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Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 W. Washington
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Re: *Arizona Electric Power Cooperative's ("AEPSCO") Notice of Proposed
Modifications to Its 2005-2008 Construction Work Plan, Decision
No. 70398, Docket No. E-01773A-07-0467*

Dear Mr. Olea:

In Decision No. 70398, dated July 3, 2008 (the "Decision"), the Commission approved AEPSCO's request for an increase in the RUS/FFB loan financing of its 2005-2008 Construction Work Plan ("CWP") to an amount not to exceed \$38,180,000.¹ The Commission also approved continuation of the procedure authorizing amendments to the CWP without the need to file an amended application as follows:

Arizona Electric Cooperative, Inc. may file in this Docket any proposed modifications to the 2005-2008 Construction Work Plan which substantially conform to the purposes of the 2005-2008 Construction Work Plan and which cost more than \$500,000, but do not exceed the authorized amount of [\$38,180,000], and unless Staff files an objection to the proposed CWP modifications within 30 days of Arizona Electric Power Cooperative, Inc. filing the proposed changes, the proposed modifications shall be deemed approved. (Decision, *id.*, and footnotes 1 and 2, page 3.)

Because AEPSCO has been able to construct the projects in the CWP at less cost than originally estimated, there remains unused \$7,319,000 in available funds under the P-8 RUS Loan and the \$38,180,000 authorized by the Commission. The RUS has encumbered the \$38.180 million total amount in the U.S. Treasury and the RUS has asked AEPSCO to identify other projects which could be funded with the surplus monies,

¹ Decision, Finding 12 and First and Second Ordering Paragraphs, page 7.

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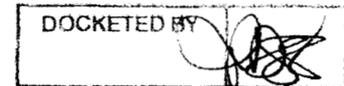
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so that RUS will not have to go through another Congressional budget process to re-encumber the monies.

Attached as Exhibit A is a one-page schedule identifying the projects - in the "Funds Expended Subject to Reimbursement" column - which AEPCO proposes to fund using these remaining loan funds under Decision No. 70398. As required by the Decision, (1) each of the projects conforms to the purpose of the CWP, which is to make necessary improvements and upgrades to meet reliability and service quality standards and (2) total borrowings will not exceed the Commission-authorized level of \$38.180 million.

By the terms of the Decision, Staff does not need to take affirmative action on this request for the proposed changes to take effect. The changes will take effect after 30 days if no objection is filed.

Staff's assistance in relation to this matter is appreciated. If we can supply additional information concerning these CWP modifications, please contact me or Gary Pierson at AEPCO (602-269-3415, ext. 5364).

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By
Michael M. Grant

MMG/plp
10421-44/2683599

Attachment

cc w/attachment: Steve Olea (delivered)

Original and 13 copies filed with Docket
Control this 10th day of March, 2011.

Arizona Electric Power Cooperative, Inc.
Summary of Additional Apache Station Capital Projects
To Be Added to 2005-2008 Construction Work Plan Funding
Authorized Under Decision Nos. 68065, 69238 and 70398

Description	Project Number	Inventory of Work Order (219) Totals	Funds Expended Subject to Reimbursement	In Service Date
4A/4B Conveyor Sump Pump Upgrade	CAPGI.00656	\$ 43,494	\$ 39,392	6/9/2008
Plant Vibration Monitoring Upgrade	5-00634	399,539	399,539	4/13/2010
Control Room Security Upgrade	CAPGI.00799	104,487	104,487	5/10/2010
Apache Common Area Refurbishing	CAPGI.00997	118,716	118,716	3/31/2010
Centac A Compressor Rebuild	CAPGI.00927	333,199	333,199	7/21/2009
Apache Modular Office	5-01090	56,325	56,325	2/1/2010
ST2/3 Condenser Drains Installation	5-01111	71,651	71,651	7/8/2009
Apache Vertical Lathe Installation	5-01115	127,729	127,729	11/2/2009
ST2/3 Bias Loop Pipe Upgrade	CAPGI.01007	175,869	175,869	4/9/2009
GT4 Engine Upgrade	CAPGI.01105	2,347,284	2,347,284	2/1/2010
ST2 Large Fan Lube Oil Skids Upgrade	5-01137	58,577	58,577	4/13/2010
ST2 SDAS Lower Quench Nozzle Upgrade	5-01143	53,325	53,325	4/14/2010
ST1 Gantry Crane Upgrade	5-01157	45,405	45,405	4/24/2010
2A/2B Coal Piping Elbow Upgrades	5-01166	353,960	353,960	4/13/2010
ST2 Boiler Tube Panels Replacement	5-01173	430,045	430,045	4/13/2010
Apache Control Room Chiller Replacement	5-01174	79,681	79,681	4/30/2010
Apache Training Room Chiller Replacement	5-01175	86,835	86,835	4/30/2010
ST2/ST3 Circulating Water Valves Replacement	5-01176	769,431	769,431	3/21/2010
ST2/ST3 Outage Valves Replacement	5-01177	228,428	228,428	3/21/2010
ST2 Generator SCT Replacement	5-01117	151,948	151,948	12/14/2009
Centac B Compressor Rebuild	5-01162	273,752	273,752	12/8/2009
ST2 Stack Liner Coating Replacement, 2009	5-01180	1,013,422	1,013,422	12/14/2009
Total		\$ 7,323,102	\$ 7,319,000	

P8 Loan	
\$	38,180,000
\$	30,861,000
\$	7,319,000
\$	7,319,000
\$	0

Authorized under Decision Nos. 68065, 69238 & 70398

Funds Drawn under P8 Loan to Date

Funds Remaining to be drawn under P8 Loan authorization

Projects requested to be added to CWP 2005-2008

Remaining Authorization