTEGRATED TRANSMISSION SERVICES

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL	
	Network Revenue Req't	$ 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	
NETWORK															
Anza	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	
	Loads: April 07 to March 08	6,468	6,132	9,936	11,832	10,716	9,036	5,592	6,564	9,156	7,440	7,596	6,408	96,876	
	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	
	Trans Cost	$ 28,500	$ 28,879	$ 29,137	$ 29,080	$ 28,992	$ 29,406	$ 29,876	$ 29,646	$ 29,766	$ 30,060	$ 30,062	$ 30,200		$353,604
Duncan	Loads: April 08 to March 09	3,860	6,040	6,960	5,940	6,620	5,360	4,020	2,780	4,300	3,900	3,900	3,500	57,180	
	Loads: April 07 to March 08	3,100	5,640	6,660	6,020	6,520	3,720	4,520	3,320	4,520	4,320	4,180	3,260	55,780	
	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	4,765	57,440	
	Trans Cost	$ 16,764	$ 16,869	$ 16,993	$ 17,186	$ 17,301	$ 17,930	$ 17,829	$ 17,741	$ 17,800	$ 17,725	$ 17,735	$ 17,911		$209,785
Graham	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562	
	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454	
	12 Month Rolling Avg	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326	
	Trans Cost	$ 95,824	$ 96,388	$ 96,542	$ 97,955	$ 98,579	$ 99,900	$ 99,562	$ 99,981	$ 100,299	$ 100,571	$ 100,840	$ 101,666		$1,188,106
Mohave 1	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	59,932	1,433,826	
	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	1,504,916	
	12 Month Rolling Avg	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460	
	Trans Cost	$ 446,207	$ 440,222	$ 439,642	$ 443,748	$ 445,044	$ 449,583	$ 457,308	$ 455,594	$ 456,060	$ 454,997	$ 453,763	$ 449,131		$5,391,298
Sulphur Springs 1	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319	
	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	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	148,426	143,207	136,946	132,359	128,536	125,193	123,983	122,027	122,693	123,527	124,443	1,583,465	
	Trans Cost	$ 541,256	$ 527,679	$ 510,170	$ 494,090	$ 479,911	$ 469,527	$ 458,651	$ 456,199	$ 452,200	$ 456,081	$ 461,706	$ 467,767		$5,775,237
Trico	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	
	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	
	12 Month Rolling Avg	110,304	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	
	Trans Cost	$ 392,461	$ 396,604	$ 402,775	$ 403,699	$ 408,400	$ 411,823	$ 414,955	$ 418,340	$ 420,550	$ 421,091	$ 422,320	$ 425,743		$4,938,762
Mohave 2	Loads: April 08 to March 09	-	17,785	37,200	26,423	25,982	7,188	-	-	-	-	-	-	114,578	
	Loads: April 07 to March 08	23,684	-	-	-	2,705	10,314	-	-	-	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	$ 6,610	$ 11,874	$ 22,942	$ 31,179	$ 38,367	$ 37,702	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890		$372,811
Safford	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	14,631	16,902	17,714	19,245	15,398	14,502	8,420	9,696	9,671	9,522	8,157	155,321	
	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	
	Trans Cost	$ 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
Sulphur Springs 2	Loads: April 08 to March 09	-	28,548	-	-	-	-	-	-	-	-	-	-	28,548	
	Loads: April 07 to March 08	-	-	-	-	-	-	-	-	-	11,388	15,639	18,499	45,526	
	12 Month Rolling Avg	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700	
	Trans Cost	$ 13,498	$ 21,945	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942		$235,853
Thatcher	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	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	$ 21,348	$ 21,331	$ 21,375	$ 21,647	$ 21,755	$ 21,917	$ 21,981	$ 22,077	$ 22,234	$ 22,303	$ 22,426	$ 22,553		$262,949
TOTAL Network loads 12 mo. 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	5,286,263	
Total Network Loads: April 07 to March 08		390,207	498,144	579,205	621,022	585,469	550,908	448,217	357,874	389,293	358,374	365,228	327,088	5,471,029	
Total Network Loads: April 08 to March 09		344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736	
TOTAL NETWORK DOLLARS		$ 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	$ 19,299,096

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

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

FERC OPTIONAL ANCILLARY SVCS - AEPCO

		Gen Cap Rate	% Req'd	=	$/kW-mo
Schedule 3	Cost of Reg. & Frequency Response	$11.211	4.21%	=	$0.4720
	SW Gen Step Xfmrs ST 1, ST 2 & ST 3				
Schedule 5	Operating Reserves- Spinning	$14.433	4.94%	=	$0.7130
	SW Gen Step Xfmrs ST 2 & 3			=	
Schedule 6	Operating Reserve- Supplemental	$9.351	4.93%	=	$0.4610
	SW Gen Step Xfmrs GT 1, GT 2			=	

Schedule 4 Energy Imbalance - AEPCO — Energy in kind deviation +/-1.5%

AEPCO pays positive imbalance $23.25

Customer pays negative imbalance $100.00 $/MWh

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

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	Reg Pct
550.62	140.50	410.12	65.00	475.12	20.00	4.21%

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

Southwest Transmission Cooperative, Inc.

ANCILLARY SERVICE SCHEDULE 1 NEW RATE: - Staff Adjusted 0.245

Network Customer	Units		Revenue
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
Total Network Customers	5,134,272	$	1,257,897

Firm Point-to-Point Customers	Units		Revenue
AEPCO	576,000	$	141,120
Sulphur Springs Firm Point to Point	242,756	$	59,475
MW&E Safford Wheeling	120,000	$	29,400
Total for Firm Point-to-Point Customers	938,756	$	229,995
Schedule 1 Revenue Credit		$	1,487,892
Adjustment for Other System Control & Load Dispatch		$	70,639
Total Schedule 1 Revenue Credit		$	1,558,531

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

DMK SCH. H-1

LINE NO.	CLASS OF SERVICE	REVENUES IN TEST YEAR (a)		PROPOSED INCREASE (b)	
		PRESENT	PROPOSED	AMOUNT	PERCENT
1.	NETWORK SERVICES	$22,328,219	$29,749,860	$7,421,642	33.24%
2	POINT-TO-POINT SERVICES	$3,484,662	$3,711,841	$227,180	6.52%
3.	TOTAL COMPANY	$25,812,880	$33,461,702	$7,648,822	29.63%

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

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

LINE NO.	CLASS OF SERVICE	CUSTOMERS	kW CONSUMPTION PRESENT	kW CONSUMPTION PROPOSED	REVENUE PRESENT	REVENUE PROPOSED	PROPOSED INCREASE AMOUNT	PROPOSED INCREASE PERCENT
		(a)	(a)	(a)	(a)	(a)	(a)	(a)
	Class A MEMBER CONTRACTS:							
1.	ANZA	1	96,826	96,826	$ 381,467	$ 517,735	$ 136,268	35.72%
2.	DUNCAN	1	57,440	57,440	226,310	307,156	80,846	35.72%
3.	GRAHAM	1	325,326	325,326	1,281,904	1,739,737	457,833	35.72%
4.	MOHAVE	1	1,476,460	1,476,460	5,805,674	7,884,908	2,079,233	35.81%
5.	MOHAVE 2	1	101,604	101,604	405,924	527,760	121,835	30.01%
6.	SULPHUR	1	1,583,465	1,583,465	6,206,806	8,435,987	2,229,180	35.92%
7.	SULPHER 2	1	64,700	64,700	244,103	336,567	92,464	37.88%
8.	TRICO	1	1,352,169	1,352,169	6,876,877	8,779,573	1,902,696	27.67%
9	Class A TOTAL MEMBER CONTRACTS:	8	5,057,990	5,057,990	$ 21,429,067	$ 28,529,422	$ 7,100,356	33.13%
	OTHER FIRM NETWORK CONTRACTS:							
1.	SAFFORD	1	156,273	156,273	615,395	835,362	219,967	35.74%
2.	THATCHER	1	72,000	72,000	283,757	385,077	101,319	35.71%
3.	TOTAL FIRM CONTRACTS:	2	228,273	228,273	$ 899,152	$ 1,220,438	$ 321,286	35.73%
4.	TOTAL COMPANY	10	5,286,263	5,286,263	$ 22,328,219	$ 29,749,860	$ 7,421,642	33.24%

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

RECAP SCHEDULES:
(b) H-1

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

ANZA

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
		0.39737												
	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	5,592	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	5,592	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	$ 28,500	$ 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	1,651	2,164	3,066	3,007	2,875	2,799	1,980	1,557	2,561	2,339	2,044	1,822	27,863
11.	Total	$ 30,150	$ 31,043	$ 32,203	$ 32,087	$ 31,867	$ 32,204	$ 31,857	$ 31,203	$ 32,326	$ 32,399	$ 32,106	$ 32,022	$ 381,467
12.	Average Cost ($/KW)	$ 4.661	$ 5.062	$ 3.241	$ 2.712	$ 2.974	$ 3.564	$ 5.697	$ 4.754	$ 3.531	$ 4.355	$ 4.227	$ 4.997	$ 3.938
	PROPOSED REVENUE:													
13.	Network Services	$ 39,824	$ 40,354	$ 40,716	$ 40,635	$ 40,513	$ 41,090	$ 41,748	$ 41,426	$ 41,594	$ 42,005	$ 42,008	$ 42,201	$ 494,114
14.	Scheduling & Ld. Control	1,399	1,835	2,599	2,549	2,437	2,373	1,679	1,320	2,171	1,983	1,732	1,544	23,621
15.	Total	$ 41,224	$ 42,188	$ 43,315	$ 43,184	$ 42,950	$ 43,463	$ 43,427	$ 42,746	$ 43,764	$ 43,988	$ 43,741	$ 43,745	$ 517,735
16.	Average Cost ($/KWH)	$ 6.373	$ 6.880	$ 4.359	$ 3.650	$ 4.008	$ 4.810	$ 7.766	$ 6.512	$ 4.780	$ 5.912	$ 5.758	$ 6.827	$ 5.344
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 11,073	$ 11,146	$ 11,111	$ 11,098	$ 11,083	$ 11,259	$ 11,570	$ 11,543	$ 11,438	$ 11,589	$ 11,635	$ 11,723	$ 136,268
18.	PERCENT INC.	36.73%	35.91%	34.50%	34.59%	34.78%	34.96%	36.32%	36.99%	35.38%	35.77%	36.24%	36.61%	35.72%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

DUNCAN VALLEY

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requiremer	$ 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 Requiremer	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	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	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	4,320	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	4,765	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	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	4,320	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	4,765	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	$ 17,725	$ 17,735	$ 17,911	$ 209,785
10.	Scheduling & Ld. Control	1,116	1,746	2,011	1,717	1,913	1,549	1,162	803	1,243	1,127	1,127	1,012	16,525
11.	Total	$ 17,880	$ 18,615	$ 19,004	$ 18,902	$ 19,214	$ 19,479	$ 18,991	$ 18,545	$ 19,043	$ 18,852	$ 18,863	$ 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	$ 4.364	$ 4.513	$ 5.804	$ 4.057
	PROPOSED REVENUE:													
13.	Network Services	$ 23,426	$ 23,572	$ 23,745	$ 24,015	$ 24,176	$ 25,054	$ 24,914	$ 24,791	$ 24,873	$ 24,768	$ 24,783	$ 25,028	$ 293,146
14.	Scheduling & Ld. Control	946	1,480	1,705	1,455	1,622	1,313	985	681	1,054	956	956	858	14,009
15.	Total	$ 24,371	$ 25,052	$ 25,451	$ 25,470	$ 25,798	$ 26,367	$ 25,899	$ 25,472	$ 25,927	$ 25,724	$ 25,738	$ 25,886	$ 307,156
16.	Average Cost ($/KWH)	$ 7.862	$ 4.442	$ 3.821	$ 4.231	$ 3.957	$ 7.088	$ 5.730	$ 7.672	$ 5.736	$ 5.955	$ 6.158	$ 7.940	$ 5.507
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 6,492	$ 6,438	$ 6,446	$ 6,568	$ 6,584	$ 6,889	$ 6,908	$ 6,928	$ 6,884	$ 6,872	$ 6,876	$ 6,963	$ 80,846
18.	PERCENT INC.	36.31%	34.58%	33.92%	34.75%	34.26%	35.37%	36.37%	37.36%	36.15%	36.45%	36.45%	36.80%	35.72%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

GRAHAM COUNTY ELECTRIC

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	PRESENT:													
3.	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562
4.	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454
5.	12 Month Rolling Avg.	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326
	PROPOSED:													
6.	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562
7.	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454
8.	12 Month Rolling Avg.	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326
	PRESENT REVENUE :													
9.	Network Services	$ 95,824	$ 96,388	$ 96,542	$ 97,955	$ 98,579	$ 99,900	$ 99,562	$ 99,981	$ 100,299	$ 100,571	$ 100,840	$ 101,666	$ 1,188,106
10.	Scheduling & Ld. Control	6,059	9,107	11,546	11,481	10,689	9,324	7,222	5,331	5,966	5,778	5,438	5,858	93,798
11.	Total	$ 101,883	$ 105,495	$ 108,088	$ 109,436	$ 109,268	$ 109,224	$ 106,783	$ 105,312	$ 106,264	$ 106,348	$ 106,278	$ 107,524	$ 1,281,904
12.	Average Cost ($/KW)	$ 4.798	$ 3.594	$ 2.696	$ 2.797	$ 2.991	$ 3.600	$ 3.947	$ 5.693	$ 4.848	$ 5.286	$ 5.386	$ 5.526	$ 3.963
	PROPOSED REVENUE:													
13.	Network Services	$ 133,901	$ 134,690	$ 134,905	$ 136,879	$ 137,751	$ 139,597	$ 139,124	$ 139,710	$ 140,154	$ 140,534	$ 140,910	$ 142,064	$ 1,660,220
14.	Scheduling & Ld. Control	5,137	7,720	9,788	9,733	9,062	7,904	6,122	4,520	5,057	4,898	4,610	4,966	79,518
15.	Total	$ 139,038	$ 142,410	$ 144,693	$ 146,612	$ 146,813	$ 147,501	$ 145,246	$ 144,229	$ 145,212	$ 145,432	$ 145,521	$ 147,031	$ 1,739,737
16.	Average Cost ($/KWH)	$ 6.548	$ 4.852	$ 3.608	$ 3.747	$ 4.019	$ 4.861	$ 5.369	$ 7.797	$ 6.625	$ 7.229	$ 7.375	$ 7.556	$ 5.379
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 37,155	$ 36,915	$ 36,605	$ 37,176	$ 37,545	$ 38,277	$ 38,463	$ 38,917	$ 38,947	$ 39,084	$ 39,242	$ 39,507	$ 457,833
18.	PERCENT INC.	36.47%	34.99%	33.87%	33.97%	34.36%	35.04%	36.02%	36.95%	36.65%	36.75%	36.92%	36.74%	35.72%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

MOHAVE ELECTRIC 1

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	PRESENT:													
3.	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	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	1,504,916
5.	12 Month Rolling Avg.	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460
	PROPOSED:													
6.	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	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	1,504,916
8.	12 Month Rolling Avg.	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	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	$ 5,391,298
10.	Scheduling & Ld. Control	31,507	40,320	43,210	48,701	48,990	46,389	39,858	27,433	24,508	23,627	22,510	17,320	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	$ 466,452	$ 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	$ 3.858
	PROPOSED REVENUE:													
13.	Network Services	$ 623,514	$ 615,151	$ 614,341	$ 620,079	$ 621,890	$ 628,232	$ 639,027	$ 636,631	$ 637,283	$ 635,797	$ 634,073	$ 627,601	$ 7,533,620
14.	Scheduling & Ld. Control	26,710	34,181	36,631	41,286	41,531	39,326	33,790	23,256	20,777	20,030	19,083	14,683	351,287
15.	Total	$ 650,225	$ 649,333	$ 650,973	$ 661,365	$ 663,421	$ 667,558	$ 672,817	$ 659,888	$ 658,060	$ 655,828	$ 653,157	$ 642,284	$ 7,884,908
16.	Average Cost ($/KWH)	$ 5.964	$ 4.096	$ 4.213	$ 3.812	$ 3.846	$ 4.265	$ 5.755	$ 6.166	$ 7.015	$ 7.307	$ 7.266	$ 7.745	$ 5.239
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 172,511	$ 168,791	$ 168,120	$ 168,916	$ 169,387	$ 171,586	$ 175,651	$ 176,861	$ 177,492	$ 177,203	$ 176,883	$ 175,833	$ 2,079,233
18.	PERCENT INC.	36.11%	35.13%	34.82%	34.30%	34.29%	34.60%	35.33%	36.62%	36.93%	37.02%	37.14%	37.70%	35.81%

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

MOHAVE ELECTRIC 2

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	MEC Network Service 2 Rev. Req	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 2,155,588	$ 25,867,053
	PRESENT:													
3.	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578
4.	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	0	0	0	1,755	5,281	2,240	45,979
5.	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
	PROPOSED:													
6.	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578
7.	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	0	0	0	1,755	5,281	2,240	45,979
8.	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
	PRESENT REVENUE :													
9.	Network Services	$ 6,610	$ 11,874	$ 22,942	$ 31,179	$ 38,367	$ 37,702	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890	$ 372,811
10.	Scheduling & Ld. Control	-	5,140	10,751	7,636	7,509	2,077	-	-	-	-	-	-	33,113
11.	Total	$ 6,610	$ 17,014	$ 33,693	$ 38,816	$ 45,876	$ 39,779	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890	$ 405,924
12.	Average Cost ($/KW)	$ 0.279	$ 0.00	$ 0.00	$ 0.00	$ 16.960	$ 3.857	0	0	0	$ 21.551	$ 6.890	$ 16.022	$ 8.828
	PROPOSED REVENUE:													
13.	Network Services	$ 8,860	$ 15,915	$ 30,750	$ 41,790	$ 51,425	$ 50,533	$ 50,681	$ 50,902	$ 51,264	$ 50,695	$ 48,769	$ 48,105	$ 499,688
14.	Scheduling & Ld. Control	-	4,357	9,114	6,474	6,366	1,761	-	-	-	-	-	-	28,072
15.	Total	$ 8,860	$ 20,273	$ 39,864	$ 48,264	$ 57,790	$ 52,294	$ 50,681	$ 50,902	$ 51,264	$ 50,695	$ 48,769	$ 48,105	$ 527,760
16.	Average Cost ($/KWH)	$ 0.374	$ -	$ -	$ -	$ 21.364	$ 5.070	$ -	$ -	$ -	$ 28.886	$ 9.235	$ 21.475	$ 11.478
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 2,250	$ 3,259	$ 6,171	$ 9,448	$ 11,914	$ 12,515	$ 12,868	$ 12,925	$ 13,017	$ 12,872	$ 12,383	$ 12,214	$ 121,835
18.	PERCENT INC.	34.03%	19.15%	18.32%	24.34%	25.97%	31.46%	34.03%	34.03%	34.03%	34.03%	34.03%	34.03%	30.01%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

SULPHUR SPRINGS VALLEY 1

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	PRESENT:													
3.	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319
4.	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	184,378	178,211	161,454	123,855	152,809	120,700	124,451	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	1,583,465
	PROPOSED:													
6.	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319
7.	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	184,378	178,211	161,454	123,855	152,809	120,700	124,451	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	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	$ 5,775,237
10.	Scheduling & Ld. Control	29,708	34,777	38,823	37,089	37,378	38,245	35,066	31,598	37,378	37,194	38,856	35,460	431,569
11.	Total	$ 570,964	$ 562,455	$ 548,992	$ 531,179	$ 517,289	$ 507,772	$ 493,717	$ 487,797	$ 489,577	$ 493,275	$ 500,562	$ 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	$ 3.364
	PROPOSED REVENUE:													
13.	Network Services	$ 756,334	$ 737,361	$ 712,894	$ 690,426	$ 670,612	$ 656,102	$ 640,904	$ 637,478	$ 631,889	$ 637,312	$ 645,172	$ 653,642	$ 8,070,123
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	365,863
15.	Total	$ 781,519	$ 766,842	$ 745,806	$ 721,867	$ 702,299	$ 688,523	$ 670,631	$ 664,264	$ 663,575	$ 668,844	$ 678,113	$ 683,703	$ 8,435,987
16.	Average Cost ($/KWH)	$ 6.392	$ 4.656	$ 3.786	$ 3.548	$ 3.809	$ 3.864	$ 4.154	$ 5.363	$ 4.343	$ 5.541	$ 5.449	$ 6.121	$ 4.572
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 210,554	$ 204,387	$ 196,814	$ 190,688	$ 185,010	$ 180,752	$ 176,914	$ 176,468	$ 173,998	$ 175,569	$ 177,551	$ 180,476	$ 2,229,180
18.	PERCENT INC.	36.88%	36.34%	35.85%	35.90%	35.77%	35.60%	35.83%	36.18%	35.54%	35.59%	35.47%	35.86%	35.92%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

SULPHUR SPRINGS VALLEY 2

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	PRESENT:													
3.	Loads: April 08 to March 09	0	28,548	0	0	0	0	0	0	0	0	0	0	28,548
4.	Loads: April 07 to March 08	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526
5.	12 Month Rolling Avg.	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700
	PROPOSED:													
6.	Loads: April 08 to March 09	0	28,548	0	0	0	0	0	0	0	0	0	0	28,548
7.	Loads: April 07 to March 08	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526
8.	12 Month Rolling Avg.	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700
	PRESENT REVENUE :													
9.	Network Services	$ 13,498	$ 21,945	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942	$ 235,853
10.	Scheduling & Ld. Control	-	8,250	-	-	-	-	-	-	-	-	-	-	8,250
11.	Total	$ 13,498	$ 30,196	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942	$ 244,103
12.	Average Cost ($/KW)	-	-	-	-	-	-	-	-	-	$ 1.705	$ 0.937	$ 0.483	$ 5.362
	PROPOSED REVENUE:													
13.	Network Services	$ 18,862	$ 30,666	$ 30,729	$ 31,121	$ 31,275	$ 31,509	$ 31,601	$ 31,739	$ 31,965	$ 27,134	$ 20,477	$ 12,496	$ 329,573
14.	Scheduling & Ld. Control	-	6,994	-	-	-	-	-	-	-	-	-	-	6,994
15.	Total	$ 18,862	$ 37,660	$ 30,729	$ 31,121	$ 31,275	$ 31,509	$ 31,601	$ 31,739	$ 31,965	$ 27,134	$ 20,477	$ 12,496	$ 336,567
16.	Average Cost ($/KWH)	-	-	-	-	-	-	-	-	-	$ 2.383	$ 1.309	$ 0.675	$ 7.393
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 5,364	$ 7,464	$ 8,738	$ 8,850	$ 8,894	$ 8,960	$ 8,986	$ 9,025	$ 9,090	$ 7,716	$ 5,823	$ 3,553	$ 92,464
18.	PERCENT INC.	39.74%	24.72%	39.74%	39.74%	39.74%	39.74%	39.74%	39.74%	39.74%	39.74%	39.74%	39.74%	37.88%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

TRICO ELECTRIC

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	PRESENT:													
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.	110,304	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
	PROPOSED:													
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.	110,304	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
	PRESENT REVENUE :													
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	414,955	418,340	420,550	421,091	422,320	425,743	4,938,762
11.	Scheduling & Ld. Control	24,766	36,372	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	$ 561,752	$ 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
	PROPOSED REVENUE:													
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	548,413	554,202	562,825	564,115	570,685	575,468	579,844	584,574	587,663	588,418	590,135	594,919	6,901,261
16.	Scheduling & Ld. Control	20,995	30,834	40,302	36,691	38,111	34,534	28,477	22,419	22,098	20,850	19,837	17,845	332,994
17.	Total	$ 698,184	$ 713,812	$ 731,903	$ 729,583	$ 737,573	$ 738,779	$ 737,098	$ 735,769	$ 738,537	$ 738,045	$ 738,749	$ 741,540	$ 8,779,573
18.	Average Cost ($/KWH)	$ 7.869	$ 6.442	$ 4.997	$ 4.455	$ 5.030	$ 5.287	$ 6.706	$ 8.519	$ 7.968	$ 8.428	$ 8.747	$ 10.663	$ 6.618
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 152,181	$ 152,060	$ 152,812	$ 153,827	$ 155,440	$ 157,443	$ 159,775	$ 162,208	$ 163,144	$ 163,583	$ 164,253	$ 165,971	$ 1,902,696
20.	PERCENT INC.	27.87%	27.07%	26.39%	26.72%	26.70%	27.08%	27.68%	28.28%	28.35%	28.48%	28.59%	28.84%	27.67%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

Safford

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	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	$ 3.059	$ 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	$ 63,984	$ 64,931	$ 65,244	$ 66,239	$ 66,412	$ 66,964	$ 66,610	$ 67,060	$ 67,390	$ 67,337	$ 67,585	$ 67,708	$ 797,463
14.	Scheduling & Ld. Control	2,590	4,175	4,247	4,435	4,625	3,805	3,237	2,154	2,292	2,221	2,264	1,853	37,898
15.	Total	$ 66,574	$ 69,106	$ 69,491	$ 70,673	$ 71,037	$ 70,769	$ 69,847	$ 69,214	$ 69,682	$ 69,558	$ 69,849	$ 69,561	$ 835,362
16.	Average Cost ($/KWH)	$ 5.808	$ 4.723	$ 4.111	$ 3.990	$ 3.691	$ 4.596	$ 4.816	$ 8.220	$ 7.187	$ 7.192	$ 7.336	$ 8.528	$ 5.378
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 17,730	$ 17,714	$ 17,791	$ 18,040	$ 18,055	$ 18,359	$ 18,360	$ 18,683	$ 18,752	$ 18,750	$ 18,812	$ 18,921	$ 219,967
18.	PERCENT INC.	36.30%	34.47%	34.41%	34.27%	34.08%	35.03%	35.66%	36.97%	36.82%	36.90%	36.86%	37.36%	35.74%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

Thatcher

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	PRESENT:													
3.	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000
4.	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	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	72,000
	PROPOSED:													
6.	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000
7.	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	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	72,000
	PRESENT REVENUE :													
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	$ 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	20,808
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	$ 283,757
12.	Average Cost ($/KW)	$ 4.559	$ 3.336	$ 3.343	$ 3.381	$ 3.397	$ 3.420	$ 3.429	$ 4.704	$ 4.736	$ 4.750	$ 4.774	$ 4.800	$ 3.941
	PROPOSED REVENUE:													
13.	Network Services	$ 29,831	$ 29,807	$ 29,868	$ 30,249	$ 30,400	$ 30,626	$ 30,716	$ 30,850	$ 31,070	$ 31,166	$ 31,338	$ 31,515	$ 367,437
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	17,640
15.	Total	$ 31,056	$ 31,522	$ 31,583	$ 31,964	$ 32,115	$ 32,341	$ 32,431	$ 32,075	$ 32,295	$ 32,391	$ 32,563	$ 32,740	$ 385,077
16.	Average Cost ($/KWH)	$ 6.211	$ 4.503	$ 4.512	$ 4.566	$ 4.588	$ 4.620	$ 4.633	$ 6.415	$ 6.459	$ 6.478	$ 6.513	$ 6.548	$ 5.348
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 8,263	$ 8,168	$ 8,186	$ 8,294	$ 8,337	$ 8,401	$ 8,427	$ 8,553	$ 8,615	$ 8,643	$ 8,691	$ 8,742	$ 101,319
18.	PERCENT INC.	36.25%	34.98%	34.98%	35.04%	35.06%	35.09%	35.10%	36.36%	36.38%	36.39%	36.41%	36.43%	35.71%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

CLASS A MEMBER RATES

LINE NO.		APR	MAY	JUN	JUL	AUG 2008	SEP	OCT	NOV	DEC	JAN	FEB 2009	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	PRESENT:													
3.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
4.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PROPOSED:													
6.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
7.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PRESENT REVENUE :													
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	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	1,483,805
12.	Total	$ 1,836,341	$ 1,881,857	$ 1,901,014	$ 1,897,199	$ 1,898,822	$ 1,884,665	$ 1,861,755	$ 1,834,188	$ 1,838,904	$ 1,835,760	$ 1,834,525	$ 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	$ 4.720	$ 5.132	$ 5.016	$ 5.572	$ 4.081
	PROPOSED REVENUE:													
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	2,246,949	2,246,649	2,246,017	2,245,547	2,245,137	2,245,175	2,245,169	2,245,160	2,245,144	2,245,168	2,245,250	2,245,279	26,946,646
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	1,257,897
17.	Total	$ 2,459,913	$ 2,498,199	$ 2,513,807	$ 2,510,103	$ 2,511,070	$ 2,499,106	$ 2,479,677	$ 2,456,299	$ 2,460,281	$ 2,457,639	$ 2,456,675	$ 2,447,091	$ 29,749,860
18.	Average Cost ($/KWH)	$ 6.292	$ 5.029	$ 4.345	$ 4.033	$ 4.283	$ 4.542	$ 5.548	$ 6.841	$ 6.315	$ 6.870	$ 6.717	$ 7.479	$ 5.437
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 623,572	579,736	$ 612,794	$ 612,905	$ 612,247	$ 614,441	$ 617,923	$ 622,110	$ 621,377	$ 621,880	$ 622,150	$ 623,904	$ 7,421,642
20.	PERCENT INC.	33.96%	30.81%	32.24%	32.31%	32.24%	32.60%	33.19%	33.92%	33.79%	33.88%	33.91%	34.22%	33.24%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

Total For Network Tariff

LINE NO.		APR	MAY	JUN	JUL	AUG (2008)	SEP	OCT	NOV	DEC	JAN	FEB (2009)	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 2,247,326	$ 26,967,912
	PRESENT:													
3.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
4.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PROPOSED:													
6.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
7.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PRESENT REVENUE :													
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	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	1,483,805
12.	Total	$ 1,836,341	$ 1,881,857	$ 1,901,014	$ 1,897,199	$ 1,898,822	$ 1,884,665	$ 1,861,755	$ 1,834,188	$ 1,838,904	$ 1,835,760	$ 1,834,525	$ 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	$ 4.720	$ 5.132	$ 5.016	$ 5.572	$ 4.081
	PROPOSED REVENUE:													
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	2,246,949	2,246,649	2,246,017	2,245,547	2,245,137	2,245,175	2,245,169	2,245,160	2,245,144	2,245,168	2,245,250	2,245,279	26,946,646
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	1,257,897
17.	Total	$ 2,459,913	$ 2,498,199	$ 2,513,807	$ 2,510,103	$ 2,511,070	$ 2,499,106	$ 2,479,677	$ 2,456,299	$ 2,460,281	$ 2,457,639	$ 2,456,675	$ 2,447,091	$ 29,749,860
18.	Average Cost ($/KWH)	$ 6.292	$ 5.029	$ 4.345	$ 4.033	$ 4.283	$ 4.542	$ 5.548	$ 6.841	$ 6.315	$ 6.870	$ 6.717	$ 7.479	$ 5.437
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 623,572	$ 616,341	$ 612,794	$ 612,905	$ 612,247	$ 614,441	$ 617,923	$ 622,110	$ 621,377	$ 621,880	$ 622,150	$ 623,904	7,421,642
20.	PERCENT INC.	33.96%	32.75%	32.24%	32.31%	32.24%	32.60%	33.19%	33.92%	33.79%	33.88%	33.91%	34.22%	33.24%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

AVERAGE COST-CLASS A MEMBERS

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	AVG COST ($/kW) - PRESENT RATES													
1.	AEC	$ 4.661	$ 5.062	$ 3.241	$ 2.712	$ 2.974	$ 3.564	$ 5.697	$ 4.754	$ 3.531	$ 4.355	$ 4.227	$ 4.997	$ 3.938
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	3.600	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	0.279	$ 0.00	$ 0.00	$ 0.00	16.960	3.857	0	0	0	21.551	6.890	16.022	8.828
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	-	-	-	-	-	-	-	-	-	1.705	0.937	0.483	5.362
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.	AEC	$ 6.373	$ 6.880	$ 4.359	$ 3.650	$ 4.008	$ 4.810	$ 7.766	$ 6.512	$ 4.780	$ 5.912	$ 5.758	$ 6.827	$ 5.344
9.	DVEC	7.862	4.442	3.821	4.231	3.957	7.088	5.730	7.672	5.736	5.955	6.158	7.940	5.507
10.	GCEC	6.548	4.852	3.608	3.747	4.019	4.861	5.369	7.797	6.625	7.229	7.375	7.556	5.379
11.	MEC	5.964	4.096	4.213	3.812	3.846	4.265	5.755	6.166	7.015	7.307	7.266	7.745	5.239
	MEC2	0.374	0.000	0.000	0.000	21.364	5.070	0.000	0.000	0.000	28.886	9.235	21.475	11.478
12.	SSVEC	6.392	4.656	3.786	3.548	3.809	3.864	4.154	5.363	4.343	5.541	5.449	6.121	4.572
	SSVEC2	-	-	-	-	-	-	-	-	-	2.383	1.309	0.675	7.393
13.	TEC	7.869	6.442	4.997	4.455	5.030	5.287	6.706	8.519	7.968	8.428	8.747	10.663	6.618
14.	CLASS A MEMBER AVG.	$ 6.292	$ 5.029	$ 4.345	$ 4.033	$ 4.283	$ 4.542	$ 5.548	$ 6.841	$ 6.315	$ 6.870	$ 6.717	$ 7.479	$ 5.437

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

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

AEPCO Bundled Sales

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO	Firm Pt to Pt - Serv	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	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	
	Firm Pt to Pt - Serv	$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
Sulphur Springs Firm Point to Point	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	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	
	Total Dollars P/P	$0	$0	$201,769	$161,750	$185,677	$43,356	$77,586	$60,471	$68,340	$15,763	$0	$16,242	$ 830,954
MW&E Safford wheeling	Loads	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	
	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	$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	$ 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	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	$ 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	$ 3,484,662

POINT TO POINT TRANSMISSION SERVICES-PROPOSED RATES

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO	Firm Pt to Pt - Agrmnts k\	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	
	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	$ 2,136,384
Sulphur Springs Firm Point to Point	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242,756
	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	
	Total Dollars P/P	$0	$0	$218,627	$175,265	$201,191	$46,978	$84,068	$65,523	$74,050	$17,080	$0	$17,599	$ 900,382
MW&E Safford wheeling	Loads	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	
	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	$445,080
	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	$ 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	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	$ 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	$ 3,711,841

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

TOTAL FOR POINT-TO-POINT TARIFF

POINT-TO-POINT TARIFF-PRESENT RATES

	APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 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	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	$ 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	$ 3,484,662

POINT-TO-POINT TARIFF-PROPOSED RATES

	APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 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	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	$ 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	$ 3,711,841

BEFORE THE ARIZONA CORPORATION COMMISSION

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

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-09-0496

SURREBUTTAL

TESTIMONY

OF

RALPH C. SMITH

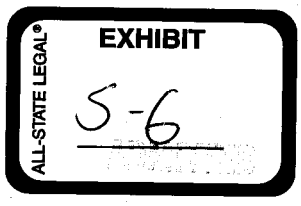
(CONSULTANT)

ON BEHALF OF THE STAFF OF THE

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 18, 2010



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A. Background and Qualifications 1
B. Purpose of Testimony 1
C. Content of Attachments to Testimony 1

II. GAIN ON SALE OF UTILITY PROPERTY 2

ATTACHMENTS

Copies of selected SWTC responses to discovery and other documents that are referenced in the surrebuttal testimony RCS-4

EXECUTIVE SUMMARY
SOUTHWEST TRANSMISSION COOPERATIVE, INC.
DOCKET NO. E-04100A-09-0496

My testimony and Attachment RCS-4 address the one issue from my direct testimony that was disputed in SWTC's rebuttal testimony – the ratemaking treatment of a gain that SWTC realized on the sale of a 69 kV line. In view of SWTC's rebuttal testimony and the additional explanations provided by SWTC in response to Staff data request STF 7.1 (see Attachment RCS-4), I have accepted the Cooperative's proposed treatment of this gain. This increases the amount of Staff's recommended revenue requirement for SWTC by approximately $73,000 above the amount stated in my direct testimony.

I. INTRODUCTION

A. Background and Qualifications

Q. Please state your name, position and business address.

A. Ralph C. Smith. I am a Senior Regulatory Consultant at Larkin & Associates, PLLC, 15728 Farmington Road, Livonia, Michigan 48154.

B. Purpose of Testimony

Q. What is the purpose of your surrebuttal testimony?

A. My testimony and Attachment RCS-4 address one issue that was disputed in SWTC's rebuttal testimony – the ratemaking treatment of a gain that SWTC realized on the sale of a 69 kV line.

C. Content of Attachments to Testimony

Q. Have you attached any exhibits to be filed with your surrebuttal testimony?

A. Yes. I am attaching Attachment RCS-4.

Q. What is shown in that attachment?

A. Attachment RCS-4 presents a copy of SWTC's response to data request STF 7.1, which is referenced in my testimony.

II. GAIN ON SALE OF UTILITY PROPERTY

Q. Did SWTC recently sell some of its utility property?

A. Yes. As described in the response to data request STF 2.54:

> *In 2005, SWTC sold 5.7 miles of the Davis-Rivera 69 kV line to Mohave Electric Cooperative for a little less than $643,000. SWTC recorded a gain on its books in 2005 of $243,000. In 2009, SWTC sold the remaining 3.2 miles of the Davis-Rivera 69 kV line to Mohave Electric Cooperative for $370,000 and recorded a gain on its books in 2009 of about $220,000. Both gains were recorded in the year that the sale was made.*

Q. How did you treat the gain on the sale of this utility property in your direct testimony?

A. In my direct testimony, I normalized the amount of gain over a three-year period as a reduction to SWTC's revenue requirement. Three years is the same period that SWTC proposes using for normalizing its proposed allowance for rate case costs in the current case. As shown on Attachment RCS-2, Schedule C-5, which was attached to my direct testimony, normalization of the gain over the recommended three-year period increased SWTC's net income by $73,300, and reduced SWTC's revenue requirement by a similar amount.

Q. Did SWTC take exception to this ratemaking treatment?

A. Yes. In SWTC's rebuttal testimony, the Cooperative accepted all of my recommendations with the sole exception of the treatment of the gain on sale of utility property. With respect to that gain, SWTC claimed that the gain had already been flowed through to its Class A members.[1]

[1] See, e.g., Rebuttal Testimony of SWTC witness Gary Pierson at page 2.

Q. Did you obtain additional information from SWTC concerning this issue?

A. Yes. SWTC provided additional information in response to Staff data request STF 7.1.[2]

Q. At this time are you revising your recommended ratemaking treatment for that gain?

A. Yes. In view of the Cooperative's rebuttal on this issue and the additional explanations provided by SWTC in response to Staff data request STF 7.1, I have accepted the Cooperative's proposed ratemaking treatment of this gain. This increases the amount of Staff's recommended revenue requirement for SWTC by approximately $73,000 above the amount stated in my direct testimony.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

[2] A copy of that response is included in Attachment RCS-4, attached to my surrebuttal testimony.

Southwest Transmission Cooperative, Inc.
Docket No. E-01400A-09-0496
Attachment RCS-4
Copies of SWTC's Responses to Data Requests
and Documents Referenced in the Surrebuttal Testimony of
Ralph C. Smith

Data Request/ Document	Subject	Confidential	No. of Pages	Page No.
STF 7.1	SWTC's explanation of the treatment of the gain on the sale of the 69 kV line to Mohave Electric Cooperative	No	3	2 - 4
	Total Pages Including this Page		4	

SOUTHWEST TRANSMISSION COOPERATIVE, INC.
RESPONSES TO SEVENTH SET OF DATA REQUESTS OF ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-04100A-09-0496
August 12, 2010

Sale of Property

STF 7.1 Refer to the Rebuttal Testimony of SWTC witness Gary Pierson at page 2.

a. Please show exactly how the gain on the sale of the 69 kV line was flowed through to SWTC's Class A members and indicate exactly when this was flowed through. Provide the related supporting documentation and workpapers.

b. Please explain fully why the 69 kV line was sold to Mohave Electric and why the sale occurred in two pieces, 5.7 miles in 2005 and the remaining 3.2 miles in 2009.

c. Has SWTC had any sales of property in 2010? If so, please identify each such sale and provide the related details showing the gain or loss.

d. Did SWTC have any sales of property during the rate effective period? If not, explain fully why not. If so, please identify which property SWTC is holding for sale and the approximate cost basis and market value of each such property.

e. Does SWTC intend to sell the two parcels of land in Oro Valley that were purchased in 1999? If not, explain fully why not. If so, please identify SWTC's plans for disposing of that land.

Respondent: Gary Pierson, Manager of Financial Services; James C. Burson, Senior Vice President and Chief Operating Officer; and Melanie Pearce, Director of Financial Operations

Response: a. Attached is a copy of the SAP entry showing the posting of the gain on the sale to Mohave. As described in the response to STF 2.54, the approximate $220,000 gain on the sale of the 69 kV line was posted November 30, 2009 to RUS USOA Account No. 411.6, Gains from Disposition of Plant (SAP Acct. 61350500). It shows up on SWTC's Statement of Operations as a credit to Other Deductions and is, therefore, a part of the operating margins for SWTC. There is no workpaper associated with the entry. The gain amount was simply booked to the RUS and SAP accounts as indicated. Pursuant to SWTC's by-laws, all amounts received in excess of operating costs, expenses and prior losses (i.e. margins) are received with the understanding that they are furnished by

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.
RESPONSES TO SEVENTH SET OF DATA REQUESTS OF
ARIZONA CORPORATION COMMISSION STAFF
Docket No. E-04100A-09-0496
August 12, 2010**

the Members as capital. SWTC is required to account for such capital and record such capital to its members as allocated patronage capital. Therefore, gains on the sale of property which either increase margins or reduce losses flow through to the Members. This accounting treatment of such gains is also necessary in order to maintain SWTC's tax exempt status under section 501(c)(12) of the Internal Revenue Code.

b. The 69 kV line in question was built by AEPCO from Davis Bank 10 to MEC's Big Bend Substation as an interim measure to serve the growing MEC load prior to the construction of the Davis to Riviera 230 kV line and Riviera 230/69 kV Substation. The line termination was subsequently moved from Big Bend to the Riviera 69 kV bus. The line was constructed to meet the MEC retail load growth and no other stakeholders utilize the line. MEC later interconnected the Airport Substation to the line.

In 2004, MEC requested the opportunity to purchase the Riviera to Airport Tap; the sale was finalized in 2005. MEC's long range plans call for additional substations interconnecting this line. At a later date, MEC determined that they should have requested the purchase of the entire section in 2004. The line is embedded within the MEC system and was originally constructed solely for the MEC loads. SWTC does not anticipate serving any other stakeholder from this line. The SWTC Board of Directors agreed to both sales and each was subsequently approved by RUS.

c. SWTC has not had any sales of property in 2010.

d. SWTC does not have any property for sale, nor does it intend to sell any property in the foreseeable future, with the possible exception of the plant held for future use discussed in (e) below.

e. AEPCO/SWTC acquired easements and purchased a parcel of land for a substation in anticipation of the Moore Road to Thornydale project in the early 1990's. The project was abandoned and the land was transferred to plant held for future use in 1999. SWTC subsequently built the Thornydale Substation in 2000 to serve TRICO's growing load in the area. However, the easements and the property remain as SWTC assets. Recently, the SWTC Land Services and Legal Staffs have begun to review options with respect to use or disposal of the properties. The ultimate outcome for the properties is unknown at this time.

Doc.Type : SA (G/L account document) Normal document

Doc. Number [illegible] Company code SWTC Fiscal year 2009
Doc. date 12/04/2009 Posting date [illegible] Period 12
Calculate Tax ☐
Doc.currency USD
Doc.header text Sale to Mohave

Itm	PK	Account	Account short text	Assignment	Tx	Amount	Cost Ctr	Order	Text
1	04	10525	Mohave Electric Coop	20091130		370,000.00			Record Sale of Davis Dam Equipment to Mohave Elect
2	50	6130500	Gains from Dispositi	20091130		219,800.69-	500000		Record Sale of Davis Dam Equipment to Mohave Elect
3	50	1285001	Acc Depr-Eqt Ret	20091130		150,199.31-			Record Sale of Davis Dam Equipment to Mohave Elect

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
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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-09-0496

SURREBUTTAL

TESTIMONY

OF

DENNIS M. KALBARCZYK

(CONSULTANT)

ON BEHALF OF THE STAFF OF THE

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 18, 2010

ALL-STATE LEGAL®
EXHIBIT
S-7
ADMITTED

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II. ALLOCATED COST OF SERVICE STUDY AND RATE DESIGN

Q. Please describe SWTC's revised allocated Cost of Service study and proposed rate design proposal.

A. Witness Zarnikau's rebuttal testimony (at pages 2-4) explains that he made revisions to his allocation study for the determination of the discounted rate to MEC for its Second Network Transmission Agreement ("MEC2"). He explained that this unique agreement caused him, in his original cost allocation method, to remove from costs to be allocated to MEC under the MEC2 agreement ***all*** costs associated with the Apache Transformer Replacement and the Bicknell Substation Upgrade. Subsequent to my direct testimony, SWTC advised him that the Apache Transformer and Bicknell Substation constituted ordinary repairs and replacements to facilities previously included in the MEC2 rate base. Accordingly, only a portion of their costs should be considered "new system costs;" *i.e.*, those to be removed from costs allocated to MEC under the MEC2 agreement. I have accepted the changes, as detailed in his rebuttal testimony, and have incorporated them into my updated fully allocated cost of service study and rate design schedules.

Witness Zarnikau's cost allocation study and rate design also incorporates the $34,600,422 of revised revenue requirements advanced by SWTC witness Pierson in his rebuttal testimony.

Q. Describe your understanding of Staff's position with regard to the overall revenue requirement in the instant proceeding.

A. Staff witness Smith's surrebuttal testimony explains that SWTC accepted all of his recommendations with the exception of the treatment of the gain on sale of utility property. He further explains that he has accepted SWTC's proposed ratemaking treatment of this gain, which would increase the amount of Staff's recommended revenue requirement for SWTC over the amount noted in his direct testimony. I have confirmed

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Dennis M. Kalbarczyk. My business address is 910 Piketown Road, Harrisburg, Pennsylvania 17112.

Q. Have you previously submitted testimony in this proceeding?

A. Yes. I previously submitted direct testimony on behalf of the Arizona Corporation Commission ("ACC" or "Commission"), Utilities Division Staff ("Staff"). It addressed my review of the application of Southwest Transmission Cooperative Inc.'s ("Southwest" or "SWTC") for a general rate increase in the proceeding at Docket No. E-04100A-09-0496.

Q. What is the purpose of your surrebuttal testimony?

A. My surrebuttal testimony responds to SWTC witness Zarnikau's rebuttal testimony addressing his fully allocated cost of service and rate design recommendations. His revised fully allocated cost of service study and proposed rate design (JWZ-Schedules G and H): (a) makes small corrections in how costs would be allocated to a discounted rate involving the Mohave Electric Cooperative ("MEC"), and (b) incorporates SWTC's revised overall revenue requirements, which Mr. Pierson's rebuttal testimony provides. I also present my revised fully allocated cost of service study and proposed rate design (DMK- Schedules G and H Surrebuttal). I accept SWTC witness Zarnikau's MEC cost allocation correction, and I incorporate Staff's revised overall revenue requirement, which Staff witness Smith's surrebuttal testimony provides.

with him that adding the $73,300 increase associated with the treatment of this gain to the $35,426,050 of recommend revenue requirement from his direct testimony would produce a revised recommended revenue requirement of $35,499,350; a $7,722,123 increase over the $27,777,227 of operating revenues under present rates.

Thus, my revised fully allocated cost of service study and proposed rate design (DMK-Schedules G and H Surrebuttal) incorporate Staff's revised overall revenue requirement of $35,499,350 as discussed in Staff witness Smith's surrebuttal testimony.

Q. Please summarize SWTC's rebuttal and Staff's surrebuttal revenue requirement positions.

A. The following table summarizes SWTC's and Staff's adjusted current and proposed test year revenues, operating expenses, net income (margins), and overall rates of return under current and proposed rates.

Table I – Cost of Service Summary

	SWTC Rebuttal		Staff Surrebuttal	
Revenues	**Current**	**Proposed**	**Current**	**Proposed**
Network Transmission Service	$22,328,219	$29,019,048	$22,328,219	$29,814,712
Point-to-Point	3,484,662	3,617,027	3,484,662	3,720,290
Total Electric Revenue	$25,812,881	$32,636,075	$25,812,881	$33,535,002
Other Operating Revenue	598,408	598,408	598,408	598,408
Special Contracts & Other	1,365,938	1,365,940	1,365,938	1,365,940
Total Operating Revenue	$27,777,227	$34,600,423	$27,777,227	$35,499,350
Operating Expenses	27,116,831	27,116,831	27,116,831	27,116,831
Operating Income (Margins)	$ 660,396	$ 7,483,591	$ 660,396	$ 8,382,519
Income Taxes	-	-	-	-
Net Income (Margins)	$ 660,396	$ 7,483,591	$ 660,396	$ 8,382,519
Rate Base	$79,146,274	$79,146,274	$79,146,274	$79,146,274
Rate of Return	0.83%	9.46%	0.83%	10.59%

Q. Please summarize SWTC rebuttal and Staff's surrebuttal proposed rate design?

A. The following table summarizes SWTC's rebuttal and Staff's surrebuttal proposed rates to that of current rates, along with the respective percentage increase under said proposals.

Table II- Current and Proposed SWTC/STAFF RATES WITH % INCREASE

		SWTC Rebuttal		STAFF Surrebuttal	
Transmission Services	Current	Proposed	% Inc.	Proposed	% Inc.
Firm Network Service -$Monthly Rev. Req.*	$ 1,608,258	$ 2,187,176	36.00%	$ 2,253,611	40.13%
Firm Network Service -$Annual Rev. Req.*	$19,299,096	$26,246,111	36.00%	$27,043,332	40.13%
Firm Network Service -MohElec 2 $ Monthly Rev.Req.*	$ 1,608,258	$ 2,056,562	27.88%	$ 2,116,280	31.59%
Firm Network Service - Moh Elec 2 $ Annual Rev.Req.*	$19,299,096	$24,678,748	27.88%	$25,395,356	31.59%
Firm Point-to-Point Transmission ($/kW)	$ 3.423	$ 3.608	5.40%	$ 3.718	8.62%
Non-Firm Point-to-Point Transmission $/kW)	$ 3.423	$ 3.608	5.40%	$ 3.718	8.62%
Mandatory Ancillary Services:					
Sch. 1- Sys Control & Load Dispatch - ($/kW)	$ 0.289	$ 0.245	-15.22%	$ 0.245	-15.22%
Sch. 2- Network Var Support/Voltage Control-($/kW)	$ 0.120	$ 0.067	-44.39%	$ 0.075	-37.71%
Sch.2- Point-to-Point VarSupport/VoltageContrl-($/kW)	$ 0.094	$ 0.049	-47.45%	$ 0.055	-41.14%
FERC Optional Ancillary Services – AEPCO					
Sch. 3- Network - Req. & Freq. Resp ($/kW)	$ 0.4720	$ 0.5325	12.82%	$ 0.5474	15.98%
Sch. 4- Network - Eng Imbalance - +/-1.5% ($/MW)	$ 23.25	$ 36.68	57.78%	$ 36.68	57.78%
Sch. 5- Network - Oper. Reserves - Spinning ($/kW)	$ 0.7130	$ 0.7060	-0.98%	$ 0.7258	1.80%
Sch. 6- Network - Oper. Reserve - Supplemental ($/kW)	$ 0.4610	$ 0.4981	8.04%	$ 0.5116	10.98%
Direct Assignment Facilities					
Trico Electric Only - ($/mth)**	$ 128,777	$ 128,777		$ 128,777	

* Memb Rate: $ annual rev req /12 x ratio of Memb's Currnt 12mth avg Load to that of same Sum Total Membs.Load

** Cost Alloc & assoc. charges for transmission construction by distribution cooperative - Trico Only

Q. Please summarize your opinion as to SWTC's above referenced revised fully allocated Cost of Service study and rate design surrebuttal proposal.

A. I have no objection to SWTC's revised fully allocated cost of service study methods. Thus, I have revised my fully allocated cost of service study methods to incorporate SWTC's proposed surrebuttal changes to its MEC2 cost allocation proposal. However, my updated study incorporates only those revenue requirement positions adjustments agreed to by Staff. The results of my updated study are attached as DMK-Schedules G and H Surrebuttal, respectively. In order to provide for ease of comparison, I continued to use the same

Schedule G and H references as those in my direct testimony. DMK- Schedule A-1 Surrebuttal provides a proof of revenue by rate class. It demonstrates that Staff's proposed rates and other revenues will produce approximately the same $7,722,123 revenue increase as supported by Staff witness Smith's surrebuttal testimony.

Lastly, DMK Schedule B-1 Surrebuttal provides a comparison of the allocated revenue requirement to each customer member under SWTC's revised and original MEC2 cost allocation methods. In brief, the impact is minor, the revenue requirement for network transmission services to MEC2 will decrease by $10,230, or 1.93% while the remaining customer members revenue requirement will increase proportionally by .04% to account for this change in allocation method.

For the reasons noted herein, I recommend adoption of Staff's proposed rates as summarized in my surrebuttal testimony at Table II above.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

Southwest Transmission Cooperative, Inc.

PROOF OF REVENUE SUMMARY BY RATE CLASS - Present and Proposed Rates - Staff Adjusted

	Revenues				Rates			
	Current	Proposed	Increase	% Inc.	Current	Proposed	Increase	% Inc.
Class A - Firm Network Services								
Anza	$ 353,604	$ 495,496	$ 141,892	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Duncan Valley	209,785	293,966	84,181	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Graham County Electric	1,188,106	1,664,863	476,757	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Mohave Electric 1	5,391,298	7,554,689	2,163,391	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Mohave Electric 2	372,811	490,576	117,765	31.59%	$ 1,608,258	$ 2,116,280	$ 508,022	31.59%
Sulphur Springs Valley 1	5,775,237	8,092,693	2,317,456	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Sulphur Springs Valley 2	235,853	330,494	94,642	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Trico Electric	4,938,762	6,920,561	1,981,799	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Total Firm Members	$ 18,465,457	$ 25,843,339	$ 7,377,883	39.96%				
Other - Firm Network Services								
Safford	570,690	799,694	229,003	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Thatcher	262,949	368,464	105,515	40.13%	$ 1,608,258	$ 2,253,611	$ 645,353	40.13%
Total Other	833,639	1,168,158	334,518	40.13%				
Total Network Services	$ 19,299,096	$ 27,011,497	$ 7,712,401	39.96%				
Point-to-Point Services								
Network Transmission Rate								
AEPCO	$ 1,971,648	$ 2,141,568	$ 169,920	8.62%	$ 3.423	$ 3.718	$ 0.295	8.62%
Sulphur Springs	830,954	902,567	71,613	8.62%	$ 3.423	$ 3.718	$ 0.295	8.62%
MW&E Stafford Wheeling	410,760	446,160	35,400	8.62%	$ 3.423	$ 3.718	$ 0.295	8.62%
Total Point-to-Point	$ 3,213,362	$ 3,490,295	$ 276,933	8.62%				
Total Electric Revenue	$ 22,512,458	$ 30,501,792	$ 7,989,334					
Other Operating Revenues								
Class A - System Control & Load Dispatch								
Anza	$ 27,863	$ 23,621	$ (4,242)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Duncan Valley	16,525	14,009	(2,516)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Graham County Electric	93,798	79,518	(14,281)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Mohave Electric 1	414,376	351,287	(63,088)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Mohave Electric 2	33,113	28,072	(5,041)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs Valley 1	431,569	365,863	(65,706)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs Valley 2	8,250	6,994	(1,256)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Trico Electric	392,797	332,994	(59,803)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Total Other Members	$ 1,418,292	$ 1,202,358	$ (215,934)	-15.22%				
Other - System Control & Load Dispatch								
Safford	44,705	37,898	(6,806)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Thatcher	20,808	17,640	(3,168)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Total Other	65,513	55,538	(9,974)	-15.22%				
Other - System Control & Load Dispatch								
AEPCO	$ 166,464	$ 141,120	$ (25,344)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
Sulphur Springs	70,156	59,475	(10,681)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
MW&E Stafford Wheeling	34,680	29,400	(5,280)	-15.22%	$ 0.289	$ 0.245	$ (0.044)	-15.22%
	$ 271,300	$ 229,995	$ (41,305)	-15.22%				
Total System Control & Load Dispatch	$ 1,755,105	$ 1,487,892	$ (267,213)					
Adj. Other System Control & Load Disp.	70,639	70,639	-					
Total Sch 1 Revenue Credit	$ 1,825,744	$ 1,558,531	$ (267,213)					
Class A - Direct Assignment Facilities								
Trico Electric	1,545,318	1,545,318	-	0.00%				
Other Operating Revenues	598,408	598,408	-					
Special Contracts	1,295,300	1,295,300	-					
Total Other Operating Revenue	$ 5,264,770	$ 4,997,557	$ (267,213)					
Total Network Services	$ 27,777,228	$ 35,499,349	$ 7,722,121	27.80%				
Revenues Per Staff Attach. RCS-2, Sch. A, Columns, D-E, Line 1	$ 27,777,227	$ 35,499,350	$ 7,722,123					
Proof	$ (1)	$ 1	$ 2					

Southwest Transmission Cooperative, Inc.

DMK SCH. B-1
Surrebuttal

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized
BASED UPON SWTC REVISED MEC ALLOCATION METHOD AND ORIGINAL MEC ALLOCATION METHOD

LINE NO.	CLASS OF SERVICE		STAFF REVENUES BASED UPON REVISED MEC ALLOC. METHOD (a)	STAFF REVENUES BASED UPON ORIGINAL MEC ALLOC. METHOD (a)	DIFFERENCES IN METHOD AMOUNT (a)	DIFFERENCES IN METHOD PERCENT (a)
	Class A MEMBER CONTRACTS:					
1.	ANZA		$ 519,117	$ 518,926	$ 191	0.04%
2.	DUNCAN		307,975	307,862	113	0.04%
3.	GRAHAM		1,744,380	1,743,738	642	0.04%
4.	MOHAVE		7,905,977	7,903,062	2,914	0.04%
5.	MOHAVE 2		518,648	528,878	(10,230)	-1.93%
6.	SULPHUR		8,458,556	8,455,434	3,122	0.04%
7.	SULPHER 2		337,489	337,361	127	0.04%
8.	TRICO		8,798,874	8,796,204	2,670	0.03%
9	Class A TOTAL MEMBER CONTRACTS:		$ 28,591,015	$ 28,591,466	$ (451)	0.00%
	OTHER FIRM NETWORK CONTRACTS:					
1.	SAFFORD		837,592	837,283	308	0.04%
2.	THATCHER		386,104	385,962	142	0.04%
3.	TOTAL FIRM CONTRACTS:		$ 1,223,696	$ 1,223,245	$ 451	0.04%
4.	TOTAL COMPANY		$ 29,814,712	$ 29,814,712	$ (0)	0.00%
	POINT-TO-POINT SERVICE:					
1.	AEPCO	Firm Pt to Pt - Agrmnts	$ 2,141,568	$ 2,141,568	-	0.00%
2.	Sulphur Springs	Firm Point to Point	902,567	902,567	-	0.00%
3.	MW&E Safford	wheeling	446,160	446,160	-	0.00%
4.	SUBTOTAL REVENUE		$ 3,490,295	$ 3,490,295	-	0.00%
5.		Load Control & Disp	229,995	229,995	-	0.00%
6.	TOTAL REVENUE		$ 3,720,290	$ 3,720,290	-	0.00%
	RATE IMPACT ANALYSIS:					
	Firm Network Service - $ Monthly Rev. Req.*		$ 2,253,611	$ 2,252,742	$ 869	0.04%
	Firm Network Service - $ Annual Rev. Req.*		$ 27,043,332	$ 27,032,900	$ 10,432	0.04%
	Firm Network Service - Moh Elec 2 $ Monthly Rev. Req.*		$ 2,116,280	$ 2,160,412	$ (44,133)	-2.04%
	Firm Network Service - Moh Elec 2 $ Annual Rev. Req.*		$ 25,395,356	$ 25,924,950	$ (529,594)	-2.04%

Southwest Transmission Cooperative, Inc.

Cost of Service Summary - Present Rates - SWTC vs. Staff Adjusted

DMK SCH. G-1
Surrebuttal

LINE NO.		PER SWTC TOTAL SYSTEM *		PER STAFF TOTAL SYSTEM	SWTC REBUTTAL TOTAL SYSTEM	PER STAFF SURREBUTTAL TOTAL SYSTEM
	REVENUES:					
1.	NETWORK TRANSMISSION SERVICE	$ 22,328,219		$ 22,328,219	$ 22,328,219	$ 22,328,219
2.	POINT-TO -POINT	3,484,662		3,484,662	3,484,662	3,484,662
3.	TOTAL ELECTRIC REVENUE:	25,812,881		25,812,881	25,812,881	25,812,881
4.	OTHER OPERATING REVENUE	598,408		598,408	598,408	598,408
5.	SPECIAL CONTRACTS & OTHER	1,365,938		1,365,938	1,365,938	1,365,938
6.	TOTAL OPERATING REVENUE	27,777,227		27,777,227	27,777,227	27,777,227
7.	OPERATING EXPENSES	27,947,057	(a)	*27,116,831*	*27,116,831*	*27,116,831*
8.	OPERATING INCOME (MARGINS)	(169,830)		660,396	660,396	660,396
9.	INCOME TAXES	-		-	-	-
10.	NET INCOME (MARGINS) (LINE 8 - LINE 9)	(169,830)		660,396	660,396	660,396
11.	RATE BASE	79,668,372	(b)	79,146,274	79,146,274	79,146,274
12.	RATE OF RETURN	-0.21%		0.83%	0.83%	0.83%

Source Supporting Schedule Reference

* SWTC As-Filed Schedule G-1

(a) Staff Attachment RCS-2, Sch. A, Column D, Line 2

(b) Staff Attachment RCS-2, Sch. B, Column C, Line 9

Southwest Transmission Cooperative, Inc.

Cost of Service Summary - Proposed Rates - SWC vs. Staff Adjusted

DMK SCH. G-2
Surrebuttal

LINE NO.		PER SWTC TOTAL SYSTEM *		PER STAFF TOTAL SYSTEM	SWTC REBUTTAL TOTAL SYSTEM	PER STAFF SURREBUTTAL TOTAL SYSTEM
	REVENUES:					
1.	NETWORK TRANSMISSION SERVICE	$ 29,754,459		$ 29,749,860	$ 29,019,048	$ 29,814,712
2.	POINT-TO -POINT	3,711,841		3,711,841	3,617,027	3,720,290
3.	TOTAL ELECTRIC REVENUE	33,466,300		33,461,701	32,636,075	33,535,002
4.	OTHER OPERATING REVENUE	598,408		598,408	598,408	598,408
5.	SPECIAL CONTRACTS & OTHER	1,365,940		1,365,940	1,365,940	1,365,940
6.	TOTAL OPERATING REVENUE	35,430,648		35,426,049	34,600,423	35,499,350
7.	OPERATING EXPENSES	27,947,057	(a)	*27,116,831*	*27,116,831*	*27,116,831*
8.	OPERATING INCOME (MARGINS)	7,483,591		8,309,218	7,483,592	8,382,519
9.	INCOME TAXES	-		-	-	-
10.	NET INCOME (MARGINS) (LINE 6 - LINE 7)	7,483,591		8,309,218	7,483,592	8,382,519
11.	RATE BASE	79,668,372	(b)	79,146,274	79,146,274	79,146,274
12.	RATE OF RETURN	9.39%		10.50%	9.46%	10.59%

Source Supporting Schedule Reference

* SWTC As-Filed Schedule G-2

(a) Staff Attachment RCS-2, Sch. A, Column D, Line 2

(b) Staff Attachment RCS-2, Sch. B, Column C, Line 9

Southwest Transmission Cooperative, Inc.

Derivation Of Revenue Requirement And Rates - SWTC vs. Staff Adjusted

LINE NO.		PER SWTC TOTAL *		PER STAFF TOTAL	SWTC REBUTTAL TOTAL	PER STAFF SURREBUTTAL TOTAL
1.	OPERATING EXPENSES (EXCL. REVENUE TAX)	$ 27,947,057		$ 27,116,831	$ 27,116,831	$ 27,116,831
2.	INTEREST & OTHER DEDUCTIONS:	4,761,153		4,761,153	4,761,153	4,761,153
3.	TOTAL OPERATING EXPENSES (INC. INTEREST)	32,708,210		31,877,984	31,877,984	31,877,984
4.	PLUS MARGIN REQUIREMENT	2,823,336		3,722,263	2,823,336	3,722,263
	LESS OTHER REVENUES:					
5.	OTHER OPERATING REVENUE	598,408		598,408	598,408	598,408
6.	SPECIAL CONTRACTS	1,295,300		1,295,300	1,295,300	1,295,300
7.	DIRECT ASSIGNMENT FACILITIES	1,545,318		1,545,318	1,545,318	1,545,318
8.	SYS. CTL. & LOAD DSPTCH N/I SP.CONT.	1,558,531		1,558,531	1,558,531	1,558,531
9.	TOTAL OTHER INCOME	4,997,557		4,997,557	4,997,557	4,997,557
10.	NON-OPERATING MARGINS	100,898	(a)	174,198	100,898	100,898
11.	PLUS EXTRAORDINARY ITEMS	-		-	-	-
12.	NET REVENUE REQUIREMENT BEFORE REV. TAX	30,433,091		30,428,492	29,602,865	30,501,792
13.	REVENUE TAX					-
14.	ANNUAL TRANSMISSION REVENUE REQUIREMENT	$ 30,433,091		$ 30,428,492	$ 29,602,865	$ 30,501,792

Source Supporting Schedule Reference

* SWTC As-Filed Schedule G-2A 1

(a) Staff Attachment RCS-2, Sch. C-5 (3yr Norm. of $219,800) addition for gain sharing — $ 73,300 — $ - — $ -

Debt Service Coverage Ratio — 1.45 — 1.35 — 1.45

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

	Point-to-Point	Network				Translate Rates to Monthly Rates	
Schedule 7&8/Network Transmission Rates	$3.718 /kW-mo	$2,253,611	G-2A, Page 3 for Point-to-Point			wk	0.85801 Sched 7
						Day	0.12393
MANDATORY ANCILLARY SERVICES						on-pk	0.00509
Schedule 1 System Control & load Dispatch	$0.245	$0.245 /kW-mo	G-2A, Page 5			off-peak	0.00894
Schedule 2 Var support / voltage Control	$0.055	$0.075 /kW-mo	G-2A, Page 6			wk	0.05654 Sched 1
						Day	0.00817
						on-pk	0.00034
TOTAL MANDATORY SVCS	$4.018	$2,253,611 /kW-mo				off-peak	0.00059
FERC OPTIONAL ANCILLARY SVCS - AEPCO						wk	0.01277 Sched 2
	Gen Cap Rate	% Req'd	=	$/kW-mo		Day	0.00184
Schedule 3 Cost of Reg. & Frequency Response	$12.266	4.46%	=	$0.5474	G-2A, Page 7	on-pk	0.00008
			=			off-peak	0.00013
Schedule 5 Operating Reserves- Spinning	$13.567	5.35%	=	$0.7258	G-2A, Page 7	wk	0.12633 Sched 3
			=			Day	0.01825
						on-pk	0.00075
Schedule 6 Operating Reserve- Supplemental	$9.552	5.36%	=	$0.5116	G-2A, Page 7	off-peak	0.00132
			=				
						wk	0.16750 Sched 5
Schedule 4 Energy Imbalance - AEPCO		Energy in kind deviation +/-1.5%				Day	0.02419
						on-pk	0.00099
AEPCO pays positive imbalance		$36.68 $/MWh			G-2A, Page 10	off-peak	0.00174
Customer pays negative imbalance		$100.00 $/MWh				wk	0.11807 Sched 6
						Day	0.01705
						on-pk	0.00070
Non-FERC Replacement Capacity - AEPCO				$4.363	G-2A, Page 7	off-peak	0.00123
						wk	0.85801 Sched 7
						Day	0.12393
Losses	0.0297				Loss Study	on-pk	0.00509
						off-peak	0.00894

Notes:

* Regulation Capacity as a Percentage of Regulated Load

12 CP Load	OS Sales	Reg. Load	NF Whl	Reg 12 CP	Reg Cap	Reg Pct
506.12	123.00	383.12	65.00	448.12	20.00	4.46%

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

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

SCHEDULE 7 & 8 / NETWORK TRANSMISSION RATE BASE & BILLING UNIT SUMMARY

TRANSMISSION PLANT			
INTANGIBLE	$4,246,440		
TRANSMISSION	$116,505,608		
GENERAL PLANT	$12,436,299		
A/C 106	$13,360,610		
A/C 107 @ 50%	$14,143,510		
ACQUISITION ADJ & 105	$0		
Staff Attachment RCS-2, Schs. B-1&2 Rem. Plant Held Future Use & Acq.Adj.			
$ (377,214) $ (4,413) TOTAL		$160,692,467	
Sch. B-1 *Sch. B-2*			
DEPRECIATION & AMORTIZATION RESERVE			
TRANSMISSION	(60,986,081)		
GENERAL PLANT	(6,472,037)		
AMORTIZATION	(1,773,954)		
TOTAL		$ (69,232,072)	
NET TRANSMISSION PLANT	$91,460,395		
Staff Attachment RCS-2, Sch. B-4 Adjust M&S			
WORKING CAPITAL $ (334)	$1,829,389		
Staff Attachment RCS-2, Sch. B-3 Remove Retirement WIP			
RETIREMENT WIP $ (140,137)	$0		
TOTAL STAFF ADJUSTED RATE BASE		$93,289,784	

	BU Summary			Total
TRANSMISSION LOAD	1 CP Load	683.7	683.7	Attach 1
	12 CP Load	506.1	506.1	Attach 1
NET INVESTMENT		$93,289,784	$0	$93,289,784
INTEREST & DSCR page 6	1.45	8.985%	8.985%	
ANNUAL CARRYING COSTS		$8,382,518	$0	$8,382,518
EXPENSES		$27,116,831	$0	$27,116,831
REVENUE CREDITS	System Control & Load Disp.	$1,558,531	$0	$1,558,531
	Direct Assignment Facility	$1,545,318	$0	$1,545,318
	Other Operating Revenue	$598,408	$0	$598,408
	Special Contracts & Other Wheeling	$1,295,300	$0	$1,295,300
	Total of Credits	$4,997,557	$0	$4,997,557
		$30,501,792	$0	$30,501,792
ANNUAL REVENUE REQUIREMENTS				
		Point to Point Rate/1 CP kW		
TOTAL ANNUAL COSTS/KW	/kW-yr	$44.613	$0.000	$44.613
	/kW-month	$3.718	$0.000	$3.718

EXPENSES and EXPENSE ALLOCATION SUMMARY

STAFF Adjustments See Staff Attachemnt RCS-2, Schedules C-1 to C-4

	Staff Adjusted		SWTC-Claim	C-1	C-2	C-3	C-4	Totals
TRANSMISSION OP	$8,143,529	Less acct RUS 561	$8,382,829	$(218,305)	$(20,995)			$ (239,300)
TRANSMISSION MNT	$4,216,955		$4,423,221	$(188,169)	$(18,097)			$ (206,266)
A&G	$4,465,862		$4,618,438	$(112,104)	$(10,781)	$ (521)	$ (29,170)	$ (152,576)
TAXES	$1,683,865		$1,683,865	$ -	$ -			$ -
DEP EXP	$4,312,850		$4,312,850	$ -	$ -			$ -
System Control & Dispatch	$4,293,770		$4,525,854	$(211,722)	$(20,362)			$ (232,084)
TOTAL		$27,116,831	$27,947,057	$(730,300)	$(70,235)	$ (521)	$ (29,170)	$ (830,226)
				$(730,300)	$(70,235)			

Staff Allocation - Payroll and Payroll Tax Adj. allocated based upon ratio of payroll increase			
TRANSMISSION OP	256697	29.89%	29.89%
TRANSMISSION MNT	221261	25.77%	25.77%
A&G	131819	15.35%	15.35%
TAXES	0	0.00%	0.00%
DEP EXP	0	0.00%	0.00%
System Control & Dispatch	248956	28.99%	28.99%
TOTAL	$858,733	100.00%	100.00%

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Mohave Network Service 2 discounted Rate - Staff Adjusted

Twelve Months Ended March 31, 2009

SCHEDULE 7 & 8 / NETWORK TRANSMISSION RATE BASE & BILLING UNIT SUMMARY

TRANSMISSION PLANT			
INTANGIBLE	$4,246,440		
TRANSMISSION	$116,505,608		
GENERAL PLANT	$12,436,299		
A/C 106	$13,360,610		
A/C 107 @ 50%	$14,143,510		
ACQUISITION ADJ & 105	$0		
Staff Attachment RCS-2, Schs. B-1&2 Rem. Plant Held Future Use & Acq Adj.			
$ (377,214) $ (4,413) TOTAL	$160,692,467	Less: MEC NTS Discounted System Plant	$ 9,400,494
Sch. B-1 *Sch. B-2*			
DEPRECIATION & AMORTIZATION RESERVE			
TRANSMISSION	(60,986,081)		
GENERAL PLANT	(6,472,037)		
AMORTIZATION	(1,773,954)	Less: MEC NTS Discounted System Plant	$ 1,196,199
TOTAL	(69,232,072)		
NET TRANSMISSION PLANT	91,460,395		
Staff Attachment RCS-2, Sch. B-4 Adjust M&S			
WORKING CAPITAL $ (334)	1,829,389		
Staff Attachment RCS-2, Sch. B-3 Remove Retirement WIP			
RETIREMENT WIP $ (140,137)	-		
TOTAL STAFF ADJUSTED RATE BASE	$93,289,784	Less: MEC NTS Discounted Rate Base	$8,204,295

	BU Summary			Total
TRANSMISSION LOAD	1 CP Load	683.7	0	683.7
	12 CP Load	506.12	0	506.12
NET INVESTMENT		$85,085,489	$8,204,295	$93,289,784
INTEREST & TIER page 6	0.00	8.985%	8.985%	8.985%
ANNUAL CARRYING COSTS		$7,645,324	$737,194	$8,382,518
EXPENSES		$26,237,884	$878,947	$27,116,831
REVENUE CREDITS	System Control & Load Disp.	$1,558,531	$0	$1,558,531
	Direct Assignment Facility	$1,545,318	$0	$1,545,318
	Other Operating Revenue	$598,408	$0	$598,408
	Special Contracts & Other Wheeling	$1,295,300	$0	$1,295,300
	Total of Credits	$4,997,557	$0	$4,997,557
		$28,885,651	$1,616,141	$30,501,792
ANNUAL REVENUE REQUIREMENTS				
POINT-TO-POINT REVENUE REQUIREMENTS		$3,490,295	$0	$3,490,295
DISCOUNTED NETWORK TRANMISSION REVENUE REQUIREMENT		$25,395,356		

EXPENSES and EXPENSE ALLOCATION SUMMARY

	Staff Adjusted			
TRANSMISSION OP	8,143,529	Less account RUS 561		
TRANSMISSION MNT	4,216,955			
A&G	4,465,862			
TAXES	1,683,865			
DEP EXP	4,312,850	Depreciation @ 2.75%	$288,514	
System Control & Dispatch	4,293,770			
TOTAL	$27,116,831		$ 288,514	

System Plant Additions since 2005:		Plant In Service	Accumulated Depreciation	Net Book
Apache Spare 115/69 kV Transformer Permanent Replacement	05/31/2005	$ 247,056	$ 130,085	$ 116,972
Apache Transformer Replacement	12/31/2007	1,036,546	545,782	490,765
Bicknell Substation Upgrade (2)	12/31/2008	2,989,098	20,550	2,968,548
Hackberry/Dos Condados OPGW	01/31/2007	270,095	31,017	239,078
Hackberry Sub Line Tap (2)	01/31/2007	102,222	6,366	95,856
Hackberry Substation (2)	03/31/2007	2,256,858	140,551	2,116,307
Hooker Tap Metering	12/31/2007	153,142	80,635	72,507
Mortensen Tap Meter	10/31/2005	114,089	60,072	54,017
Saddlebrooke Ranch Substation (2)	05/31/2007	452,462	28,178	424,284
Sandario 115 kV Transmission Line	12/31/2005	165,979	52,513	113,466

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

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 AEPCO			(407,904)	
AEPCO Ancilliary Services Sched.2-6			(348,813)	
	TOTAL	$	3,868,994	
RELIABILITY PORTION	50.00%	$	1,934,497	
Generation Capacity			657,000	kW
System Control & Load Dispatch		$	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
		657,000	

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

Schedule 2: COST OF REACTIVE POWER (VAR) PRODUCTION

AEPCO system investment in Power Production Facilities

		Orig Cost	Net	
1 Total production plant in service		$405,097,077	$189,399,425	Schedule G-2A, Page 9
2 Turbogenerator Systems		$54,638,869	$23,457,593	Schedule G-2A, Page 7
3 Accessory Electric Equipment		$20,143,173	$8,647,880	Schedule G-2A, Page 7
Separation of Production Plant Allocation to VAR Production		$74,782,041		
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	1.450	$453,953	
		8.985%		

Rates For VAR Production		12 CP	1 CP
		506.12	683.7
	$/kW/year	$0.897	$0.664
	$/kW/month	$0.075	$0.055

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 - Staff Adjusted

Twelve Months Ended March 31, 2009

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

Gen. Units	name plate SRSG RATING	Prod Invest.	Int plt, a/c 106,107 Transm,GP $50,496,560	Accum Depreciation + Retirement WIP $6,686,195	Working Capital $21,814,465	net. Prod. Invest less TURBO	Prod $/kW	O&M Exp $31,528,272	A&G $12,455,363	Taxes $2,933,343	Depreciation $8,348,168	Anunal Carrying Costs $18,843,331	Annual Revenue Rqt	Annual RevRqt/kW
ST1	70,000	$ 22,196,122	$ 3,021,820	$ 19,397,858	$ 1,305,423	$ 25,609,185	$ 366	$ 1,886,718	$ 745,355	$ 175,537	$ 499,572	$ 1,127,624	$ 4,434,806	63.35
ST2	188,000	158,500,501	21,578,540	89,808,077	9,321,909	175,068,030	931	13,472,880	5,322,512	1,253,496	3,567,397	8,052,263	31,668,549	168.45
ST3	188,000	147,868,356	20,131,061	82,477,954	8,696,599	162,459,584	864	12,569,125	4,965,480	1,169,412	3,328,098	7,512,121	29,544,236	157.15
IC1/GT1	9,000	1,946,118	264,948	1,835,175	114,457	2,325,524	258	165,424	65,351	15,391	43,802	98,868	388,836	43.20
GT2	17,000	3,077,974	419,041	2,596,304	181,025	3,524,967	207	261,634	103,360	24,342	69,276	156,370	614,982	36.18
GT3	64,000	8,614,275	1,172,763	6,330,170	506,632	9,140,287	143	732,232	289,271	68,126	193,883	437,629	1,721,140	26.89
GT4	40,000	28,708,212	3,908,387	5,898,018	1,688,419	32,248,226	806	2,440,259	964,034	410,000	646,140	1,458,456	5,918,890	147.97
	576,000	$ 370,911,558	$ 50,496,560	$ 208,343,556	$ 21,814,465	$ 410,375,802		$ 31,528,272	$ 12,455,363	$ 3,116,305	$ 8,348,168	$ 18,843,331	$ 74,291,439	
			$ 421,408,118											

		turbo equip 314,315,344,345	Plant dep reserve assignable to gen units	Turbo Depreciation Reserve	Net turbo plant
ST1	70,000	$ 6,344,228	$ (18,997,743)	$ (5,430,049)	$ 914,180
ST2	188,000	31,751,046	(86,950,886)	(17,418,125)	14,332,921
ST3	188,000	30,932,169	(79,812,422)	(16,695,738)	14,236,431
IC1/GT1	9,000	-	(1,800,094)	-	-
GT2	17,000	877,136	(2,540,819)	(724,062)	153,074
GT3	64,000	4,072,970	(6,174,886)	(2,919,587)	1,153,383
GT4	40,000	2,531,189	(5,380,513)	(474,397)	2,056,792
TOTAL	576000	$ 76,508,736	$ (201,657,361)	$ (43,661,958)	$ 32,846,781

Replacement			
GT1	9,000	$147.972	$1,331,750
ST1	70,000	$63.354	$4,434,806
GT3	64,000	$26.893	$1,721,140
	143,000		$7,487,696
	$/kW/year		$52.362
	$/kW/month		$4.363

Schedule 3
Regulation

	kW Capacity	Cost/kW	Annual $
ST2	188,000	$168.450	$31,668,549
ST3	188,000	$157.150	$29,544,236
ST1	70,000	$63.354	$4,434,806
	446,000		$65,647,591
	$/kW/year		$147.192
	$/kW/month		$12.266

Schedule 5
Spinning

	kW Capacity	Cost/kW	Annual $
ST2	188,000	$168.450	$31,668,549
ST3	188,000	$157.150	$29,544,236
	376,000		$61,212,785
	$/kW/year		$162.800
	$/kW/month		$13.567

Schedule 6
Supplemental

	kW Capacity	Cost/kW	Annual $
GT4	40,000	$147.972	$5,918,890
GT2	17,000	$36.175	$614,982
	57,000		$6,533,872
	$/kW/year		$114.629
	$/kW/month		$9.552

Int plt, a/c 106,107, Transm,GP

Intangible Plant	$6,337,186	
Transmission	$2,889,491	
General Plant	$19,286,132	
Acc 106	$1,998,986	
Acc 107	$19,984,765	Acc 107 + adj. to Acc 312
	$50,496,560	
Tot. Accum. Deprec. & Amort.		-$204,796,249
		$3,138,888

D Res. Retirement WIP

Accumulated Depreciation Transmission Pla	$1,580,842
Accumulated Depreciation General and Intar	$10,016,425
Accumulated Amortization	$2,443,024
Retired Work in Progress	$3,547,307
	$17,587,598

Account 310: Land account

	SRSG RATING	
		$3,915,175
ST1	70,000	$475,803
ST2	188,000	1,277,870
ST3	188,000	1,277,870
IC1/GT1	9,000	61,175
GT2	17,000	115,552
GT3	64,000	435,019
GT4	40,000	271,887
	576,000	$3,915,175

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

DMK SCH. G-2A

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Surrebuttal

Twelve Months Ended March 31, 2009

DEBT SERVICE CALCULATIONS						
INTEREST ON LONG TERM DEBT		$	4,999,328	(a)		
PRINCIPAL PAYMENTS			3,989,942	(b)		
TOTAL DEBT SERVICE		$	8,989,270			
DSCR					INTEREST	RATES
	1.45	$	13,034,441		1.45	8.985%
	1.20	$	10,787,124		1.20	6.685%
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						
	1.45	$	8,382,518			
	1.20	$	6,236,099			
NET UTILITY PLANT		$	91,460,395	(d)		
WORKING CAPITAL		$	1,829,389	(d)		
RETIREMENT WIP		$	-	(d)		
TOTAL RATE BASE		$	93,289,784			

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

Derivation of Transmission Rates, Control Area Services and Revenue Requirements - Staff Adjusted

Twelve Months Ended March 31, 2009

AEPCO PRODUCTION PLANT ORIGINAL COST AND NET PLANT SUMMARY FOR ANCILLARY SERVICES WORKSHEETS

INTANGIBLE	$	5,290	
PRODUCTION			
STEAM 1		22,196,122	
STEAM 2		158,500,501	
STEAM 3		147,868,356	
GT 1		1,946,118	
GT 2		3,077,974	
GT 3		8,614,275	
GT 4		28,708,212	
Transmissior		2,889,491	
GENERAL PLANT		19,286,132	
A/C 106		1,998,986	
A/C 107@50%		9,992,383	
ACQUISITION ADJ		13,238	
TOTAL			$ 405,097,077

DEPRECIATION & AMORTIZATION RESERVE

PRODUCTION			
STEAM 1	$	(18,997,743)	
STEAM 2		(86,950,886)	
STEAM 3		(79,812,422)	
GT 1		(1,800,094)	
GT 2		(2,540,819)	
GT 3		(6,174,886)	
GT 4		(5,380,513)	
GENERAL & INTANGIB		(10,016,425)	
TRANSMISSION PLANT		(1,580,842)	
AMORTIZATION		(2,443,024)	
TOTAL			$ (215,697,652)

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

EXPENSE ALLOCATION

PRODUCTION OP	[illegible]
PRODUCTION MNT	[illegible]
OTHER	[illegible]
* TRANSMISSION EXP	[illegible]
A&G	[illegible]
TAXES	[illegible]
DEP EXP	[illegible]
TOTAL	$ 62,373,358

PRODUCTION CAPABILITY (kW on SRSG Basis)		576,000
NET INVESTMENT		$209,709,111
INTEREST & DSCR page 6	1.45	8.985%
ANNUAL CARRYING COSTS		$ 18,843,331
ANNUAL EXPENSES		$ 62,373,358
PLANT ANNUAL REVENUE REQUIREMENTS		$ 81,216,689
PLANT ANNUAL COSTS/KW		$ 141.00
MONTH		$ 11.75
Gen Plant Fixed Charge Rate (Rev Req't/ Rate Base)		38.728%

PURCHASE POWER CAPACITY (pro-forma 2009)		Test Year Actual
Purch Pwr Avg Contract Demand kW	300,000	300,000
Southpoint	150,000	150,000
Griffith	150,000	150000
Purch Pwr Annual Demand Charges	$2,365,328	$2,365,328
Southpoint	$1,389,300	$1,389,300
Griffith	$976,028	$976,028
Purch Pwr Monthly Costs/kW	$7.884	7.88
Southpoint	$9.262	$9.262
Griffith	$6.507	$6.507
PLANT + PP Annual Rev Req't	$83,582,017	$83,582,017
Annual cost/kW	$95.413	$95.413
Monthly cost/kw	$7.951	$7.951

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

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)
		$	95,538,990

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

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET

STAFF ADJUSTED WORKSHEET

POINT TO POINT TRANSMISSION SERVICES

Loads in kW and rates in $ per kW-mo. unless otherwise indicated

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO	Firm Pt to Pt - Agrmnts -kW di	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	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	
	Firm Pt to Pt - Agrmnts	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$2,141,568
Sulphur Springs	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242,756
Firm Point to Point	Rate P/P	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	
	Total Dollars P/P	$0	$0	$219,158	$175,690	$201,679	$47,092	$84,272	$65,682	$74,230	$17,121	$0	$17,642	$902,567
MW&E Safford Mine	Loads	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
wheeling	Rate p/p	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	
	Total Dollars P/P	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$446,160
TOTAL Point to Point	LOADS kW	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	77,965	62,605	58,000	62,745	938,756
	REVENUE	$215,644	$215,644	$434,802	$391,334	$417,323	$262,736	$299,916	$281,326	$289,874	$232,765	$215,644	$233,286	$3,490,295
Forecast Network Loads														Average
	2010 Network	344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	427,895
														12 CP Load
Total Point to Point and Network Loads		402,378	557,761	683,675	660,884	672,832	580,851	510,964	413,015	430,751	403,562	395,863	360,956	506,124

1 CP Load
683,675

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET

Revenue Credits

The Following Serve as Additional Bill Credits to Network Customers

Special Contract Revenue Credits		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO Firm	Firm Pt to Pt - Serv -kwh keep t	$10,000	$123,000	$180,000	$60,000	$110,000	$20,000	$35,000	$167,000	$187,000	$25,000	$0	$20,000	937,000
Point to Point	Rate	$0.0023	$0.0053	$0.0053	$0.0047	$0.0044	$0.0056	$0.0044	$0.0029	$0.0029	$0.0031	NA	$0.0041	
Energy-Based	Firm Pt to Pt - Serv	$23	$650	$952	$282	$481	$112	$153	$484	$535	$76	$0	$82	$3,831
AEPCO (kWh)	Loads in kWh			25,000	546,000	100,000	65,000	280,000	170,000	368,000				1,554,000
3rd party sales	Rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Non-Firm	Total Dollars P/P	$0	$0	$206	$3,024	$717	$411	$1,379	$992	$1,991	$0	$0	$0	$8,721
AEPCO	Loads in kWh	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	82,000	
Service to ED4 and	Rate p/p in mils/kWh	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
ED5	Total Dollars P/P	1004.08	289.51	4137.59	3676.44	2531.91	736.26	1269.56	442.51	3052.6	2346.98	241.55	272	$20,001
Mohave	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$68,387	$50,918	$23,944	$3,348	$5,204	$17,931	$35,216	$19,870	$12,123	$13,330	$7,740	$2,604	$260,615
Mohave	Loads	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132000
Firm P-t-P	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	
	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
Sulphur Springs	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$45	$6,740	$2,831	$20,573	$8,893	$5,884	$5,748	$2,955	$2,918	$1,109	$810	$76	$58,581
Sulphur Springs	Loads(kWh)	0	0	0	0	0	0	0	0	0	0	0	0	
Firm Point to	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Point Energy Based	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MWE - Safford Mine	Loads(kWh)	7,301,231	8,078,481	10,861,433	11,486,243	15,762,613	2,359,671	2,202,364	1,694,000	4,750,831	2,468,154	2,681,600	1,267,249	70,914,870
Non-Firm kWh	Rate p/p	0.0040	0.0040	0.0039	0.0039	0.0040	0.0038	0.0039	0.0038	0.0039	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	$278,950
Contract Minium	Minimum Charge	$0	$0	$0	$0	$0	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$287,532
	Total Dollars P/P	$28,933	$32,048	$42,799	$44,916	$62,665	$50,154	$49,576	$47,506	$59,576	$50,354	$51,347	$46,608	$566,482
TEP Point to Point	Loads in kWh	0	0	0	3,964,000	0	9,635,000	5,333,000	794,000	123,000	759,000	0	85,000	
Energy Based	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars P/P	$0	$0	$0	$23,388	$0	$65,521	$32,314	$4,743	$577	$17,978	$20,376	$22,201	$187,098
TEP Non Firm	Loads in kWh	163,000	712,000	1,442,000	0	40,909,000	17,000	0	0	0	0	0	0	$43,243,000
	Rate	0.0047	0.0050	0.0068	NA	0.0072	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars	$764	$3,545	$9,814	$0	$33,209	$80	$0	$0	$0	$0	$0	$0	$47,412
Total Special Contract Credits		$111,036	$106,072	$96,564	$111,088	$125,581	$152,709	$137,536	$88,872	$92,653	$97,074	$92,394	$83,723	$1,295,300

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
NETWORK INTEGRATED TRANSMISSION SERVICES

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL	
COS Trans Revenue Requirements		$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 2,541,816	$ 30,501,792	$ 30,501,792
Avg Mo Rev from Pt to Pt Service		$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 290,858	$ 3,490,295	
Network Services Revenue Requirements		$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 2,250,958	$ 27,011,497	
Discount Revenue Shortfall		$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 2,653	$ 31,834.85	
Network Services	Network Revenue Req't	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332	
MEC Sytem Discount	Network Revenue Req't	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 25,395,356	

NETWORK		APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL	
Anza	Loads: April 08 to March 09	5,712	7,488	10,608	10,404	9,945	9,634	6,352	5,353	8,880	8,093	7,071	6,304	96,412	
	Loads: April 07 to March 08	6,468	6,132	9,938	11,832	10,716	9,038	5,592	6,564	9,156	7,440	7,598	8,408	96,876	
	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	
	Trans Cost	$ 39,936	$ 40,467	$ 40,829	$ 40,749	$ 40,626	$ 41,205	$ 41,865	$ 41,542	$ 41,710	$ 42,123	$ 42,126	$ 42,319		$495,496
Duncan	Loads: April 08 to March 09	3,860	6,040	6,960	5,940	6,620	5,360	4,020	2,780	4,300	3,900	3,900	3,500	57,180	
	Loads: April 07 to March 08	3,100	5,840	6,660	6,020	6,520	3,720	4,520	3,320	4,520	4,320	4,180	3,260	55,780	
	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	4,765	57,440	
	Trans Cost	$ 23,491	$ 23,638	$ 23,812	$ 24,082	$ 24,244	$ 25,124	$ 24,984	$ 24,861	$ 24,943	$ 24,838	$ 24,852	$ 25,098		$293,966
Graham	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	38,936	32,263	24,985	18,448	20,842	19,992	18,818	20,271	324,562	
	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,493	21,918	20,119	19,731	19,458	323,454	
	12 Month Rolling Avg	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326	
	Trans Cost	$ 134,276	$ 135,066	$ 135,282	$ 137,262	$ 138,136	$ 139,987	$ 139,513	$ 140,100	$ 140,546	$ 140,927	$ 141,304	$ 142,462		$1,664,863
Mohave 1	Loads: April 08 to March 09	109,021	138,516	149,516	165,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	59,932	1,433,826	
	Loads: April 07 to March 08	109,021	153,516	154,516	173,516	172,516	156,516	116,918	107,021	93,804	89,756	89,891	82,925	1,504,916	
	12 Month Rolling Avg	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460	
	Trans Cost	$ 625,258	$ 616,872	$ 616,059	$ 621,813	$ 623,629	$ 629,989	$ 640,814	$ 638,412	$ 639,065	$ 637,575	$ 635,847	$ 629,356		$ 7,554,689
Sulphur Springs 1	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319	
	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	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	148,426	143,287	136,946	132,359	128,536	125,193	123,983	122,027	122,693	123,527	124,443	1,583,465	
	Trans Cost	$ 758,449	$ 739,423	$ 714,888	$ 692,356	$ 672,487	$ 657,937	$ 642,696	$ 639,260	$ 633,656	$ 639,095	$ 646,976	$ 655,470		$ 8,092,693
Trico	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	80,987	72,836	1,359,160	
	Loads: April 07 to March 08	88,723	110,813	146,455	163,780	148,625	139,724	109,919	86,372	92,686	87,572	84,462	69,545	1,326,679	
	12 Month Rolling Avg	110,304	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	
	Trans Cost	$ 549,946	$ 555,752	$ 564,399	$ 565,693	$ 572,281	$ 577,078	$ 581,466	$ 586,209	$ 589,307	$ 590,064	$ 591,786	$ 596,583		$ 6,920,561
Mohave 2	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578	
	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	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	$ 8,699	$ 15,625	$ 30,189	$ 41,028	$ 50,487	$ 49,611	$ 49,756	$ 49,973	$ 50,329	$ 49,770	$ 47,880	$ 47,228		$ 490,576
Safford	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	14,631	16,902	17,714	19,245	15,398	14,502	8,420	9,696	9,671	9,522	8,157	155,321	
		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	
	Trans Cost	$ 64,163	$ 65,112	$ 65,427	$ 66,424	$ 66,598	$ 67,152	$ 66,796	$ 67,247	$ 67,579	$ 67,525	$ 67,774	$ 67,898		$ 799,694
Sulphur Springs 2	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	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526	
	12 Month Rolling Avg	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700	
	Trans Cost	$ 18,915	$ 30,752	$ 30,815	$ 31,208	$ 31,363	$ 31,597	$ 31,689	$ 31,827	$ 32,054	$ 27,210	$ 20,534	$ 12,531		$ 330,494
Thatcher	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
		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	
	Trans Cost	$ 29,914	$ 29,890	$ 29,952	$ 30,334	$ 30,485	$ 30,712	$ 30,802	$ 30,936	$ 31,157	$ 31,253	$ 31,425	$ 31,603		$ 368,464
TOTAL Network loads 12 mo. rolling Avg		452,613	452,373	451,446	445,759	443,557	440,272	438,988	437,082	433,990	432,648	430,280	427,856	5,286,263	
Total Network Loads: April 07 to March 08		390,207	498,144	579,205	621,022	585,469	550,908	448,217	357,874	389,293	358,374	365,228	327,088	5,471,029	
Total Network Loads: April 08 to March 09		344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736	
TOTAL NETWORK DOLLARS		$ 2,253,047	$ 2,252,597	$ 2,251,652	$ 2,250,949	$ 2,250,335	$ 2,250,392	$ 2,250,382	$ 2,250,368	$ 2,250,345	$ 2,250,381	$ 2,250,504	$ 2,250,546	$ 27,011,497	$26,489,086
Per kW-month		4.98	4.98	4.99	5.05	5.07	5.11	5.13	5.15	5.19	5.20	5.23	5.26	5.11	

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

Loads in kW and rates in $ per kW-mo. unless otherwise indicated

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO														
Firm P-t-P	Loads	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	$3.423	$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	$1,971,648
Sulphur Springs	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242756
Firm P-t-P	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	
	Total Dollars P/P	$0	$0	$201,769	$161,750	$185,677	$43,356	$77,586	$60,471	$68,340	$15,763	$0	$16,242	$830,954
MW&E Safford Mine	Loads	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
Firm P-t-P	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	
	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	$410,760
TOTAL Point to Point														
	LOADS kW	58,000	58,000	116,945	105,254	112,244	70,666	80,666	75,666	77,965	62,605	58,000	62,745	938,756
	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	$3,213,362
Forecast Network Loads														
	2011 Network (2010 PRS)	344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736
Total Point to Point and Network Loads		402,378	557,761	683,675	660,884	672,832	580,851	510,964	413,015	430,751	403,562	395,863	360,956	Average 427,895
														12 CP Load 506,124
														1 CP Load 683,675

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
Revenue Credits

The Following Serve as Additional Bill Credits to Network Customers

Special Contract Revenue Credits		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO Firm	Loads(kWh)	10,000	123,000	180,000	60,000	110,000	20,000	35,000	167,000	187,000	25,000	-	20,000	937,000
Point to Point	Rate p/p	$0.0023	$0.0053	$0.0053	$0.0047	$0.0044	$0.0056	$0.0044	$0.0029	$0.0029	$0.0031	NA	$0.0041	
Energy-Based	Total Dollars P/P	$23	$650	$952	$282	$481	$112	$153	$484	$535	$76	$0	$82	$3,831
AEPCO (kWh)	Loads in kWh	0	0	25000	546000	100000	65000	280000	170000	368000	0	0	0	1,554,000
3rd party sales	Rate	NA	NA	$0.0082	$0.0055	$0.0072	$0.0063	$0.0049	$0.0058	$0.0054	NA	NA	NA	
Non-Firm	Total Dollars P/P	$0	$0	$206	$3,024	$717	$411	$1,379	$992	$1,991	$0	$0	$0	$8,721
AEPCO	Loads in kWh	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	82,000	6,027,000
Service to ED4 and	Rate p/p in mils/kWh	$0.0028	$0.0032	$0.0037	$0.0036	$0.0036	$0.0026	$0.0029	$0.0028	$0.0030	$0.0033	$0.0038	$0.0033	
ED5	Total Dollars P/P	$1,004	$290	$4,138	$3,676	$2,532	$736	$1,270	$443	$3,053	$2,347	$242	$272	$20,001
Mohave	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$68,387	$50,918	$23,944	$3,348	$5,204	$17,931	$35,216	$19,870	$12,123	$13,330	$7,740	$2,604	$260,615
Mohave	Loads	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132000
Firm P-t-P	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	
	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
Sulphur Springs	Loads(kWh)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
3rd party sales	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Umbrella	Total Dollars P/P	$45	$6,740	$2,831	$20,573	$8,893	$5,884	$5,748	$2,955	$2,918	$1,109	$810	$76	$58,581
Sulphur Springs	Loads(kWh)	0	0	0	0	0	0	0	0	0	0	0	0	-
Firm Point to	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Point Energy Based	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MWE - Safford Mine	Loads(kWh)	7,301,231	8,078,481	10,862,433	11,486,243	15,762,613	2,359,671	2,202,364	1,694,000	4,750,831	2,468,154	2,681,600	1,267,249	70,914,870
Non-Firm kWh	Rate p/p	$0.0040	$0.0040	$0.0039	$0.0039	$0.0040	$0.0038	$0.0039	$0.0038	$0.0039	$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	$278,950
Contract Minium	Minimum Charge	$0	$0	$0	$0	$0	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$41,076	$287,532
	Total Dollars P/P	$28,933	$32,048	$42,799	$44,916	$62,665	$50,154	$49,576	$47,506	$59,576	$50,354	$51,347	$46,608	$566,482
TEP Point to Point	Loads in kWh	0	0	0	3,964,000	0	9,635,000	5,333,000	794,000	123,000	759,000	0	85,000	20,693,000
Energy Based	Rate p/p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars P/P	0	0	0	13,388	0	65,521	32,314	4,743	577	17,978	20,376	22,201	$187,098

TEP Non Firm	Loads in kWh	163,000	712,000	1,442,000	0	40,909,000	17,000	0	0	0	0	0	0	43,243,000
	Rate	$0.0047	$0.0050	$0.0068	NA	0.00717	NA	NA	NA	NA	NA	NA	NA	
	Total Dollars	$764	$3,545	$9,814	$0	$33,209	$80	$0	$0	$0	$0	$0	$0	$47,412
Total Special Contract Credits		$99,156	$94,192	$84,684	$99,208	$113,701	$140,829	$125,656	$76,992	$80,773	$85,194	$80,514	$71,843	$1,295,300

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
NETWORK INTEGRATED TRANSMISSION SERVICES

		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL	
	Network Revenue Req't	$ 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	
NETWORK															
Anza	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	
	Loads: April 07 to March 08	6,468	6,132	9,936	11,832	10,716	9,036	5,592	6,564	9,156	7,440	7,596	6,408	96,876	
	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	
	Trans Cost	$ 28,500	$ 28,879	$ 29,137	$ 29,080	$ 28,992	$ 29,406	$ 29,876	$ 29,646	$ 29,766	$ 30,060	$ 30,062	$ 30,200		$353,604
Duncan	Loads: April 08 to March 09	3,860	6,040	6,960	5,940	6,620	5,360	4,020	2,780	4,300	3,900	3,900	3,500	57,180	
	Loads: April 07 to March 08	3,100	5,640	6,660	6,020	6,520	3,720	4,520	3,320	4,520	4,320	4,180	3,260	55,780	
	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	4,765	57,440	
	Trans Cost	$ 16,764	$ 16,869	$ 16,993	$ 17,186	$ 17,301	$ 17,930	$ 17,829	$ 17,741	$ 17,890	$ 17,725	$ 17,735	$ 17,911		$209,785
Graham	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562	
	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454	
	12 Month Rolling Avg	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326	
	Trans Cost	$ 95,824	$ 96,388	$ 96,542	$ 97,955	$ 98,579	$ 99,900	$ 99,562	$ 99,981	$ 100,299	$ 100,571	$ 100,840	$ 101,666		$1,188,106
Mohave 1	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	59,932	1,433,826	
	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	1,504,916	
	12 Month Rolling Avg	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460	
	Trans Cost	$ 446,207	$ 440,222	$ 439,642	$ 443,748	$ 445,044	$ 449,583	$ 457,308	$ 455,594	$ 456,060	$ 454,997	$ 453,763	$ 449,131		$5,391,298
Sulphur Springs 1	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319	
	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	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	148,426	143,207	136,946	132,359	128,536	125,193	123,983	122,027	122,693	123,527	124,443	1,583,465	
	Trans Cost	$ 541,256	$ 527,679	$ 510,170	$ 494,090	$ 479,911	$ 469,527	$ 458,651	$ 456,199	$ 452,200	$ 456,081	$ 461,706	$ 467,767		$5,775,237
Trico	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	
	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	
	12 Month Rolling Avg	110,304	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	
	Trans Cost	$ 392,461	$ 396,604	$ 402,775	$ 403,699	$ 408,400	$ 411,823	$ 414,955	$ 418,340	$ 420,550	$ 421,091	$ 422,320	$ 425,743		$4,938,762
Mohave 2	Loads: April 08 to March 09	-	17,785	37,200	26,423	25,982	7,188	-	-	-	-	-	-	114,578	
	Loads: April 07 to March 08	23,684	-	-	-	2,705	10,314	-	-	-	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	$ 6,610	$ 11,874	$ 22,942	$ 31,179	$ 38,367	$ 37,702	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890		$372,811
Safford	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	14,631	16,902	17,714	19,245	15,398	14,502	8,420	9,696	9,671	9,522	8,157	155,321	
		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	
	Trans Cost	$ 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
Sulphur Springs 2	Loads: April 08 to March 09	-	28,548	-	-	-	-	-	-	-	-	-	-	28,548	
	Loads: April 07 to March 08	-	-	-	-	-	-	-	-	-	11,388	15,639	18,499	45,526	
	12 Month Rolling Avg	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700	
	Trans Cost	$ 13,498	$ 21,945	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942		$235,853
Thatcher	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000	
		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	
	Trans Cost	$ 21,348	$ 21,331	$ 21,375	$ 21,647	$ 21,755	$ 21,917	$ 21,981	$ 22,077	$ 22,234	$ 22,303	$ 22,426	$ 22,553		$262,949
TOTAL Network loads 12 mo. 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	5,286,263	
Total Network Loads: April 07 to March 08		390,207	498,144	579,205	621,012	585,469	550,908	448,217	357,874	389,293	358,374	365,228	327,088	5,471,029	
Total Network Loads: April 08 to March 09		344,378	499,761	566,730	555,630	560,588	510,185	430,298	337,349	352,786	340,957	337,863	298,211	5,134,736	
TOTAL NETWORK DOLLARS		$ 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	$ 19,299,096

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

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

FERC OPTIONAL ANCILLARY SVCS - AEPCO

		Gen Cap Rate	% Req'd		$/kW-mo
Schedule 3	Cost of Reg. & Frequency Response	$11.211	4.21%	=	$0.4720
	SW Gen Step Xfmrs ST 1, ST 2 & ST 3			=	
Schedule 5	Operating Reserves- Spinning	$14.433	4.94%	=	$0.7130
	SW Gen Step Xfmrs ST 2 & 3			=	
Schedule 6	Operating Reserve- Supplemental	$9.351	4.93%	=	$0.4610
	SW Gen Step Xfmrs GT 1, GT 2			=	

Schedule 4 Energy Imbalance - AEPCO — Energy in kind deviation +/-1.5%

AEPCO pays positive imbalance $23.25

Customer pays negative imbalance $100.00 $/MWh

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

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	Reg Pct
550.62	140.50	410.12	65.00	475.12	20.00	4.21%

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

Southwest Transmission Cooperative, Inc.

ANCILLARY SERVICE SCHEDULE 1 NEW RATE: - Staff Adjusted 0.245

Network Customer	Units		Revenue
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
Total Network Customers	5,134,272	$	1,257,897

Firm Point-to-Point Customers	Units		Revenue
AEPCO	576,000	$	141,120
Sulphur Springs Firm Point to Point	242,756	$	59,475
MW&E Safford Wheeling	120,000	$	29,400
Total for Firm Point-to-Point Customers	938,756	$	229,995
Schedule 1 Revenue Credit		$	1,487,892
Adjustment for Other System Control & Load Dispatch		$	70,639
Total Schedule 1 Revenue Credit		$	1,558,531

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

DMK SCH. H-1
Surrebuttal

LINE NO.	CLASS OF SERVICE	REVENUES IN TEST YEAR (a)		PROPOSED INCREASE (b)	
		PRESENT	PROPOSED	AMOUNT	PERCENT
1.	NETWORK SERVICES	$22,328,219	$29,814,712	$7,486,494	33.53%
2	POINT-TO-POINT SERVICES	$3,484,662	$3,720,290	$235,629	6.76%
3.	TOTAL COMPANY	$25,812,880	$33,535,003	$7,722,123	29.92%

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

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

LINE NO.	CLASS OF SERVICE	CUSTOMERS	kW CONSUMPTION PRESENT	kW CONSUMPTION PROPOSED	REVENUE PRESENT	REVENUE PROPOSED	PROPOSED INCREASE AMOUNT	PROPOSED INCREASE PERCENT
		(a)	(a)	(a)	(a)	(a)	(a)	(a)
	Class A MEMBER CONTRACTS:							
1.	ANZA	1	96,826	96,826	$ 381,467	$ 519,117	$ 137,650	36.08%
2.	DUNCAN	1	57,440	57,440	226,310	307,975	81,665	36.09%
3.	GRAHAM	1	325,326	325,326	1,281,904	1,744,380	462,476	36.08%
4.	MOHAVE	1	1,476,460	1,476,460	5,805,674	7,905,977	2,100,302	36.18%
5.	MOHAVE 2	1	101,604	101,604	405,924	518,648	112,723	27.77%
6.	SULPHUR	1	1,583,465	1,583,465	6,206,806	8,458,556	2,251,750	36.28%
7.	SULPHER 2	1	64,700	64,700	244,103	337,489	93,386	38.26%
8.	TRICO	1	1,352,169	1,352,169	6,876,877	8,798,874	1,921,996	27.95%
9	Class A TOTAL MEMBER CONTRACTS:	8	5,057,990	5,057,990	$ 21,429,067	$ 28,591,015	$ 7,161,949	33.42%
	OTHER FIRM NETWORK CONTRACTS:							
1.	SAFFORD	1	156,273	156,273	615,395	837,592	222,197	36.11%
2.	THATCHER	1	72,000	72,000	283,757	386,104	102,347	36.07%
3.	TOTAL FIRM CONTRACTS:	2	228,273	228,273	$ 899,152	$ 1,223,696	$ 324,544	36.09%
4.	TOTAL COMPANY	10	5,286,263	5,286,263	$ 22,328,219	$ 29,814,712	$ 7,486,493	33.53%

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

RECAP SCHEDULES:
(b) H-1

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

ANZA

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
		0.40127												
	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	5,592	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	5,592	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	$ 28,500	$ 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	1,651	2,164	3,066	3,007	2,875	2,799	1,980	1,557	2,561	2,339	2,044	1,822	27,863
11.	Total	$ 30,150	$ 31,043	$ 32,203	$ 32,087	$ 31,867	$ 32,204	$ 31,857	$ 31,203	$ 32,326	$ 32,399	$ 32,106	$ 32,022	$ 381,467
12.	Average Cost ($/KW)	$ 4.661	$ 5.062	$ 3.241	$ 2.712	$ 2.974	$ 3.564	$ 5.697	$ 4.754	$ 3.531	$ 4.355	$ 4.227	$ 4.997	$ 3.938
	PROPOSED REVENUE:													
13.	Network Services	$ 39,936	$ 40,467	$ 40,829	$ 40,749	$ 40,626	$ 41,205	$ 41,865	$ 41,542	$ 41,710	$ 42,123	$ 42,126	$ 42,319	$ 495,496
14.	Scheduling & Ld. Control	1,399	1,835	2,599	2,549	2,437	2,373	1,679	1,320	2,171	1,983	1,732	1,544	23,621
15.	Total	$ 41,335	$ 42,301	$ 43,428	$ 43,298	$ 43,063	$ 43,578	$ 43,544	$ 42,862	$ 43,881	$ 44,106	$ 43,858	$ 43,863	$ 519,117
16.	Average Cost ($/KWH)	$ 6.391	$ 6.898	$ 4.371	$ 3.659	$ 4.019	$ 4.823	$ 7.787	$ 6.530	$ 4.793	$ 5.928	$ 5.774	$ 6.845	$ 5.359
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 11,185	$ 11,259	$ 11,225	$ 11,211	$ 11,196	$ 11,374	$ 11,687	$ 11,659	$ 11,554	$ 11,706	$ 11,752	$ 11,841	$ 137,650
18.	PERCENT INC.	37.10%	36.27%	34.86%	34.94%	35.13%	35.32%	36.69%	37.37%	35.74%	36.13%	36.60%	36.98%	36.08%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

DUNCAN VALLEY

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requiremer	$ 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 Requiremer	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	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	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	4,320	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	4,765	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	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	4,320	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	4,765	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	$ 17,725	$ 17,735	$ 17,911	$ 209,785
10.	Scheduling & Ld. Control	1,116	1,746	2,011	1,717	1,913	1,549	1,162	803	1,243	1,127	1,127	1,012	16,525
11.	Total	$ 17,880	$ 18,615	$ 19,004	$ 18,902	$ 19,214	$ 19,479	$ 18,991	$ 18,545	$ 19,043	$ 18,852	$ 18,863	$ 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	$ 4.364	$ 4.513	$ 5.804	$ 4.057
	PROPOSED REVENUE:													
13.	Network Services	$ 23,491	$ 23,638	$ 23,812	$ 24,082	$ 24,244	$ 25,124	$ 24,984	$ 24,861	$ 24,943	$ 24,838	$ 24,852	$ 25,098	$ 293,966
14.	Scheduling & Ld. Control	946	1,480	1,705	1,455	1,622	1,313	985	681	1,054	956	956	858	14,009
15.	Total	$ 24,437	$ 25,118	$ 25,517	$ 25,537	$ 25,866	$ 26,437	$ 25,969	$ 25,542	$ 25,996	$ 25,793	$ 25,808	$ 25,956	$ 307,975
16.	Average Cost ($/KWH)	$ 7.883	$ 4.454	$ 3.831	$ 4.242	$ 3.967	$ 7.107	$ 5.745	$ 7.693	$ 5.751	$ 5.971	$ 6.174	$ 7.962	$ 5.521
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 6,557	$ 6,503	$ 6,513	$ 6,635	$ 6,651	$ 6,959	$ 6,978	$ 6,997	$ 6,953	$ 6,941	$ 6,945	$ 7,033	$ 81,665
18.	PERCENT INC.	36.67%	34.94%	34.27%	35.10%	34.62%	35.73%	36.74%	37.73%	36.52%	36.82%	36.82%	37.17%	36.09%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

GRAHAM COUNTY ELECTRIC

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	PRESENT:													
3.	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562
4.	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454
5.	12 Month Rolling Avg.	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326
	PROPOSED:													
6.	Loads: April 08 to March 09	20,966	31,511	39,951	39,726	36,986	32,263	24,988	18,448	20,642	19,992	18,818	20,271	324,562
7.	Loads: April 07 to March 08	21,235	29,349	40,099	39,125	36,529	30,341	27,052	18,498	21,918	20,119	19,731	19,458	323,454
8.	12 Month Rolling Avg.	26,932	27,112	27,100	27,150	27,188	27,348	27,176	27,172	27,066	27,055	26,979	27,047	325,326
	PRESENT REVENUE :													
9.	Network Services	$ 95,824	$ 96,388	$ 96,542	$ 97,955	$ 98,579	$ 99,900	$ 99,562	$ 99,981	$ 100,299	$ 100,571	$ 100,840	$ 101,666	$ 1,188,106
10.	Scheduling & Ld. Control	6,059	9,107	11,546	11,481	10,689	9,324	7,222	5,331	5,966	5,778	5,438	5,858	93,798
11.	Total	$ 101,883	$ 105,495	$ 108,088	$ 109,436	$ 109,268	$ 109,224	$ 106,783	$ 105,312	$ 106,264	$ 106,348	$ 106,278	$ 107,524	$ 1,281,904
12.	Average Cost ($/KW)	$ 4.798	$ 3.594	$ 2.696	$ 2.797	$ 2.991	$ 3.600	$ 3.947	$ 5.693	$ 4.848	$ 5.286	$ 5.386	$ 5.526	$ 3.963
	PROPOSED REVENUE:													
13.	Network Services	$ 134,276	$ 135,066	$ 135,282	$ 137,262	$ 138,136	$ 139,987	$ 139,513	$ 140,100	$ 140,546	$ 140,927	$ 141,304	$ 142,462	$ 1,664,863
14.	Scheduling & Ld. Control	5,137	7,720	9,788	9,733	9,062	7,904	6,122	4,520	5,057	4,898	4,610	4,966	79,518
15.	Total	$ 139,413	$ 142,787	$ 145,070	$ 146,994	$ 147,198	$ 147,892	$ 145,635	$ 144,620	$ 145,603	$ 145,825	$ 145,915	$ 147,428	$ 1,744,380
16.	Average Cost ($/KWH)	$ 6.565	$ 4.865	$ 3.618	$ 3.757	$ 4.030	$ 4.874	$ 5.384	$ 7.818	$ 6.643	$ 7.248	$ 7.395	$ 7.577	$ 5.393
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 37,529	$ 37,292	$ 36,982	$ 37,559	$ 37,930	$ 38,668	$ 38,852	$ 39,308	$ 39,339	$ 39,477	$ 39,636	$ 39,904	$ 462,476
18.	PERCENT INC.	36.84%	35.35%	34.21%	34.32%	34.71%	35.40%	36.38%	37.33%	37.02%	37.12%	37.29%	37.11%	36.08%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

MOHAVE ELECTRIC 1

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	PRESENT:													
3.	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	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	1,504,916
5.	12 Month Rolling Avg.	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	119,486	1,476,460
	PROPOSED:													
6.	Loads: April 08 to March 09	109,021	139,516	149,516	168,516	169,516	160,516	137,918	94,924	84,804	81,756	77,891	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	1,504,916
8.	12 Month Rolling Avg.	125,410	123,826	123,410	122,993	122,743	123,076	124,826	123,818	123,068	122,402	121,402	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	$ 5,391,298
10.	Scheduling & Ld. Control	31,507	40,320	43,210	48,701	48,990	46,389	39,858	27,433	24,508	23,627	22,510	17,320	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	$ 466,452	$ 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	$ 3.858
	PROPOSED REVENUE:													
13.	Network Services	$ 625,258	$ 616,872	$ 616,059	$ 621,813	$ 623,629	$ 629,989	$ 640,814	$ 638,412	$ 639,065	$ 637,575	$ 635,847	$ 629,356	$ 7,554,689
14.	Scheduling & Ld. Control	26,710	34,181	36,631	41,286	41,531	39,326	33,790	23,256	20,777	20,030	19,083	14,683	351,287
15.	Total	$ 651,968	$ 651,053	$ 652,691	$ 663,099	$ 665,160	$ 669,315	$ 674,604	$ 661,668	$ 659,842	$ 657,606	$ 654,930	$ 644,040	$ 7,905,977
16.	Average Cost ($/KWH)	$ 5.980	$ 4.107	$ 4.224	$ 3.812	$ 3.856	$ 4.276	$ 5.770	$ 6.183	$ 7.034	$ 7.327	$ 7.286	$ 7.767	$ 5.253
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 174,254	$ 170,511	$ 169,838	$ 170,650	$ 171,126	$ 173,343	$ 177,438	$ 178,641	$ 179,274	$ 178,981	$ 178,656	$ 177,588	$ 2,100,302
18.	PERCENT INC.	36.48%	35.48%	35.17%	34.65%	34.64%	34.95%	35.69%	36.98%	37.30%	37.39%	37.51%	38.07%	36.18%

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

MOHAVE ELECTRIC 2

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	MEC Network Service 2 Rev. Req	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 2,116,280	$ 25,395,356
	PRESENT:													
3.	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578
4.	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	0	0	0	1,755	5,281	2,240	45,979
5.	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
	PROPOSED:													
6.	Loads: April 08 to March 09	0	17,785	37,200	26,423	25,982	7,188	0	0	0	0	0	0	114,578
7.	Loads: April 07 to March 08	23,684	0	0	0	2,705	10,314	0	0	0	1,755	5,281	2,240	45,979
8.	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
	PRESENT REVENUE :													
9.	Network Services	$ 6,610	$ 11,874	$ 22,942	$ 31,179	$ 38,367	$ 37,702	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890	$ 372,811
10.	Scheduling & Ld. Control	-	5,140	10,751	7,636	7,509	2,077	-	-	-	-	-	-	33,113
11.	Total	$ 6,610	$ 17,014	$ 33,693	$ 38,816	$ 45,876	$ 39,779	$ 37,812	$ 37,977	$ 38,248	$ 37,823	$ 36,386	$ 35,890	$ 405,924
12.	Average Cost ($/KW)	$ 0.279	$ 0.00	$ 0.00	$ 0.00	$ 16.960	$ 3.857	0	0	0	$ 21.551	$ 6.890	$ 16.022	$ 8.828
	PROPOSED REVENUE:													
13.	Network Services	$ 8,699	$ 15,625	$ 30,189	$ 41,028	$ 50,487	$ 49,611	$ 49,756	$ 49,973	$ 50,329	$ 49,770	$ 47,880	$ 47,228	$ 490,576
14.	Scheduling & Ld. Control	-	4,357	9,114	6,474	6,366	1,761	-	-	-	-	-	-	28,072
15.	Total	$ 8,699	$ 19,982	$ 39,303	$ 47,502	$ 56,852	$ 51,372	$ 49,756	$ 49,973	$ 50,329	$ 49,770	$ 47,880	$ 47,228	$ 518,648
16.	Average Cost ($/KWH)	$ 0.367	$ -	$ -	$ -	$ 21.018	$ 4.981	$ -	$ -	$ -	$ 28.359	$ 9.066	$ 21.084	$ 11.280
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 2,088	$ 2,968	$ 5,610	$ 8,686	$ 10,976	$ 11,593	$ 11,944	$ 11,996	$ 12,082	$ 11,948	$ 11,494	$ 11,337	$ 112,723
18.	PERCENT INC.	31.59%	17.45%	16.65%	22.38%	23.93%	29.14%	31.59%	31.59%	31.59%	31.59%	31.59%	31.59%	27.77%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

SULPHUR SPRINGS VALLEY 1

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	PRESENT:													
3.	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319
4.	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	184,378	178,211	161,454	123,855	152,809	120,700	124,451	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	1,583,465
	PROPOSED:													
6.	Loads: April 08 to March 09	102,796	120,334	134,334	128,334	129,334	132,334	121,334	109,334	129,334	128,700	134,451	122,700	1,493,319
7.	Loads: April 07 to March 08	122,269	164,707	196,965	203,463	184,378	178,211	161,454	123,855	152,809	120,700	124,451	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	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	$ 5,775,237
10.	Scheduling & Ld. Control	29,708	34,777	38,823	37,089	37,378	38,245	35,066	31,598	37,378	37,194	38,856	35,460	431,569
11.	Total	$ 570,964	$ 562,455	$ 548,992	$ 531,179	$ 517,289	$ 507,772	$ 493,717	$ 487,797	$ 489,577	$ 493,275	$ 500,562	$ 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	$ 3.364
	PROPOSED REVENUE:													
13.	Network Services	$ 758,449	$ 739,423	$ 714,888	$ 692,356	$ 672,487	$ 657,937	$ 642,696	$ 639,260	$ 633,656	$ 639,095	$ 646,976	$ 655,470	$ 8,092,693
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	365,863
15.	Total	$ 783,634	$ 768,905	$ 747,799	$ 723,798	$ 704,174	$ 690,358	$ 672,423	$ 666,047	$ 665,343	$ 670,626	$ 679,917	$ 685,531	$ 8,458,556
16.	Average Cost ($/KWH)	$ 6.409	$ 4.668	$ 3.797	$ 3.557	$ 3.819	$ 3.874	$ 4.165	$ 5.378	$ 4.354	$ 5.556	$ 5.463	$ 6.137	$ 4.585
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 212,669	$ 206,449	$ 198,807	$ 192,619	$ 186,885	$ 182,587	$ 178,706	$ 178,250	$ 175,765	$ 177,351	$ 179,355	$ 182,304	$ 2,251,750
18.	PERCENT INC.	37.25%	36.71%	36.21%	36.26%	36.13%	35.96%	36.20%	36.54%	35.90%	35.95%	35.83%	36.23%	36.28%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

SULPHUR SPRINGS VALLEY 2

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	PRESENT:													
3.	Loads: April 08 to March 09	0	28,548	0	0	0	0	0	0	0	0	0	0	28,548
4.	Loads: April 07 to March 08	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526
5.	12 Month Rolling Avg.	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700
	PROPOSED:													
6.	Loads: April 08 to March 09	0	28,548	0	0	0	0	0	0	0	0	0	0	28,548
7.	Loads: April 07 to March 08	0	0	0	0	0	0	0	0	0	11,388	15,639	18,499	45,526
8.	12 Month Rolling Avg.	3,794	6,173	6,173	6,173	6,173	6,173	6,173	6,173	6,173	5,224	3,921	2,379	64,700
	PRESENT REVENUE :													
9.	Network Services	$ 13,498	$ 21,945	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942	$ 235,853
10.	Scheduling & Ld. Control	-	8,250	-	-	-	-	-	-	-	-	-	-	8,250
11.	Total	$ 13,498	$ 30,196	$ 21,990	$ 22,271	$ 22,382	$ 22,549	$ 22,615	$ 22,713	$ 22,875	$ 19,418	$ 14,654	$ 8,942	$ 244,103
12.	Average Cost ($/KW)	-	-	-	-	-	-	-	-	-	$ 1.705	$ 0.937	$ 0.483	$ 5.362
	PROPOSED REVENUE:													
13.	Network Services	$ 18,915	$ 30,752	$ 30,815	$ 31,208	$ 31,363	$ 31,597	$ 31,689	$ 31,827	$ 32,054	$ 27,210	$ 20,534	$ 12,531	$ 330,494
14.	Scheduling & Ld. Control	-	6,994	-	-	-	-	-	-	-	-	-	-	6,994
15.	Total	$ 18,915	$ 37,746	$ 30,815	$ 31,208	$ 31,363	$ 31,597	$ 31,689	$ 31,827	$ 32,054	$ 27,210	$ 20,534	$ 12,531	$ 337,489
16.	Average Cost ($/KWH)	-	-	-	-	-	-	-	-	-	$ 2.389	$ 1.313	$ 0.677	$ 7.413
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 5,417	$ 7,550	$ 8,824	$ 8,937	$ 8,981	$ 9,048	$ 9,075	$ 9,114	$ 9,179	$ 7,792	$ 5,880	$ 3,588	$ 93,386
18.	PERCENT INC.	40.13%	25.00%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	38.26%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

TRICO ELECTRIC

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	PRESENT:													
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.	110,304	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
	PROPOSED:													
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.	110,304	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
	PRESENT REVENUE :													
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	414,955	418,340	420,550	421,091	422,320	425,743	4,938,762
11.	Scheduling & Ld. Control	24,766	36,372	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	$ 561,752	$ 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
	PROPOSED REVENUE:													
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	549,946	555,752	564,399	565,693	572,281	577,078	581,466	586,209	589,307	590,064	591,786	596,583	6,920,561
16.	Scheduling & Ld. Control	20,995	30,834	40,302	36,691	38,111	34,534	28,477	22,419	22,098	20,850	19,837	17,845	332,994
17.	Total	$ 699,718	$ 715,362	$ 733,477	$ 731,160	$ 739,169	$ 740,388	$ 738,720	$ 737,404	$ 740,181	$ 739,691	$ 740,399	$ 743,204	$ 8,798,874
18.	Average Cost ($/KWH)	$ 7.887	$ 6.456	$ 5.008	$ 4.464	$ 5.041	$ 5.299	$ 6.721	$ 8.538	$ 7.986	$ 8.447	$ 8.766	$ 10.687	$ 6.632
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 153,714	$ 153,610	$ 154,386	$ 155,405	$ 157,036	$ 159,052	$ 161,397	$ 163,843	$ 164,788	$ 165,228	$ 165,904	$ 167,635	$ 1,921,996
20.	PERCENT INC.	28.15%	27.34%	26.66%	26.99%	26.98%	27.36%	27.96%	28.57%	28.64%	28.76%	28.88%	29.13%	27.95%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

Safford

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	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	$ 3.059	$ 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	$ 64,163	$ 65,112	$ 65,427	$ 66,424	$ 66,598	$ 67,152	$ 66,796	$ 67,247	$ 67,579	$ 67,525	$ 67,774	$ 67,898	$ 799,694
14.	Scheduling & Ld. Control	2,590	4,175	4,247	4,435	4,625	3,805	3,237	2,154	2,292	2,221	2,264	1,853	37,898
15.	Total	$ 66,753	$ 69,288	$ 69,674	$ 70,859	$ 71,223	$ 70,957	$ 70,033	$ 69,401	$ 69,871	$ 69,746	$ 70,038	$ 69,751	$ 837,592
16.	Average Cost ($/KWH)	$ 5.823	$ 4.736	$ 4.122	$ 4.000	$ 3.701	$ 4.608	$ 4.829	$ 8.242	$ 7.206	$ 7.212	$ 7.355	$ 8.551	$ 5.393
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 17,909	$ 17,896	$ 17,973	$ 18,225	$ 18,241	$ 18,546	$ 18,547	$ 18,870	$ 18,940	$ 18,938	$ 19,001	$ 19,111	$ 222,197
18.	PERCENT INC.	36.66%	34.82%	34.76%	34.63%	34.43%	35.39%	36.02%	37.34%	37.19%	37.27%	37.23%	37.74%	36.11%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

Thatcher

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	PRESENT:													
3.	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000
4.	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	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	72,000
	PROPOSED:													
6.	Loads: April 08 to March 09	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	72,000
7.	Loads: April 07 to March 08	5,000	7,000	7,000	7,000	7,000	7,000	7,000	5,000	5,000	5,000	5,000	5,000	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	72,000
	PRESENT REVENUE :													
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	$ 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	20,808
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	$ 283,757
12.	Average Cost ($/KW)	$ 4.559	$ 3.336	$ 3.343	$ 3.381	$ 3.397	$ 3.420	$ 3.429	$ 4.704	$ 4.736	$ 4.750	$ 4.774	$ 4.800	$ 3.941
	PROPOSED REVENUE:													
13.	Network Services	$ 29,914	$ 29,890	$ 29,952	$ 30,334	$ 30,485	$ 30,712	$ 30,802	$ 30,936	$ 31,157	$ 31,253	$ 31,425	$ 31,603	$ 368,464
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	17,640
15.	Total	$ 31,139	$ 31,605	$ 31,667	$ 32,049	$ 32,200	$ 32,427	$ 32,517	$ 32,161	$ 32,382	$ 32,478	$ 32,650	$ 32,828	$ 386,104
16.	Average Cost ($/KWH)	$ 6.228	$ 4.515	$ 4.524	$ 4.578	$ 4.600	$ 4.632	$ 4.645	$ 6.432	$ 6.476	$ 6.496	$ 6.530	$ 6.566	$ 5.363
	CHANGE IN TOTAL COST:													
17.	REVENUE	$ 8,346	$ 8,252	$ 8,269	$ 8,379	$ 8,422	$ 8,487	$ 8,513	$ 8,639	$ 8,702	$ 8,730	$ 8,779	$ 8,830	$ 102,347
18.	PERCENT INC.	36.62%	35.33%	35.34%	35.40%	35.42%	35.45%	35.46%	36.73%	36.75%	36.76%	36.78%	36.79%	36.07%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

CLASS A MEMBER RATES

LINE NO.		APR	MAY	JUN	JUL	AUG (2008)	SEP	OCT	NOV	DEC	JAN	FEB (2009)	MAR	TOTAL
	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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	PRESENT:													
3.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
4.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PROPOSED:													
6.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
7.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PRESENT REVENUE :													
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	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	1,483,805
12.	Total	$ 1,836,341	$ 1,881,857	$ 1,901,014	$ 1,897,199	$ 1,898,822	$ 1,884,665	$ 1,861,755	$ 1,834,188	$ 1,838,904	$ 1,835,760	$ 1,834,525	$ 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	$ 4.720	$ 5.132	$ 5.016	$ 5.572	$ 4.081
	PROPOSED REVENUE:													
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	2,253,047	2,252,597	2,251,652	2,250,949	2,250,335	2,250,392	2,250,382	2,250,368	2,250,345	2,250,381	2,250,504	2,250,546	27,011,497
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	1,257,897
17.	Total	$ 2,466,010	$ 2,504,147	$ 2,519,442	$ 2,515,505	$ 2,516,267	$ 2,504,322	$ 2,484,890	$ 2,461,507	$ 2,465,482	$ 2,462,852	$ 2,461,928	$ 2,452,359	$ 29,814,712
18.	Average Cost ($/KWH)	$ 6.308	$ 5.041	$ 4.355	$ 4.041	$ 4.292	$ 4.551	$ 5.560	$ 6.856	$ 6.328	$ 6.885	$ 6.731	$ 7.495	$ 5.449
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 629,669	585,624	$ 618,428	$ 618,306	$ 617,445	$ 619,657	$ 623,136	$ 627,318	$ 626,577	$ 627,092	$ 627,403	$ 629,172	$ 7,486,493
20.	PERCENT INC.	34.29%	31.12%	32.53%	32.59%	32.52%	32.88%	33.47%	34.20%	34.07%	34.16%	34.20%	34.51%	33.53%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

Total For Network Tariff

LINE NO.		APR	MAY	JUN	JUL	AUG (2008)	SEP	OCT	NOV	DEC	JAN	FEB (2009)	MAR	TOTAL
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	$ 19,299,096
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 2,253,611	$ 27,043,332
	PRESENT:													
3.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
4.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PROPOSED:													
6.	Loads: April 08 to March 09	343,622	501,117	567,402	554,202	559,820	510,833	431,558	336,173	352,490	341,610	337,338	298,107	5,134,272
7.	Loads: April 07 to March 08	390,963	496,788	578,533	622,450	586,237	550,260	446,957	359,050	389,589	357,721	365,753	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	5,286,263
	PRESENT REVENUE :													
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	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	1,483,805
12.	Total	$ 1,836,341	$ 1,881,857	$ 1,901,014	$ 1,897,199	$ 1,898,822	$ 1,884,665	$ 1,861,755	$ 1,834,188	$ 1,838,904	$ 1,835,760	$ 1,834,525	$ 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	$ 4.720	$ 5.132	$ 5.016	$ 5.572	$ 4.081
	PROPOSED REVENUE:													
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	2,253,047	2,252,597	2,251,652	2,250,949	2,250,335	2,250,392	2,250,382	2,250,368	2,250,345	2,250,381	2,250,504	2,250,546	27,011,497
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	1,257,897
17.	Total	$ 2,466,010	$ 2,504,147	$ 2,519,442	$ 2,515,505	$ 2,516,267	$ 2,504,322	$ 2,484,890	$ 2,461,507	$ 2,465,482	$ 2,462,852	$ 2,461,928	$ 2,452,359	$ 29,814,712
18.	Average Cost ($/KWH)	$ 6.308	$ 5.041	$ 4.355	$ 4.041	$ 4.292	$ 4.551	$ 5.560	$ 6.856	$ 6.328	$ 6.885	$ 6.731	$ 7.495	$ 5.449
	CHANGE IN TOTAL COST:													
19.	REVENUE	$ 629,669	$ 622,290	$ 618,428	$ 618,306	$ 617,445	$ 619,657	$ 623,136	$ 627,318	$ 626,577	$ 627,092	$ 627,403	$ 629,172	7,486,493
20.	PERCENT INC.	34.29%	33.07%	32.53%	32.59%	32.52%	32.88%	33.47%	34.10%	34.07%	34.16%	34.20%	34.51%	33.53%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

AVERAGE COST-CLASS A MEMBERS

LINE NO.		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
	AVG COST ($/kW) - PRESENT RATES													
1.	AEC	$ 4.661	$ 5.062	$ 3.241	$ 2.712	$ 2.974	$ 3.564	$ 5.697	$ 4.754	$ 3.531	$ 4.355	$ 4.227	$ 4.997	$ 3.938
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	3.600	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	0.279	$ 0.00	$ 0.00	$ 0.00	16.960	3.857	0	0	0	21.551	6.890	16.022	8.828
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	-	-	-	-	-	-	-	-	-	1.705	0.937	0.483	5.362
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.	AEC	$ 6.391	$ 6.898	$ 4.371	$ 3.659	$ 4.019	$ 4.823	$ 7.787	$ 6.530	$ 4.793	$ 5.928	$ 5.774	$ 6.845	$ 5.359
9.	DVEC	7.883	4.454	3.831	4.242	3.967	7.107	5.745	7.693	5.751	5.971	6.174	7.962	5.521
10.	GCEC	6.565	4.865	3.618	3.757	4.030	4.874	5.384	7.818	6.643	7.248	7.395	7.577	5.393
11.	MEC	5.980	4.107	4.224	3.822	3.856	4.276	5.770	6.183	7.034	7.327	7.286	7.767	5.253
	MEC2	0.367	0.000	0.000	0.000	21.018	4.981	0.000	0.000	0.000	28.359	9.066	21.084	11.280
12.	SSVEC	6.409	4.668	3.797	3.557	3.819	3.874	4.165	5.378	4.354	5.556	5.463	6.137	4.585
	SSVEC2	-	-	-	-	-	-	-	-	-	2.389	1.313	0.677	7.413
13.	TEC	7.887	6.456	5.008	4.464	5.041	5.299	6.721	8.538	7.986	8.447	8.766	10.687	6.632
14.	CLASS A MEMBER AVG.	$ 6.308	$ 5.041	$ 4.355	$ 4.041	$ 4.292	$ 4.551	$ 5.560	$ 6.856	$ 6.328	$ 6.885	$ 6.731	$ 7.495	$ 5.449

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

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

AEPCO Bundled Sales		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO	Firm Pt to Pt - Serv	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	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	$3.423	
	Firm Pt to Pt - Serv	$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
Sulphur Springs Firm Point to Point	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	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	
	Total Dollars P/P	$0	$0	$201,769	$161,750	$185,677	$43,356	$77,586	$60,471	$68,340	$15,763	$0	$16,242	$ 830,954
MW&E Safford wheeling	Loads	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	
	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	$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	$ 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	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	$ 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	$ 3,484,662

POINT TO POINT TRANSMISSION SERVICES-PROPOSED RATES		APR	MAY	JUN	JUL	2008 AUG	SEP	OCT	NOV	DEC	JAN	2009 FEB	MAR	TOTAL
AEPCO	Firm Pt to Pt - Agrmnts k\	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	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	$3.718	
	Firm Pt to Pt - Agrmnts	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$178,464	$ 2,141,568
Sulphur Springs Firm Point to Point	Loads	0	0	58,945	47,254	54,244	12,666	22,666	17,666	19,965	4,605	0	4,745	242,756
	Rate P/P	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	
	Total Dollars P/P	$0	$0	$219,158	$175,690	$201,679	$47,092	$84,272	$65,682	$74,230	$17,121	$0	$17,642	$ 902,567
MW&E Safford wheeling	Loads	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	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	3.718	
	Total Dollars P/P	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$37,180	$446,160
	Total Revenue	$ 215,644	$ 215,644	$ 434,802	$ 391,334	$ 417,323	$ 262,736	$ 299,916	$ 281,326	$ 289,874	$ 232,765	$ 215,644	$ 233,286	$ 3,490,295
	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	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	$ 229,995
	Total Revenue	$ 229,854	$ 229,854	$ 463,453	$ 417,122	$ 444,823	$ 280,049	$ 319,679	$ 299,864	$ 308,975	$ 248,104	$ 229,854	$ 248,658	$ 3,720,290

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class - Staff Adjusted
Test Year - Annualized

TOTAL FOR POINT-TO-POINT TARIFF

POINT-TO-POINT TARIFF-PRESENT RATES

	2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
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	$ 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	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	$ 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	$ 3,484,662

POINT-TO-POINT TARIFF-PROPOSED RATES

	2008 APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2009 JAN	FEB	MAR	TOTAL
Total Revenue	$ 215,644	$ 215,644	$ 434,802	$ 391,334	$ 417,323	$ 262,736	$ 299,916	$ 281,326	$ 289,874	$ 232,765	$ 215,644	$ 233,286	$ 3,490,295
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	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	$ 229,995
Total Revenue	$ 229,854	$ 229,854	$ 463,453	$ 417,122	$ 444,823	$ 280,049	$ 319,679	$ 299,864	$ 308,975	$ 248,104	$ 229,854	$ 248,658	$ 3,720,290

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

EXHIBIT
Trico-1
ADMITTED

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-09-0496

Surrebuttal Testimony of

Vincent Nitido

on Behalf of

Trico Electric Cooperative, Inc.

August 16, 2010

Q. Please state your name and business address.

A. My name is Vincent Nitido and my business address is 8600 West Tangerine Road, Marana, Arizona, 85658

Q. What is your position with Trico Electric Cooperative, Inc. ("Trico" or the "Company")?

A. I am Chief Executive Officer and General Manager of Trico.

Q. Please describe Trico.

A. Trico is a not-for-profit electric cooperative serving more than 38,000 customers in northwest Tucson, Marana, Mt. Lemmon, Corona de Tucson, Sahuarita, Green Valley, Three Points, Arivaca and adjacent rural areas. Trico has approximately 38,000 customers with approximately 40,000 active meters. We primarily serve residential customers but we have a small but growing number of commercial customers and some large commercial and industrial customers.

As a member-owned cooperative, each of our customers is also a member of the cooperative. We are governed by a seven member board of directors. Trico members elect fellow members to represent them on the cooperative's board of directors. One representative is elected from each of seven director districts.

Q. What is the relationship between Trico and Southwest Transmission Cooperative Inc. (SWTC)?

A. Trico is one of the six Class A Member distribution cooperatives of SWTC. Trico receives wholesale transmission services from SWTC for power provided by Arizona Electric Cooperative, Inc. (AEPCO). As a Class A Member of SWTC, Trico appoints two members of the board of directors of SWTC.

Q. What is the purpose of your direct testimony?

A. On behalf of Trico, I am responding to the direct testimony of Arizona Corporation Commission Staff ("Staff"), the rebuttal testimony of SWTC and the surrebuttal of Mohave Electric Cooperative ("MEC"). Specifically, I am providing testimony on behalf of Trico supporting the proposal contained in SWTC's rebuttal filing for a 26.43% increase based on a debt service coverage ratio (DSC) of 1.35. I also agree with and support the surrebuttal testimony of Carl Stover, who provides additional support for SWTC's position on the DSC. Further, I explain why Staff's proposal for a 29.63% increase based on a DSC of 1.45 is unnecessary and results in increased burdens to Trico and its member-customers.

Q. What is Trico's understanding of SWTC's proposal in its rebuttal filing?

A. Trico understands that SWTC requests a 26.43% increase over test-year present rates. Based on my review of SWTC's rebuttal filing; that proposal will provide SWTC with a net margin of approximately $2.8 million and a cash flow of approximately $3.0 million. Trico further understands that SWTC believes its proposal based on a DSC of 1.35 is sufficient – in light of SWTC's interim financing ability and other potential revenue sources. Even so, SWTC's proposal will result in an overall average increase of 29.87% in the cost of network transmission service to its members, which equates to a 24.98% increase for Trico.

Q. Does Trico support the SWTC proposal in its rebuttal filing?

A. Yes. While SWTC's rate proposal will have a significant impact to Trico, its member-customers and SWTC's other Class A member distribution cooperatives, Trico understands SWTC's need for increased rates. After reviewing all the pre-filed testimony submitted in this matter, Trico believes that what SWTC is proposing will result in just and reasonable rates and provide it with adequate margins and gradual improvement in

working capital coverage. In short, SWTC proposes a revenue increase that balances SWTC's financial requirements with the need to minimize the rate impact on its members such as Trico.

Q. Has Trico reviewed the surrebuttal testimony of Mohave Electric Cooperative, Inc. ("MEC") witness Carl N. Stover, Jr.?

A. Yes.

Q. Does Trico support Mr. Stover's analysis regarding the competing proposals of SWTC and Staff?

A. Yes. Trico agrees with Mr. Stover's analysis that Staff's recommendations for a 29.63% revenue increase is based on a 1.45 DSC, which will lead to an additional $825,628 annual increase over what SWTC is requesting in its rebuttal filing. Staff's proposal translates to a revenue increase of $7,648,823 versus the $6,823,195 revenue increase SWTC proposes. Trico further agrees with Mr. Stover that Staff witness Randall Vickroy's rejection of SWTC's recommendation is based on speculation about potential contingencies, even though Staff provides no evidence that these potential contingencies are likely to occur. In addition, even Staff indicates that a 1.35 DSC will provide sufficient margins and cash for working capital barring such unforeseen contingencies. In fact, Mr. Vickroy also admits that a DSC of 1.35 reflects, in his view, "the lower bound of a range of acceptable DSC levels."[1] Trico believes Mr. Stover's expert testimony supports the conclusion that SWTC will be able to accumulate cash, build equity and continue operations under normal conditions if the Commission approved SWTC's proposal contained within its rebuttal filing.

[1] See Direct Testimony of Randall Vickroy (June 18, 2010) at 9:13-14.

Q. Did you also review Staff's direct testimony in this matter?

A. Yes. While I reviewed all of Staff's direct testimony, my testimony responds specifically to the direct testimony of Staff consultant Randall Vickroy. In short, I respectfully disagree with Mr. Vickroy's recommendation for a revenue increase for SWTC based on a DSC of 1.45.

Q. What is your understanding of why Mr. Vickroy recommended a DSC of 1.45 for setting SWTC's rates?

A. Based on my reading of his direct testimony, Mr. Vickroy is recommending a DSC of 1.45 because that is the mid-point of his acceptable range of DSC levels. He also suggests that a 1.45 DSC would result in a net margin of $2.8 million and net cash flow after principal payments of $3.0 million.[2] Trico understands, however, that the analysis Mr. Stover performed in his surrebuttal testimony indicates otherwise.[3] In fact, it is a DSC of *1.35* that results in a net margin of $2.8 million and cash after debt service of $3.0 million.

Q. What concerns does Trico have regarding Staff's recommended increase in its direct filing?

A. In short, Mr. Vickroy's recommended increase will put unnecessary additional burden on Trico and its member-customers because, under Staff's proposal, SWTC will be charging more than necessary to maintain sufficient net margin and cash flow after servicing debt.

Q. Can you describe those concerns in more detail?

A. Certainly. Trico believes it and its member-customers should not be burdened with any more of an increase than necessary to provide SWTC with sufficient net margin and cash

[2] See Vickroy Direct at 9:16-18.
[3] See Surrebuttal Testimony of Carl N. Stover (DATE) at 8:28-30.

flow to run its operations. Trico, being a distribution cooperative, has been in the position of requesting increases to rates twice in the past six years. At the same time, Trico has sought to increase rates only when necessary and only to the extent necessary to cover operating expenses and provide a sufficient margin so that it can continue to operate. Considering the current economic climate, and that present rates SWTC charges the member cooperatives are already significant, any increase should be no more than necessary. Trico is unconvinced that Mr. Vickroy's recommendation for SWTC is essential for SWTC to meet its obligations. To the contrary, SWTC's rebuttal filing indicates that it believes less of an increase is required to support SWTC's financial requirements.

To put it another way, Staff's recommended increase would have a greater impact on Trico over SWTC's recommendation – which would consequently have a greater impact on Trico's member-customers. SWTC's network transmission rates and Trico's residential rates are among the highest in Arizona. Trico does not want to have its member-customers pay any more than needed for them to receive safe and reliable service. Trico does not believe that additional impact associated with Staff's proposal is imperative for SWTC to have sufficient net margin and cash flow. Simply put, Trico believes that SWTC's rebuttal proposal would provide just and reasonable rates and ensure safe and reliable service. The evidence and testimony filed in this matter supports that position.

Q. Finally, Mr. Nitido, do you have any final comments you would like to make at this time?

A. SWTC's rate filing was not a surprise to Trico. In fact, SWTC involved Trico and the other member distribution cooperatives in lengthy discussions regarding its then-upcoming rate filing, and SWTC's rebuttal filing is the result of substantial discussions

among SWTC and its members, including Trico. Trico supports SWTC's rate proposal in its rebuttal filing as necessary; it does not, however, believe Staff has shown the need to set rates based on a 1.45 DSC. Doing so would result in more significant impacts to Trico, its member-customers, and the other distribution cooperatives who are Class A members of SWTC. While I am testifying on behalf of Trico, I believe my testimony is consistent with the views of the majority of SWTC's membership.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.