

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF THE
ARIZONA ELECTRIC POWER COOPERATIVE,
INC. FOR AUTHORIZATION TO REFINANCE
CERTAIN EXISTING DEBT

Docket No. E-01773A-__ -__

APPLICATION

Pursuant to A.R.S. § 40-301, *et seq.*, the Arizona Electric Power Cooperative, Inc.

("AEPCO" or the "Cooperative"), in support of its Application, states as follows:

1. AEPCO is an Arizona non-profit electric generation cooperative which supplies all or most of the power and energy requirements of its five Arizona Class A member distribution cooperatives.

2. The Cooperative's Board of Directors is comprised of representatives of its members. Attached hereto as Exhibit A is a Board resolution approving the refinancing described in this Application.

3. In Decision No. 55594, dated June 4, 1987, the Commission authorized AEPCO to issue \$49,727,003 in new debt to refinance certain of AEPCO's outstanding Federal Financing Bank ("FFB") debt which carried interest at rates higher than 10%. Pursuant to that authorization, AEPCO secured an equivalent amount of Cooperative Utility Trust ("CUT") debt with a lower interest rate and retired the higher cost FFB debt.

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1 4. Approximately \$25.75 million of that CUT debt remains outstanding. By this
2 application, AEPCO seeks approval to, in turn, refinance that CUT debt at still lower rates so as
3 to secure additional interest savings.

4 5. The Cooperative proposes to refinance the remaining balance plus a prepayment
5 penalty of \$386,200 using serial notes from the National Rural Utilities Cooperative Financing
6 Corporation ("CFC"). The refinance transaction will also require the purchase of a CFC Long
7 Term Capital Certificate in the approximate amount of \$3.73 million.

8 6. Because the CUT debt will be replaced by CFC notes bearing lower interest rates,
9 AEPCO's economic analysis indicates that the refinancing transaction will result in
10 approximately \$2.1 million in net dollar savings over the next eight years. That represents a net
11 present value savings of approximately \$2.9 million.

12 7. However, if all necessary refinancing details cannot be accomplished before the
13 next principal payment is due in August, 2011, then AEPCO proposes to refinance the
14 approximately \$22.4 million of CUT debt which will still be outstanding plus a prepayment
15 penalty of \$224,000 and a CFC Long Term Capital Certificate in the approximate amount of
16 \$3.2 million. Refinancing that lower amount of \$25.8 million after the August principal payment
17 will result in approximately \$1.2 million in net dollar savings over the next seven years, which
18 represents a net present value savings of about \$2.1 million.

19 8. AEPCO requests that the Commission enter its Order approving this refinancing
20 no later than its July Open Meeting so that AEPCO can accomplish all of the refinancing details,
21 if possible, prior to the August principal payment on the CUT debt.

22 WHEREFORE, having fully stated its Application, AEPCO requests that the
23 Commission enter its Order by July, 2011:

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1. Authorizing AEPCO to borrow an amount not to exceed \$29.87 million from the CFC in order to retire the remaining CUT debt as described in paragraphs 4 and 5 or paragraph 7;

2. Authorizing AEPCO to grant liens on its property as required in order to secure the borrowing authorized; and

3. Authorizing AEPCO to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

RESPECTFULLY SUBMITTED this 6th day of April, 2011.

GALLAGHER & KENNEDY, P.A.

By Michael M. Grant
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Attorneys for Arizona Electric Power
Cooperative, Inc.

Original and 13 copies filed this 6th day of April, 2011, with:

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

Copy of the foregoing delivered this 6th day of April, 2011, to:

Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Steve Olea
10421-66/2707113

EXHIBIT A

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

The following resolution was adopted at a **regular meeting** of the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCCO), held in Benson, Arizona on February 8, 2011.

RESOLUTION

***WHEREAS**, it is the intent of Arizona Electric Power Cooperative, Inc. (AEPCCO) to reduce its debt service cost associated with certain Cooperative Utility Trust (CUT) Certificates Series 1987-2 by issuing long term debt through the National Rural Utilities Cooperative Finance Corporation (CFC) sufficient to refinance the outstanding CUT principal of \$25,749,000, a pre-payment penalty of \$386,235 and \$3,734,725 sufficient to purchase a CFC Loan Capital Term Certificate (CTC); and*

***WHEREAS**, the Executive Vice President and Chief Executive Officer of AEPCCO be and is hereby authorized to execute the Agreement on behalf of AEPCCO, to execute any required additional borrowings required for the CTC to support the debt in the amount of \$3,734,725 or 14.29% of the refinanced amount, and to execute such further documents as may be necessary or appropriate in order to comply with CFC's requirements; and*

***WHEREAS**, that it is the intent of the Board of Directors that upon execution and delivery of the Agreement to CFC, and when executed by CFC, the Agreement shall constitute a valid and binding agreement between CFC and AEPCCO, enforceable in accordance with its terms; and*

***WHEREAS**, that CFC shall be entitled to rely upon the direction of the Executive Vice President and Chief Executive Officer of AEPCCO as CFC reasonably believes is authorized on behalf of AEPCCO to request and receive funds pursuant to the Agreement; and*

***WHEREAS**, that CFC is hereby authorized to receive, review and make copies of any financial statements, documents, reports, contracts or other materials as CFC may reasonably request from time to time in connection with the Agreement;*

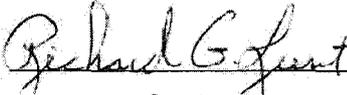
***NOW, THEREFORE BE IT RESOLVED**, that the Executive Vice President and Chief Executive Officer is hereby authorized to take all other actions deemed advisable to carry out the purpose of this Resolution; and*

***BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to file a lien accommodation request with the Rural Utilities Service in support of this refinancing; and*

***BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to seek and otherwise obtain the necessary approvals from the Arizona Corporation Commission to issue long term debt with the National Rural Utilities Cooperative Finance Corporation in the amount of approximately \$29,869,960 composed of the current outstanding Cooperative Utility Trust principal of \$25,749,000, a pre-payment penalty of \$386,235 and \$3,734,725 representing the purchase of a CFC Loan Capital Term Certificate.*

I, Richard G. Lunt, do hereby certify that I am Secretary of AEPCCO, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a **regular meeting** held on February 8, 2011.

(seal)


Secretary