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BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

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MAR 21 2014

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IN THE MATTER OF THE APPLICATION OF THE ARIZONA ELECTRIC POWER COOPERATIVE, INC. FOR AUTHORIZATION TO OBTAIN TWO COMMITTED REVOLVING LINES OF CREDIT

Docket No. E-01773A-14-0019

AEPCO COMMENTS ON STAFF REPORT

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The Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative") has reviewed the Report filed by Utilities Division Staff ("Staff") in this docket on March 14, 2014. AEPCO appreciates Staff's prompt and thorough analysis of its application and requests that the Administrative Law Judge prepare a Recommended Opinion and Order ("ROO") adopting Staff's analysis and recommendation.

In that regard, we note the following three clarifications.

First, concerning the final sentence of the initial paragraph on page 3, AEPCO will use the committed lines of credit ("LOCs") for both cash flow and, as possible, interim financing support for capital projects construction. In that regard, the Cooperative suggests the following phrasing:

Going forward, in addition to liquidity support, AEPCO plans to use the committed LOCs, where appropriate, to provide interim financing until permanent long-term financing can be obtained for future capital projects.

Second, as explained in the Description of Proposed Financing at page 3 of Staff's Report, the line of credit from the National Rural Utilities Cooperative Finance Corporation ("CFC") terminates five years from closing, but does include a renewal option for up to two

1 one-year extensions. One of Staff's recommendations is that any unused authorizations to issue
2 debt terminate within five-and-a-half years of a decision in this docket. Staff Report, Executive
3 Summary at page 5. AEPCO understands approval of the LOCs would include use of the
4 renewal option. Thus, the 5.5-year termination recommendation would not preclude exercise of
5 the CFC option to renew and the Cooperative requests clarification of that point in the Order.

6 Finally, to clarify, in the Financial Analysis section, Staff accurately states the financial
7 requirements associated with the LOCs. Specifically, CoBank requires a TIER of 1.10 and CFC
8 requires a DSC of 1.0. Consistent with that, the TIER requirement of 1.10 stated in the first
9 paragraph of the Description of Proposed Financing on page 3 is a CoBank covenant, not a CFC
10 requirement.

11 RESPECTFULLY SUBMITTED this 21st day of March, 2014.

12 GALLAGHER & KENNEDY, P.A.

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21 **Original and 13 copies** filed this
22 21st day of March, 2014, with:

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1 **Copies** of the foregoing delivered
this 21st day of March, 2014, to:

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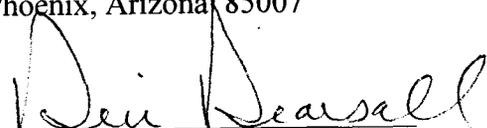
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