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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS
DOUG LITTLE, CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

Arizona Corporation Commission
DOCKETED

JUN 6 2016

DOCKETED BY *AC*

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF NAVOPACHE ELECTRIC
COOPERATIVE, INC., AN ELECTRIC
COOPERATIVE NONPROFIT
MEMBERSHIP CORPORATION, FOR
AUTHORIZATION TO SECURE A
\$49,329,000 RUS GUARANTEED
FEDERAL FINANCING BANK LOAN
AND TO PLEDGE, MORTGAGE, LIEN
AND/OR ENCUMBER UTILITY ASSETS
IN RELATION THERETO.

DOCKET NO. E-1187A-11-0165

REQUEST TO AMEND DECISION
NO. 72550 TO EXTEND TIME
PURSUANT TO A.R.S. § 40-252

Navopache Electric Cooperative, Inc. ("Navopache" or "Cooperative") by and through undersigned counsel, hereby requests the Arizona Corporation Commission ("Commission") to place upon the first available Open Meeting, including a Staff Open Meeting, the issue of amending Decision No. 72550 to extend the time for drawing down the loan funds from December 31, 2015 to May 1, 2017, with opportunity to be heard, pursuant to A.R.S. § 40-252. The proposed amendment is set forth below.

BACKGROUND

By Decision No. 72550, the Commission authorized Navopache to borrow up to \$49,329,000.00 on a RUS Guaranteed Loan. The purpose of the loan was to fund construction projects included in Navopache's RUS approved work plan. The loan is designated as AZ013 AE8. Under the terms of the loan documents, Navopache had until May 1, 2016 to draw upon the Loan. However, loan funds can be drawn only post construction

1 (i.e., after projects are completed, Navopache submits supporting documentation and RUS
2 authorizes funding). As a result, Navopache utilizes internal funds to pay for the actual
3 construction and reimburses its general fund when loan funds are drawn on the post
4 construction RUS approved projects. Interest does not begin to accrue until the funds are
5 actually drawn. Therefore, Navopache does not always immediately draw on funds as soon
6 as they become available.

7 The Decision contains a provision that terminates any unused authorization to incur
8 long term debt as of December 31, 2015. Navopache, mistakenly thought the Decision was
9 coterminous with the RUS loan, which currently runs through May 1, 2016.

10 As of December 31, 2015 Navopache had submitted completed work orders to RUS in
11 the amount of \$34,598,368.61, all of which had been approved for funding except for
12 \$10,988.55 which was approved for funding by RUS on January 7, 2016. However, as of
13 December 31, 2015, Navopache had only drawn down \$25,350,000.00, leaving
14 \$9,248,368.61 of completed construction projects approved for funding by RUS as of January
15 7, 2016 (\$9,237,380.06 of which had been approved for funding prior to December 31, 2015),
16 but for which funds had not been drawn. In February and March of 2016, Navopache made
17 draws of \$5,000,000.00 and \$4,248,368.61, respectively related to the aforementioned
18 completed and approved construction projects under the mistaken belief the authorization
19 under the Decision was coterminous with the loan.

20 An additional \$14,730,631.40 of the original \$49,329,000.00 loan remains unused.
21 Navopache has requested RUS provide a one year extension of the AZ013 AE8 loan to and
22 including May 1, 2017. By letter dated March 15, 2016 to RUS, Navopache identified an
23 additional \$10,142,628.81 in projects recently completed or that would be completed by May
24 1, 2017 and encompassed in the work plan associated with Loan AZ013 AE8. See
25 Attachment 1. All of these projects were within the work plan reviewed by Staff and deemed

1 appropriate for financing by the Commission by Decision No. 72550. RUS has recently
2 advised that it is willing to extend the AZ013 AE8 loan to and including May 2, 2017, as set
3 forth in Attachment 2.

4 **REQUESTED AMENDMENT**

5 Navopache respectfully requests the Commission amend Decision No. 72550 to extend
6 the authorization to draw upon the loan through and including May 1, 2017. The proposed
7 amendment would provide:

8 Delete the words "December 31, 2015" at page 8, line 14 and

9 Insert the words "May 1, 2017 and expressly authorizing all draws made between
10 December 31, 2015 and the date of this amendment".

11 This action does not authorize new borrowing authority or add any new construction
12 projects for which the loan funds can be used. The only change is to extend the time in which
13 Navopache has access to these funds under the authority of Decision No. 72550, as amended.
14 There are no intervenors or parties to this Docket other than Staff and Navopache. Staff has
15 been advised of this request for an extension of the loan authorization and has indicated it
16 does not object to granting the request.

17 WHEREFORE, Navopache Electric Cooperative, Inc. respectfully requests the
18 Commission place this matter on the first possible open meeting, including, without limitation
19 a Staff Open Meeting, for the purpose of amending Decision No. 72550 as set forth above
20 extending the authority to draw loan funds to May 1, 2017, with an opportunity to be heard,
21 pursuant to A.R.S. § 40-252.

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RESPECTFULLY SUBMITTED this 6th day of June, 2016.

LAW OFFICES OF
WILLIAM P. SULLIVAN, P.L.L.C

By: 

William P. Sullivan
501 East Thomas Road
Phoenix, Arizona 85012-3205
Attorneys for Navopache Electric
Cooperative, Inc.

PROOF OF AND CERTIFICATE OF MAILING

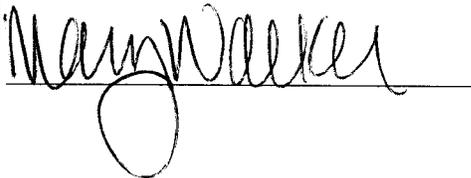
I hereby certify that on this 6th day of June, 2016, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

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

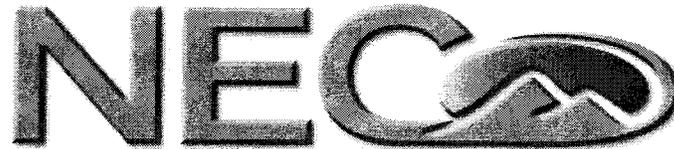
Copies of the foregoing hand-delivered to:

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Thomas Broderick, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



ATTACHMENT 1



NAVOPACHE ELECTRIC COOPERATIVE

March 15, 2016

Via: Email at arthur.gile@wdc.usda.gov

Mr. Arthur Gile
Branch Chief
Loan Monitoring and Forecasting Branch
Office of Portfolio Management and Risk Assessment
Electric Program | Rural Utilities Service | U.S. Department of Agriculture
Room 0245
1400 Independence Avenue S.W.
Washington, DC 20250

Re: AZ013 AE8 Loan Extension

Dear Art,

The following is a list of the projects that have been recently completed or will be completed prior to May 1, 2017 and submitted to RUS for loan funds on Loan AE8.

<u>RUS Code</u>	<u>Project Status</u>	<u>Estimated Cost</u>
300.40	Completed. Final inspection completed and Form 219 to be submitted to RUS.	\$714,628.81
400.02 & 1000.10	Vernon Switchyard and Substation is under construction and scheduled for completion in August 2016.	\$1,890,000.00
500.02	Heber Substation is under construction and scheduled for completion in May 2016.	\$3,500,000.00
615.02	Communications tower at St Johns Substation is under construction and scheduled for completion in May 2016.	\$140,000.00
615.03	Upgrade network routers is in progress with completion in October 2016.	\$150,000.00
615.04	Communications tower at Reserve Office is under construction and scheduled for completion in May 2016.	\$10,000.00
615.05	Communications tower at Porter Mountain is in design with construction scheduled to begin in July 2016 and completion by November 2016.	\$400,000.00

1878 West White Mountain Boulevard • Lakeside, Arizona 85929
(928) 368-5118 • (800) 543-6324 • Fax (928) 368-6038 • www.navopache.org

615.06	Communications tower installations and equipment upgrades at 16 various locations are in progress. Overall completion will be prior to May 2017.	\$1,002,000.00
704.01	48V DC system for SCADA in progress at three locations and scheduled for completion in September 2016.	\$80,000.00
704.02	SCADA upgrades are in progress and scheduled for completion in October 2016.	\$156,000.00
	Estimated Subtotal	\$8,042,628.81

The estimated remaining total dollars of these projects to be completed prior to May 2017 and submitted to RUS for loan funds is \$8,042,628.81 plus approximately \$1,400,000.00 of existing work orders presently being closed out and will be submitted on Form 219. In addition, NEC estimates to continue work under RUS Codes 101, 102, 601, 602, 603, 604, 606, 607, and 608 which could be approximately another \$700,000.00 prior to May 2017. NEC would then estimate a total of **\$10,142,628.81** to be submitted to RUS for funds prior to May 2017.

Sincerely,



Charles R. Moore
 Chief Executive Officer
 Navopache Electric Cooperative, Inc.

ATTACHMENT 2



United States Department of Agriculture
Rural Development

MAY 19 2016

Mr. Bradley L. Baker, President
Navopache Electric Cooperative, Inc.
1878 W White Mountain Blvd
Lakeside, AZ 85929

Dear Mr. Baker:

Rural Utilities Service approval is hereby given Navopache Electric Cooperative, Inc. to extend the advance period of the "AE8" loan. The advance period has been extended to May 2, 2017.

Enclosed is a copy of the AGREEMENT MODIFYING FUTURE ADVANCE PROMISSORY NOTE.

A copy of this letter is being sent to Mr. Chuck Moore, Chief Executive Officer.

Sincerely,

A handwritten signature in black ink, appearing to read "Victor T. Vu".

Victor T. Vu
Deputy Assistant Administrator
Office of Portfolio Management and Risk Assessment
Electric Program
Rural Utilities Service

Enclosure

1400 Independence Ave, SW • Washington, DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write: USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).