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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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- BOB STUMP, Chairman
- GARY PIERCE
- BRENDA BURNS
- BOB BURNS
- SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF THE ARIZONA ELECTRIC POWER 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-01773A-12-0305

AEPCO'S NOTICE OF FILING SUPPLEMENTAL REJOINDER EXHIBIT

GALLAGHER & KENNEDY, P.A.
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Notice is given that Arizona Electric Power Cooperative, Inc. ("AEPCO") files the attached Exhibit GEP-11 as a supplemental exhibit to the Rejoinder Testimony of Gary E. Pierson. Following the filing of Rejoinder Testimony, AEPCO continued discussions with Arizona Corporation Commission Staff regarding the study of Apache Station, which has already begun, and reached agreement regarding the description of the study, which is summarized in Exhibit GEP-11.

RESPECTFULLY SUBMITTED this 24th day of July, 2013.

GALLAGHER & KENNEDY, P.A.

By

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Arizona Corporation Commission
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1 **Original and 13 copies** filed this
24th day of July, 2013, with:

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

5 **Copies** of the foregoing delivered
this 24th day of July, 2013, to:

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EXHIBIT GEP-11

APACHE STATION STUDY

The Strategic Resource Planning Group (“SRPG”) Apache Station Study (which has already begun) involves a detailed comparison of the continued operations of Steam Turbines 2 and 3 under AEPCO’s BART proposal with a mix of all resource supply options/modifications including, but not limited to: capacity and energy purchases, purchase of existing supply resources; different operating configurations of the two steam turbine units; construction of new natural gas-fired resources; and replacement purchased power agreements (“PPA”) with associated transmission upgrades. The study will examine the impacts of these and other scenarios on operating costs, capital requirements, stranded investment and unit retirement costs under a range of forecasts for key operating parameters (for example, fuel costs). We will also conduct a Request for Proposal (“RFP”) or similar process to verify market assumptions and long-term PPA market costs. That process will make clear to market participants that our interest in potential purchases is real, and not limited merely to amassing information for study purposes. The foregoing information will then be used by AEPCO in determining what resource options to pursue (including but not limited to those identified as part of the RFP process) and in preparing financial forecasts and rate projections.

The results of the SRPG study and supporting analyses will be submitted to the Commission (as will a non-confidential executive summary that can be made available to the public) on or before June 30, 2014. The results of this study will consider the relevant factors affecting the continuing viability of Apache Station including, without limitation, pending and future EPA requirements. The study and resulting dialogue with stakeholders, including the Commission,

will become the lynchpin of AEPCO's resource planning and capital budgeting process. We will seek to determine what options best suit the needs of our Members over the long term, without prejudging the prudence of continuing or ceasing investments in Apache Station in accordance with Section R14-2-103(A)(3)(l) of the Arizona Administrative Code. AEPCO will, during the pendency of the study and within a reasonable time for review of the results of the study, limit investments at Apache Station to those clearly required for legal, regulatory, and safety reasons and for preserving operational capability and availability. But our intent in conducting the study remains the same – we will not make other major investments (e.g. major environmental equipment upgrades) until after the study is completed and, then, only in the event and to the extent that such investments are supported by the study.