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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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BOB BURNS
DOUG LITTLE
TOM FORESE

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

OCT 20 2015

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Docket No. E-01749A-09-0185

IN THE MATTER OF THE APPLICATION OF
GRAHAM COUNTY ELECTRIC COOPERATIVE,
INC. TO AMEND ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY AND TO
TRANSFER CERTAIN OF ITS ASSETS TO THE
CITY OF SAFFORD

**GRAHAM COUNTY ELECTRIC
COOPERATIVE NOTICE OF
FILING DIRECT TESTIMONY**

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

Pursuant to the parties' proposed scheduling order, attached is the direct testimony of
Kirk Gray on behalf of Graham County Electric Cooperative, Inc.

RESPECTFULLY SUBMITTED this 20th day of October, 2015.

GALLAGHER & KENNEDY, P.A.

By
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2575 East Camelback Road
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Cooperative, Inc.

Original and 13 copies filed this
20th day of October, 2015, with:

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

1 **Copies** of the foregoing delivered this
20th day of October, 2015, to:

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3 Hearing Division
4 Arizona Corporation Commission
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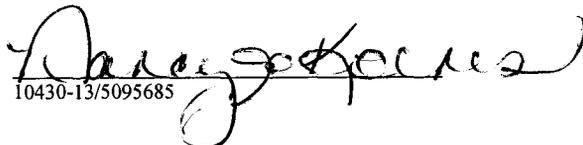
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
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IN THE MATTER OF THE APPLICATION OF
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Docket No. E-01749A-09-0185

Direct Testimony of Kirk Gray

on Behalf of

Graham County Electric Cooperative, Inc.

October 20, 2015

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1 **INTRODUCTION**

2 **Q. Please state your name, address and occupation?**

3 A. My name is Kirk Gray. My business address is 9 West Center Street, Pima, Arizona
4 85543. I am the Assistant General Manager of Graham County Electric Cooperative, Inc.
5 ("GCEC" or the "Cooperative"). As such, I am responsible for assisting the current
6 General Manager with all aspects of GCEC's operations, finances and management.

7
8 **Q. Please briefly describe your educational background and work-related experience.**

9 A. I have a bachelor of science degree in accounting and I am a Certified Public Accountant
10 licensed to practice in the State of Arizona. I have been the Finance Manager of GCEC
11 for five years and four months. I was named the Assistant General Manager of GCEC on
12 September 2, 2015.

13
14 **Q. Mr. Gray, what is the purpose of your testimony?**

15 A. I am testifying in support of GCEC's Application to complete the transfer of assets and
16 service territory to the City of Safford ("Safford") pursuant to the Territorial Settlement
17 Agreement ("TSA") entered into in December 2008 and approved by the Commission in
18 January 2010. Specifically, GCEC is requesting that the Commission (1) delete from the
19 Cooperative's Certificate of Convenience and Necessity ("CC&N") the portions of the
20 SSA not already deleted by the Commission in Decision No. 71471 (the "Decision") and
21 (2) authorize the Cooperative's transfer to Safford of all distribution assets used to serve
22 the load within the Safford Service Area ("SSA"). Additionally, in order to ensure a
23 smooth customer transition from GCEC to Safford, the Cooperative is requesting that the

1 Commission waive the customer confidentiality rule so that GCEC can transfer customer-
2 specific information to Safford.
3

4 **BACKGROUND**

5 **Q. Mr. Gray, please describe GCEC?**

6 A. GCEC is a non-profit, member-owned electric distribution cooperative. We were formed in
7 1944 and received our CC&N in 1961. The Cooperative serves areas located south and east
8 of the San Carlos Apache Indian Reservation, excluding locations currently served by
9 Safford and the Town of Thatcher. GCEC currently serves approximately 6,500 members.
10

11 **Q. What is the relationship between GCEC and Safford?**

12 A. Safford is a municipal corporation of the State of Arizona that operates an electric
13 distribution system both within and outside of its corporate limits. Since 1946, GCEC
14 and Safford have been parties to an agreement regarding their respective rights and
15 obligations to provide electrical service in the area. One provision of the agreement
16 anticipated Safford's future annexation of areas within the Cooperative's CC&N territory
17 and attempted to address the parties' respective rights in the event of such annexation.
18 Unfortunately, that provision has been the subject to significant dispute between the parties,
19 leading to multiple lawsuits. Therefore, in an attempt to resolve ambiguities created by the
20 prior agreement and prevent future disputes, GCEC and Safford entered into the TSA in
21 December 2008. A copy of the TSA is attached as Exhibit KG-1.
22
23

1 **Q. Please describe the TSA.**

2 A. The TSA clarifies each party's electric service rights and responsibilities within the
3 corporate limits of Safford beginning in January 2009 and establishes a procedure for
4 addressing any territory expansions by Safford in the future. With regard to service within
5 the current corporate limits, the TSA provides for a staged transfer of the SSA territory from
6 GCEC to Safford, with the ultimate goal being the complete transfer of the territory by
7 January 2016. The TSA also establishes a dramatically improved procedure for Safford's
8 future annexation of areas within the Cooperative's CC&N territory.

9
10 **Q. What do you mean by "staged transfer of the SSA territory" and why did the**
11 **parties structure the agreement that way?**

12 A. At the time the TSA was executed, Safford did not have the infrastructure and system
13 capabilities in place to immediately serve the load within the SSA. Therefore, the parties
14 agreed that GCEC would continue to serve the existing (as well as some new) customers
15 located within the SSA until Safford would be ready to serve the entire area.
16 Accordingly, the TSA identified two separate transfers – the Initial Transfer and the Final
17 Transfer. Pursuant to Section 6 of the TSA, the Initial Transfer occurred in January 2013,
18 pursuant to which Safford took over service to the Wal-Mart Supercenter and GCEC
19 assumed service to the Safford Municipal Airport properties. Section 7 of the TSA
20 addresses the Final Transfer, which is the subject of the Cooperative's October 1, 2015
21 Application.

22

23

24

1 **Q. Mr. Gray, you referenced a prior Commission decision concerning the TSA. Please**
2 **explain.**

3 A. In anticipation of the transactions outlined in the TSA, GCEC filed an application with the
4 Commission in April 2009. In response to that application, the Commission issued the
5 Decision in which it approved the TSA and granted the authorizations necessary to proceed
6 with the Initial Transfer. However, so that the Cooperative could continue to serve the
7 customers and locations within the SSA that were not scheduled to be transferred to Safford
8 until the Final Transfer, the Commission required GCEC to file another application in 2015
9 in order to delete the remaining SSA areas from the Cooperative's CC&N and transfer the
10 facilities necessary to serve the SSA.

11

12 **FINAL TRANSFER**

13 **Q. Are the parties prepared to proceed with the Final Transfer?**

14 A. Yes. Since the execution of the TSA, GCEC and Safford have worked together to complete
15 all necessary infrastructure and system upgrades so that Safford will be able to serve the
16 load within the SSA. Specifically, Safford upgraded its substation and built in 69 kV
17 transmission switching capability to facilitate GCEC's new 69 kV double circuit into the
18 substation to provide transmission loop feed. Safford also upgraded a primary distribution
19 line to be able to handle the load after the Final Transfer of the SSA.

20

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1 **Q. How many GCEC customers are served in the area that will be deleted from the**
2 **Cooperative's CC&N?**

3 A. As of October 1, 2015, GCEC has a total of 778 electric meters in the SSA. However, this
4 number may change between now and the Final Transfer because there are active
5 developments within the SSA area that were excluded from the Commission's Decision and
6 therefore are currently within the Cooperative's CC&N service territory. Based on recent
7 trends, we anticipate that GCEC may add as many as 12 new customers in those
8 developments before the Final Transfer.

9
10 **Q. GCEC is also requesting Commission authorization to transfer to Safford all**
11 **distribution assets used to serve the load within the SSA, correct?**

12 A. Yes. The current list of facilities includes those that were in place as of January 1, 2009 and
13 those GCEC added after that date, attached as Exhibits KG-2 and KG-3, respectively.
14 Additionally, for the same reasons that the number of customers within the SSA may
15 increase prior to the Final Transfer, the number of facilities may also increase. Accordingly,
16 the Cooperative is requesting that the Commission's Order include authorization to transfer
17 to Safford the facilities identified on the two lists as well as any facilities that GCEC may
18 construct within the SSA prior to the Final Transfer.

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1 **Q. What is the distinction between facilities in place as of January 1, 2009 and those that**
2 **were added after that date?**

3 A. Under the TSA, the purchase price that Safford will pay GCEC is calculated based on the
4 replacement cost less depreciation (“RCLD”) of the facilities that were in place on January
5 1, 2009 (but in no event less than \$950,000 or greater than \$1,250,000) plus the cost of
6 facilities installed by GCEC after January 1, 2009. As indicated on Exhibit KG-2, the
7 RCLD of the SSA facilities that existed as of January 1, 2009 is \$662,892.99, which is less
8 than the minimum purchase price set forth in the TSA. Exhibit KG-3 shows the cost of
9 facilities installed from January 1, 2009 through August 2015. Because this calculation will
10 be revised to incorporate the cost data for facilities installed in September 2015 and over the
11 next few months, the total purchase price is not yet known. However, we estimate the final
12 purchase price will be in the \$975,000 range.

13
14 **Q. Mr. Gray, can you please describe some of the benefits associated with the TSA and**
15 **the Final Transfer?**

16 A. There are many benefits. As the Commission acknowledged in the Decision, the TSA
17 resolved a long-standing dispute between GCEC and Safford over service rights in and
18 around Safford. In addition to working cooperatively over the past several years, after the
19 Final Transfer we anticipate a more peaceful coexistence given the TSA provisions
20 addressing future Safford annexations and because the Cooperative will continue to provide
21 transmission wheeling services to Safford pursuant to the parties’ Wheeling and
22 Transmission Agreement. From a financial perspective, the Cooperative will benefit from

1 the TSA's minimum purchase price clause and the future wheeling revenues. Additionally,
2 GCEC will avoid litigation (including potential condemnation) in connection with Safford's
3 current acquisition and future annexations.
4

5 **Q. What impact will the Final Transfer have on the customers within the SSA?**

6 A. We have worked with Safford to make the transition as seamless as possible for the
7 customers. In 2009, GCEC mailed notices to all customers within the SSA as well as
8 owners of large undeveloped tracks of land in the area describing the anticipated transfer to
9 Safford. Since then, the Cooperative has explained the transfer to all new customers and
10 intends to send another notice to affected customers in a form prescribed by the
11 Administrative Law Judge. GCEC is not aware of any customer opposition to the transfer,
12 most likely because Safford's rates are fairly consistent with the Cooperative's (and in some
13 cases are lower).¹ The transfer will also benefit customers who currently receive other
14 utility services from Safford by consolidating providers. Finally, customers who move to
15 the SSA in the future will avoid confusion regarding which entity to contact for electrical
16 service.
17

18 **Q. When will the transfer of customers occur?**

19 A. The TSA calls for the Final Transfer to take place on or after December 31, 2015. In order
20 to coordinate some of the logistics (including final meter readings), Safford and GCEC have
21 scheduled the transfer to begin on January 4, 2016. During the transfer, there may be some
22

23 ¹ GCEC will supplement this filing with a comparison of the rates and terms of service, which will be identified as
24 Exhibit KG-4.

1 intermittent loss of power due to system switching between GCEC and Safford, but any loss
2 will be temporary and the parties will work together to minimize any customer
3 inconvenience. In a proactive effort to provide a smooth transition process, Section 16 of
4 the TSA requires GCEC to provide Safford with customer lists, addresses, billing
5 information, load histories and other relevant account information, which is why the
6 Cooperative is also requesting Commission waiver of the customer confidentiality rule.²
7 After the Final Transfer, GCEC will send a final bill to the transferred customers (based on
8 the final meter reads). For customers who have a deposit on file, their final GCEC bills will
9 include a deposit refund and, if the deposit amount exceeds the final bill amount, the
10 Cooperative will refund the remaining balance via check to the customer directly. All
11 future electric service bills will be issued by Safford.

12 CONCLUSION

13 **Q. Do you have any concluding remarks?**

14 **A.** I do. Section 7 of the TSA will require the Cooperative to make monthly payments to
15 Safford if Commission authorization is not received in time for the January 4, 2016 Final
16 Transfer. Accordingly, GCEC greatly appreciates the Commission's assistance with this
17 matter, including the expedited processing by the Utilities Division and the prompt attention
18 of Hearing Division.
19

20
21 For the reasons stated herein and in our October 1, 2015 Application, GCEC respectfully
22 requests that the Commission enter its Order at the December 2015 Open Meeting (1)

23 ² GCEC will file a supplemental Exhibit KG-5 confirming Safford's customer confidentiality practices.

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deleting from the Cooperative's CC&N the portions of the SSA not already deleted by the Decision, (2) authorizing the Cooperative's transfer to Safford of all distribution assets used to serve the load within the SSA and (3) waiving A.A.C. R14-203(A)(2) to permit the Cooperative to share any necessary customer information in connection with the Final Transfer.

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT KG-1

TERRITORIAL SETTLEMENT AGREEMENT

1. AGREEMENT AND PARTIES.

This Territorial Settlement Agreement ("this Agreement") is entered into by and between the City of Safford and Graham County Electric Cooperative, Inc. (the "Parties") pursuant to the Principles as defined in Section 2.9.

2. DEFINITIONS.

2.1 "ACC" refers to the Arizona Corporation Commission.

2.2 "Airport Property" refers to the property described on Exhibit "A" hereto.

2.3 "Authorized Representative" refers to a representative designated from time to time by a Party to work with the designated representative of the other Party and having the authority of such Party to implement the agreements of the Parties set forth in this Agreement.

2.4 "CFC" refers to the National Rural Utility Cooperative Finance Corporation.

2.5 "Graham" refers to Graham County Electric Cooperative, Inc.

2.6 "Graham's CC&N" refers to Graham's Certificate of Convenience and Necessity issued by the ACC in its Decision No. 33006 dated April 6, 1961.

2.7 "Lawsuits" refers to Graham County Superior Court Cause Nos. CV2005-0081 and CV2005-0083.

2.8 "1946 Agreement" refers to the Agreement entered into by and between Safford, Graham, and the City of Thatcher and dated January 22, 1946.

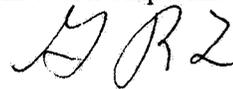
2.9 "Principles" refers to the Settlement Principles of Territorial Issues Between Safford and Graham entered into on September 8, 2008.

2.10 "Safford" refers to the City of Safford.

2.11 "Safford Service Area" refers to the area depicted on Exhibit "B" hereto.

2.12 "Wal-Mart Property" refers to the property to the east of 20th Avenue, between US 70 and 8th Street, on which the Wal-Mart SuperCenter is located.

2.13 "Wheeling and Transmission Agreement" refers to the Wheeling and Transmission Agreement Between Safford and Graham entered into contemporaneously herewith, as may be amended from time to time.



3. EFFECTIVE DATE.

This Agreement shall become effective as of January 1, 2009 (the "Effective Date").

4. PROVISION OF SERVICE WITHIN THE SAFFORD SERVICE AREA.

4.1 Except as otherwise provided pursuant to other provisions in this Agreement set forth below, from January 1, 2009 through the closing of the sale of the Final Transfer Facilities pursuant to Section 7 herein, Safford and Graham shall each continue to provide electric service to the existing loads and customers within the Safford Service Area that each of them is serving as of the Effective Date.

4.2 Graham will not object to Safford connecting new customer loads located within the Safford Service Area to Safford's distribution facilities and providing electric service to such new loads after January 1, 2009.

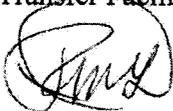
4.3 Customers that are receiving construction or temporary service from Graham as of January 1, 2009 within the Safford Service Area shall become customers of Safford on the date such construction or temporary service is connected to Safford's distribution facilities. Safford shall have the right to and shall make such connections no later than the closing of the sale of the Final Transfer Facilities pursuant to Section 7 herein.

4.4 If, after January 1, 2009, any customer requires new or temporary service within the Safford Service Area, and Safford has not acquired the Final Transfer Facilities, as defined in Section 7, and it is anticipated that Safford will not have constructed connecting distribution facilities in order to provide the service to the new customer, the Parties agree that Graham (and not Safford) will, after discussions, deliberation, and agreement with Safford, proceed to install all necessary facilities to timely serve the new customer's load, temporarily connecting any such new customer's load to Graham-owned distribution facilities.

4.4.1. In such event, such new customer shall become a retail customer of Graham and such new customer's load shall continue to be served by Graham until the Final Transfer Facilities are transferred to Safford.

4.4.2 Also in such event, Safford shall reimburse Graham for Graham's actual cost of installing all necessary facilities to serve such new customer's load, including any line extension costs, but less any contributions that would be payable by such customer for such facilities, at the time of closing of the transaction transferring the Final Transfer Facilities to Safford.

4.5 Graham shall also serve, until the Final Transfer Facilities are transferred to Safford, any new customer's load located within the Safford Service Area, which customer: (i) demands service from Graham prior to the date that the ACC approves the modification to Graham's CC&N pursuant to Section 8; and (ii) refuses to instead be connected to Safford's distribution system to be served by Safford pending the transfer of the Final Transfer Facilities to Safford.



4.5.1 Safford shall reimburse Graham for the actual cost of facilities installed by Graham, including any line extension costs, but less any contribution paid by the customer and retained by Graham, for such service to customers pursuant to this Section 4.5, but in no event shall such reimbursement be any greater than the costs that the Parties agree would be incurred by Safford to connect such customer to Safford's distribution system (less any contributions that would be payable by such customer).

4.5.2 Safford shall pay Graham such agreed upon costs at the closing of the transaction transferring the Final Transfer Facilities to Safford.

4.6 The costs incurred for and any value of the facilities and associated line extensions described in Section 4.4 and Section 4.5 shall be excluded from the final RCLD Purchase Price of the Final Transfer Facilities determined pursuant to Section 7.3(i), and instead shall be payable pursuant to Section 7.3(ii).

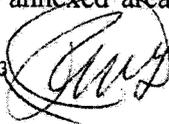
5. PROVISION OF SERVICE OUTSIDE THE SAFFORD SERVICE AREA.

5.1 Beginning January 1, 2009, Safford shall have the right to provide electric service in territory outside the Safford Service Area to customers located in areas annexed by Safford, provided Safford first acquires, pursuant to the procedures specified in this Section 5, Graham's distribution facilities used to serve loads located in such annexed areas.

5.2 In any such acquisition of facilities by Safford from Graham pursuant to Section 5.1, Graham shall retain any facilities necessary for Graham to continue to provide service to its customers' loads in area(s) Graham will be continuing to serve. The Parties shall make good faith efforts to promptly identify the facilities to be retained by Graham.

5.3 For any such acquisition pursuant to Section 5.1, Safford shall give Graham three (3) years' written notice of its intention to purchase Graham's electrical distribution facilities used to serve load located in any such annexed area outside the Safford Service Area that Safford intends to serve. Graham shall file and diligently pursue appropriate requests with the ACC, the CFC, and any other holder(s) of liens on the facilities being acquired, requesting (i) approval of the transfer to Safford of title to such facilities, (ii) release of any and all liens made by Graham on such facilities, and (iii) authority to discontinue retail electric service to the affected customers as of the third anniversary of the notice. Graham shall use reasonable efforts to obtain approval by the ACC, CFC, and any such lienholder prior to the third anniversary of the notice. Safford agrees to assist Graham in obtaining such approvals by providing a letter and testimony in support of the approvals, if testimony is requested by Graham or the ACC, at Safford's own expense.

5.4 The purchase price paid to Graham for any such facilities acquired by Safford pursuant to Section 5.1 shall be five (5) times the annual billings for service to customers in the annexed area (such billings to be determined by reference to Graham's records,



which Graham shall make available to Safford, and which Safford may audit at its sole expense) based upon the total amount of all ACC authorized items and charges shown on the last twelve monthly bills for each customer in the annexed area, with the last of such twelve monthly bills to be the last one that was sent at least thirty days before the third anniversary of the notice.

5.5 In the event Graham adds facilities in the territory after Safford has given the written notice pursuant to Section 5.3 and prior to acquisition, the formula set forth in Section 5.4 shall be used to determine the purchase price of such facilities, and in the event such facilities have not been installed for one full year prior to acquisition, a full year of service and billings for the customers being served by such additional facilities added in the annexed area shall be developed to determine the purchase price based upon proration of available service and billing data. For service to any customer(s) being served by such additional facilities added in the annexed area to whom no monthly bill has been sent at least thirty days before the third anniversary of the notice, the Parties will, within thirty days after the closing date, calculate and agree on the additional purchase price of the added facilities for such customer(s) based on a prorated year of billings for such customer(s), and Safford shall then pay Graham such additional purchase price amount within thirty days after the Parties agree on the calculation.

5.6 Subject to receipt of necessary regulatory and other approvals necessary to sell such facilities to Safford, the scheduled closing date for the transfer of any facilities pursuant to Sections 5.1 through 5.5 shall be the third anniversary of the date the notice is given. The form and substance of any transfer documentation for the transfer of such facilities shall be reasonably satisfactory to both Parties and shall warrant that such facilities and associated real property interests are being conveyed free and clear of any monetary liens.

5.7 In the event, for any reason, Graham has not obtained approval from the ACC, CFC, or any other person or entity holding a lien made by Graham on Graham's portion of the facilities to be transferred pursuant to Sections 5.1 through 5.5 prior to the third anniversary of the date notice is given pursuant to Section 5.3, Graham shall pay Safford, until the closing of the sale of the facilities being acquired, a fee equal to the product of a rate (in Dollars per kWh) equal to the then current wheeling rate (in Dollars per kWh), multiplied by all monthly retail electric sales in kWh of Graham's customer accounts, starting as of such third anniversary of the notice, for customers served by the facilities being acquired.

5.8 Safford shall, as the sole alternative to using its powers of condemnation, use the method set forth in Sections 5.2 to 5.7 for the purpose of expanding its electric system and electric services beyond the Safford Service Area.

5.8.1 However, nothing contained herein shall (i) bar Safford from increasing its municipal boundaries pursuant to lawful annexation of properties, or (ii) limit the right of Safford to exercise its powers of condemnation.



5.8.2 If, however, Safford chooses to proceed by condemnation against Graham, Graham shall not be limited in such proceeding to the determination of a value for its facilities as specified in this Agreement, including without limitation the formulae set forth in Sections 5.4 and 5.5.

5.9 Graham will not object to Safford expanding its distribution system outside of (a) the Safford Service Area or (b) any area where Safford has acquired facilities and service rights pursuant to Sections 5.1 through 5.5 if such expansion is solely for reliability purposes, interconnects with electric facilities of Graham in accordance with the Wheeling and Transmission Agreement, or with the Town of Thatcher, and so long as such facilities serve no retail electric distribution load that is not within either (a) the Safford Service Area, or (b) any area where Safford has acquired facilities and service rights pursuant to Sections 5.1 through 5.5.

5.10 Subject to the provisions of Section 8.5, the 1946 Agreement is hereby terminated.

6. INITIAL TRANSFER DATE AND INITIAL TRANSFER FACILITIES.

6.1 Electric service to the electric customers' loads of the Airport Property shall continue under existing arrangements until the Initial Transfer Date, as defined in Section 6.2, so that until the Initial Transfer Facilities, as defined in Section 6.3, are exchanged between the Parties, Safford will receive and pay for retail electric service from Graham, as measured by a master meter, and may resell the power to individually metered customers. Graham shall continue to provide service to the Wal-Mart Property until the closing of the sale of the Initial Transfer Facilities.

6.2 On December 31, 2012 ("Initial Transfer Date"), or on such later date as may be required pursuant to Section 6.7, the Parties shall simultaneously enter into the following exchanges and transfers, each of which shall be conditioned upon and in consideration for the other:

6.2.1 In exchange and consideration for the transfer described in Section 6.2.2, Safford shall purchase from Graham, and Graham shall sell and convey to Safford, Graham's distribution facilities, and its real property interests concerning such distribution facilities, used in providing electric service to the Wal-Mart Property; and

6.2.2 In exchange and consideration for the transfer described in Section 6.2.1, Graham shall purchase from Safford, and Safford shall sell and convey to Graham, Safford's distribution facilities, and its real property interests concerning such distribution facilities, used in providing electric service to the Airport Property.

GRZ

[Signature]

6.3 The Wal-Mart Property and Airport Property facilities and associated real property interests are collectively referred to as the "Initial Transfer Facilities." The Authorized Representatives of the Parties shall identify and agree upon the specific facilities that are Initial Transfer Facilities no later than December 31, 2011.

6.4 On or before January 15, 2012, Graham shall file appropriate requests with the ACC, the CFC, and any other holder(s) of liens on Graham's portion of such Initial Transfer Facilities, requesting (i) approval of the transfer to Safford of title to Graham's portion of the Initial Transfer Facilities, (ii) release of any and all liens made by Graham on Graham's portion of the Initial Transfer Facilities, and (iii) authority to discontinue retail electric service to the affected customers as of the Initial Transfer Date. Graham shall use reasonable efforts to obtain approval by the ACC, CFC, and any such lienholder prior to the Initial Transfer Date. Safford agrees to assist Graham in obtaining such approvals by providing a letter and testimony in support of the approvals, if testimony is requested by Graham or the ACC, at Safford's own expense.

6.5 In the event, for any reason, Graham has not obtained approval from the ACC, CFC, or any other person or entity holding a lien made by Graham on Graham's portion of the Initial Transfer Facilities prior to the Initial Transfer Date, Graham shall pay Safford a fee equal to the product of a rate (in Dollars per kWh) equal to the then current wheeling rate (in Dollars per kWh), multiplied by all monthly retail electric sales in kWh of Graham's customer accounts, starting January 1, 2013, for customers served by Graham's portion of the Initial Transfer Facilities.

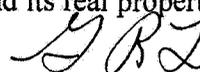
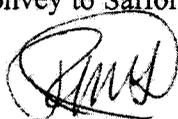
6.6 Such payments to Safford shall continue until Graham obtains approval from the ACC, CFC, or any other lienholder, or, in the event of CFC or other lienholder approval delay, Graham provides an alternative to lien release satisfactory to Safford and Graham, such as collateral or indemnity.

6.7 Safford and Graham shall close the sale of the Initial Transfer Facilities within ten (10) days after Graham provides notice that it has either obtained the approvals and releases required by Section 6.4 or that it has provided satisfactory alternatives as described in Section 6.6, but not sooner than the Initial Transfer Date. The form and substance of any transfer documentation for the transfer of Initial Transfer Facilities shall be reasonably satisfactory to both Parties and shall warrant that such facilities and associated real property interests are being conveyed free and clear of any monetary liens. Each Party shall pay half of any escrow or related costs, charges, or fees, if any.

7. FINAL TRANSFER DATE AND FINAL TRANSFER FACILITIES.

7.1 Effective as of December 31, 2015, or upon the closing of the sale of the Final Transfer Facilities pursuant to Section 7.8, whichever is later, Safford shall become the sole provider of electric service within the Safford Service Area.

7.2 On December 31, 2015 ("Final Transfer Date"), or on such later date as may be required pursuant to Section 7.8, Safford shall purchase from Graham, and Graham shall sell and convey to Safford, Graham's distribution facilities, and its real property interests



concerning such distribution facilities, used in providing electric service to loads existing within the Safford Service Area ("Final Transfer Facilities"), and any such distribution facilities that may be installed by Graham within the Safford Service Area pursuant to Sections 4.4 and 4.5. The Authorized Representatives of the Parties shall identify and agree upon the specific facilities that are Final Transfer Facilities no later than November 15, 2014.

7.3 The total purchase price for the Final Transfer Facilities and for any distribution facilities installed by Graham pursuant to Sections 4.4 and 4.5 shall consist of the sum of: (i) an amount equal to replacement cost less depreciation ("RCLD") of the Final Transfer Facilities as of the Final Transfer Date, but in no event to be less than \$950,000 or greater than \$1,250,000 ("RCLD Purchase Price"); plus (ii) any amounts payable by Safford pursuant to Sections 4.4 and 4.5 and as set forth in Section 4.6.

7.3.1 RCLD as used herein shall mean a valuation of such distribution facilities derived by using estimates of the cost to replace such facilities with facilities of similar productive capacity as of the valuation date, less the depreciation, which shall be determined in accordance with generally accepted accounting principles, that has accumulated on such existing facilities based on the transferring party's service records, extending such depreciation through the valuation date.

7.3.2 Graham shall provide Safford with its estimate of the RCLD Purchase Price no later than November 15, 2014, and the Parties will work in good faith to agree on the RCLD Purchase Price prior to January 15, 2015.

7.3.3 In the event the Parties are unable to agree on the RCLD Purchase Price and are therefore in dispute as to the RCLD Purchase Price as of January 15, 2015, the amount to be deposited as the RCLD Purchase Price pursuant to Section 7.4 shall be the midpoint between the estimate derived by Graham and the estimate derived by Safford, but in no event shall such amount be less than \$950,000 nor greater than \$1,250,000.

7.3.4 If the midpoint is used for the deposit and either Party is dissatisfied with using the midpoint as the RCLD Purchase Price, either Party may refer the derivation of the RCLD Purchase Price for resolution pursuant to the dispute resolution process set forth in Section 11, with the arbitrator(s) required to resolve the final RCLD Purchase Price prior to the Final Transfer Date.

7.4 No later than January 15, 2015, Safford shall deposit into an escrow account at a bank, escrow company, or other similar institution of Safford's choice, the RCLD Purchase Price for the Final Transfer Facilities determined pursuant to Section 7.3. Any interest accumulated in the escrow account prior to the Final Transfer Date shall belong to Safford, and each Party shall pay half of any escrow or related costs, charges, or fees. Any amount of such deposit not needed as part of the final RCLD Purchase Price shall be



refunded to Safford at the close of the sale of the Final Transfer Facilities. Any deficiency in the amount of the funds deposited with respect to the final RCLD Purchase Price shall be paid by Safford to Graham at the closing of the sale of the Final Transfer Facilities.

7.5 On or before January 15, 2015, Graham shall file appropriate requests with the ACC, the CFC, and any other holder(s) of liens on the Final Transfer Facilities, requesting (i) approval of the transfer to Safford of title to the Final Transfer Facilities, (ii) release of any and all liens made by Graham on the Final Transfer Facilities, and (iii) authority to discontinue retail electric service to the affected customers as of the Final Transfer Date. Graham shall use reasonable efforts to obtain approval by the ACC, CFC, and any such lienholder prior to the Final Transfer Date. Safford agrees to assist Graham in obtaining such approvals by providing a letter and testimony in support of the approvals, if testimony is requested by Graham or the ACC, at Safford's own expense.

7.6 In the event, for any reason, Graham has not obtained approval from the ACC, CFC, or any other person or entity holding a lien made by Graham on the Final Transfer Facilities prior to the Final Transfer Date, Graham shall pay Safford a fee equal to the product of a rate (in Dollars per kWh) equal to the then current wheeling rate (in Dollars per kWh), multiplied by all monthly retail electric sales in kWh of Graham's customer accounts, starting January 1, 2016 for customers served by the Final Transfer Facilities and any customers served pursuant to Section 4.4 and Section 4.5.

7.7 Such payments to Safford shall continue until Graham obtains approval from the ACC, CFC, or any other lienholder, or, in the event of CFC or other lien-holder approval delay, Graham provides an alternative to lien release satisfactory to Safford and Graham, such as collateral or indemnity.

7.8 Within ten (10) days after Graham provides notice that it has either obtained the approvals and releases required by Section 7.5 or that it has provided satisfactory alternatives as described in Section 7.7, but not sooner than the Final Transfer Date, Safford and Graham shall notify the escrow agent of the final RCLD Purchase Price pursuant to Section 7.3 and shall close the sale of the Final Transfer Facilities. The form and substance of any transfer documentation for the transfer of Final Transfer Facilities shall be reasonably satisfactory to both Parties and shall warrant that such facilities and associated real property interests are being conveyed free and clear of any monetary liens.

8. ACC APPROVAL TO MODIFY GRAHAM'S CC&N.

8.1 Within 120 days after execution of this Agreement, Graham shall file with the ACC, and shall then diligently prosecute, an application to modify its CC&N to exclude from its service territory the Safford Service Area. In the application process, Graham will also notify the ACC of the reservations and provisions herein relating principally to: (i) Graham's continuing service in the periods prior to the Initial Transfer Date and Final Transfer Date; (ii) the transfer of the Initial Transfer Facilities and Final Transfer Facilities; and (iii) the interim service arrangements described in Section 4.



8.2 Safford shall assist Graham in obtaining this ACC approval by providing, at Safford's sole expense, a letter and testimony in support of such ACC approval, if requested by Graham or the ACC.

8.3 If requested by the ACC, Safford agrees to provide a legal description of the Safford Service Area at its expense.

8.4 If requested by the ACC, the Parties shall work cooperatively to provide a description of the areas served by Graham with the Initial Transfer Facilities and the Final Transfer Facilities.

8.5 If the ACC has not by written order approved such modification to Graham's CC&N by June 30, 2010, the Parties will cooperate and work together for an additional 180 day period to attempt to resolve any issues or concerns the ACC may have raised and/or to otherwise effectuate ACC approval of modification to the CC&N. If, by the end of that additional 180 day period, the ACC has not by written order approved modification to Graham's CC&N, and the Parties have not otherwise agreed to further extend the period to continue working to achieve ACC approval, the 1946 Agreement will again become effective and reinstated.

8.6 In the event the 1946 Agreement becomes effective and reinstated pursuant to Section 8.5, the Parties agree to inform the Graham County Superior Court in the Lawsuits of such reinstatement, and either Party may petition the Court to resume its proceedings in the Lawsuits. In the event the 1946 Agreement becomes effective and reinstated pursuant to Section 8.5, the Parties hereby agree that any applicable statute of limitations, statute of repose, or other applicable time limitation governing or relating to any of the claims or causes of action that were or could have been raised in the Lawsuits or that relate to the subject matter of this Agreement, shall be and hereby are tolled and shall not expire until two years after the date the 1946 Agreement becomes effective and reinstated.

8.7 If and when the ACC approves the modification to Graham's CC&N pursuant to Section 8.1, the Parties will promptly take such actions as are necessary to have the Lawsuits dismissed with prejudice, with each Party to bear its own costs and attorneys' fees.

9. CONDITION OF AND RESPONSIBILITY FOR THE TRANSFER FACILITIES.

9.1 Each Party shall accept the Initial Transfer Facilities, the Final Transfer Facilities, and any other facilities transferred pursuant to Section 5, and the associated conveyed real property interests, AS IS and WHERE IS, as of the Initial Transfer Date, the Final Transfer Date, and the date of transfer of other facilities pursuant to Section 5, respectively; provided that the conveying Party shall maintain its facilities that are subject to sale and transfer hereunder in accordance with standard utility practice in the period prior to the sale and transfer of any such facilities.

GRZ



9.2 Whenever any facilities and respective associated real property interests are transferred and conveyed pursuant to Sections 5, 6, and 7, the selling Party shall no longer hold any right, title, or interest in such transferred facilities and associated real property interests.

9.3 Further, whenever any facilities and respective associated real property interests are transferred and conveyed pursuant to Sections 5, 6, and 7, the purchasing Party shall then be solely responsible for: (i) providing electric service to the customers connected to such transferred facilities, and (ii) all right, title, interest, operation, maintenance, and disposition of such transferred facilities and associated real property interests.

10. EASEMENTS.

10.1 The Parties agree that easements required by a requesting Party from the other Party to enable the requesting Party to perform in accordance with the provisions of this Agreement shall be made available to the requesting Party without undue cost or delay by the other Party. Each Party agrees to be reasonable within standard utility practice with respect to the locations it requests for such easements in the service territory of the other Party.

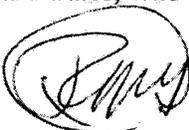
10.2 Any easement that has been granted by a Party to the other Party shall not be set aside by the granting Party so long as the other Party requires such easement to provide electric service in its service territory pursuant to this Agreement.

11. ALTERNATIVE DISPUTE RESOLUTION.

11.1 Any question, dispute, or controversy (a "dispute") arising out of or related to the terms and/or subject matter of this Agreement shall be submitted in writing by the Authorized Representative of the disputing Party to the Authorized Representative of the other Party. The Authorized Representatives shall attempt to resolve any such dispute within fifteen (15) days of such submittal and presentation.

11.2 In the event the Authorized Representatives are unable to resolve the dispute within such fifteen (15) days, such dispute shall be submitted by the disputing Party to arbitration and resolved in accordance with the arbitration procedures set forth as follows:

11.2.1 The Authorized Representatives shall attempt to agree on the selection, retention, and appointment of a single neutral independent arbitrator with expertise in the area of the dispute, within ten (10) business days after expiration of the fifteen (15) day resolution period in Section 11.1 above. The cost of such single arbitrator shall be shared equally by the Parties. If the Parties fail to agree upon a single arbitrator within that ten (10) business day period, each Party shall choose one arbitrator within the next five (5) business days who shall sit on a three (3) member arbitration panel. Safford shall retain and provide one arbitrator at its sole expense and Graham shall retain and provide one arbitrator at its sole expense. Those two arbitrators shall select and retain a third independent arbitrator, who shall chair the arbitration panel. The expenses related to the third



independent arbitrator shall be shared equally by Safford and Graham. In either case, the arbitrators shall not have any current or past substantial business or financial relationships with any Party to the arbitration (except prior arbitration).

11.2.2 The arbitrator(s) shall conduct an arbitration of the dispute within twenty (20) days after appointment (or such shorter or longer time as agreed upon by the arbitrator(s) and approved by the Parties). The arbitrator(s) shall provide each of the Parties with the opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and applicable substantive law. Except to the extent it would be contrary to or inconsistent with the provisions herein, the provisions of A.R.S. §§ 12-1501 et seq. shall apply. If there is a three member panel rather than a single arbitrator, the powers of the arbitrators, including the power to issue rulings on the merits of the dispute, may be exercised by a majority.

11.2.3 Unless otherwise agreed by the Parties, the arbitrator(s) shall render a decision within thirty (30) days following the arbitration, and shall notify the Parties in writing of such decision and the reasons for it, but without the necessity of detailed findings of fact and conclusions of law. In the discretion of the arbitrator(s), the ruling may include an award of the prevailing Party's costs and reasonable attorneys' fees against the other Party. The decision of the arbitrator(s) shall be final and binding on the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be opposed or modified in accordance with and for the reasons set forth in A.R.S. §§ 12-1512 and 1513.

12. SPECIFIC PERFORMANCE.

In addition to such other remedies as may be available under applicable law, the Parties acknowledge that the remedies of specific performance and/or injunctive relief shall be available and proper through an arbitration proceeding pursuant to Section 11 in the event any Party fails or refuses to perform its duties hereunder.

13. AUTHORITY FOR THIS AGREEMENT.

13.1 Graham and Safford each represent and warrant that the person signing this Agreement on its behalf has full authority to execute this Agreement, and that it has taken all action necessary or appropriate under applicable law and the organizational documents of such Party to make this Agreement the valid and binding obligation of such Party, enforceable in accordance with its terms.

13.2 Graham represents and warrants that it is an Arizona non-profit electric cooperative that was incorporated in 1945 and is duly formed, validly existing, and in good standing pursuant to the laws of the State of Arizona and has the full power and authority to enter into this Agreement.

GRZ



13.3 Safford represents and warrants that it is an Arizona municipal corporation duly formed, validly existing, and in good standing pursuant to the laws of the State of Arizona and has the full power and authority to enter into this Agreement.

14. ENTIRE AGREEMENT.

Together with the contemporaneously executed Wheeling and Transmission Agreement, this Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and may be modified only by a written instrument signed by the parties hereto.

15. EXHIBITS.

Each Exhibit identified in and attached to this Agreement is hereby incorporated in and made a part of this Agreement as if set forth in its entirety wherever referenced in this Agreement, and may be modified or replaced by a substitute Exhibit only upon the mutual agreement of both Parties evidenced by their signatures on the substitute Exhibit together with identification of the prior Exhibit and the effective date of substitution.

16. COOPERATION IN TRANSFER OF RECORDS AND SERVICE.

Each Party shall promptly cooperate with the other Party in all reasonable respects to provide for a smooth and uninterrupted transition of electric service to each customer affected by this Agreement, including without limitation by providing the other Party customer lists, addresses, billing information, load histories, and other relevant account information necessary or convenient to facilitate the accurate identification of all customers affected, the delivery by the Parties of notices of the transition, and the provision of continued and uninterrupted electric service to all such customers.

17. NOTICES.

Any notice or other written communication to or upon Safford or Graham pursuant to this Agreement shall be deemed properly made and received if made in writing and addressed to the person(s) and address(es) for Safford and Graham set forth below, and shall be effective (i) three days after it is deposited and post-marked with the United States Postal Service, postage prepaid, return receipt requested, or (ii) upon hand delivery:

If to Graham:

General Manager
Graham County Electric Cooperative, Inc.
9 West Center Street
Pima, Arizona 85543

With a copy to:

Michael M. Grant
Gallagher & Kennedy, P.A.
2575 East Camelback Road # 1100
Phoenix, Arizona 85016-9225

If to Safford:

City Manager
City of Safford
717 Main Street
Safford, Arizona 85548-0272

With copies to:

City Attorney
City of Safford
717 Main Street
Safford, Arizona 85548-0272

K.R. Saline & Associates
160 North Pasadena, # 101
Mesa, Arizona 85201-6764

Routine correspondence regarding mutual discussions, negotiations, deliberations, transactions, or operations may be made by electronic mail, facsimile, telephone, or such other means as the Parties may mutually determine from time to time in furtherance of efficient, effective, and cooperative communication.

18. UNCONTROLLABLE FORCES.

No Party shall be considered to be in default in the performance of its obligations hereunder when a delay in or failure of performance shall be due to an Uncontrollable Force. The term "Uncontrollable Force" shall mean any cause beyond the reasonable control of the Party affected, which by exercise of due diligence such Party could not reasonably have been expected to avoid, and which by exercise of due diligence it shall be unable to overcome, including but not restricted to failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, shortage of labor, fuel, transportation, or material, sabotage, regulation or restriction imposed by governmental or lawfully established authority, or restraint by court order or public authority. Nothing contained herein shall be construed to require a Party to settle any strike or labor dispute in which it may be involved. Any Party that fails to fulfill any of its obligations hereunder by reason of an Uncontrollable Force shall give prompt notice, followed by written notice of such fact to the other Party and an estimate, if possible, of when the Party claiming the Uncontrollable Force believes in good faith that the Uncontrollable Force will end and that performance will resume. The Party claiming the Uncontrollable Force shall exercise due diligence to resume the performance of such obligation(s) with all reasonable dispatch.



19. BINDING ON SUCCESSORS AND ASSIGNS.

It is intended that all of the provisions of this Agreement shall inure to the benefit of and shall be binding upon the Parties hereto, their legal representatives, successors, and assigns. Neither Party shall transfer or assign all or any portion of its rights or obligations under this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed.

20. TIME OF THE ESSENCE.

Time is of the essence with respect to the performance of all terms, covenants, conditions, and provisions of this Agreement. If the date or deadline for any notice, act, or event required or contemplated by the terms of this Agreement falls on a Saturday, Sunday, or legal holiday, such date or deadline shall continue over to the next following day that is not a Saturday, Sunday, or legal holiday.

21. COOPERATION.

The parties hereto shall execute, acknowledge, and deliver such other instruments and documents as may be necessary or appropriate to carry out the full intent and purpose of this Agreement.

22. ARIZONA LAW GOVERNS.

This Agreement and the rights of the parties hereto shall be interpreted, governed, and construed in accordance with the laws of the State of Arizona.

23. WAIVER.

Either of the parties shall have the right to excuse or waive performance by the other party of any obligation under this Agreement by a writing signed by the Party so excusing or waiving. No delay in exercising any right or remedy shall constitute a waiver thereof, and no waiver by either Party of the breach of any provision of this Agreement shall be construed as a waiver of any preceding or succeeding breach of the same or any other covenant or condition of this Agreement.

24. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

25. TERM.

This Agreement shall continue and remain in effect in perpetuity, unless and until it is modified or terminated by mutual written agreement of the Parties.



26. INTERPRETATION.

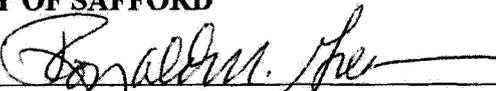
This Agreement is the result of negotiations between the Parties and, accordingly, shall not be construed for or against any Party regardless of which entity drafted this Agreement or any portion thereof.

27. CONFLICT OF INTEREST.

Notice is hereby given of the provisions of A.R.S. § 38-511.

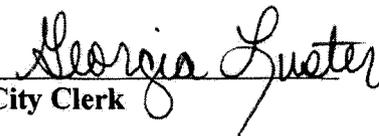
IN WITNESS WHEREOF, the City of Safford and Graham County Electric Cooperative, Inc. have caused this Territorial Settlement Agreement to be executed, attested, and delivered by their respective duly authorized executives.

CITY OF SAFFORD

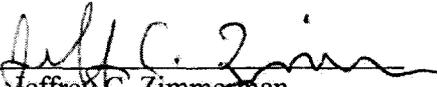
By:  Date: 12/19/08

Name: RONALD M. GREEN

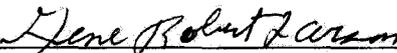
Title: MAYOR

ATTEST By: 
City Clerk

APPROVED AS TO FORM:

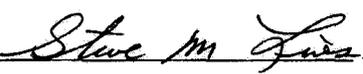
By: 
Jeffrey C. Zimmerman,
Moyes, Sellers & Sims,
Special Outside Counsel

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

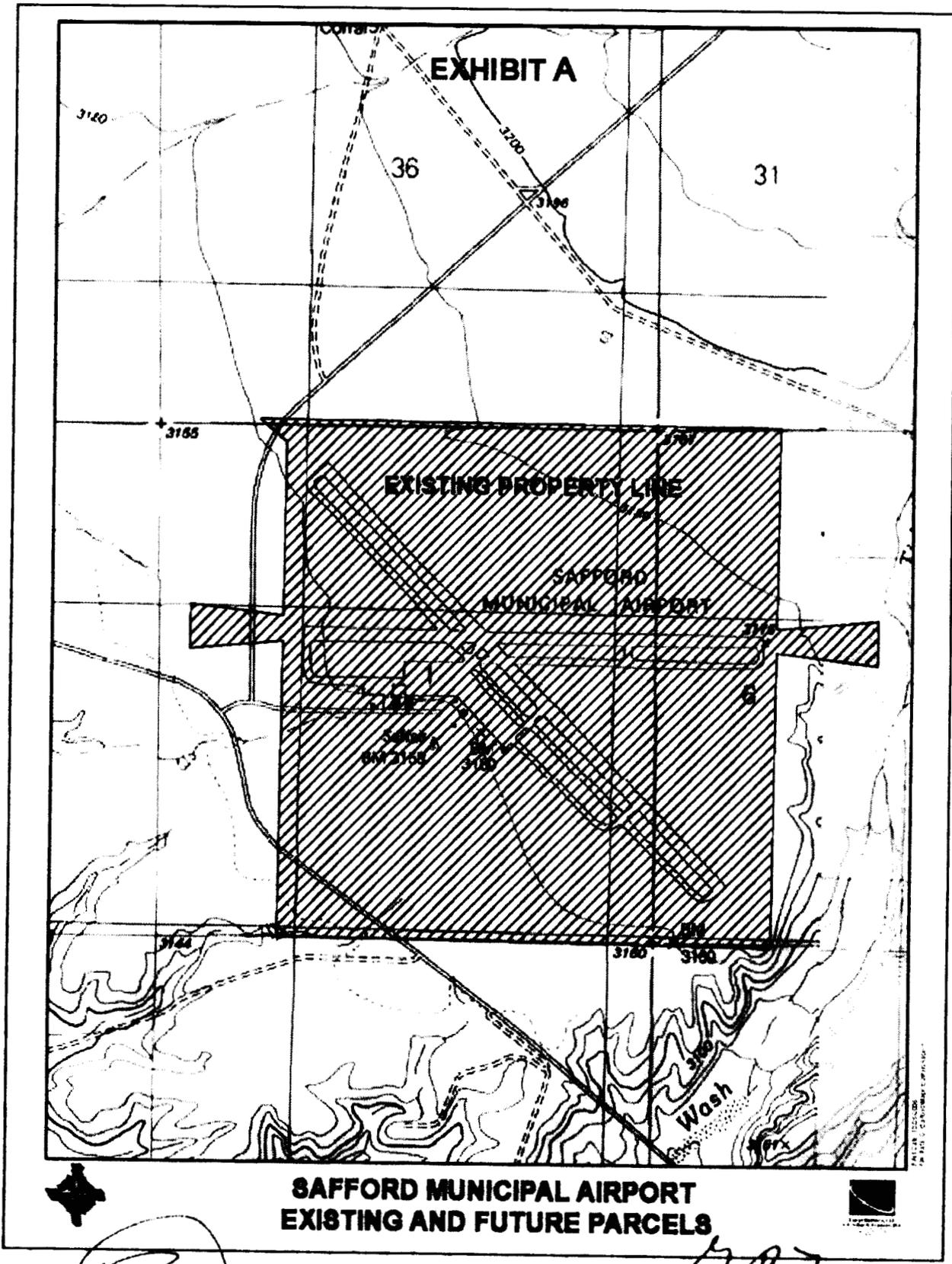
By:  Date: 12-18-08

Name: GENE ROBERT LARSON

Title: BOARD PRESIDENT

ATTEST By: 



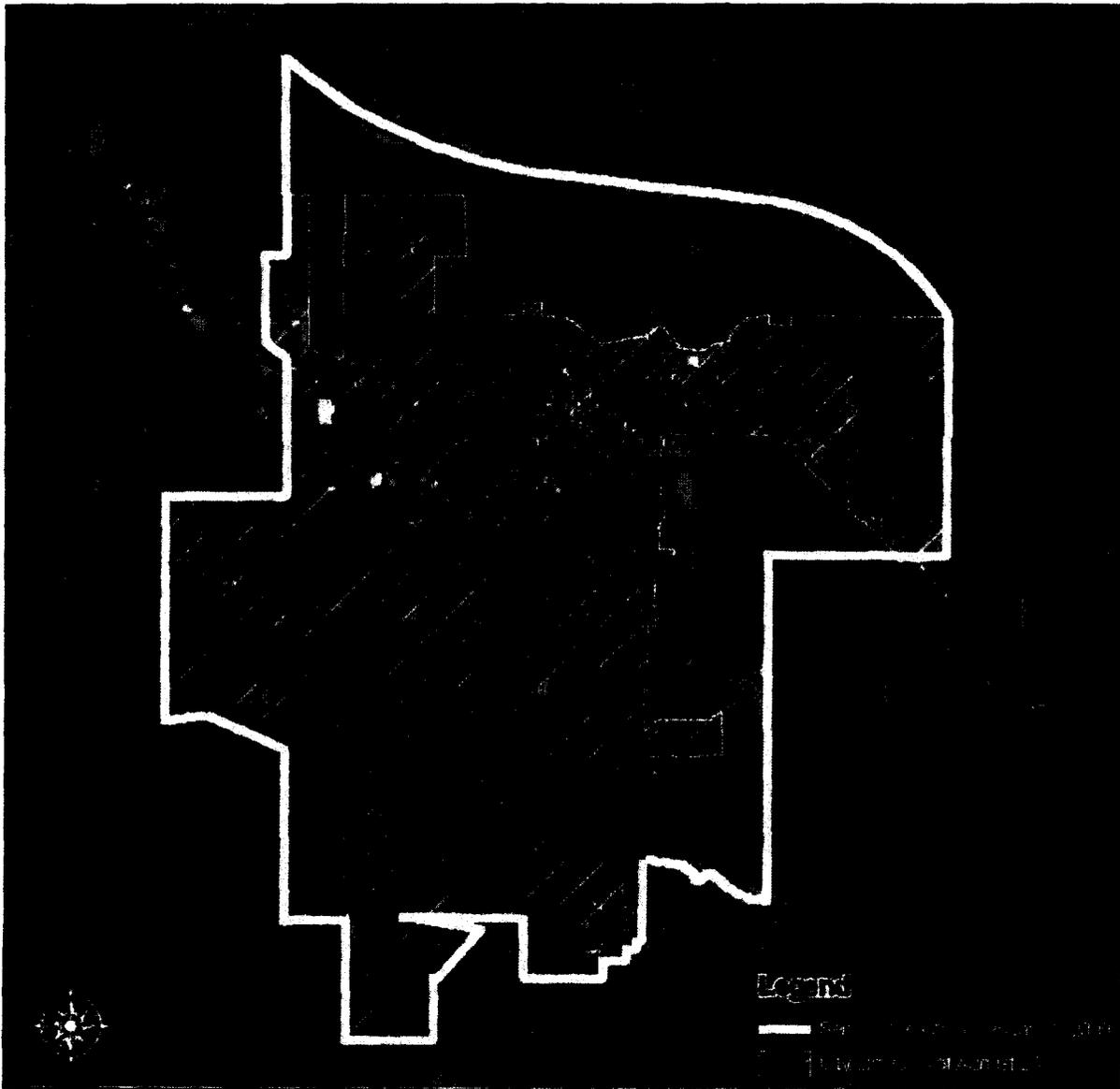


**SAFFORD MUNICIPAL AIRPORT
EXISTING AND FUTURE PARCELS**

DMY

GRZ

**EXHIBIT B
SAFFORD SERVICE AREA**



Using a starting point at Hwy 181 and the north bank of High Line Canal at existing Safford City Limits, going east along the north bank of the Highline Canal to the west side of Welker Lane, going north on the west side of Welker Lane to 20th street, then continuing north across 20th street along the west bank of Graveyard Wash to Union Canal. Then going east along the north bank of the Union Canal intersecting the existing Safford City limits at the point where the Union Canal and Hwy 70 intersect. Continuing east and then north following the existing Safford City Limits to the northeast corner of the existing Safford City Limits; turning northwest following the center of the Gila River bottom to the intersection of the center of the Gila River bottom and the west boundary of Township 7 South and Range 28 East. Then going south along the west boundary of Township 7 South and Range 28 East to the northwest corner of the existing Safford City limits, then following the existing Safford City Limits south then east then north ending back at the intersection of Hwy 191 and the north bank of the Highline Canal "starting point". Note all references to the "existing Safford City Limits" on this Exhibit are the official Safford City Limits as of August 2008.

[Handwritten signature]

MRZ

EXHIBIT KG-2

Graham County Electric Cooperative, Inc.
City of Safford Final Transfer Facilities
Replacement Cost Less Depreciation

Description	Unit Assembly	Number of Units in Transfer	Replacement Cost	Extended Replacement Cost	Accumulated Depreciation	Replacement Cost Less Depreciation
30' Pole	30/6	191	205.00	39,155.00	19,199.35	19,955.65
35' Pole	30/5	107	310.00	33,170.00	16,264.65	16,905.35
40' Pole	40/5	194	492.00	95,448.00	46,802.18	48,645.82
45' Pole	45/5	30	720.00	21,600.00	10,591.39	11,008.61
55' Pole	55/5	1	940.00	940.00	460.92	479.08
SP Pole Assembly	SP	87	15.00	1,305.00	639.90	665.10
SLP Pole Assembly	SLP	139	20.00	2,780.00	1,363.15	1,416.85
OHG Pole Assembly	OHGPOLE	4	25.00	100.00	49.03	50.97
A1 Pole Assembly	A1	32	22.00	704.00	345.20	358.80
A1-1 Pole Assembly	A1-1	3	25.00	75.00	36.78	38.22
A2 Pole Assembly	A2	1	26.00	26.00	12.75	13.25
A3 Pole Assembly	A3	1	45.00	45.00	22.07	22.93
A4 Pole Assembly	A4	9	78.00	702.00	344.22	357.78
A5 Pole Assembly	A5	25	42.00	1,050.00	514.86	535.14
A5-1 Pole Assembly	A5-1	9	34.00	306.00	150.04	155.96
A5-2 Pole Assembly	A5-2	8	37.00	296.00	145.14	150.86
A6 Pole Assembly	A6	15	44.00	660.00	323.63	336.37
A7 Pole Assembly	A7	3	105.00	315.00	154.46	160.54
B1 Pole Assembly	B1	8	60.00	480.00	235.36	244.64
B7 Pole Assembly	B7	7	106.00	742.00	363.83	378.17
B8 Pole Assembly	B8	2	133.00	266.00	130.43	135.57
C1 Pole Assembly	C1	69	75.00	5,175.00	2,537.52	2,637.48
C1-2 Pole Assembly	C1-2	32	145.00	4,640.00	2,275.19	2,364.81
C2 Pole Assembly	C2	6	190.00	1,140.00	558.99	581.01
C7 Pole Assembly	C7	67	205.00	13,735.00	6,734.85	7,000.15
C7A Pole Assembly	C7A	9	250.00	2,250.00	1,103.27	1,146.73
C7-1 Pole Assembly	C7-1	6	245.00	1,470.00	720.80	749.20
C8 Pole Assembly	C8	16	425.00	6,800.00	3,334.33	3,465.67
C8-1 Pole Assembly	C8-1	2	415.00	830.00	406.98	423.02
C8-3 Pole Assembly	C8-3	7	505.00	3,535.00	1,733.36	1,801.64
C9 Pole Assembly	C9	1	315.00	315.00	154.46	160.54
C9-1 Pole Assembly	C9-1	9	175.00	1,575.00	772.29	802.71
C9-3 Pole Assembly	C9-3	3	180.00	540.00	264.78	275.22
Single Phase Meters		660	32.00	21,120.00	10,356.03	10,763.97
Three Phase Meters		71	180.00	12,780.00	6,266.57	6,513.43
5KVA Single Phase Xfmr-Pole Mount	OH 1PH 5KVA	6	500.00	3,000.00	1,471.03	1,528.97
7.5KVA Single Phase Xfmr-Pole Mount	OH 1PH 7.5KVA	1	650.00	650.00	318.72	331.28
10KVA Single Phase Xfmr-Pole Mount	OH 1PH 10KVA	23	850.00	19,550.00	9,586.19	9,963.81
15KVA Single Phase Xfmr-Pole Mount	OH 1PH 15KVA	26	950.00	24,700.00	12,111.45	12,588.55
25KVA Single Phase Xfmr-Pole Mount	OH 1PH 25KVA	45	1,190.00	53,550.00	26,257.82	27,292.18
37.5KVA Single Phase Xfmr-Pole Mount	OH 1PH 37.5KVA	3	1,500.00	4,500.00	2,206.54	2,293.46
50KVA Single Phase Xfmr-Pole Mount	OH 1PH 50KVA	5	1,800.00	9,000.00	4,413.08	4,586.92
100KVA Single Phase Xfmr-Pole Mount	OH 1PH 100KVA	1	3,000.00	3,000.00	1,471.03	1,528.97
5KVA Double Bushing Xfmr-Pole Mount	OH VPH 5KVA	1	350.00	350.00	171.62	178.38
10KVA Double Bushing Xfmr-Pole Mount	OH VPH 10KVA	1	650.00	650.00	318.72	331.28
15KVA Double Bushing Xfmr-Pole Mount	OH VPH 15KVA	3	750.00	2,250.00	1,103.27	1,146.73
25KVA Double Bushing Xfmr-Pole Mount	OH VPH 25KVA	3	950.00	2,850.00	1,397.48	1,452.52
37.5KVA Double Bushing Xfmr-Pole Mount	OH VPH 37.5KVA	2	1,250.00	2,500.00	1,225.86	1,274.14
5KVA Double Bushing 3PH Xfmr-Pole Mount	OH 3PH 5KVA	9	350.00	3,150.00	1,544.58	1,605.42
7.5KVA Double Bushing 3PH Xfmr-Pole Mount	OH 3PH 7.5KVA	3	450.00	1,350.00	661.96	688.04
10KVA Double Bushing 3PH Xfmr-Pole Mount	OH 3PH 10KVA	34	650.00	22,100.00	10,836.56	11,263.44
15KVA Double Bushing 3PH Xfmr-Pole Mount	OH 3PH 15KVA	20	850.00	17,000.00	8,335.82	8,664.18
25KVA Double Bushing 3PH Xfmr-Pole Mount	OH 3PH 25KVA	21	920.00	19,320.00	9,473.41	9,846.59
37.5KVA Double Bushing 3PH Xfmr-Pole Mount	OH 3PH 37.5KVA	8	1,200.00	9,600.00	4,707.29	4,892.71
50KVA Double Bushing 3PH Xfmr-Pole Mount	OH 3PH 50KVA	12	1,650.00	19,800.00	9,708.78	10,091.22
100KVA Double Bushing 3PH Xfmr-Pole Mount	OH 3PH 100KVA	1	2,800.00	2,800.00	1,372.96	1,427.04

Description	Unit Assembly	Number of Units in Transfer	Replacement Cost	Extended Replacement Cost	Accumulated Depreciation	Replacement Cost Less Depreciation
45KVA 3PH URD Xfmr-Padmount	URD 3PH 45KVA	3	7,050.00	21,150.00	10,370.74	10,779.26
75KVA 3PH URD Xfmr-Padmount	URD 3PH 75KVA	1	7,450.00	7,450.00	3,653.05	3,796.95
112.5KVA 3PH URD Xfmr-Padmount	URD 3PH 112.5KVA	2	7,950.00	15,900.00	7,796.44	8,103.56
150KVA 3PH URD Xfmr-Padmount	URD 3PH 150KVA	2	8,500.00	17,000.00	8,335.82	8,664.18
300KVA 3PH URD Xfmr-Padmount	URD 3PH 300KVA	1	9,400.00	9,400.00	4,609.22	4,790.78
500KVA 3PH URD Xfmr-Padmount	URD 3PH 500KVA	4	13,250.00	53,000.00	25,988.14	27,011.86
750KVA 3PH URD Xfmr-Padmount	URD 3PH 750KVA	1	18,000.00	18,000.00	8,826.16	9,173.84
25KVA 1PH URD Xfmr-Padmount	URD 1PH 25KVA	4	1,600.00	6,400.00	3,138.19	3,261.81
37.5KVA 1PH URD Xfmr-Padmount	URD 1PH 37.5KVA	4	1,850.00	7,400.00	3,628.53	3,771.47
50KVA 1PH URD Xfmr-Padmount	URD 1PH 50KVA	55	2,300.00	126,500.00	62,028.29	64,471.71
75KVA 1PH URD Xfmr-Padmount	URD 1PH 75KVA	37	2,700.00	99,900.00	48,985.18	50,914.82
Primary Switching Cabinet-1PH	PRI SWCB 1PH	6	400.00	2,400.00	1,176.82	1,223.18
Primary Switching Cabinet-3PH	PRI SWCB 3PH	22	850.00	18,700.00	9,169.40	9,530.60
Secondary Tub	SEC PED	173	180.00	31,140.00	15,269.26	15,870.74
Guy/Anchor		112	139.00	15,568.00	7,633.65	7,934.35
Regulators		3	9,000.00	27,000.00	13,239.24	13,760.76
Capacitors		3	500.00	1,500.00	735.51	764.49
Overhead Guy Wire	OHG-WIRE	460	0.45	207.00	101.50	105.50
1/0 Quad Plex	1/0-QP	595	1.70	1,011.50	495.98	515.52
1/0 Tri Plex	1/0-TP	10,490	0.91	9,545.90	4,680.76	4,865.14
#2 Quad Plex	2-QP	2,042	1.05	2,144.10	1,051.34	1,092.76
#2 Tri Plex	2-TP	11,930	0.80	9,544.00	4,679.83	4,864.17
3 Phase #2 ACSR	3PH-2-ACSR	31,000	0.24	7,440.00	3,648.15	3,791.85
3 Phase #2 Stranded Copper	3PH-2-STR-CU	7,520	1.06	7,971.20	3,908.62	4,062.58
3 Phase 4-0 ACSR	3PH-4/0	36,160	0.52	18,803.20	9,220.00	9,583.20
3 Phase #4 ACSR	3PH-4-ACSR	31,800	0.18	5,724.00	2,806.72	2,917.28
3 Phase #4 Stranded Copper	3PH-4-STR-CU	10,560	0.70	7,392.00	3,624.61	3,767.39
3 Phase #6 Solid Copper	3PH-6-SOL-CU	27,120	0.40	10,848.00	5,319.23	5,528.77
4/0 Quad Plex	4/0-QP	433	2.85	1,234.05	605.11	628.94
4/0 Tri Plex	4/0-TP	345	2.05	707.25	346.79	360.46
#4 ACSR	4-ACSR	19,720	0.18	3,549.60	1,740.52	1,809.08
#4 Duplex	4-DP	1,472	0.34	500.48	245.41	255.07
#4 Quad Plex	4-QP	391	0.82	320.62	157.21	163.41
#4 Stranded Copper	4-STR-CU	864	0.70	604.80	296.56	308.24
#4 Tri Plex	4-TP	1,670	0.55	918.50	450.38	468.12
#6 Solid Copper	6-SOL-CU	9,742	0.40	3,896.80	1,910.77	1,986.03
V Phase #6 Solid Copper	VPH-6-SOL-CU	6,858	0.40	2,743.20	1,345.11	1,398.09
1/0 Okinite	1/0-URD	20,012	2.70	54,032.40	26,494.37	27,538.03
1/0 Quad Plex Underground	1/0-QP-URD	601	1.71	1,027.71	503.93	523.78
1/0 Tri Plex Underground	1/0-TP-URD	920	0.94	864.80	424.05	440.75
2/0 Stranded Copper Underground	2/0-STR-CU-STR	176	2.09	367.84	180.37	187.47
#2 Primary Underground	2-PRI-URD	2,225	1.90	4,227.50	2,072.92	2,154.58
350 Quad Plex Underground	350-QP-URD	82	3.05	250.10	122.63	127.47
350 Tri Plex Underground	350-TP-URD	16,654	2.58	42,967.32	21,068.69	21,898.63
3 Phase 1/0 Okinite	3PH-1/0-URD	15,330	2.70	41,391.00	20,295.75	21,095.25
3 Phase #2 Primary Underground	3PH-2-PRI-URD	675	1.90	1,282.50	628.86	653.64
3 Phase 4/0 Okinite	3PH-4/0-URD	6,135	3.50	21,472.50	10,528.87	10,943.63
4/0 Quad Plex Underground	4/0-QP-URD	165	2.91	480.15	235.44	244.71
4/0 Tri Plex Underground	4/0-TP-URD	6,487	1.65	10,703.55	5,248.40	5,455.15
3 Phase 500 MCM Okinite	3PH-500-URD	3,555	5.00	17,775.00	8,715.83	9,059.17
4/0 Quad Plex Underground	4/0-QP-URD	215	2.91	625.65	306.78	318.87
4/0 Tri Plex Underground	4/0-TP-URD	8,590	1.65	14,173.50	6,949.87	7,223.63
3 Phase 500 MCM Okinite	3PH-500-URD	3,555	5.00	17,775.00	8,715.83	9,059.17
Total Facilities				1,300,670.72	637,773.73	662,896.99

EXHIBIT KG-3

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

WORK ORDERS CLOSED

ACCOUNT 1107.2

January 1, 2009 to August 31, 2015

<u>WORK NUMBER</u>	<u>CUSTOMER NAME</u>	<u>CASH</u>				
		<u>RECEIVED</u>	<u>MATERIALS</u>	<u>LABOR</u>	<u>OVERHEAD</u>	<u>TOTAL</u>
		<u>(23,111.82)</u>	<u>6,257.38</u>	<u>8,274.85</u>	<u>33,109.00</u>	<u>24,529.41</u>
	Totals					
91008	Providence Dev Inc (Copper Canyon)	(179.93)	68.04	108.04	306.69	302.84
91009	Providence Dev Inc (Copper Canyon)	(181.91)	69.99	108.04	307.45	303.57
91011	Providence Dev Inc (Copper Canyon)	(199.71)	87.48	108.04	314.20	310.01
91013	Rick Qwest	(309.25)	64.97	64.56	212.95	33.23
91014	Justin NAPA (Mack's Auto) Rental Building	(5,016.34)	1,353.64	811.55	2,930.82	79.67
91030	Copper Canyon #44	(176.31)	30.86	149.28	399.57	403.40
91038	Prov Dev Inc #250	(598.56)	54.00	129.45	646.53	231.42
91066	Crandall Aaron	(355.20)	83.21	179.01	553.66	460.68
91120	C J Angle	(414.17)	152.33	195.59	654.37	588.12
91121	C J Angle	(302.36)	83.21	212.24	741.58	734.67
101036	Providence Dev Inc	(221.15)	63.21	55.78	236.67	134.51
101037	Providence Dev Inc	(191.48)	49.17	55.78	230.05	143.52
101038	Providence Dev Inc	(191.48)	49.17	55.78	230.05	143.52
101041	Elko Wire	(1,222.99)	585.80	407.51	1,788.33	1,558.65
101054	Prov Dev Inc #53	(215.87)	55.04	105.78	463.56	408.51
101055	Prov Dev Inc #144	(215.87)	55.04	121.16	528.45	488.78
101056	Prov Dev Inc #146	(215.87)	55.04	121.16	528.45	488.78
101060	C J Angle Const	(375.00)	67.31	178.83	773.82	644.96
101096	Prov Dev Inc #152	(227.57)	60.41	68.82	325.12	226.78
101097	Prov Dev Inc #251	(227.57)	60.41	68.82	325.12	226.78
101101	Copper Canyon #37	(251.31)	45.31	109.21	493.81	397.02
101102	Copper Canyon #210	(217.68)	-	109.17	468.55	360.04
121008	Prov Dev Inc #148	(313.24)	96.10	86.39	404.08	273.33
121009	Prov Dev Inc #147	(313.24)	96.09	86.39	404.07	273.31
121052	Providence Homes	(295.72)	81.65	76.52	290.31	152.76
121053	Providence Homes	(287.80)	72.58	76.52	282.79	144.09
131012	Providence Dev Inc	(295.83)	83.47	58.74	234.78	81.16
131013	Providence Dev Inc	(287.92)	76.21	58.74	232.55	79.58
131014	Providence Dev Inc	(299.79)	81.65	58.74	234.22	74.82
131015	Providence Dev Inc	(287.92)	76.21	107.42	407.75	303.46
131016	Providence Dev Inc	(280.01)	68.95	107.42	405.51	301.87
131108	Providence Dev Inc #240	(237.87)	82.21	59.62	321.53	225.49
131109	Providence Dev Inc #9	(237.87)	52.32	59.62	301.72	175.79
131110	Providence Dev Inc #6	(237.87)	52.32	59.62	301.72	175.79
131111	Providence Dev Inc #143	(237.87)	52.32	59.62	301.72	175.79
131112	Providence Dev Inc #141	(237.87)	52.52	95.25	434.55	344.45
131113	Providence Dev Inc #142	(237.88)	52.52	95.25	434.55	344.44
131114	Providence Dev Inc #140	(237.88)	52.52	95.25	434.55	344.44
131115	Providence Dev Inc #46	(237.88)	52.52	95.25	434.55	344.44
131116	Providence Dev Inc #45	(237.88)	67.52	35.99	199.97	65.60
141022	Providence Dev Inc-Kelson Pl	(273.27)	45.02	142.89	600.49	515.13
141023	Providence Dev Inc-1486 Verado St	(281.18)	55.52	142.80	606.13	523.27
141082	CJ Angle - MV #7	(413.87)	97.53	128.21	610.26	422.13
141091	The River Community Church	(2,343.10)	810.32	1,322.84	5,315.83	5,105.89

141105	Providence Dev Lot #86	(347.81)	41.17	266.44	1,044.60	1,004.40
141106	Providence Dev Lot #110	(357.70)	65.88	266.44	1,061.32	1,035.94
141132	Providence Dev 14-10032	(417.05)	117.88	181.56	691.94	574.33
141133	Providence Dev 14-10133	(381.44)	84.20	302.60	1,094.77	1,100.13
151006	Blue J Storage	(235.16)	51.43	169.76	640.58	626.61
151020	DD Lights - Ellsberry	(315.00)	191.35	61.42	352.74	290.51
151050	Providence Dev 151049	(350.57)	55.51	96.68	388.71	190.33
151049	Providence Dev 151050	(350.57)	55.51	96.68	388.71	190.33
151060	Prov Dev Inc 15-10060	(365.61)	71.37	100.29	396.10	202.15
151061	Prov Dev Inc 15-10061	(369.57)	71.37	100.29	396.10	198.19
151081	Providence Homes #107					
151082	Providence Homes #162					
151083	Providence Homes #163					
151084	Providence Homes #164					
151093	Providence Homes #168					
151094	Providence Homes #275					
151097	Vandewater					