

## NEW APPLICATION

## BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KEVIN THOMPSON, Chairman  
NICK MYERS, Vice Chairman  
LEA MÁRQUEZ PETERSON  
RACHEL WALDEN  
RENE LOPEZ

IN THE MATTER OF THE APPLICATION OF  
ARIZONA ELECTRIC POWER COOPERATIVE,  
INC. FOR AUTHORIZATION TO INCUR DEBT  
AND SECURE LIENS IN ITS PROPERTY TO  
FINANCE VARIOUS TRANSMISSION PROJECTS

Docket No. E-01773A-25-\_\_\_\_\_

**APPLICATION**

Pursuant to A.R.S. §§ 40-285 and 40-301, *et seq.*, and A.A.C. R14-2-108, Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative") in support of its Application states as follows:

1. AEPCO is an Arizona not-for-profit electric generation and transmission cooperative which supplies all or most of the power and energy requirements of its six Class A member distribution cooperatives, five of which are located in Arizona.

2. By this Application, AEPCO seeks Commission approval to secure long-term financing in an amount not to exceed \$94,123,056 from the Rural Utilities Service ("RUS").<sup>1</sup>

3. Pursuant to the requirements of R14-2-108(B), AEPCO met with the Commission's Utilities Division Staff on February 25, 2025 for a pre-application meeting to discuss this financing Application.

<sup>1</sup> The Cooperative is not requesting approval for interim financing because, pursuant to the Commission's authorization in Decision No. 78617, AEPCO has in place two unsecured, committed revolving lines of credit. By separate application, AEPCO is seeking Commission authorization to increase and extend these credit facilities to ensure they are sufficient to provide interim funding for the transmission projects discussed herein as well as the Cooperative's other cash flow needs. *See* Docket No. E-01773A-25-0053.

1           4.       AEPCO anticipates obtaining the loan through RUS's Treasury Rate Direct Loan  
2 Program, which provides funding at treasury rates without an adder. Alternatively, if that  
3 program is not available, then the loan would be made pursuant to the RUS's Federal Financing  
4 Bank at treasury rates plus 1/8 of 1%.

5           5.       The subject financing will be used by AEPCO to fund various transmission  
6 capital projects. The currently identified projects are from AEPCO's 2017-2020 Construction  
7 Work Plan ("CWP") and 2021-2024 CWP.<sup>2</sup> These projects have been identified as necessary  
8 improvements, upgrades, and replacements to AEPCO's transmission plant used to serve its  
9 Class A Members and other transmission customers. Attached hereto as Exhibit A is a schedule  
10 providing additional detail regarding the projects as identified in AEPCO's currently pending  
11 application with RUS, which is also referred to as the U45 loan. As Exhibit A indicates, the  
12 estimated total cost of the various projects is \$94,123,056.

13          6.       The Cooperative requests that the Commission authorize AEPCO to change the  
14 specific projects to be financed through the U45 loan without the necessity of obtaining  
15 additional Commission approvals.

16          7.       There are several bases for this request for flexibility. First, it is common practice  
17 in AEPCO's construction planning for projects to be reprioritized and move in and out of a  
18 CWP. The process of returning to the Commission to either amend the application or seek  
19 approval for the modifications is time-consuming and burdensome for both AEPCO and the  
20 Commission's Staff. Second, AEPCO does not believe the Commission's affirmative review  
21 and approval of future project changes is necessary given that AEPCO is a not-for-profit  
22 cooperative and any changes to the projects would require approval by both AEPCO's  
23

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24 <sup>2</sup> The CWPs are voluminous documents that contain confidential information. Copies of these and other  
confidential materials will be provided to Staff upon execution of a Protective Agreement.



1 democratically-elected Board of Directors and RUS. Specifically, before the Cooperative begins  
2 construction of a transmission project, the project must be included in a CWP that is approved by  
3 both the Board and RUS. AEPCO then funds the construction using cash on hand and its  
4 revolving lines of credit. Once the project is completed and placed in-service, the Cooperative  
5 returns to RUS to draw on the loan for the amount incurred to construct the project.

6 8. To provide for a more efficient process and in light of the CWP review and  
7 approval described above, AEPCO requests that the Commission's order approving this  
8 Application authorize AEPCO to use the financing to fund additional transmission projects so  
9 long as (a) the total amount financed does not exceed \$94,123,056 and (b) the projects are  
10 included in a CWP that is approved by both the Cooperative's Board of Directors and RUS.

11 9. AEPCO also requests that no interest rate cap be imposed on the subject  
12 financing. This request is based on the fact that – historically – the Commission has not imposed  
13 such a limitation on the Cooperative's RUS loans. Additionally, the Cooperative cannot lock in  
14 an interest rate, but instead is subject to the rate in effect at the time it draws down on the loan  
15 after project completion. Thus, imposition of an interest rate cap could unnecessarily and  
16 detrimentally interfere with AEPCO's ability to access the approved funding.

17 10. During its November 2024 Board Meeting, AEPCO's Board of Directors  
18 approved the transmission financing described herein and directed management to proceed with  
19 seeking RUS and Commission approval. AEPCO submitted its application to RUS in November  
20 2024 and is currently awaiting approval.

21 11. AEPCO certifies that the proposed financing meets all the requirements set forth  
22 in A.R.S. § 40-302(A): (1) it is within the corporate powers of the Cooperative; (2) it is  
23 compatible with the public interest; (3) it is compatible with sound financial practices; and (4) it  
24

1 is compatible with the proper performance of AEPCO's service as a public service corporation  
2 and will not impair the Cooperative's ability to perform that service.

3 12. Pursuant to R14-2-802(B)(2), this Application is supported by Exhibits A, B, and  
4 C attached hereto.

5 13. So that AEPCO can move forward with the loan as soon as RUS approval is  
6 received, the Cooperative requests that the Commission approve this Application no later than  
7 the July 9, 2025 Open Meeting.

8 WHEREFORE, having fully stated its Application, AEPCO requests that the  
9 Commission enter its Order:

10 A. Authorizing AEPCO to secure a long-term loan from the Rural Utilities Service in  
11 an amount not to exceed \$94,123,056.00 to finance various transmission projects identified in the  
12 Cooperative's U45 loan application as well as additional transmission projects included in a  
13 Construction Work Plan approved by both the Cooperative's Board of Directors and the Rural  
14 Utilities Service;

15 B. Providing AEPCO with the flexibility necessary to utilize and draw down on the  
16 loan without the imposition of an interest rate cap;

17 C. Authorizing AEPCO to grant liens in its property as required in order to secure  
18 the borrowings authorized; and

19 D. Authorizing AEPCO to engage in any transactions and to execute any documents  
20 necessary to effectuate the authorizations granted.

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RESPECTFULLY SUBMITTED this 28th day of March, 2025.

GALLAGHER & KENNEDY, P.A.



By \_\_\_\_\_  
Jennifer A. Cranston  
2575 East Camelback Road  
Phoenix, Arizona 85016-9225  
Attorneys for Arizona Electric Power  
Cooperative, Inc.

ORIGINAL of the foregoing eFiled  
with Docket Control via ACC Portal  
this 28th day of March, 2025.

Copy of the foregoing emailed  
this 28th day of March, 2025, to:

Legal Division  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
[LegalDiv@azcc.gov](mailto:LegalDiv@azcc.gov)  
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Candice Beeson

10285299v3/10421-0109

# **Exhibit A**



**Exhibit A**  
**Arizona Electric Power Cooperative, Inc. - Transmission**  
**RUS Arizona 28 U45 Apache Loan Application**  
**2017-2020 & 2021-2024 Construction Work Plans**

<u>Line</u>			<u>Project</u>						
<u>No.</u>	<u>CWP</u>	<u>RUS 740c</u>	<u>Project Name</u>	<u>Number</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>CWP Budget</u>
1	2017-2020	800.1	Saguaro-North Loop Line Procurement	2-02092	\$0	\$0	\$0	\$2,900,000	\$2,900,000
2	2017-2020	1000.11	Valencia 115 kV Capacitor Bank	2-02060	\$0	\$0	\$0	\$565,000	\$565,000
3	2017-2020	1000.12	Dos Condados Capacitor Bank Installation	2-02063	\$0	\$400,000	\$0	\$0	\$400,000
4	2017-2020	1000.16	TEP Physical Security Upgrades	2-02080	\$0	\$0	\$120,400	\$0	\$120,400
5	2017-2020	1000.17	TEP Communication Upgrades	2-02081	\$0	\$365,000	\$0	\$0	\$365,000
6	2017-2020	1000.18	TEP Greenlee Substation Upgrade	2-02083	\$0	\$0	\$0	\$3,794,000	\$3,794,000
7	2017-2020	1000.19	TEP South Substation Upgrade	2-02087	\$0	\$0	\$1,080,000	\$0	\$1,080,000
8	2017-2020	1000.2	2019-20 Easement Correction Project	2-02062	\$0	\$0	\$0	\$300,000	\$300,000
9	2017-2020	1000.2	TEP Westwing Fault Recorder	2-02088	\$0	\$0	\$75,000	\$0	\$75,000
10	2017-2020	1000.21	TEP Westwing RTU Replacement	2-02089	\$0	\$0	\$149,700	\$0	\$149,700
11	2017-2020	1000.22	Rattlesnake 115 kV Breaker	2-02090	\$0	\$0	\$220,000	\$0	\$220,000
12	2017-2020	1000.24	Davis Dam-Riviera Easement Renewal	2-02072	\$0	\$0	\$0	\$1,858,600	\$1,858,600
13	2017-2020	1000.26	Valencia T101 Transformer Upgrade	2-02095	\$0	\$0	\$0	\$682,000	\$682,000
14	2017-2020	1000.27	Winchester and Greenlee Fault Recorders	2-02105	\$0	\$0	\$0	\$98,300	\$98,300
15	2017-2020	1000.28	Pinal West to South Anchor Replacement	2-02103	\$0	\$0	\$0	\$119,500	\$119,500
16	2017-2020	1000.29	Three Points Substation Upgrade	2-02109	\$0	\$0	\$0	\$1,121,000	\$1,121,000
17	2017-2020	1000.3	Greenlee 230/25 kV Substation Upgrade	2-02053	\$0	\$0	\$965,000	\$0	\$965,000
18	2017-2020	1000.4	Valencia - CAWCD Interconnect	2-02051	\$0	\$0	\$0	\$2,537,500	\$2,537,500
19	2017-2020	1000.5	APS Bagdad Interconnect	2-02052	\$0	\$0	\$1,195,000	\$0	\$1,195,000
20	2017-2020	1000.7	Topock Access Road Project	2-02056	\$0	\$0	\$0	\$150,000	\$150,000
21	2017-2020	1000.9	Round Valley Interconnect	2-02058	\$0	\$509,000	\$0	\$0	\$509,000
22	2017-2020	1102.1	2020 Transmission Renew/Replace	LINES.20	\$0	\$0	\$0	\$500,000	\$500,000
23	2017-2020	1102.11	2020 Substation Renew/Replace	SUBS.20	\$0	\$0	\$0	\$500,000	\$500,000
24	2017-2020	1102.12	2020 Communication Renew/Replace	COMM.20	\$0	\$0	\$0	\$700,000	\$700,000
25	2017-2020	1102.6	2018 Communication Renew/Replace	COMM.18	\$0	\$0	\$700,000	\$0	\$700,000
26	2017-2020	1102.7	2019 Transmission Renew/Replace	LINES.19	\$0	\$0	\$0	\$500,000	\$500,000
27	2017-2020	1102.8	2019 Substation Renew/Replace	SUBS.19	\$0	\$0	\$500,000	\$0	\$500,000
28	2017-2020	1102.9	2019 Communication Renew/Replace	COMM.19	\$0	\$0	\$700,000	\$0	\$700,000
29	2017-2020	1104.1	Transmission Aerial Lift Replacement	2-02112	\$0	\$0	\$0	\$1,142,000	\$1,142,000
30	2017-2020				\$0	\$1,274,000	\$5,705,100	\$17,467,900	\$24,447,000
<u>Line</u>			<u>Project</u>		<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>CWP Budget</u>
<u>No.</u>	<u>CWP</u>	<u>RUS 740c</u>	<u>Project Name</u>	<u>Number</u>					
31	2021-2024	800.1	Boothill to Schieffelin 69 kV Line	2-02021	\$0	\$0	\$4,054,000	\$0	\$4,054,000
32	2021-2024	800.2	Adonis-Marana 115 kV Line	2-02110	\$0	\$0	\$0	\$11,444,671	\$11,444,671
33	2021-2024	800.4	WAPA Line Segment Procurement -Apache	2-02147	\$0	\$0	\$359,059	\$0	\$359,059
34	2021-2024	900.1	Schieffelin 230/69 kV Substation	2-02019	\$5,330,000	\$0	\$0	\$0	\$5,330,000
35	2021-2024	900.2	Adonis Substation	2-02117	\$0	\$0	\$3,669,000	\$0	\$3,669,000
36	2021-2024	1000.1	Boothill 115/69 kV Substation	2-02020	\$0	\$0	\$4,832,000	\$0	\$4,832,000
37	2021-2024	1000.2	Bicknell 345/230 kV Transformer Replacement	2-02101	\$0	\$3,278,800	\$0	\$0	\$3,278,800
38	2021-2024	1000.3	Apache and Bicknell Fault Recorders	2-02104	\$0	\$0	\$0	\$0	\$170,100
39	2021-2024	1000.4	Apache 115/69 kV Transformer Replacement	2-02111	\$0	\$0	\$0	\$1,911,000	\$1,911,000
40	2021-2024	1000.5	Marana 115 kV Substation Rebuild Project	2-02115	\$0	\$0	\$0	\$6,187,021	\$6,187,021
41	2021-2024	1000.6	Saguaro 115 kV Interconnection	2-02113	\$0	\$0	\$1,570,000	\$0	\$1,570,000
42	2021-2024	1000.7	Greenlee 345/230 kV Transformer Upgrade	2-02120	\$0	\$0	\$0	\$4,987,055	\$4,987,055
43	2021-2024	1000.13	Bicknell 115 kV Breaker Replacement	2-02129	\$0	\$0	\$1,090,165	\$0	\$1,090,165
44	2021-2024	1000.14	AEP/CO/APS Fiber Install	2-02131	\$0	\$0	\$92,500	\$0	\$92,500
45	2021-2024	1000.15	Pantano 230/115 kV Transformer Replacement	2-02141	\$0	\$0	\$0	\$4,874,738	\$4,874,738
46	2021-2024	1000.16	Topock RTU and Relay Replacement	2-02134	\$0	\$0	\$0	\$463,700	\$463,700
47	2021-2024	1000.17	West Wing - Vail ASLD Renewal	2-02140	\$0	\$0	\$331,500	\$0	\$331,500
48	2021-2024	1000.18	Saguaro-Adonis ADSS Fiber Installation	2-02143	\$0	\$0	\$505,022	\$0	\$505,022
49	2021-2024	1000.19	Saguaro - Adonis Structural Steel	2-02144	\$0	\$0	\$931,083	\$0	\$931,083
50	2021-2024	1000.2	Line 125 and Line 133 Easement Acquisition	2-02149	\$0	\$0	\$788,400	\$0	\$788,400
51	2021-2024	1000.21	Riviera Meter Upgrade	2-02133	\$0	\$228,800	\$0	\$0	\$228,800
52	2021-2024	1000.22	230 kV Ring Bus - Apache	2-02148	\$0	\$0	\$0	\$5,072,442	\$5,072,442
53	2021-2024	1102.1	2021 Transmission Renew/Replace	LINES.21	\$0	\$500,000	\$0	\$0	\$500,000
54	2021-2024	1102.2	2021 Substation Renew/Replace	SUBS.21	\$0	\$500,000	\$0	\$0	\$500,000
55	2021-2024	1102.3	2021 Communication Renew/Replace	COMM.21	\$0	\$700,000	\$0	\$0	\$700,000
56	2021-2024	1102.4	2022 Transmission Renew/Replace	LINES.22	\$0	\$0	\$500,000	\$0	\$500,000
57	2021-2024	1102.5	2022 Substation Renew/Replace	SUBS.22	\$0	\$0	\$500,000	\$0	\$500,000
58	2021-2024	1102.6	2022 Communication Renew/Replace	COMM.22	\$0	\$0	\$700,000	\$0	\$700,000
59	2021-2024	1102.7	2023 Transmission Renew/Replace	LINES.23	\$0	\$0	\$500,000	\$0	\$500,000
60	2021-2024	1102.8	2023 Substation Renew/Replace	SUBS.23	\$0	\$0	\$500,000	\$0	\$500,000
61	2021-2024	1102.9	2023 Communication Renew/Replace	COMM.23	\$0	\$0	\$700,000	\$0	\$700,000
62	2021-2024	1102.1	2024 Transmission Renew/Replace	LINES.24	\$0	\$0	\$0	\$500,000	\$500,000
63	2021-2024	1102.11	2024 Substation Renew/Replace	SUBS.24	\$0	\$0	\$0	\$500,000	\$500,000
64	2021-2024	1102.12	2024 Communication Renew/Replace	COMM.24	\$0	\$0	\$0	\$700,000	\$700,000
65	2021-2024	1104.2	Truck Replacement	2-02122	\$0	\$525,000	\$0	\$0	\$525,000
66	2021-2024	1104.3	Altec TA55 Bucket Truck	2-02151	\$0	\$0	\$180,000	\$0	\$180,000
67	2021-2024				\$5,330,000	\$5,732,600	\$21,802,729	\$36,640,627	\$69,676,056
68	Grand Total				\$5,330,000	\$7,006,600	\$27,507,829	\$54,108,527	\$94,123,056

# **Exhibit B**

**(Confidential Information  
Redacted)**

# **Arizona Electric Power Cooperative, Inc.**

## **Rural Utility Service**

**AZ 28 U45 Loan Application  
\$94,123,000  
30 Year Loan Term**

**Loan Purpose #2 Transmission Capital Projects**

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**§ 1710.501.A.1 - Loan Application Letter**

October 31, 2024



Deputy Assistant Administrator  
The Office of Loan Origination & Approval  
USDA/RD/Electric Program

Dear Sir or Madam:

I am forwarding for your consideration through General Field Representative, Larry McGraw, a loan application in accordance with CFR § 1710.501. Please find enclosed information and clarifying statements regarding the loan application.

Borrower's Exact Legal name as shown in Articles of Incorporation	Arizona Electric Power Cooperative, Inc. (AEPCO)
RUS Designation:	AZ28
Requested RUS Loan Designation:	U45
Requested Loan Amount	\$ 94,123,000
Requested loan type	Treasury Direct = Transmission
Requested maturity date/term	30 years
Taxpayer identification number:	86-0176697
Borrower's Unique Entity Identifier:	UNHFD46EU1L4
Organization Number Arizona Corporation Commission	00574189
Authorized/registered place of business is the state(s) of	Arizona and California
All loan funds will be used in the state of	Arizona
Loan application includes other sources of financing	No
Loan Purpose	BP2=Transmission

Arizona Electric Power Cooperative, Inc. • Sierra Southwest Cooperative Services, Inc.  
P.O. Box 2165 • 1000 S. Highway 80 • Benson, Arizona 85602 • (520) 586-5000 Phone • [www.azgt.coop](http://www.azgt.coop)

Counties where real property is located	Cochise, Gila, Graham, Greenlee, Maricopa, Mohave, Pima, Pinal, Santa Cruz and Yavapai in the State of Arizona and 10 mortgage counterparts are necessary for registering and indexing as a real estate mortgage in the appropriate offices in which the Borrower owns real property
Mortgage counterparts necessary for recording	10
Current property schedule	The property descriptions contained in Exhibit A to the Indenture are legally sufficient in the above specified States, in form, substance and copy quality, for inclusion in the granting clause of a mortgage and security instrument creating a lien on such property.
Corporate Debt Limit	AEPCO has no corporate debt limit, but the amount of secured debt that the Borrower can issue under the Indenture is limited by the terms of Indenture
Subsidiaries	Sierra Southwest Cooperative, Inc.
Material Financial Changes or Other Material Changes since last loan	None
Pending Litigation	None
Last Rate Change	07/2023 +9.1%
Last Exercised Emergency Response Plan	04/2024
Flood Hazard Statement	The loan does not include funds to finance the construction or acquisition of a building identified as located in a flood hazard area.
State or Tribal regulatory approval needed	Arizona Corporation Commission
Native American Reservations Served	None

In satisfaction of 7CFR 1730.65(b) I, **Patrick F. Ledger, Executive Vice President and Chief Executive Officer** at **AEPCO**, certify that **AEPCO** has an Interconnection of Distributed Resources (IDR) policy in place that meets all the requirements of 74 FR 32409, published July 8, 2009, amending 7CFR 1730.

I, **Patrick F. Ledger**, have been the **Executive Vice President and Chief Executive Officer** at **AEPCO** for **13 years**. My prior position was **Chief Operating Officer** at **Arizona Electric Power Cooperative Services, Inc.** for **one year**.

I, **Patrick F. Ledger, Executive Vice President and Chief Executive Officer** at **AEPCO**, based on my experience and tenure, believe that upon available information there is no reason to anticipate that any of the facilities included in the Loan Application supported by the 2017-2020 and 2021-2024 Construction Work Plan will be excluded from the rate base of **AEPCO**, by the Arizona Corporation Commission. My signature found at the conclusion of this transmittal letter, is provided as true and accurate and to comply with the requirements of 7 CFR 1710.150(f).

Wholesale power cost estimates used in the Financial Forecast are based on power supplier contracts and forward marker prices.

The titles of the officials of **AEPCO** with the proper authority to execute all loan documents on behalf of **AEPCO** and attest to the execution where required, are the **President, Secretary, Treasurer, Executive Vice President and Chief Executive Officer, and Chief Financial Officer**.

My signature found at the conclusion of this transmittal letter authorizes RUS to release appropriate information and data relating to the loan application to the FFB and any existing supplemental lenders.

If you need any additional information on our application or supporting documents, please feel free to contact me.

Sincerely,



**Patrick F. Ledger**  
**Executive Vice President and Chief Executive Officer**  
**Arizona Electric Power Cooperative, Inc.**



November 14, 2024



Deputy Assistant Administrator  
The Office of Loan Origination & Approval  
USDA/RD/Electric Program

Dear Sir or Madam:

Please find enclosed information and clarifying statements regarding the loan application in response to the COVID questions provided by General Field Representative, Larry McGraw.

We have not received a loan through the Small Business Administration (SBA) Paycheck Protection Program (PPP).

We have not furloughed any full-time or part-time employees due to the COVID-19 Pandemic.

We have not implemented any updates to current policies or created any new policies on bill payments due to the COVID-19 Pandemic.

We have not implemented any alternative rate plan(s) to be effective throughout and as a result of the COVID-19 Pandemic.

We have not implemented any board policies/management actions as a result of the COVID-19 Pandemic.

We have not made any Patronage Capital distribution modifications as a result of the COVID-19 Pandemic.

Year-to-date it is estimated that there has been no significant, negative impact to residential and large commercial customers' kWh sales as a result of the COVID-19 Pandemic.

Year-to-date it is estimated that there has been no significant, negative impact to accounts receivables as a result of the COVID-19 Pandemic.

We do not have an RUS approved revenue deferral or margin stabilization plan.

Arizona Electric Power Cooperative, Inc. • Sierra Southwest Cooperative Services, Inc.  
P.O. Box 2165 • 1000 S. Highway 80 • Benson, Arizona 85602 • (520) 586-5000 Phone • [www.azgt.coop](http://www.azgt.coop)

If you need any additional information on our application or supporting documents, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, reading "Patrick F. Ledger". The signature is fluid and cursive, with the first name "Patrick" and last name "Ledger" clearly legible.

**Patrick F. Ledger**  
**Executive Vice President and Chief Executive Officer**  
**Arizona Electric Power Cooperative, Inc.**

### **§ 1710.501.A.2 – Special Resolutions (NOT APPLICABLE)**

Special resolutions. Include any special resolutions required by Federal, State, or Tribal Authorities and any others as identified and required by the RUS General Field Representative (for example, use of contractors, corrective action plans, etc.). Resolutions of support from Tribal government or Tribal regulatory authority are required by any non-Tribal applicant intending to serve Tribal areas before any loan is approved by RUS.

**§ 1710.501.A.3 - RUS Form 740c, Cost Estimates and Loan Budget**



























**§ 1710.501.A.4 - Financial and Statistical Report**

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION AZ0028
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	PERIOD ENDED December 2023 (Prepared with Audited Data)
	BORROWER NAME Arizona Electric Power Cooperative, Inc.

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

#### CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**

(check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Patrick Ledger

4/29/2024

DATE

RUS Financial and Operating Report Electric Power Supply

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION AZ0028		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL		PERIOD ENDED December 2023		
INSTRUCTIONS - See help in the online application.				
SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	258,836,682	192,498,455		15,666,860
2. Income From Leased Property (Net)				
3. Other Operating Revenue and Income	32,395,564	32,518,770		2,708,881
4. <b>Total Operation Revenues &amp; Patronage Capital (1 thru 3)</b>	291,232,246	225,017,225		18,375,741
5. Operating Expense – Production - Excluding Fuel	18,350,197	16,644,460		1,491,083
6. Operating Expense – Production - Fuel	110,314,434	69,904,035		6,211,524
7. Operating Expense – Other Power Supply	74,114,742	49,718,797		2,965,501
8. Operating Expense – Transmission	24,874,807	23,592,153		2,213,629
9. Operating Expense – RTO/ISO				
10. Operating Expense – Distribution				
11. Operating Expense – Customer Accounts	698,471	391,567		32,642
12. Operating Expense – Customer Service & Information				
13. Operating Expense – Sales				
14. Operating Expense – Administrative & General	13,990,065	14,219,809		1,491,122
15. <b>Total Operation Expense (5 thru 14)</b>	242,342,716	174,470,821		14,405,501
16. Maintenance Expense – Production	13,493,822	14,601,558		1,321,907
17. Maintenance Expense – Transmission	4,255,358	4,730,783		382,633
18. Maintenance Expense – RTO/ISO				
19. Maintenance Expense – Distribution				
20. Maintenance Expense – General Plant	1,661,013	1,761,735		206,997
21. <b>Total Maintenance Expense (16 thru 20)</b>	19,410,193	21,094,076		1,911,537
22. Depreciation and Amortization Expense	20,631,148	21,823,322		1,768,085
23. Taxes				
24. Interest on Long-Term Debt	4,165,182	6,717,646		528,447
25. Interest Charged to Construction – Credit	(230,613)	(3,087,771)		(967,046)
26. Other Interest Expense	2,167,571	4,682,475		802,558
27. Asset Retirement Obligations				
28. Other Deductions	127,603	147,445		26,429
29. <b>Total Cost Of Electric Service (15 + 21 thru 28)</b>	288,613,800	225,848,014		18,475,511
30. <b>Operating Margins (4 less 29)</b>	2,618,446	(830,789)		(99,770)
31. Interest Income	781,533	2,948,008		278,730
32. Allowance For Funds Used During Construction				
33. Income (Loss) from Equity Investments				
34. Other Non-operating Income (Net)	(601,073)	460,207		94,988
35. Generation & Transmission Capital Credits				
36. Other Capital Credits and Patronage Dividends	348,226	621,102		69,293
37. Extraordinary Items				
38. <b>Net Patronage Capital Or Margins (30 thru 37)</b>	3,147,132	3,198,528		343,241

RUS Financial and Operating Report Electric Power Supply – Part A - Financial

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION AZ0028	
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL		PERIOD ENDED December 2023	
INSTRUCTIONS – See help in the online application.			
SECTION B. BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	786,452,566	33. Memberships	930
2. Construction Work in Progress	109,956,714	34. Patronage Capital	
3. Total Utility Plant (1 + 2)	896,409,280	a. Assigned and Assignable	187,373,672
4. Accum. Provision for Depreciation and Amortization	475,040,123	b. Retired This year	0
5. Net Utility Plant (3 - 4)	421,369,157	c. Retired Prior years	0
6. Non-Utility Property (Net)	0	d. Net Patronage Capital (a - b - c)	187,373,672
7. Investments in Subsidiary Companies	0	35. Operating Margins - Prior Years	(8,095,397)
8. Invest. in Assoc. Org. - Patronage Capital	2,291,638	36. Operating Margin - Current Year	830,789
9. Invest. in Assoc. Org. - Other - General Funds	0	37. Non-Operating Margins	2,367,738
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	5,469,990	38. Other Margins and Equities	0
11. Investments in Economic Development Projects	272,753	39. Total Margins & Equities (33 +34d thru 38)	182,477,732
12. Other Investments	0	40. Long-Term Debt - RUS (Net)	0
13. Special Funds	3,446,066	41. Long-Term Debt - FFB - RUS Guaranteed	134,594,929
14. Total Other Property And Investments (6 thru 13)	11,480,447	42. Long-Term Debt - Other - RUS Guaranteed	0
15. Cash - General Funds	9,956,397	43. Long-Term Debt - Other (Net)	82,476,409
16. Cash - Construction Funds - Trustee	0	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0
17. Special Deposits	2,861,616	45. Payments – Unapplied	0
18. Temporary Investments	25,190,389	46. Total Long-Term Debt (40 thru 44 - 45)	217,071,338
19. Notes Receivable (Net)	73,200	47. Obligations Under Capital Leases Noncurrent	1,455,993
20. Accounts Receivable - Sales of Energy (Net)	32,648,535	48. Accumulated Operating Provisions and Asset Retirement Obligations	0
21. Accounts Receivable - Other (Net)	4,723,927	49. Total Other NonCurrent Liabilities (47 + 48)	1,455,993
22. Fuel Stock	24,471,866	50. Notes Payable	70,493,226
23. Renewable Energy Credits	0	51. Accounts Payable	27,839,988
24. Materials and Supplies - Other	16,303,707	52. Current Maturities Long-Term Debt	15,289,219
25. Prepayments	4,582,669	53. Current Maturities Long-Term Debt - Rural Devel.	0
26. Other Current and Accrued Assets	0	54. Current Maturities Capital Leases	884,627
27. Total Current And Accrued Assets (15 thru 26)	120,812,306	55. Taxes Accrued	2,390,262
28. Unamortized Debt Discount & Extraordinary Property Losses	0	56. Interest Accrued	58,216
29. Regulatory Assets	0	57. Other Current and Accrued Liabilities	11,409,007
30. Other Deferred Debits	53,458,690	58. Total Current & Accrued Liabilities (50 thru 57)	128,364,545
31. Accumulated Deferred Income Taxes	0	59. Deferred Credits	77,750,992
32. Total Assets and Other Debits (5+14+27 thru 31)	607,120,600	60. Accumulated Deferred Income Taxes	0
		61. Total Liabilities and Other Credits (39 + 46 + 49 + 58 thru 60)	607,120,600

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION  AZ0028
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December 2023
<b>SECTION C. NOTES TO FINANCIAL STATEMENTS</b>	



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION  AZ0028
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December 2023
<b>SECTION C. CERTIFICATION LOAN DEFAULT NOTES</b>	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY				BORROWER DESIGNATION  AZ0028				
INSTRUCTIONS - See help in the online application.				PERIOD ENDED December 2023				
PART B SE - SALES OF ELECTRICITY								
Sale No.	Name Of Company or Public Authority	RUS Borrower Designation	Statistical Classification	Renewable Energy Program Name	Primary Renewable Fuel Type	Average Monthly Billing Demand (MW)	Actual Average Monthly NCP Demand (g)	Actual Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Ultimate Consumer(s)		OS					
2	Anza Electric Cooperative, Inc (CA0041)	CA0041	RQ					
3	Duncan Valley Elec Coop, Inc (AZ0023)	AZ0023	RQ					
4	Graham County Elec Coop, Inc		RQ					
5	Mohave Electric Coop, Inc (AZ0022)	AZ0022	RQ					
6	Sulphur Springs Valley E C Inc (AZ0014)	AZ0014	RQ					
7	Trico Electric Cooperative Inc (AZ0020)	AZ0020	RQ					
8	Arizona Public Service Company		SF					
9	BP Energy Company		LF					
10	Burbank Public Service Dept		OS					
11	Central Arizona Water Conservation District (AZ)		OS					
12	Citigroup Energy Inc (TX)		OS					
13	EDF Trading North America, LLC (TX)		OS					
14	El Paso Electric Company		OS					
15	Exelon Energy Company		OS					
16	City of Glendale		OS					
17	Imperial Irrigation District		OS					
18	Los Angeles Dept of Wtr & Pwr		OS					
19	MacQuarie Energy LLC (TX)		OS					
20	Nevada Power Company		OS					
21	PacifiCorp Power Marketing Inc		OS					
22	Public Service Company of NM		OS					
23	Salt River Project		OS					
24	Public Service Co of Colorado		OS					
25	Shell Energy North America L.P (TX)		OS					
26	Southwest Public Power Agency (AZ)		OS					
27	Tenaska Power Services		OS					
28	TransCanada Power		OS					
29	TransAlta Energy Mktg(US) Inc		OS					
30	Tucson Electric Power Company		OS					
31	Unisource Energy Corporation (AZ)		OS					
32	Western Area Power Admin		OS					
34	Lincoln County Power Dist No 1		OS					
41	Black Hills Corporation		OS					
42	Electrical Dist No2 Pinal Cnty		LF					
43	Guzman Energy (FL)		OS					
44	Farrington Light & Power		OS					
46	Morgan Stanley Capital Grp Inc (NY)		OS					
48	ConocoPhillips Company (TX)		OS					
51	Rainbow Energy Marketing Corp		OS					

RUS Financial and Operating Report Electric Power Supply

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>				BORROWER DESIGNATION  AZ0028				
INSTRUCTIONS - See help in the online application.				PERIOD ENDED December 2023				
<b>PART B SE - SALES OF ELECTRICITY</b>								
Sale No.	Name Of Company or Public Authority	RUS Borrower Designation	Statistical Classification	Renewable Energy Program Name	Primary Renewable Fuel Type	Average Monthly Billing Demand (MW)	Actual Average Monthly NCP Demand	Actual Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
52	Tri-State G & T Assn. Inc (CO0047)	CO0047	OS					
53	Utah Municipal Power Agency		OS					
54	Uniper Global Commodities North America (IL)		OS					
55	Valley Electric Assn. Inc		OS					
56	Avangrid Renewables (OR)		OS					
57	Basin Electric Power Coop - 1307 (ND)		OS					
59	Dynasty Power Inc. (AB)		OS					
60	Powerex		OS					
61	Constellation Energy Corporation (MD)		OS					
62	Altop Energy Trading, LLC (TX)		SF					
63	J. Aron & Company		AD					
64	The Energy Authority		AD					
Dist	Total for Distribution Borrowers					0	0	0
G&T	Total for G&T Borrowers					0	0	0
Other	Total for Other					0	0	0
Total	Grand Total					0	0	0

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY			BORROWER DESIGNATION  AZ0028		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December 2023		
PART B SE - SALES OF ELECTRICITY					
Sale No	Electricity Sold (MWh) (i)	Revenue Demand Charges (j)	Revenue Energy Charges (k)	Revenue Other Charges (l)	Revenue Total (j + k + l) (m)
1					
2	92,628	2,313,769	4,998,517	(464,456)	6,847,830
3	37,164	1,167,718	976,295	289,791	2,433,804
4	163,595	5,621,948	4,213,101	1,305,720	11,140,769
5	745,850	28,558,425	18,934,699	6,346,461	53,839,585
6	813,353	25,609,997	22,783,778	5,147,736	53,541,511
7	453,933	17,311,740	11,142,682	4,539,293	32,993,715
8	120		4,315		4,315
9	40,251		1,778,970		1,778,970
10	15,730		1,022,770		1,022,770
11	109,339		3,790,098		3,790,098
12	52,178		3,707,765		3,707,765
13	400		15,200		15,200
14	165		5,154		5,154
15					
16	2,408		127,166		127,166
17	20,100		1,757,706		1,757,706
18	20		600		600
19	6,344		389,602		389,602
20	125		8,300		8,300
21	825		51,409		51,409
22	0		10,299		10,299
23	1,922		332,275		332,275
24	3,280		238,396		238,396
25	4,000		164,138		164,138
26	53,376		3,414,710		3,414,710
27	17,918		1,005,774		1,005,774
28	595		38,770		38,770
29	1,653		66,576		66,576
30	1,193		112,451		112,451
31	1,053		108,751		108,751
32	49,842		4,987,538		4,987,538
34	8,511		491,109		491,109
41					
42	8,301		351,987		351,987
43	720		16,840		16,840
44	781		35,412		35,412
46	23,204		2,507,233		2,507,233
48	475		10,825		10,825
51	4,036		245,752		245,752
52	705		14,605		14,605
53	50		1,250		1,250
54					
55	6,374		395,880		395,880
56	1,250		70,675		70,675
57					
59	2,403		84,720		84,720
60	692		22,400		22,400
61	9,250		548,522		548,522

RUS Financial and Operating Report Electric Power Supply

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY			BORROWER DESIGNATION  AZ0028		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December 2023		
PART B SE - SALES OF ELECTRICITY					
Sale No	Electricity Sold (MWh) (i)	Revenue Demand Charges (j)	Revenue Energy Charges (k)	Revenue Other Charges (l)	Revenue Total (j + k + l) (m)
62	320		13,199		13,199
63	43,228		3,708,203		3,708,203
64	800		43,894		43,894
UC					
Dist	1,292,411	48,183,934	35,075,898	10,421,298	93,681,130
Gi&T	705	0	14,605	0	14,605
Other	1,507,344	32,399,663	59,659,808	6,743,247	98,802,718
Total	2,800,460	80,583,597	94,750,311	17,164,545	192,498,453

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>		BORROWER DESIGNATION  AZ0028
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2023
<b>PART B SE - SALES OF ELECTRICITY</b>		
<b>Sale No</b>	<b>Comments</b>	
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT                  ELECTRIC POWER SUPPLY</b>		BORROWER DESIGNATION AZ0028	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2023	
<b>PART B SE - SALES OF ELECTRICITY</b>			
Sale No	Comments		
63			
64			
UC			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION AZ0028
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December 2023

**PART B PP - PURCHASED POWER**

Purchase No.	Name Of Company or Public Authority	RUS Borrower Designation	Statistical Classification	Renewable Energy Program Name	Primary Renewable Fuel Type	Average Monthly Billing Demand (MW) (f)	Actual Average Monthly NCP Demand	Actual Average Monthly CP Demand (g)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1	Anza Electric Cooperative, Inc (CA0041)	CA0041	LF					
2	Black Hills Corporation		OS					
3	BP Energy Company		OS					
4	Burbank Public Service Dept		LF					
5	Central Arizona Water Conservation District (AZ)		OS					
6	Citigroup Energy Inc (TX)		OS					
7	EDF Trading North America, LLC (TX)		OS					
8	El Paso Electric Company		OS					
10	City of Glendale		OS					
11	Graham County Elec Coop, Inc		OS					
12	Imperial Irrigation District		OS					
13	Los Angeles Dept of Wtr & Pwr		OS					
14	MacQuarie Energy LLC (TX)		OS					
15	Metropolitan Water District		OS					
16	Morgan Stanley Capital Grp Inc (NY)		OS					
17	Nevada Power Company		OS					
18	PacifiCorp Power Marketing Inc		OS					
19	Public Service Company of NM		OS					
20	Powerex		OS					
21	Public Service Co of Colorado		OS					
22	Shell Energy North America LP (TX)		OS					
23	Southwest Public Power Agency (AZ)		IF					
24	Salt River Project		OS					
25	Tenaska Power Services		OS					
26	Tucson Electric Power Company		OS					
27	TransAlta Energy Mktg(US) Inc		OS					
28	TransCanada Power		OS					
29	Trico Electric Cooperative Inc (AZ0020)	AZ0020	OS					
30	Tri-State G & T Assn, Inc (CO0047)	CO0047	OS					
31	Unisource Energy Corporation (AZ)		OS					
32	Valley Electric Assn, Inc		OS					
33	Western Area Power Admin		OS					
34	Arizona Public Service Company		OS					
43	Guzman Energy (FL)		OS					
63	Brookfield Renewable Trading and Marketing LP (QC)		OS					
64	Conoco Power Marketing, Inc		OS					
65	DTE Energy Trading, Inc		OS					
66	Duncan Valley Elec Coop, Inc (AZ0023)	AZ0023	OS					
67	Evergy Kansas Central (KS)		OS					
68	Farmington Light & Power		OS					
70	Lincoln County Power Dist No 1		OS					
74	Utah Municipal Power Agency		OS					
75	Uniper Global Commodities North America (IL)		OS					
85	California ISO (CA)		OS					
86	Sierra Southwest Cooperative Services, Inc. (AZ)		LU					
87	Arizona Power Authority		OS					



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>				BORROWER DESIGNATION  AZ0028				
INSTRUCTIONS - See help in the online application.				PERIOD ENDED December 2023				
<b>PART B PP - PURCHASED POWER</b>								
Purchase No.	Name Of Company or Public Authority	RUS Borrower Designation	Statistical Classification	Renewable Energy Program Name	Primary Renewable Fuel Type	Average Monthly Billing Demand (MW)	Actual Average Monthly NCP Demand	Actual Average Monthly CP Demand ( )
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
88	Rainbow Energy Marketing Corp		OS					
93	Town of Marana (AZ)		OS					
95	Sulphur Springs Valley E C Inc (AZ0014)	AZ0014	OS					
96	The Energy Authority		OS					
97	Mohave Electric Coop, Inc (AZ0022)	AZ0022	OS					
98	Sempra Gas & Power Marketing, LLC (CA)		OS					
99	Constellation Energy Corporation (MD)		OS					
100	Mesquite Power, LLC (CO)		OS					
101	Avangrid Renewables (OR)		OS					
102	Basin Electric Power Coop - 1307 (ND)		OS					
103	Bonneville Power Admin		OS					
105	Navopache Electric Coop, Inc (AZ0013)	AZ0013	OS					
106	Altop Energy Trading, LLC (TX)		OS					
107	J. Aron & Company		OS					
Dist	Total for Distribution Borrowers					0	0	0
G&T	Total for G&T Borrowers					0	0	0
Other	Total for Other					0	0	0
Total	Grand Total					0	0	0

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>				BORROWER DESIGNATION  AZ0028			
INSTRUCTIONS - See help in the online application.				PERIOD ENDED December 2023			
<b>PART B PP - PURCHASED POWER</b>							
Purchase No	Electricity Purchased (MWh) (i)	Electricity Received (MWh) (j)	Electricity Delivered (MWh) (k)	Demand Charges (l)	Energy Charges (m)	Other Charges (n)	Total (l + m + n) (o)
1	678		0		55,730		55,730
2			0				
3	2,718		0		205,580		205,580
4	14,185		0		926,664		926,664
5	95,392		0		2,598,573		2,598,573
6	47,480		0		3,259,821		3,259,821
7	1,000		0		37,400		37,400
8	5,850		0		372,368		372,368
10	823		0		38,804		38,804
11	2,792		0		235,715		235,715
12	3,365		0		2,690		2,690
13	102		0		13,191		13,191
14	7,858		0		666,184		666,184
15			0		0		0
16	20,919		0		2,409,571		2,409,571
17	678		0		133,786		133,786
18	2		0		36		36
19	1,230		0		108,612		108,612
20	10		0		2,135		2,135
21	400		0		40,532		40,532
22	894		0		99,996		99,996
23	210,336		0		12,178,178		12,178,178
24	27,226		0		1,837,869		1,837,869
25	5,673		0		433,614		433,614
26	3,981		0		102,349		102,349
27	1,108		0		153,504		153,504
28	734		0		56,788		56,788
29	17,162		0		1,514,878		1,514,878
30	58		0		6,214		6,214
31			0				
32	3		0		3,857		3,857
33	141,403		0	1,551,125	2,248,676		3,799,801
34	3,539		0		83,897		83,897
43	180		0		9,120		9,120
63	2,000		0		274,800		274,800
64	1,661		0		179,531		179,531
65	1,200		0		46,079		46,079
66	540		0		48,234		48,234
67			0				
68	86		0		1,474		1,474
70	449		0		5,369		5,369
74	144		0		9,620		9,620
75			0				
85	18,845		0		113,197		113,197
86	62,197		0		2,636,157		2,636,157
87	5,419		0	69,728	112,215		181,943
88			0				
93			0				
95	1		0		15,643		15,643
96			0		3,150		3,150
97	139		0		23,063		23,063
98	1,400		0		33,600		33,600
99	6,690		0		398,406		398,406
100	0		0	0	0		0
101			0				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION AZ0028
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December 2023

**PART B PP - PURCHASED POWER**

Purchase No	Electricity Purchased (MWh) (i)	Electricity Received (MWh) (j)	Electricity Delivered (MWh) (k)	Demand Charges (l)	Energy Charges (m)	Other Charges (n)	Total (l + m + n) (o)
102			0				
103			0				
105			0				0
106	608		0		22,436		22,436
107	43,302		0		3,444,332		3,444,332
Dist	17,979	0	0	0	1,593,671	0	1,593,671
G&T	58	0	0	0	6,214	0	6,214
Other	744,423	0	0	1,620,853	35,603,753	0	37,224,606
Total	762,460	0	0	1,620,853	37,203,638	0	38,824,491

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>		BORROWER DESIGNATION  AZ0028	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2023	
<b>PART B PP - PURCHASED POWER</b>			
<b>Purchase No</b>	<b>Comments</b>		
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT                  ELECTRIC POWER SUPPLY</b>		BORROWER DESIGNATION AZ0028
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2023
<b>PART B PP - PURCHASED POWER</b>		
<b>Purchase No</b>	<b>Comments</b>	
105		
106		
107		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION AZ0028
INSTRUCTIONS - See help in the online application	PERIOD ENDED December 2023

PART C RE - RENEWABLE GENERATING PLANT SUMMARY						
Plant Name  (a)	Prime Mover  (b)	Primary Renewable Fuel Type  (c)	Renewable Fuel (%)  (d)	Capacity (kW)  (e)	Net Generation (MWh)  (f)	Capacity Factor (%)  (g)
Total:				0.0	0.0	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT                  ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION AZ0028
INSTRUCTIONS - See help in the online application	PERIOD ENDED December 2023

**PART C RE - RENEWABLE GENERATING PLANT SUMMARY**

Plant Name (a)	Number of Employees (h)	Total O&M Cost (mills/Net kWh) (i)	Power Cost (mills/Net kWh) (j)	Total Investment (\$1,000) (k)	Percentage Ownership (%) (l)	RUS Funding (\$1,000) (m)
Total:	0	0	0	0		0

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY		BORROWER DESIGNATION  AZ0028	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December 2023	
PART C RE - RENEWABLE GENERATING PLANT SUMMARY			
Plant Name		Comments	



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b> <b>PART C - SOURCES AND DISTRIBUTION OF ENERGY</b>		BORROWER DESIGNATION AZ0028			
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2023			
<b>SOURCES OF ENERGY</b> (a)		<b>NO. OF PLANTS</b> (b)	<b>CAPACITY (kW)</b> (c)	<b>NET ENERGY RECIEVED BY SYSTEM (MWh)</b> (d)	<b>COST (\$)</b> (e)
Generated in Own Plant (Details on Parts D, E, F IC, F CC, and G)					
1.	Fossil Steam	1	389,406	1,544,612	94,811,789
2.	Nuclear	0	0	0	0
3.	Hydro	0	0	0	0
4.	Combined Cycle	1	85,500	189,408	8,114,182
5.	Internal Combustion	1	125,681	262,721	13,416,032
6.	Other	0	0	0	0
7.	Total in Own Plant (1 thru 6)	3	600,587	1,996,741	116,342,003
Purchased Power					
8.	Total Purchased Power			762,460	38,824,491
Interchanged Power					
9.	Received Into System (Gross)			55,269	3,798,881
10.	Delivered Out of System (Gross)			25,631	2,826,902
11.	Net Interchange (9 - 10)			29,638	971,979
Transmission For or By Others - (Wheeling)					
12.	Received Into System			452,563	0
13.	Delivered Out of System			439,509	0
14.	Net Energy Wheeled (12 - 13)			13,054	0
15.	Total Energy Available for Sale (7 + 8 + 11 + 14)			2,801,893	
Distribution of Energy					
16.	Total Sales			2,800,460	
17.	Energy Furnished to Others Without Charge			0	
18.	Energy Used by Borrower (Excluding Station Use)			0	
19.	Total Energy Accounted For (16 thru 18)			2,800,460	
Losses					
20.	Energy Losses - MWh (15 - 19)			1,433	
21.	Energy Losses - Percentage ((20 / 15) * 100)			.05 %	

RUS Financial and Operating Report Electric Power Supply – Part C - Sources and Distribution of Energy

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE							BORROWER DESIGNATION AZ0028				
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART D - STEAM PLANT							PLANT Apache				
INSTRUCTIONS - See help in the online application.							PERIOD ENDED December 2023				
SECTION A. BOILERS/TURBINES											
NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				OPERATING HOURS				
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j) UNSCH. (k)	
1.	2	8			5,849,202.00			5,439		1,867	1,453
2.	3	12	632,973.30		4,988,010.00			6,875		1,788	96
3.											
4.											
5.											
6.	Total	20	632,973	0.00	10,837,212.00	0.00		12,314	0	3,655	1,549
7.	Average BTU		8,975		1,028.00						
8.	Total BTU (10 <sup>6</sup> )		5,680,935.00	0	11,140,654.00	0.00	16,821,589				
9.	Total Del. Cost (\$)		66	0.00	0.00	0.00					
SECTION A. BOILERS/TURBINES (Continued)					SECTION B. LABOR REPORT			SEC. C. FACTORS & MAX. DEMAND			
NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE	
1.	2	194,703	616,074.50		1.	No. Employees Full-Time (Include Superintendent)	11	1.	Load Factor (%)	0.00%	
2.	3	194,703	1,114,081.00		2.	No. Employees Part-Time		2.	Plant Factor (%)	50.72%	
3.					3.	Total Employee Hours Worked	22,886	3.	Running Plant Capacity Factor (%)	72.16%	
4.					4.	Operating Plant Payroll (\$)	4,431,847	4.	15 Minute Gross Max. Demand (kW)		
5.					5.	Maintenance Plant Payroll (\$)	3,131,745	5.	Indicated Gross Max. Demand (kW)		
6.	Total	389,406	1,730,155.50	9,723	6.	Other Accts. Plant Payroll (\$)		7.	Total Plant Payroll (\$)	7,563,592	
7.	Station Service (MWh)		185,543.30								
8.	Net Generation (MWh)		1,544,612.20	10,890.49							
9.	Station Service (%)		10.72								
SECTION D. COST OF NET ENERGY GENERATED											
NO.	PRODUCTION EXPENSE		ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)					
1.	Operation, Supervision and Engineering		500	5,588,889							
2.	Fuel, Coal		501.1	20,741,320							
3.	Fuel, Oil		501.2								
4.	Fuel, Gas		501.3	33,053,404							
5.	Fuel, Other		501.4								
6.	Fuel SubTotal (2 thru 5)		501	53,794,724	34.83	3.20					
7.	Steam Expenses		502	4,571,717							
8.	Electric Expenses		505	3,253,578							
9.	Miscellaneous Steam Power Expenses		506	938,370							
10.	Allowances		509								
11.	Rents		507								
12.	Non-Fuel SubTotal (1 + 7 thru 11)			14,352,554	9.29						
13.	Operation Expense (6 + 12)			68,147,278	44.12						
14.	Maintenance, Supervision and Engineering		510	868,816							
15.	Maintenance of Structures		511	17,470							
16.	Maintenance of Boiler Plant		512	7,430,419							
17.	Maintenance of Electric Plant		513	2,189,178							
18.	Maintenance of Miscellaneous Plant		514	1,888,480							
19.	Maintenance Expense (14 thru 18)			12,394,363	8.02						
20.	Total Production Expense (13 + 19)			80,541,641	52.14						
21.	Depreciation		403.1, 411.10	11,909,526							
22.	Interest		427	2,360,622							
23.	Total Fixed Cost (21 + 22)			14,270,148			9.24				
24.	Power Cost (20 + 23)			94,811,789	61.38						
Remarks											

RUS Financial and Operating Report Electric Power Supply – Part D - Steam Plant

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b> <b>PART E - HYDRO PLANT</b>				BORROWER DESIGNATION  PLANT  PERIOD ENDED				
INSTRUCTIONS - See help in the online application.								
<b>SECTION A. HYDRO GENERATING UNITS</b>								
NO.	UNIT NO. (a)	SIZE (kW) (b)	GROSS GENERATION (MWh) (c)	OPERATING HOURS				
				IN SERVICE (d)	ON STANDBY (e)	OUT OF SERVICE		
		SCHEDULED (f)	UNSCHEDULED (g)					
1.								
2.								
3.								
4.								
5.								
6.	<b>Total</b>							
7. Station Service (MWh)				<b>HYDRAULIC DATA</b>				
8. Net Generation (MWh)				ITEM		(a) MAXIMUM	(b) MINIMUM	
9. Station Service % of Gross				1. Pool Elevation (ft.)				
10. Energy for Pumped Storage (MWh)				2. Tail Race Elevation (ft.)				
11. Net Generation after Pumped Storage (MWh)				Water Spilled <input type="checkbox"/> Yes <input type="checkbox"/> No				
<b>SECTION B. LABOR REPORT</b>						<b>SECTION C. FACTORS &amp; MAXIMUM DEMAND</b>		
NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full-Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	
3.	<b>Total Employee Hours Worked</b>		7.	<b>Total Plant Payroll (\$)</b>		3.	Running Plant Capacity Factor (%)	
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	
<b>SECTION D. COST OF NET ENERGY GENERATED</b>								
NO.	PRODUCTION EXPENSE		ACCOUNT NUMBER		AMOUNT (\$) (a)		MILLS/NET kWh (b)	
1.	Operation, Supervision and Engineering		535					
2.	Water for Power		536					
3.	Energy for Pumped Storage		536.1					
4.	Hydraulic Expense		537					
5.	Electric Expense		538					
6.	Miscellaneous Hydraulic Power Generation Expense		539					
7.	Rents		540					
8.	<b>Operation Expense (1 thru 7)</b>							
9.	Maintenance, Supervision and Engineering		541					
10.	Maintenance of Structures		542					
11.	Maintenance of Reservoirs, Dams and Waterways		543					
12.	Maintenance of Electric Plant		544					
13.	Maintenance of Miscellaneous Hydraulic Plant		545					
14.	<b>Maintenance Expense (9 thru 13)</b>							
15.	<b>Total Production Expense (8 + 14)</b>							
16.	Depreciation		403.3, 411.10					
17.	Interest		427					
18.	<b>Total Fixed Cost (16 + 17)</b>							
19.	<b>Power Cost (15 + 18)</b>							
Remarks (including Unscheduled Outages)								

RUS Financial and Operating Report Electric Power Supply – Part E - Hydro Plant

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b> <b>PART F IC - INTERNAL COMBUSTION PLANT</b>	BORROWER DESIGNATION AZ0028  PLANT Apache  PERIOD ENDED December 2023
INSTRUCTIONS - See help in the online application.	

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i)	UNSCH. (j)	GROSS GENER. (MWh) (k)	
1.	2	19,800		529.00			3		8,727	30	31	
2.	3	64,890		1,958,271.00			3,380		5,095	285	140,741	
3.	4	40,991		1,272,109.00			3,763		3,275	1,722	125,956	
4.												
5.												
6.	Total	125,681	0.00	3,230,909.00	0.00		7,146	0	17,097	2,037	266,728	
7.	Average BTU			1,000.14			Station Service (MWh)				4,007.00	12,114.90
8.	Total BTU (10 <sup>6</sup> )		0.00	3,231,374.45	0.00	3,231,374.45	Net Generation (MWh)				262,721.00	
9.	Total Del. Cost (\$)		0.00	0.00	0.00		Station Service % of Gross				1.50	12,299.64

**SECTION B. LABOR REPORT**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	0.00%
					2.	Plant Factor (%)	24.23%	
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	71.39%
3.	Total Employee Hours Worked				4.	15 Min. Gross Max. Demand (kW)		
4.	Operating Plant Payroll (\$)		7.	Total Plant Payroll (\$)		5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	47,703		
2.	Fuel, Oil	547.1	0		0.00
3.	Fuel, Gas	547.2	9,861,215		3.05
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	9,861,215	37.53	3.05
7.	Generation Expenses	548	340,655		
8.	Miscellaneous Other Power Generation Expenses	549	33,692		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		422,050	1.61	
11.	Operation Expense (6 + 10)		10,283,265	39.14	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	49,369		
14.	Maintenance of Generating and Electric Plant	553	1,122,823		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	14,114		
16.	Maintenance Expense (12 thru 15)		1,186,306	4.52	
17.	Total Production Expense (11 + 16)		11,469,571	43.66	
18.	Depreciation	403.4, 411.10	1,577,693		
19.	Interest	427	368,768		
20.	Total Fixed Cost (18 + 19)		1,946,461	7.41	
21.	Power Cost (17 + 20)		13,416,032	51.07	

Remarks (including Unscheduled Outages):

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b> <b>PART F CC - COMBINED CYCLE PLANT</b>	BORROWER DESIGNATION <b>AZ0028</b>  PLANT <b>Apache</b>  PERIOD ENDED <b>December 2023</b>
INSTRUCTIONS - See help in the online application.	

**SECTION A. COMBINED CYCLE GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 CF) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER. (MWh) (k)	BTU PER kWh (l)
									SCHED. (i)	UNSC. (j)		
1.	1	75,000		2,150,006.00			4,635		3,978	147	206,261	
2.	1	10,500		22,951.00			172		8,550	38	1,061	
3.												
4.												
5.												
6.	Total	85,500	0.00	2,172,957.00	0.00		4,807	0	12,528	185	207,322	
7.	Average BTU			3,028.00			Station Service (MWh)				17,914.00	
8.	Total BTU (10 <sup>6</sup> )		0.00	2,233,799.80	0.00	2,233,799.80	Net Generation (MWh)				189,408.00	11,793.59
9.	Total Del. Cost (\$)		0.00	0.00	0.00		Station Service % Of Gross				8.64	

**SECTION B. LABOR REPORT**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include. Superintendent)		5.	Maintenance Plant Payroll (\$)	134681	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	27.68%
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)	268043	3.	Running Plant Capacity Factor (%)	59.33%
4.	Operating Plant Payroll (\$)	133362				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	171,253		
2.	Fuel, Oil	547.1			0.00
3.	Fuel, Gas	547.2	5,872,725		2.63
4.	Fuel, Other	547.3			0.00
5.	Energy for Compressed Air	547.4			
6.	Fuel SubTotal (2 thru 5)	547	5,872,725	31.01	2.63
7.	Generation Expenses	548	388,691		
8.	Miscellaneous Other Power Generation Expenses	549	30,703		
9.	Rents	507			
10.	Steam Expenses	502			
11.	Electric Expenses	505			
12.	Miscellaneous Steam Power Expenses	506			
13.	Allowances	509			
14.	Non-Fuel SubTotal (1 + 7 thru 13)		590,647	3.12	
15.	Operating Expense (6 + 14)		6,463,372	34.12	
16.	Maintenance, Supervision and Engineering	551,510	34,038		
17.	Maintenance of Structures	552,511	14,278		
18.	Maintenance of Generating and Electric Plant	553,513	852,397		
19.	Maintenance of Miscellaneous Other Power Generating Plant	554,514	113,592		
20.	Maintenance Expense (16 thru 19)		1,014,305	5.36	
21.	Total Production Expense (15 + 20)		7,477,677	39.48	
22.	Depreciation	403.4, 403.1, 411.10	505,055		
23.	Interest	427	131,450		
24.	Total Fixed Cost (22 + 23)		636,505	3.36	
25.	Power Cost (21 + 24)		8,114,182	42.84	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE					BORROWER DESIGNATION			
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART G - NUCLEAR PLANT					PLANT			
INSTRUCTIONS - See help in the online application.					PERIOD ENDED			

SECTION A. BOILERS AND GENERATING UNITS								
NO.	UNIT NO. (a)	TIMES STARTED (b)	SIZE (kW) (c)	GROSS GENERATION (MWh) (d)	OPERATING HOURS			
					IN SERVICE (e)	ON STANDBY (f)	OUT OF SERVICE	
						SCHEDULED (g)	UNSCHEDULED (h)	
1.								
2.								
3.								
4.								
5.								
6.	<b>Total</b>							
7.	Station Service (MWh)							
8.	Net Generation (MWh)							
9.	Station Service % Of Gross							

SECTION B. LABOR REPORT					SECTION C. FACTORS & MAXIMUM DEMAND			
NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include. Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	
3.	<b>Total Employee Hours Worked</b>		7.	<b>Total Plant Payroll (\$)</b>		3.	Running Plant Capacity Factor (%)	
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED				
NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)
1.	Operation, Supervision and Engineering	517		
2.	Fuel	518.1		
3.	Less Fuel Acquisition Adjustment	518.2		
4.	<b>Net Fuel Expense (2 - 3)</b>			
5.	Coolants and Water	519		
6.	Steam Expenses	520		
7.	Steam From Other Sources	521		
8.	Electric Expenses	523		
9.	Miscellaneous Nuclear Power Expense	524		
10.	Rents	525		
11.	<b>Operation Expense (1 + 4 thru 10)</b>			
12.	Maintenance, Supervision and Engineering	528		
13.	Maintenance of Structures	529		
14.	Maintenance of Reactor Plant Equipment	530		
15.	Maintenance of Electric Plant	531		
16.	Maintenance of Miscellaneous Nuclear Plant	532		
17.	<b>Maintenance Expense (12 thru 16)</b>			
18.	Reactor Credits			
19.	<b>Total Production Expense (11 + 17 - 18)</b>			
20.	Depreciation	403.2, 411.10		
21.	Interest	427		
22.	<b>Total Fixed Cost (20 + 21)</b>			
23.	Less Plant Acquisition Adjustment	406		
24.	<b>Power Cost (19 + 22 - 23)</b>			

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION AZ0028				
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT		PERIOD ENDED December 2023				
INSTRUCTIONS - See help in the online application.						
SECTION A. UTILITY PLANT						
ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)	
1. Total Intangible Plant (301 thru 303)	17,667,914	(91,743)			17,576,171	
2. Total Steam Production Plant (310 thru 317)	454,253,275	20,880,667	378,996	1,484,742	476,239,688	
3. Total Nuclear Production Plant (320 thru 326)	0				0	
4. Total Hydro Production Plant (330 thru 337)	0				0	
5. Total Other Production Plant (340 thru 347)	49,486,333	2,965,790	83,169	88,205	52,457,159	
6. Total Production Plant (2 thru 5)	503,739,608	23,846,457	462,165	1,572,947	528,696,847	
7. Land and Land Rights (350)	8,444,671				8,444,671	
8. Structures and Improvements (352)	7,479,736				7,479,736	
9. Station Equipment (353)	101,416,067	498,462	992,126	300,336	101,222,739	
10. Other Transmission Plant (354 thru 359.1)	74,689,541	100,420	792,520	179,604	74,177,045	
11. Total Transmission Plant (7 thru 10)	192,030,015	598,882	1,784,646	479,940	191,324,191	
12. Land and Land Rights (360)	1,238,641	328,958			1,567,599	
13. Structures and Improvements (361)	0				0	
14. Station Equipment (362)	0				0	
15. Other Distribution Plant (363 thru 374)	0				0	
16. Total Distribution Plant (12 thru 15)	1,238,641	328,958			1,567,599	
17. RTO/ISO Plant (380 thru 386)	0				0	
18. Total General Plant (389 thru 399.1)	40,181,318	1,372,022	536,934	227,811	41,244,217	
19. Electric Plant in Service (1 + 6 + 11 + 16 thru 18)	754,857,496	26,054,576	2,783,745	2,280,698	780,409,025	
20. Electric Plant Purchased or Sold (102)	0				0	
21. Electric Plant Leased to Others (104)	0				0	
22. Electric Plant Held for Future Use (105)	2,915,606				2,915,606	
23. Completed Construction Not Classified (106)	0				0	
24. Acquisition Adjustments (114)	17,651				17,651	
25. Other Utility Plant (118)	2,902,441	2,529,698	2,321,855		3,110,284	
26. Nuclear Fuel Assemblies (120.1 thru 120.4)	0				0	
27. Total Utility Plant in Service (19 thru 26)	760,693,194	28,584,274	5,105,600	2,280,698	786,452,566	
28. Construction Work in Progress (107)	29,504,407	92,585,744		(12,133,437)	109,956,714	
29. Total Utility Plant (27 + 28)	790,197,601	121,170,018	5,105,600	(9,852,739)	896,409,280	
SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT						
ITEM	COMP. RATE (%) (a)	BALANCE BEGINNING OF YEAR (b)	ANNUAL ACCRUALS (c)	RETIREMENTS LESS NET SALVAGE (d)	ADJUSTMENTS AND TRANSFERS (e)	BALANCE END OF YEAR (f)
1. Depr. of Steam Prod. Plant (108.1)		285,327,471	12,052,181	(999,348)	(86,485)	298,292,515
2. Depr. of Nuclear Prod. Plant (108.2)		0				0
3. Depr. of Hydraulic Prod. Plant (108.3)		0				0
4. Depr. of Other Prod. Plant (108.4)		30,601,513	1,459,216	10,651		32,050,078
5. Depr. of Transmission Plant (108.5)		100,210,077	2,236,479	875,319		101,571,237
6. Depr. of Distribution Plant (108.6)		0				0
7. Depr. of General Plant (108.7)		25,165,706	37,209	(784,604)		25,987,519
8. Retirement Work in Progress (108.8)		0				0
9. Total Depr. for Elec. Plant in Serv. (1 thru 8)		441,304,767			(86,485)	457,901,349
10. Depr. of Plant Leased to Others (109)		0				0
11. Depr. of Plant Held for Future Use (110)		0				0
12. Amort. of Elec. Plant in Service (111)		15,557,277	231,676			15,788,953
13. Amort. of Leased Plant (112)		0				0
14. Amort. of Plant Held for Future Use		0				0
15. Amort. of Acquisition Adj. (115)		17,651				17,651
16. Depr. & Amort. Other Plant (119)		1,640,355	(1,267,061)	(958,876)		1,332,170
17. Amort. of Nuclear Fuel (120.5)		0				0
18. Total Prov. for Depr. & Amort. (9 thru 17)		458,520,050	14,749,700	(1,856,858)	(86,485)	475,040,123



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FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT		PERIOD ENDED December 2023				
INSTRUCTIONS - See help in the online application.						
SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT (Continued)						
19. Amount of Annual Accrual Charged to Expense \$	20. Amount of Annual Accrual Charged to Other Accounts \$	21. Book Cost of Property Retired \$				
22. Removal Cost of Property Retired \$	23. Salvage Material from Property Retired \$	24. Renewal and Replacement Cost \$				
SECTION C. NON-UTILITY PLANT						
ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)	
1. NonUtility Property (121)						
2. Provision For Depr. & Amort. (122)						
SECTION D. DEMAND AND ENERGY AT POWER SOURCES						
MONTH	PEAK DEMAND (MW) (a)	MONTHLY PEAKS			ENERGY OUTPUT (MWh) (e)	
		DATE (b)	TIME (c)	TYPE OF READING (d)		
1. January	423	01/24/2023	8	Coincident	207,950	
2. February	409	02/16/2023	8	Coincident	190,350	
3. March	403	03/02/2023	8	Coincident	222,221	
4. April	465	04/30/2023	19	Coincident	147,891	
5. May	509	05/22/2023	19	Coincident	165,431	
6. June	659	06/26/2023	18	Coincident	287,995	
7. July	803	07/28/2023	18	Coincident	335,905	
8. August	777	08/05/2023	18	Coincident	318,874	
9. September	699	09/09/2023	18	Coincident	270,310	
10. October	534	10/08/2023	18	Coincident	248,973	
11. November	363	11/06/2023	18	Coincident	187,305	
12. December	365	12/14/2023	8	Coincident	218,689	
13. Annual Peak	803			Annual Total	2,801,894	
SECTION E. DEMAND AND ENERGY AT DELIVERY POINTS						
MONTH	DELIVERED TO RUS BORROWERS		DELIVERED TO OTHERS		TOTAL DELIVERED	
	DEMAND (MW) (a)	ENERGY (MWh) (b)	DEMAND (MW) (c)	ENERGY (MWh) (d)	DEMAND (MW) (e)	ENERGY (MWh) (f)
1. January	237	130,013	173	69,673	410	199,686
2. February	230	132,275	169	53,742	399	186,017
3. March	210	132,372	159	81,295	369	213,667
4. April	289	80,658	181	58,966	470	139,624
5. May	312	143,280	193	45,448	505	188,728
6. June	409	215,590	284	76,466	693	292,056
7. July	477	298,782	308	49,076	785	347,858
8. August	450	276,764	303	36,400	753	313,164
9. September	420	222,134	252	40,802	672	262,936
10. October	325	187,985	181	62,824	506	250,809
11. November	210	121,486	142	61,354	352	182,840
12. December	190	165,262	149	57,814	339	223,076
13. Peak or Total	477	2,106,601	308	693,860	785	2,800,461

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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS  
 SUB SECTION I. INVESTMENTS**

No	Description (a)	Included (\$) (b)	Excluded (\$) (c)	Income Or Loss (\$) (d)	Rural Development (e)
<b>2</b>	<b>Investments in Associated Organizations</b>				
	Sulphur Springs Valley Electric Coop		167,490		
	Trico Electric Coop		412		
	Anza Electric Coop		894		
	Duncan Valley Electric Coop		9,261		
	Graham County Electric Coop		3,134		
	NRUCFC		749,513		
	Federated Rural		252,941		
	CoBank		306,481		
	Touchstone Energy		1,650		
	CoBank / CFC Membership Fees		2,000		
	CFC Capital Term Certificates		4,093,022		
	CFC Solid Waste Disposal Certificate		66,000		
	Sierra Southwest Cooperative Services	72,000	799,864		
	ACES Power Marketing	961,610			
	Grand Canyon State Electric Cooperative	275,358			
	<b>Totals</b>	1,308,968	6,452,662		
<b>3</b>	<b>Investments in Economic Development Projects</b>				
	USDA Rural Economic Development Fund		272,753		X
	<b>Totals</b>		272,753		
<b>5</b>	<b>Special Funds</b>				
	SWD Bond Debt Service		2,809,686		
	Deferred Compensation		636,379		
	FSA Suspense				
	<b>Totals</b>		3,446,065		
<b>6</b>	<b>Cash - General</b>				
	Petty Cash		9,104		
	General Fund	9,947,293			
	<b>Totals</b>	9,947,293	9,104		
<b>7</b>	<b>Special Deposits</b>				
	Southwest Public Power	1,143,390			
	Metro Water District	1,050,422			
	Special Deposits	667,804			
	<b>Totals</b>	2,861,616			
<b>8</b>	<b>Temporary Investments</b>				
	Commercial Paper		277,082		
	Money Market	24,913,308			
	<b>Totals</b>	24,913,308	277,082		
<b>9</b>	<b>Accounts and Notes Receivable - NET</b>				
	Miscellaneous Accounts Receivable	4,797,127			
	<b>Totals</b>	4,797,127			
<b>11</b>	<b>TOTAL INVESTMENTS (1 thru 10)</b>	43,828,312	10,457,666		

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		PERIOD ENDED December 2023			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
<b>SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS</b> <b>SUB SECTION II. LOAN GUARANTEES</b>					
No	Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
	<b>TOTAL</b>				
	<b>TOTAL (Included Loan Guarantees Only)</b>				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION AZ0028
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT	PERIOD ENDED December 2023

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an "X" in column (e). Both "Included" and "Excluded" Investments must be reported. See help in the online application.

**SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS**  
**SUB SECTION III. RATIO**

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Sub Section I, 1(b) and Loan Guarantees - Loan Balance (Sub Section II, 5d) to Total Utility Plant (Part A, Section B, Line 3 of this report)]	4.89 %
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**SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS**  
**SUB SECTION IV. LOAN**

No	Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
	<b>TOTAL</b>				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION AZ0028		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT		PERIOD ENDED December 2023		
INSTRUCTIONS - See help in the online application.				
SECTION G. MATERIALS AND SUPPLIES INVENTORY				
ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED & SALVAGED (b)	USED & SOLD (c)	BALANCE END OF YEAR (d)
1. Coal	10,602,863	34,610,323	20,741,320	24,471,866
2. Other Fuel	46,839	37,929,558	37,976,397	0
3. Production Plant Parts and Supplies	9,030,462	8,361,570	7,599,270	9,792,762
4. Station Transformers and Equipment	1,080,158	600,637	257,531	1,423,264
5. Line Materials and Supplies	1,825,231	231,104	217,643	1,838,692
6. Other Materials and Supplies	1,830,950	599,082	296,206	2,133,826
7. Total (1 thru 6)	24,416,503	82,332,274	67,088,367	39,660,410

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		PERIOD ENDED December 2023			
INSTRUCTIONS - See help in the online application.		This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential			
<b>SECTION II. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS</b>					
No	Item	Balance End Of Year (a)	Interest (Billed This Year) (b)	Principal (Billed This Year) (c)	Total (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)				
2	National Rural Utilities Cooperative Finance Corporation	0	11,898	823,136	835,034
3	CoBank, ACB				
4	Federal Financing Bank	147,684,148	4,076,746	12,219,318	16,296,064
5	RUS - Economic Development Loans				
6	Payments Unapplied				
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
10	Solid Waste Disposal Bonds	2,200,000	127,176	2,000,000	2,127,176
11	Debt Issuance Costs	(642,711)	2,501,826	0	2,501,826
	<b>TOTAL</b>	<b>149,241,437</b>	<b>6,717,646</b>	<b>15,042,454</b>	<b>21,760,100</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION AZ0028	
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT		PERIOD ENDED December 2023	
INSTRUCTIONS - See help in the online application.			
SECTION I. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 5/10/2023	2. Total Number of Members 11	3. Number of Members Present at Meeting 10	4. Was Quorum Present? Yes
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 13	7. Total Amount of Fees and Expenses for Board Members \$ 589,209	8. Does Manager Have Written Contract? No
SECTION J. MAN-HOUR AND PAYROLL STATISTICS			
1. Number of Full Time Employees 234	4. Payroll Expensed 13,552,913		
2. Man-Hours Worked - Regular Time 443,880	5. Payroll Capitalized		
3. Man-Hours Worked - Overtime 20,527	6. Payroll Other		

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INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2023	
<b>SECTION K. LONG-TERM LEASES</b>			
No	Name Of Lessor (a)	Type Of Property (b)	Rental This Year (c)
1	Vertical Bridge CC, LLC	Tower and Land Lease	42,336
2	Sulphur Springs	Land Lease	6,175
3	Sierra Southwest Cooperative Services	Land Lease	9,294
	<b>TOTAL</b>		<b>57,805</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT                  ELECTRIC POWER SUPPLY                  PART H - ANNUAL SUPPLEMENT</b>		BORROWER DESIGNATION AZ0028			
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2023			
SECTION L. RENEWABLE ENERGY CREDITS					
ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
I. Renewable Energy Credits					

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE				BORROWER DESIGNATION AZ0028		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART I - LINES AND STATIONS				PERIOD ENDED December 2023		
INSTRUCTIONS - See help in the online application.						
SECTION A. EXPENSES AND COSTS						
ITEM		ACCOUNT NUMBER	LINES (a)	STATIONS (b)		
<b>Transmission Operation</b>						
1.	Supervision and Engineering	560	1,097,697	2,045,430		
2.	Load Dispatching	561	326,281			
3.	Station Expenses	562		1,517,860		
4.	Overhead Line Expenses	563	814,572			
5.	Underground Line Expenses	564	0			
6.	Miscellaneous Expenses	566	437,123	814,527		
7.	<b>Subtotal (1 thru 6)</b>		2,675,673	4,377,817		
8.	Transmission of Electricity by Others	565	27,208,587			
9.	Rents	567	51,719	0		
10.	<b>Total Transmission Operation (7 thru 9)</b>		29,935,979	4,377,817		
<b>Transmission Maintenance</b>						
11.	Supervision and Engineering	568	664,358	783,925		
12.	Structures	569		2,283		
13.	Station Equipment	570		1,800,707		
14.	Overhead Lines	571	1,519,157			
15.	Underground Lines	572	0			
16.	Miscellaneous Transmission Plant	573	11,715	(51,363)		
17.	<b>Total Transmission Maintenance (11 thru 16)</b>		2,195,230	2,535,552		
18.	<b>Total Transmission Expense (10 + 17)</b>		32,131,209	6,913,369		
19.	RTO/ISO Expense – Operation	575.1-575.8				
20.	RTO/ISO Expense – Maintenance	576.1-576.5				
21.	<b>Total RTO/ISO Expense (19 + 20)</b>					
22.	Distribution Expense - Operation	580-589				
23.	Distribution Expense - Maintenance	590-598				
24.	<b>Total Distribution Expense (22 + 23)</b>					
25.	<b>Total Operation And Maintenance (18 + 21 + 24)</b>		32,131,209	6,913,369		
<b>Fixed Costs</b>						
26.	Depreciation – Transmission	403.5	1,234,838	2,035,543		
27.	Depreciation – Distribution	403.6				
28.	Interest – Transmission	427	673,712	387,676		
29.	Interest – Distribution	427				
30.	<b>Total Transmission (18 + 26 + 28)</b>		34,039,759	9,336,588		
31.	<b>Total Distribution (24 + 27 + 29)</b>					
32.	<b>Total Lines And Stations (21 + 30 + 31)</b>		34,039,759	9,336,588		
SECTION B. FACILITIES IN SERVICE				SECTION C. LABOR AND MATERIAL SUMMARY		
TRANSMISSION LINES		SUBSTATIONS		1. Number of Employees		
VOLTAGE (kV)	MILES	TYPE	CAPACITY(kVA)	ITEM	LINES	STATIONS
1. 345 KV	230.04	13. Distribution Lines	0.00	2. Oper. Labor	466,919	870,049
2. 500 KV	52.28			3. Maint. Labor	200,846	236,993
3. 230 KV	281.59	14. Total (12 + 13)	870.12	4. Oper. Material	9,147	17,045
4. 69 KV	106.45	15. Stepup at Generating Plants	0	5. Maint. Material	166,688	196,832
5. 115 KV	199.76			16. Transmission	3,370,338	
6.		17. Distribution	0	SECTION D. OUTAGES		
7.				1. Total		
8.		18. Total (15 thru 17)	3,370,338	2. Avg. No. of Distribution Consumers Served		
9.				3. Avg. No. of Hours Out Per Consumer		
10.						
11.						
12. Total (1 thru 11)	870.12					

RUS Financial and Operating Report Electric Power Supply – Part I - Lines and Stations

Revision Date 2013

**§ 1710.501.A.5 - Load Forecast Study**

































































































































## **§ 1710.501.A.6 - Long Range Financial Forecast and Assumptions**



























































**§ 1710.501.A.7 - Rate Disparity and Consumer Income Data  
(NOT APPLICABLE)**

Rate disparity and consumer income data. If the borrower is applying under the rate disparity and consumer income tests for either a municipal rate loan subject to the interest rate cap or a hardship rate loan, the application must provide a breakdown of residential consumers either by county, Tribal land, or by census tract. In addition, if the borrower serves in 2 or more States, the application must include a breakdown of all ultimate consumers by State. This breakdown may be a copy of Form EIA 861 submitted by the Borrower to the Department of Energy or in a similar form. See 7 CFR 1714.7(b) and 1714.8(a). To expedite the processing of loan applications, RUS strongly encourages distribution borrowers to provide this information to the GFR prior to submitting the application.

**§ 1710.501.A.8 - Standard Form 100 - Equal Employment  
Opportunity Employer Report**



<b>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION (EEOC) 2022 EMPLOYER INFORMATION REPORT (EEO-1 COMPONENT 1)</b>										EEOC Standard Form 100 (SF 100) Revised 08/2023 OMB Control Number: 3046-0049 Expiration Date: 08/31/2024					
<b>SECTION A – TYPE OF REPORT</b> CONSOLIDATED REPORT															
<b>SECTION B – EMPLOYER IDENTIFICATION</b>															
OFS COMPANY ID D152363				EMPLOYER NAME ARIZONA ELECTRIC POWER COOP INC											
ADDRESS 1000 S. HIGHWAY 80								CITY/TOWN BENSON				STATE AZ		ZIP CODE 85602	
<b>SECTION C – HEADQUARTERS OR ESTABLISHMENT-LEVEL IDENTIFICATION</b> (if applicable)															
HQ/ESTABLISHMENT-LEVEL UNIT ID				HEADQUARTERS OR ESTABLISHMENT-LEVEL NAME											
HEADQUARTERS OR ESTABLISHMENT-LEVEL ADDRESS								CITY/TOWN				STATE		ZIP CODE	
<b>SECTION D – EMPLOYER IDENTIFICATION NUMBER (EIN)</b> 860176697															
<b>SECTION E – EMPLOYER FILING ELIGIBILITY</b>															
<input checked="" type="checkbox"/> YES (Employer Is Eligible to File) <input type="checkbox"/> NO (Employer Is Not Eligible to File) <input type="checkbox"/> EMPLOYER NO LONGER IN BUSINESS															
<b>SECTION F – FEDERAL CONTRACTOR DESIGNATION</b> (if applicable)															
Unique Entity ID (UEI): UNHFD46EU1L4															
<input type="checkbox"/> YES (Single-Establishment Employer is Federal Contractor) <input checked="" type="checkbox"/> YES (Multi-Establishment Employer is Federal Contractor)															
<input type="checkbox"/> YES (Headquarters is Federal Contractor) <input type="checkbox"/> YES (Non-Headquarters Establishment is Federal Contractor)															
<input type="checkbox"/> YES (One or More Non-Headquarters Establishments is Federal Contractor)															
<b>SECTION G – NAICS INFORMATION</b> 221112 - Fossil Fuel Electric Power Generation															
<b>SECTION H – WORKFORCE DEMOGRAPHIC DATA</b>															
JOB CATEGORIES	Race/Ethnicity														Row Total
	Hispanic or Latino		Not Hispanic or Latino												
			Male						Female						
	Male	Female	White	Black or African American	Asian	Native Hawaiian or Other Pacific Islander	American Indian or Alaska Native	Two or More Races	White	Black or African American	Asian	Native Hawaiian or Other Pacific Islander	American Indian or Alaska Native	Two or More Races	
Executive/Senior Level Officials and Managers	0	0	4	0	0	0	0	0	1	0	0	0	0	0	5
First/Mid-Level Officials and Managers	3	0	27	2	0	0	0	0	5	0	0	0	0	0	37
Professionals	3	4	50	0	1	1	0	0	26	0	2	0	0	0	87
Technicians	3	0	7	0	0	0	1	0	0	0	0	0	0	0	11
Sales Workers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administrative Support Workers	0	3	0	0	0	0	0	0	10	0	0	0	0	0	13
Craft Workers	16	0	42	0	1	0	0	0	1	0	0	0	0	0	60
Operatives	3	0	9	0	0	0	1	0	0	0	0	0	0	0	13
Laborers and Helpers	3	0	1	0	0	0	0	0	0	0	0	0	0	0	4
Service Workers	0	0	0	0	0	0	0	0	2	0	0	0	0	0	2
<b>CURRENT 2022 REPORTING YEAR TOTAL</b>	31	7	140	2	2	1	2	0	45	0	2	0	0	0	232
<b>PRIOR 2021 REPORTING YEAR TOTAL</b>	28	4	132	2	2	1	2	0	40	0	1	0	0	0	212
<b>SECTION I – WORKFORCE SNAPSHOT PERIOD</b> 12/15/2022 - 12/31/2022															
<b>SECTION J – HEADQUARTERS OR ESTABLISHMENT-LEVEL COMMENTS</b> (optional)  Not Applicable															

<b>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION (EEOC)</b> <b>2022 EMPLOYER INFORMATION REPORT (EEO-1 COMPONENT 1)</b>		EEOC Standard Form 100 (SF 100) Revised 08/2023 OMB Control Number: 3046-0049 Expiration Date: 08/31/2024	
<b>SECTION K – OFFICIAL CERTIFICATION OF SUBMISSION</b>			
<b>EMPLOYER IDENTIFICATION</b>			
OFS COMPANY ID D152363	EMPLOYER NAME ARIZONA ELECTRIC POWER COOP INC		
ADDRESS 1000 S. HIGHWAY 80	CITY/TOWN BENSON	STATE AZ	ZIP CODE 85602
<b>CERTIFICATION COMMENTS (optional)</b>			
No Certification Comments Provided			
<b>CERTIFICATION STATEMENT</b> <i>"I certify that the information, including any workforce demographic data, provided in this report is correct and true to the best of my knowledge and was prepared in conformity with the directions set forth in the form and accompanying instructions."</i> <b>Knowingly and willfully false statements on this report are punishable by law, US Code, Title 18, Section 1001.</b>			
<b>DATE OF CERTIFICATION</b> 12/5/2023 5:48 PM [EST]			
<b>EMPLOYER'S CERTIFYING OFFICIAL</b>			
Name of Employer's Certifying Official Charlene Harris	Title of Certifying Official Manager of Human Resources		
Email Address of Certifying Official charris@azgt.coop	Telephone Number of Certifying Official 520-586-5070		
<b>PRIMARY POINT OF CONTACT (POC) FOR EEO-1 COMPONENT 1 REPORTING</b>			
Name of Primary POC Lanel Valencia	Title and Employer of Primary POC HR Generalist III Arizona Power Electric Coop Inc		
Email Address of Primary POC lvalencia@azgt.coop	Telephone Number of Primary POC 520-586-5423		

**§ 1710.501.A.9 - Uniform Relocation Act Assurance Statement**



**ASSURANCES REQUIRED BY 49 CFR SECTION 24.2(A)**

The Arizona Electric Power Cooperative, Inc. assures that it will comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Uniform Act), 42 U.S.C. 4601-4655, and with implementing Federal regulations in 49 C.F.R. Part 24 and 7 C.F.R. Part 21.

Specifically, the Arizona Electric Power Cooperative, Inc. assures that:

- (1) Whenever Federal Financial assistance is used to pay for any part of the cost of a program or project which will result in the displacement of any person;
  - (a) Fair and reasonable relocation payments and assistance will be provided to or for displaced persons in accordance with sections 202, 203, and 204 of the Uniform Act;
  - (b) Relocation assistance programs offering the services described in section 205 of the Uniform Act shall be provided to displaced persons; and,
  - (c) Within a reasonable period of time prior to displacement, comparable replacement dwellings will be available to displaced persons in accordance with section 205 (c) (3) of the Uniform Act.

10/31/2024

Date

A handwritten signature in blue ink, which appears to read 'Patrick F. Judge', is written over a horizontal line.

Executive Vice President and Chief Executive Officer

**§ 1710.501.A.10 - Certification Regarding Lobbying**




 Touchstone Energy® Cooperatives 

## LOBBYING CERTIFICATION

### Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Arizona Electric Power Cooperative, Inc.

Organization Name

Patrick F. Ledger

Name of Authorized Official

A handwritten signature in blue ink that reads "Patrick F. Ledger".

Signature

10/31/2024

Date

Arizona Electric Power Cooperative, Inc. • Sierra Southwest Cooperative Services, Inc.  
 P.O. Box 670 • 1000 S. Highway 80 • Benson, Arizona 85602 • (520) 586-3631 Phone • [www.azgt.coop](http://www.azgt.coop)  
 AzGT is an equal opportunity provider and employer

**§ 1710.501.A.11 - Federal Debt Delinquency Certification**

**FEDERAL DEBT DELINQUENCY CERTIFICATION**

IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT? \_\_\_\_\_ YES      X   NO

**Note:** Example of debts include, but are not limited to, delinquent taxes, guaranteed or direct government loans (more than 31 days past due) and other administrative debts.

If Yes, provide explanatory information.

**APPLICANT CERTIFICATION**  
**FEDERAL COLLECTION POLICIES FOR COMMERCIAL DEBT**

The Federal Government is authorized by law to take any or all of the following actions in the event that a borrower's loan payments become delinquent or the borrower defaults on its loan: (1) Report the borrower's delinquent account to a credit bureau; (2) Assess additional interest and penalty charges for the period of time that payment is not made; (3) Assess charges to cover additional administrative costs incurred by the Government to service the borrower's account; (4) Offset amounts owed to the borrower under other Federal programs; (5) Refer the borrower's debt to the Internal Revenue Service for offset against any amount owed to the borrower as an income tax refund; (6) Refer the borrower's account to a private collection agency to collect the amount due; and (7) Refer the borrower's account to the Department of Justice for litigation in the courts.

All of these actions can and will be used to recover any debts owed when it is determined to be in the interest of the Government to do so.

**Certification**

**I have read and understand the actions the Federal Government can take in the event that I fail to meet my scheduled payments in accordance with the terms and conditions of my agreements.**

Signed: 

Name and Title: Patrick F. Ledger, Executive Vice President and Chief Executive Officer

Borrower Legal Name: Arizona Electric Power Cooperative, Inc.

Date: 10/31/2024

Arizona Electric Power Cooperative, Inc. • Sierra Southwest Cooperative Services, Inc.  
P.O. Box 670 • 1000 S. Highway 80 • Benson, Arizona 85602 • (520) 586-3631 Phone • [www.azgt.coop](http://www.azgt.coop)  
AzGT is an equal opportunity provider and employer



**§ 1710.501.A.12 - RD Form 400-4, Assurance Agreement**

FORM APPROVED  
OMB No. 0575-0201  
Exp. Date: 07/31/2025

**USDA**  
Form RD 400-4  
(Rev. 08-22)

Position 3

**ASSURANCE AGREEMENT**  
(Under Title VI, Civil Rights Act of 1964)

The Arizona Electric Power Cooperative, Inc.  
(name of recipient)  
1000 S Highway 80, Benson, AZ 85602  
(address)

As a condition of receipt of Federal financial assistance, you acknowledge and agree that you must comply (and require any subgrantees, subrecipients, contractors, successors, transferees, and assignees to comply) with applicable provisions of national laws and policies prohibiting discrimination, including but not limited to:

1. Title VI of the Civil Rights Act of 1964, as amended, which prohibits you from discriminating on the basis of race, color, or national origin (42 U.S.C. 2000d et seq.), and 7 CFR Part 15, 7 CFR 1901, Subpart E.

As clarified by Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service) guidance, national origin discrimination includes discrimination on the basis of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs [in accordance with USDA RD LEP Guidance for RD Funded (Assisted) Programs]. Meaningful access may entail providing language assistance services, including oral and written translation, where necessary. You are encouraged to consider the need for language services for LEP persons served or encountered both in developing your budgets and in conducting your programs and activities. For assistance and information regarding your LEP obligations, go to <http://www.lep.gov>;

2. Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating on the basis of sex in education programs or activities (20 U.S.C. 1681 et seq.) [as implemented by 7 CFR Part 15, 7 CFR 1901, Subpart E];

3. The Age Discrimination Act of 1975, as amended, which prohibits you from discriminating on the basis of age (42 U.S.C. 6101 et seq.) [as implemented by 7 CFR Part 15, 7 CFR 1901, Subpart E];

4. Section 504 of the Rehabilitation Act of 1973, as amended, which prohibits you from discriminating on the basis of disability (29 U.S.C. 794) [as implemented by 7 CFR Part 15, 7 CFR Part 15b, 7 CFR 1901, Subpart E];

5. Title VIII of the Civil Rights Act, which prohibits you from discriminating in the sale, rental, financing, and advertising of dwellings, or in the provision of services in connection therewith, on the basis of race, color, national origin, religion, disability, familial status, and sex (42 U.S.C. 3601 et seq.), as implemented by the Department of Housing and Urban Development at 24 CFR part 100. The prohibition on disability discrimination includes the requirement that new multifamily housing with four or more dwelling units, i.e., the public and common use areas and individual apartment units (all units in buildings with elevators and ground-floor units in buildings without elevators) be designed and constructed with certain accessible features, see 24 CFR Part 100.201; and

6. Titles II and III of the Americans with Disabilities Act, which prohibit you from discriminating on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131-12189), as implemented by Department of Justice regulations at 28 C.F.R. parts 35 and 36, and 7 CFR Part 15, 7 CFR Part 15b, 7 CFR 1901, Subpart E.

*A federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB Control Number. The OMB Control Number for this information collection is 0575-0201. Public reporting for this collection of information is estimated to be approximately 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing and reviewing the collection of information. All responses to this collection of information are voluntary. However, in order to obtain or retain a benefit, the information in this form is required by 7 CFR 1901-E. Rural Development has no plans to publish information collected under the provisions of this program. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Information Collection Clearance Officer, Rural Development Innovation Center, Regulations Management Division at [ICRMTRequests@usda.gov](mailto:ICRMTRequests@usda.gov).*

You also acknowledge and agree that you must comply (and require any subgrantees, subrecipients, contractors, successors, transferees, and assignees to comply) with applicable provisions governing USDA Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service) access to records, accounts, documents, information, facilities, and staff :

1. You must cooperate with any compliance review or complaint investigation conducted by USDA Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service).
2. You must give USDA Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service) access to and the right to examine and copy records, accounts, and other documents and sources of information related to the grant and permit access to facilities, personnel, and other individuals and information as may be necessary, as required by Title VI, Title IX, Age, and Section 504 implementing regulations and other applicable laws or program guidance.
3. You must keep such records and submit to the responsible Department official or designee timely, complete, and accurate compliance reports at such times, and in such form and containing such information, as the responsible Department official or his designee may determine to be necessary to ascertain whether you have complied or are complying with relevant obligations.
4. You must comply with all other reporting, data collection, and evaluation requirements, as prescribed by law or detailed in program guidance.
5. Make available to users, participants, beneficiaries and other interested persons such information regarding the provisions of this agreement and the regulations, and in such manner as the Rural Development or the U.S. Department of Agriculture finds necessary to inform such persons of the protection assured them against discrimination.
6. If, during the past three years, you (the recipient) have been accused of discrimination on the grounds of race, color, national origin (including limited English proficiency), sex, age, disability, religion, or familial status, you must provide a list of all such proceedings, pending or completed, including outcome and copies of settlement agreements.
7. In the event any court or administrative agency makes a finding of discrimination on grounds of race, color, national origin (including limited English proficiency), sex, age, disability, religion, or familial status against you, or you settle a case or matter alleging such discrimination, you must forward a copy of the complaint and findings to USDA Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service), Office of Civil Rights.

The United States has the right to seek judicial enforcement of these obligations.

You also acknowledge and agree that you must comply (and require any subgrantees, subrecipients, contractors, successors, transferees, and assignees to comply) with applicable provisions of program-specific nondiscrimination policy requirements found at CFR Part 15, 7 CFR Part 15 b, 12 CFR Part 202, 7 CFR 1901, Subpart E., DR4300-003, DR4330-0300, DR4330-005.

#### Period of Obligation

In the case of any service, financial aid, covered employment, equipment, property, or structure provided, leased, or improved with federal assistance extended to the Recipient by Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service), this assurance obligates the Recipient for the period during which federal assistance is extended. In the case of any transfer of such service, financial aid, equipment, property, or structure, this assurance obligates the transferee for the period during which federal assistance is extended. If any personal property is so provided, this assurance obligates the Recipient for the period during which it retains ownership or possession of the property. In all other cases, this assurance obligates the Recipient for the period during which the federal assistance is extended to the Recipient by Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service).

#### Employment Practices

Where a primary objective of the federal assistance is to provide employment or where the Recipient's employment practices affect the delivery of services in programs or activities resulting from federal assistance extended by Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service), the Recipient agrees not to discriminate on the grounds of race, color, national origin, sex, age, or disability, in its employment practices. Such employment practices may include, but are not limited to, recruitment, advertising, hiring, layoff or termination, promotion, demotion, transfer, rates of pay, training and participation in upward mobility programs; or other forms of compensation and use of facilities.

## Data Collection

The Recipient agrees to compile and maintain information pertaining to programs or activities developed as a result of the Recipient's receipt of federal assistance from Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service). Such information shall include, but is not limited to the following: (1) the manner in which services are or will be provided and related data necessary for determining whether any persons are or will be denied such services on the basis of prohibited discrimination; (2) the population eligible to be served by race, color, national origin, sex, age, and disability; (3) data regarding covered employment including use or planned use of bilingual public contact employees serving beneficiaries of the program where necessary to permit effective participation by beneficiaries unable to speak or understand English; (4) the location of existing or proposed facilities connected with the program and related information adequate for determining whether the location has or will have the effect of unnecessarily denying access to any person on the basis of prohibited discrimination; (5) the present or proposed membership by race, color, national origin, sex, age and disability in any planning or advisory body which is an integral part of the program; and (6) any additional written data determined by Rural Development (Rural Housing Service, Rural Business and Cooperative Service, and Rural Utilities Service) to be relevant to the obligation to assure compliance by recipients with laws cited in this assurance agreement.

Under penalty of perjury, the undersigned officials certify that they have read and understand their obligations as herein described, that the information submitted in conjunction with this Document is accurate and complete, and that the recipient is in compliance with the nondiscrimination requirements set out above.

Rights and remedies provided for under this agreement shall be cumulative.

In witness whereof, Arizona Electric Power Cooperative, Inc. on this  
 \_\_\_\_\_  
 (name of recipient)  
 date has caused this agreement to be executed by its duly authorized officers and its seal affixed hereto, or, if a natural person, has hereunto executed this agreement.

(S E A L)



Recipient

10-31-2024

Date

Attest:



CFO

Executive Vice President and CEO

Title

Title

**§ 1710.501.A.13 - Seismic Safety Certifications (NOT  
APPLICABLE)**

Seismic safety certifications. This certification shall be included, if required under 7 CFR part 1792.

**§ 1710.501.A.14 – Other Forms as Required by Law or as Requested  
(NOT APPLICABLE)**

**§ 1710.501.B.1 - A Copy of the Borrower's Current Bylaws**



May 10, 2023

**BYLAWS**  
**of**  
**ARIZONA ELECTRIC POWER COOPERATIVE, INC.**

**ARTICLE I**  
**MEMBERSHIP**

**SECTION 1.01. Members and Patrons, Classes and Eligibility:** A Member of Arizona Electric Power Cooperative, Inc. (hereinafter referred to as “this Cooperative”) shall be an electric utility. An electric utility is any corporation, firm, business, trust, association, cooperative, state governmental agency, political subdivision or other entity or combination of such entities which generates electricity for or sells, transmits or distributes electricity to another electric utility or to a user of electricity or which has the authority to sell, transmit or distribute electricity for its own operational purposes (hereinafter referred to individually as an “electric utility” or collectively as “electric utilities”).

There shall be four classifications of Members, all of which shall have and continue to maintain the qualifications set forth in this Section: Class A, Class B, Class C, and Class D as follows:

Class A Members shall consist of electric utilities:

- (a) which are or have been beneficiaries of the Rural Electrification Act of 1936, within the meaning of such Act, as it may be amended from time to time (hereinafter referred to as “REAct”); and
- (b) which have entered into or will be entering into long-term generation agreements of not less than twenty (20) years with this Cooperative to provide all or a substantial portion of their power requirements, at wholesale; and
- (c) whose power purchased from this Cooperative is delivered by this Cooperative, pursuant to transmission agreements of not less than ten (10) years entered into with this Cooperative; and
- (d) which have entered into long-term agreements with this Cooperative for energy services, which must include scheduling and trading services for all of their power requirements, subject to exceptions as detailed in this Cooperative’s Board policies or as provided by contract provisions jointly negotiated among or accepted by Class A Members, or as approved by this Cooperative’s Board.

Class B Members shall consist of electric utilities, other than Class A, C, or D Members as defined herein, which currently have written agreements on conditions acceptable to this Cooperative under which this Cooperative furnishes or will furnish either a substantial portion of their power net of any federal hydropower, or power in a total amount of 15,000 kilowatts or more of firm capacity, on an annual basis together with associated energy to such Members for a term of not less than ten (10) years and in accordance with the terms and conditions of such agreements.



Class C Members shall consist of electric utilities other than Class A, B, or D Members as defined herein, which currently have, or will have, written agreements on conditions acceptable to this Cooperative, under which this Cooperative furnishes, will furnish, or contracts for network electric transmission services and capacity to serve all of such Member's load within this Cooperative's metered sub-system for a term of not less than five (5) years in accordance with the terms and conditions of such agreements.

Class D Members shall consist of electric utilities, other than Class A, B, or C Members as defined herein, which currently have written agreements on conditions acceptable to this Cooperative, under which this Cooperative furnishes, will furnish, or contracts for power services, energy services, or other substantial services to such Members for a term of not less than five (5) years in accordance with the terms and conditions of such agreements.

Class A, B, C, and D Members may from time to time be referred to herein as "Member(s)." A "substantial portion" of power requirements shall mean that a Member shall annually take more than fifty (50) percent of their power requirements from this Cooperative, to include any federal hydropower that is scheduled on behalf of such Member for the benefit of all Class A Members of the Cooperative pursuant to Section 1.06.

There may also be other patrons and users who are those persons, firms, associations, corporations, bodies politic or subdivisions thereof, who purchase power and energy from this Cooperative under other purchase agreements who may not become Members (collectively, "Patrons").

**SECTION 1.02. Membership Procedures:** Any electric utility may become a Member of this Cooperative by:

- (a) executing a written application for Membership; and
- (b) agreeing to execute on conditions acceptable to this Cooperative or by executing appropriate written agreements for the purchase from this Cooperative of electric power and/or electric transmission capacity and or/services as herein specified; and
- (c) executing a written agreement to comply with and be bound by the Governing Documents as defined in Section 1.05; and, in a manner specified by this Cooperative or in agreements with this Cooperative, to pay this Cooperative for all cooperative services used, received or purchased by the Member and to pay any dues, fees, deposits, contributions or other amounts required by these Bylaws or the Board; and
- (d) paying its Membership fee hereinafter specified, after its application is accepted by the Board.

No applicant shall have the right to become a Member nor shall it achieve Membership status, unless and until it has been accepted for Membership by the Board or by the Members in the manner set forth below. No Member may hold more than one Membership in this Cooperative and no Membership in this Cooperative shall be transferable. Any act of transfer or attempt to transfer whether voluntarily, involuntarily, or by operation of law, shall automatically terminate

the Membership as to the transferee, such transfer or attempt to transfer shall be void and the Membership of the transferor or attempted transferor shall be suspended in accordance with Section 1.07(c) of these Bylaws.

The Secretary of this Cooperative shall submit to the Members all applications that have not been accepted or have been rejected by the Board at least ninety (90) days prior to the meeting of the Members. Subject to compliance by the applicant with the requirements for Membership, any such application may be accepted by a majority of the authorized voting shares represented by the delegates of the Members. The Secretary shall give each such applicant written notice of the date of the Members' meeting, mailed at least ten days before the date of the Members' meeting at which its application will be submitted; such applicants shall be entitled to be present and heard at the appropriate portion of the meeting.

**SECTION 1.03. Membership Certificates:** Membership in this Cooperative shall be evidenced by a Membership Certificate, which shall be in such form and shall contain such provisions as shall be determined by the Board. Such Certificate shall be signed by the President and by the Secretary of this Cooperative, and the corporate seal shall be affixed thereto. No Membership Certificate shall be issued for less than the Membership fee fixed in these Bylaws, nor until such Membership fee has been fully paid.

**SECTION 1.04. Membership Fee:** The Membership fee shall be a fee of \$100.00 due and payable upon entry into Membership.

**SECTION 1.05. Governing Documents:** Every Member shall follow, abide by and be legally bound by:

- (a) this Cooperative's Articles of Incorporation;
- (b) these Bylaws;
- (c) this Cooperative's service rules;
- (d) this Cooperative's rate or price schedules and open access transmission tariffs;
- (e) any policy, resolution, action, or amendment adopted by this Cooperative's Board or Membership; and,
- (f) any other contract or agreement entered into by the Member with this Cooperative; as any of these materials currently exist, and as they may be later amended (collectively, "Governing Documents").

**SECTION 1.06. Purchase of Power, Energy, Transmission Capacity or Services:** Each Class A, Class B, Class C, and Class D Member shall purchase electric power, network electric transmission services and capacity, or energy services specified in its agreement on the terms and conditions set forth therein. Each Class A Member that purchases all of its power requirements at wholesale from this Cooperative shall assign to this Cooperative any contracts or rights which it has for the purchase of power from any other supplier and shall thereupon enter agreements to purchase from this Cooperative all the power used by that Class A Member; provided, however,

that a Class A Member who has a contract for federal hydropower is not required to assign such contract to this Cooperative, but shall be required to enter into a written agreement to allow such federal hydropower resource to be scheduled by this Cooperative, within the requirements of the Member's contract for federal hydropower, for the benefit of all Class A Members of this Cooperative that purchase all of their power requirements at wholesale from this Cooperative; and provided further the economic benefit of a Class A Member's federal hydropower allocation shall be credited to the Class A Member.

"Power requirements" shall be defined as the nameplate capacity of power resources subscribed by the Member with AEPCO, compared to the Member's annual gross peak load (total net load forecast plus simultaneous Member utility-scale distributed energy resource capacity).

Without altering any of the aforementioned obligations, each Class A Member that elects not to participate in any future electric power resources of this Cooperative, however, is not obligated to assign to this Cooperative any contracts or rights for its future electric power resources or to enter agreements to purchase from this Cooperative all the electric power used by that Class A Member for its future electric power requirements following the effective date of a Partial Requirements Capacity and Energy Agreement entered into with this Cooperative.

Each Member shall pay for monthly power, network electric transmission services and capacity, or energy services at rates or on a basis to be determined from time to time in accordance with the agreements heretofore or hereafter entered into between the Member and this Cooperative. It is expressly understood that portions of the amounts paid for power, network electric transmission services and capacity, or energy services by Members and patrons are furnished as capital in the manner provided in these Bylaws.

SECTION 1.07. Suspension, Termination of Membership:

- (a) Voluntary Withdrawal. Any Member may withdraw from Membership upon compliance with such terms and conditions as the Board may prescribe; provided, however, that no Member shall be permitted to voluntarily withdraw until it has met all of its contractual obligations to this Cooperative. Withdrawal of a Class A Member shall be governed by the Withdrawal Agreement attached as an exhibit to the Member Agreement entered into between the Member and this Cooperative.
- (b) Involuntary Suspension or Expulsion. The Board may, by the affirmative vote of not less than two-thirds of all the Directors, recommend the suspension or expulsion of any Member who fails to comply with any of the provisions of the Governing Documents or who ceases to maintain the qualifications in Section 1.01, which made such Member eligible for Membership in this Cooperative, or take such other disciplinary actions as the Board may find appropriate, but only if such Member shall have been given written notice by the Secretary of this Cooperative that such failure makes the Member liable to suspension or expulsion from Membership, such failure shall have continued for at least thirty (30) days after such notice was given and good faith attempts at reconciliation or resolution of the matter through mediation have failed. Suspension of a Member shall result in a suspension of such Member's vote through a Director or delegate

and of its Director's representation and attendance at meetings of the Board. Within sixty (60) days after the Board shall have recommended suspension or expulsion of a Member, a meeting of the Members shall be held at which such Member shall be given an opportunity to present its case by counsel or otherwise, and the Board shall have the same opportunity, after which a vote shall be taken on the suspension or expulsion of such Member. An affirmative vote by two-thirds of the authorized voting shares represented by the delegates of the Members present at the meeting shall be required in order to suspend or expel a Member. The resolution of suspension or expulsion shall set forth the reasons therefore and shall state the conditions, if any, on which the suspended or expelled Member may be re-admitted to Membership. The Directors of the Member subject to suspension or expulsion shall not count towards any numerical requirements in this Section 1.07(b), and shall be considered Interested Directors for Conflicts of Interest purposes such that the Director of the Member subject to suspension or expulsion may not vote with the Board on the subject of suspension or expulsion.

- (c) Automatic Suspension, Termination. Any act of transfer or attempt to transfer Membership, whether voluntarily, involuntarily or by operation of law shall automatically suspend Membership. Membership of a Member shall terminate automatically upon the termination, cancellation or expiration of all written agreements of such Member for the purchase from this Cooperative of power, network electric transmission services and capacity, or energy services. Automatic termination under this subsection shall not be governed by subsection (b) of this Section 1.07, and reinstatement may be permitted only upon reapplication in the manner provided in Article I.
- (d) Designation of Alternate Directors. Upon the suspension of any Class C or Class D Member, the remaining Members in that class, as appropriate, shall collectively designate an alternate Director in accordance with Section 4.02 of these Bylaws.
- (e) Cessation of Membership. Upon the withdrawal, expulsion, termination, or cessation of existence of a Member, the Membership of such Member shall thereupon cease, and the Membership Certificate of such Member shall become void. The cessation of Membership shall also cause the termination of that Member's Directorship. The cessation of Membership in any manner shall not release such party or its corporate successor(s) from any outstanding obligations whatsoever to this Cooperative, including losses of this Cooperative allocated pursuant to Article 7 hereof, existing at the time of such cessation of Membership. However, if the Member's Director represents a class of Members and not just the individual Member, then the remaining Members in that class shall designate an alternate Director, as provided in Section 1.07 (d).



SECTION 1.08. Membership List:

- (a) This Cooperative, or an agent duly appointed by this Cooperative, shall maintain a record of current Members in a form permitting this Cooperative to alphabetically list by class of Member the names, addresses, and federal tax identification numbers of all Members and indicate the number of votes each Member is entitled to cast (hereinafter referred to as "Membership List"). The federal tax identification number of any Member shall, in no event, be made public.
- (b) Upon five business days' prior written notice and at a reasonable time and location specified by this Cooperative, a Member may inspect the names, addresses, and Member classifications included in the Membership List, but not the federal tax identification numbers.

ARTICLE II  
RIGHTS AND LIABILITIES OF MEMBERS

SECTION 2.01. Property Interest of Members: Upon dissolution, after (a) all debts and liabilities of this Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of this Cooperative shall be distributed among the Members and former Members in the proportion which the aggregate patronage of each bears to the total patronage of all such Members as further set forth in Section 7.02 unless otherwise provided by law.

SECTION 2.02. Non-liability for Debts of the Cooperative: The private property of the Members shall be exempt from execution or other liability for the debts of this Cooperative, and no Member shall be liable or responsible for any debts or liabilities of this Cooperative, unless the Member otherwise agrees in writing.

SECTION 2.03. Additional Capital Contributions: No Member shall be obligated to make any additional capital contributions, unless agreed to by such Member pursuant to an agreement other than these Bylaws.

ARTICLE III  
MEETING OF MEMBERS

SECTION 3.01. Annual Meeting: Once per calendar year, a meeting of the Members shall be held at such date, place, and time as the Board may by Resolution establish in the notice of the meeting, for the purposes of seating Directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not constitute a forfeiture or dissolution of this Cooperative.

SECTION 3.02. Special Meetings: Special meetings of the Members may be called by Resolution of the Board or upon a written notice signed by any three Directors, by the President, or by not less than 25 percent of the voting delegates designated at the most recent meeting of the

Members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the Members may be held at any place specified in the notice of the special meeting.

**SECTION 3.03. Video Conference Meetings:** To the extent authorized by the Board of Directors and subject to any guidelines and procedures adopted by the Board of Directors, an annual meeting or special meeting of the Members of the Cooperative may be held without a geographic location if the meeting is held utilizing the internet or other electronic communications technology in a manner: (a) permitting the Cooperative to verify that a person is the duly authorized representative of a Member, and (b) permitting the duly authorized representatives of the Members the opportunity to read and hear the proceedings substantially concurrently as they occur, vote on matters submitted to the Membership, ask questions, and make comments.

**SECTION 3.04. Notice of the Members' Meeting:** A written or printed notice stating the place, day, and hour of the meeting and, in the case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) days nor more than ninety (90) days before the date of the meeting, either personally or by mail, to each Member and to each person serving as a voting delegate in accordance with the provisions of Section 3.07 of this Article. If mailed, such notice, or any other notice required or permitted by these Bylaws, shall be deemed to be given when deposited in the United States mail, addressed to the Member or to the voting delegate at the address as it appears on the records of this Cooperative, with first class postage thereon prepaid. A quorum, as defined in Section 3.08, being present at such meeting, the failure of any Member or voting delegate to receive notice of an annual or special meeting of the Members shall not invalidate any action which may be taken by the Members at any such meeting.

**SECTION 3.05. Record Date:** The Board shall fix a date for determining the total Membership of this Cooperative and the Members entitled to receive a notice of a Members' meeting and participate at the Members' meeting (hereinafter referred to as "Record Date"). Unless otherwise fixed by the Board, the Record Date for determining the total Membership and the Members entitled to receive a notice is the 19th day prior to the date of the Members' meeting.

**SECTION 3.06. Member Meeting List:**

- (a) After fixing the Record Date, this Cooperative shall prepare, update, and maintain an alphabetical list (hereinafter referred to as "Member Meeting List") indicating the Members entitled to notice of the Member meeting, and the name and address of the Member delegates, and the number of voting shares entitled to be cast on behalf of each Member by its delegates to the Members' meeting.
- (b) Following the Record Date, the Member Meeting List shall be made available to any Member upon request.

SECTION 3.07. Delegates and Voting Shares: Whenever these Bylaws require or allow a Member to vote, it shall do so only through its duly authorized voting delegate(s). Each Member shall designate voting delegates to cast votes for and to represent such Member at meetings of the Members of this Cooperative as follows: each Class A Member shall designate two delegates, each with one undivided voting share; each Class B Member shall designate one delegate with one undivided voting share; Class C Members shall jointly designate one delegate with one undivided voting share; and Class D Members shall jointly designate one delegate with one undivided voting share. No delegate shall be authorized to exercise more than one voting share. A Member may also designate alternate voting delegates to represent it in the absence of an authorized voting delegate.

Not more than ninety (90) days prior to each annual meeting of the Members of this Cooperative, each Member shall certify to the Secretary of this Cooperative the names and addresses of the voting delegate(s) and alternate delegate(s) who will represent such Member at the meeting. However, if a voting delegate that is certified to represent a Member is unable to attend the annual meeting, then the Member shall be entitled to designate an alternate prior to the annual meeting. Not more than 10 days prior to each annual meeting of the Members, this Cooperative shall provide written notice to each Member of the names and addresses of the voting delegates and alternate delegates who have been designated to represent the Members at the meeting.

SECTION 3.08. Quorum: The presence of delegates representing a majority of the voting shares represented by the delegates of the Members shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting or continue it. However, in such event no vote may be taken on any matter.

SECTION 3.09. Voting: At all meetings of the Members at which a quorum is present, all questions shall be decided by a vote of a majority of the voting shares represented by the delegates voting thereon except as otherwise provided by law, the Articles of Incorporation or by the Bylaws. Each voting delegate shall be entitled to a single vote of the delegate's voting share, and no more, upon each matter submitted to a vote at a meeting of the Members.

The Members shall cast votes only through duly authorized voting delegates or, in the absence of an authorized voting delegate, through a duly authorized alternate voting delegate. At all meetings of the Members of this Cooperative, the Members shall be entitled to have voting delegates and alternate voting delegates present, and through the voting delegates, or the alternate voting delegates acting in place of the authorized voting delegates, vote upon each matter submitted to a vote at such meetings which were properly noticed and at which a quorum is present.

Nothing contained in this Section shall be construed to grant to any Member more votes than it is entitled to by reason of its Class.

SECTION 3.10. Proxy and Mail Voting: Voting by delegates by proxy or by mail shall not be permitted.

SECTION 3.11. Order of Business: The order of business at the annual meeting of the Members and, so far as practicable, at all other meetings of the Members, shall be set by the Board.

ARTICLE IV  
DIRECTORS

SECTION 4.01. General Powers and Responsibilities:

- (a) The conduct of the business and affairs of this Cooperative shall be invested in and be the responsibility of the Board. The Board shall exercise all the powers of this Cooperative except such as are by law, contract, policy, the Articles of Incorporation or these Bylaws conferred upon or reserved to others from time to time. The Board may employ such employees of this Cooperative as may be necessary in carrying out its responsibilities.
- (b) Committees. The Board upon its appropriate Resolution, may establish such standing or special committees as it may deem necessary in accordance with the provisions of Sections 5.07 and 5.08.
- (c) Policies and Rules. The Board shall have power to make and adopt such policies and rules, not inconsistent with the law, contractual commitments, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of this Cooperative.
- (d) Accounting System and Reports. The Board shall cause to be established and maintained by this Cooperative's management, a complete accounting system that, among other things, and subject to applicable laws and rules of any regulatory body of competent jurisdiction, shall conform to such accounting system as required by applicable lenders, governmental authorities, or regulators. The Board shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books, and financial condition of this Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the Members at the next following annual meeting.

SECTION 4.02. Composition: The Board shall include two Directors from each Class A Member. The Class B Members shall be represented by one Director for each Member. The Class C Members shall be jointly represented by one Director for the class. The Class D Members shall be jointly represented by one Director for the class.

SECTION 4.03. Director Qualifications: No person shall be eligible to become or remain a Director of this Cooperative if such person is, or within the immediately past one year has been:

- (a) a Close Relative (as hereinafter defined in Section 4.10) of any existing Director, other than an existing Director who will cease being a Director within one year;
- (b) an existing, or a Close Relative of an existing, non-Director officer, employee, agent, or representative of this Cooperative; or



- (c) the Executive Vice President and Chief Executive Officer of this Cooperative.

**SECTION 4.04. Designations:** Each Class A Member shall designate the Directors who will represent that Class A Member. Each Class B Member shall designate the Director who will represent that Class B Member. The Class C Members shall collectively designate a Director who will represent all the Class C Members. The Class D Members shall collectively designate a Director who will represent all the Class D Members. If the Class C or D Members are unable to designate their respective Director(s) by unanimous agreement of the authorized class Members, then such Director(s) shall be selected by a majority vote of the authorized class Members, and any tie vote shall be broken by random selection, such as by the flip of a coin. A Director designated by the Class C Members or Class D Members shall, upon the expiration or the termination of the contract(s) between Class C or Class D Members with whom the Director is affiliated and this Cooperative, no longer be qualified to represent such Members.

In the event of the temporary vacancy, caused by sickness or disability, among other things, resulting in the inability of a Director to discharge the duties of the office, including, but not limited to attending meetings of the Board of Directors, the Member originally designating such Director may, by written notice to the President, designate an alternate Director to serve until such Director originally designated is able to resume the duties of the office. Such alternate Director shall have the same rights, responsibilities, and obligations as the disabled Director for the term of such service.

**SECTION 4.05. Tenure of Office:** The Directors of each Class A Member shall be seated for a two-year term at annual meetings in alternating years and shall serve until the second following annual meeting or until their successors shall have been designated and shall have qualified. Similarly, the Director(s) representing the Class B Member(s), Class C Member(s), or Class D Member(s) shall be seated for a two year term at annual meetings and shall serve until the second following annual meeting or until a successor(s) shall have been designated and shall have qualified, or until the agreements(s) between the Class B, Class C, or Class D Member with whom the Director is affiliated and this Cooperative has expired (with respect to Directors representing that class Member), whichever event occurs first. At each annual meeting of Members, Directors shall be designated and seated to fill the expired terms.

If the Directors shall not have been seated to fill the expired terms on the day designated herein for the annual meeting, or at any adjournment thereof, the Board shall cause the designation and seating of Directors to be held at a special meeting of the Members within a reasonable time thereafter consistent with the provisions of these Bylaws.

**SECTION 4.06. Removal of Directors by Members:** Any Member may bring charges against any Director and may request the removal of such Director by filing with the Secretary of this Cooperative such charges in writing together with a petition signed by delegates designated at the most recent meeting of the Members representing at least twenty (20) percent of the voting shares of the Members. Any such Director or Directors shall be informed by notice in writing of the charges at least ten (10) days prior to the meeting of the Members at which the charges are to be considered and shall have the opportunity at the meeting to be present in person and/or represented by counsel and to present evidence in respect of the charges; and the Member or

Members bringing the charges against him shall have the same opportunity. The question of the removal of such Director or Directors shall be considered and voted upon at the meeting of the Members and any vacancy created by such removal may be filled for the unexpired portion of the term in accordance with Section 4.04 of these Bylaws.

**SECTION 4.07. Removal of Director by Board:** A Director may be removed from the Board by an affirmative vote of at least two-thirds of the total Membership of the Board if: (a) such Director is absent without just cause from four consecutive meetings of the Board; or (b) such Director has continually and repeatedly, after prior written warning from the President or the President's designee: (i) violated established Board policies; (ii) conducted himself or herself in a manner which is adverse or detrimental to the best interests of this Cooperative; (iii) failed or refused to perform the duties and obligations of a Director as required by the Bylaws and policies of this Cooperative; or (iv) has acted in such a manner as to disrupt, obstruct or otherwise prevent the orderly transaction of business by the Board during any of its business meetings.

Written notice of intent to remove and a statement of the reason(s) therefor, along with any documentation supporting the removal, must be given to the subject Director by the Secretary or such other person as designated by the President not less than ten (10) days prior to the date of the scheduled meeting. Such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at the Director's address as it appears on the records of this Cooperative, with first class postage thereon prepaid and postmarked at least ten (10) days prior to the meeting date. The Director subject to removal shall be provided the opportunity to be heard before the vote on removal. The Director subject to removal shall not count towards any numerical requirements in this Section 4.07, and shall be considered an Interested Director for Conflicts of Interest purposes such that the Director may not vote on the removal.

**SECTION 4.08. Vacancies:** Subject to the provisions of these Bylaws with respect to the filling of permanent vacancies caused by, among other things, the removal of Directors by Members or the Board, or by the death or resignation of a Director, or the suspension of a Class B, Class C, or Class D Member, a vacancy occurring in the Board shall be filled for the unexpired portion of the term in accordance with Section 4.04 of these Bylaws. Such Director shall be designated by and represent the same Class A Member, Class B Member, Class C Members or Class D Members as did the Director's predecessor and shall be seated by the Board to fill the unexpired term of the Director's predecessor and, notwithstanding Section 4.05, such new Director shall have the same rights, responsibilities and obligations as the Director's predecessor.

**SECTION 4.09. Compensation of Directors:** Directors shall receive a fixed fee for services performed as Directors. Expenses of attendance, if any, may be allowed for attendance at each meeting of the Board, or a committee thereof. Expenses of attendance may be authorized for officers or Directors acting as an authorized delegate of the Board. Payment of expenses may also be authorized for officers or Directors who perform services between meetings. No Director shall receive compensation for personal service to this Cooperative in any other capacity, nor shall any Close Relative of a Director receive compensation for serving this Cooperative in any capacity, unless the payment and amount of compensation shall be specifically authorized by a vote of the Members through their delegates or the service by such Director or Close Relative shall have been certified by the Board as an emergency measure. These provisions may be set forth more

particularly in applicable Board Policy, as may be modified or amended from time to time, consistent with this Section 4.09.

SECTION 4.10. Close Relative: As used in these Bylaws, the term “Close Relative” means an individual who, with respect to any person:

- (a) is, either by blood, law or marriage, including half, step, foster and adoptive relations, a spouse, child, grandchild, parent, grandparent or sibling of such natural person; or
- (b) principally resides in the same residence as such natural person.

Any individual properly qualified and elected or appointed to any position in this Cooperative shall not be deemed to be a Close Relative while serving in such position merely as a result of any marriage or legal action to which the individual was not a party.

## ARTICLE V MEETINGS OF DIRECTORS

SECTION 5.01. Regular Meetings: A regular meeting of the Board shall be held without notice after the annual meeting of the Members. A regular meeting of the Board shall also be held on a periodic basis, either monthly or as needed, at such time and place as the Board may provide by Resolution. Such regular meetings may be held without notice other than such Resolution fixing the time and place thereof.

SECTION 5.02. Special Meetings: Special meetings of the Board may be called by the President or by any three Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the Directors calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 5.03. Notice of Directors' Special Meetings: Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Director not less than three days prior thereto, personally, electronically or by facsimile, mail or any other method designed to give notice by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or a Director calling the meeting.

SECTION 5.04. Presence at Meetings: Any or all Directors may participate in any regular or special meeting of the Board of Directors, or of any duly constituted committee thereof, by any means of communication through which the Directors may simultaneously hear and speak to each other during such meeting. Unless otherwise provided herein, for the purpose of establishing a quorum and taking any action, such Directors participating pursuant to this Section 5.04 shall be deemed present in person at the meeting.

SECTION 5.05. Conduct of Director Meetings: Unless otherwise provided in these Bylaws, any regular meeting or special meeting of the Board may be:

- (a) held at such date, place and time as the Board may by Resolution establish; and,
- (b) conducted with absent Directors participating, and deemed present in person, through any means of communication by which all Directors participating in the Director meeting may simultaneously hear, reasonably and verifiably identify themselves, and simultaneously and approximately instantaneously communicate with each other during the Director meeting.

If a Director quorum, as defined by Section 5.07, is present at any Director meeting, then:

- (a) in descending priority, the following officers may preside at the Director meeting: President, Vice President, Secretary, Treasurer; and,
- (b) if no officer is present or desires to preside over any Director meeting, then the Directors attending the Director meeting shall elect a Director to preside over the Director meeting.

**SECTION 5.06. Voting by Directors**

- (a) Unless specifically required otherwise by these Bylaws, contractual provision, cooperative Policy, or law, the vote by a majority of the Directors present and voting at a Director meeting at which a quorum is present in accordance with Section 5.07 hereof shall constitute approval of an action or choice by the Board.
- (b) A majority vote shall mean more than half of the votes cast by persons legally entitled to vote and authorized to do so pursuant to these Bylaws, excluding blank ballots, abstentions, or recusals at a regular or properly called Director meeting at which a Director quorum, as defined by Section 5.07, is present.

**SECTION 5.07. Quorum:** Except as may be otherwise provided by these Bylaws, a quorum at a meeting of the Board, or any committee established pursuant to Section 4.01(b) hereof, shall consist of a majority of the Directors provided, that if less than such a quorum is present at such meeting, a majority of the Directors present may adjourn the meeting or continue it. However, if the meeting continues, no vote may be taken on any matter. The Secretary shall notify any absent Directors of the time and place of any adjourned meeting.

**SECTION 5.08. Committees:** The Board may create committees of the Board (hereinafter referred to as "Board Committees"). The President shall appoint Directors to serve on all Board Committees. The Board Committees shall serve at the Board's discretion. The Board may create special purpose committees of the Members (hereinafter referred to as "Member Committees") and appoint Members, including Directors, to serve on the Member Committees.



- (a) Conduct of Committee Meetings. The Bylaws addressing regular Director meetings, special Director meetings, conduct of Director meetings, waiver of Director meetings notice, Board action by written consent, and Director quorum and voting shall apply to Board Committees and Directors serving on Board Committees, and to Member Committees and Members serving on Member Committees.
- (b) Committee Authority. Although a Board Committee may so recommend, a Board Committee may not act to:
  - 1. retire and refund capital credits;
  - 2. approve this Cooperative's dissolution or merger, or the sale, pledge or transfer of all, or substantially all, of the assets of this Cooperative;
  - 3. elect, appoint, or remove Directors, or fill any Board or Board Committee vacancy; or
  - 4. adopt, amend, or repeal these Bylaws.

Member Committees may act as specified by the Board but may not exercise Board authority.

SECTION 5.09. Board Executive Committee: Unless otherwise determined by the Board: (i) the Board Executive Committee is comprised of the President, Vice President, Secretary, and Treasurer (hereinafter referred to as "Board Executive Committee"); and (ii) when it is not practicable for the Board to meet to consider a matter, and except as prohibited by law, the Articles of Incorporation, or these Bylaws, including without limitation Section 5.08(b) herein, the Board Executive Committee may exercise all Board authority regarding a matter, as so delegated by the Board. Such exercise of Board Authority shall be reported at the next Director Meeting.

SECTION 5.10. Conflict of Interest Transaction:

- (a) Determination of a Conflict of Interest Transaction. A conflict of interest transaction is a transaction with this Cooperative in which the Board or a Board Committee, as applicable, determines that a Director has a substantial interest (hereinafter referred to as "Conflict of Interest Transaction"). A Director shall be found to have a substantial interest in a transaction (hereinafter referred to as "Interested Director") and therefore that a Conflict of Interest exists if a majority of disinterested Directors or Board Committee Members determines that:
  - 1. at least one other party to the transaction is an entity in which the Director, or a Close Relative of the Director, as defined in Section 4.10 herein, has a substantial interest or is a director, officer, manager, partner or trustee thereof. However, a Director shall not

have an interest in a Conflict of Interest Transaction solely because the Director is also a director or manager of an electric cooperative that is a Member of this Cooperative unless Section 5.10 (a) 2 below applies; or

2. the Cooperative contemplates entering into any other transaction whereby the interests of the Director substantially diverge from the interests of the electric cooperative of which the Director is also a director or manager, so that (1) such director cannot carry out his or her fiduciary duties to this Cooperative without being at risk of violating his or her fiduciary duties to the electric cooperative of which the Director is also a director or manager, or (2) there is good cause to believe that such Director cannot reasonably be expected to exercise independent business judgement on the part of this Cooperative.

- (b) Disclosure of a Conflict of Interest Transaction. In connection with any actual or possible Conflict of Interest Transaction, a Director shall disclose the existence and nature of such interest to the Board. If the Board determines that a Director is an Interested Director and has failed to disclose an interest in a Conflict of Interest Transaction, the Board may take appropriate corrective actions after providing a Director with a reasonable opportunity to respond. Any Director or Board Committee Member shall have the right to request that the Board or Board Committee, as applicable, consider and vote upon whether or not a Conflict of Interest Transaction exists.
- (c) Effect of a Conflict of Interest Transaction. If the Board or Board Committee determines that a Conflict of Interest Transaction exists, the Interested Director shall be precluded from voting on the matter in question, unless a majority of the disinterested Directors or Board Committee Members vote to approve the Conflict of Interest Transaction under Section 5.10(d) below. In addition, an Interested Director shall, upon the request of the Chairman or of the Board, or in the case of a Board Committee, upon the request of the Chair or of the Committee, leave any meeting wherein any matters relating to the Conflict of Interest Transaction are discussed or voted upon.
- (d) Approval of a Conflict of Interest Transaction. Regardless of the presence or vote of an Interested Director, a Conflict of Interest Transaction may be approved, and any related Director quorum or Member quorum satisfied, if the Conflict of Interest Transaction's material facts and the Director's interest are:

1. disclosed or known to the Board or Board Committee directly before a vote is taken; and a majority, or super majority, if required, plus one of the Directors or Board Committee Members with no interest in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction; or
  2. disclosed or known to the Members, directly before a vote is taken, and a majority of votes cast by Members not voting under the control of a Director or entity interested in the Conflict of Interest Transaction approves the Conflict of Interest Transaction.
- (e) Other Conflicts of Interest. The Board may, by policy, designate other conflict of interest situations, such as between classes of Members receiving different services from this Cooperative, and develop methods of resolution in accordance with this Section 5.10, including precluding a Director from participating or voting on matters relating to AEPCO power facilities or services for which the Member he or she represents has no contractual interest.

## ARTICLE VI OFFICERS

SECTION 6.01. Number: The officers of this Cooperative shall be a President, Vice President, Secretary, Treasurer and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 6.02. Election and Term of Office: The officers shall be elected by secret ballot annually by the Board at the next meeting of the Board held after the meeting of the Members in which the Directors are seated. The President, Vice President, Secretary, and Treasurer shall be Members of the Board. No person shall be able to serve in the same elected office of this Cooperative for a period of longer than three consecutive years. A Director must declare his or her availability to serve in any of the elected offices of this Cooperative at any regularly scheduled Director meeting at least one month prior to the election. Exceptions to this requirement must be approved by the vote of at least three-fourths of the Directors present at the meeting when elections are held. Each officer shall hold office until the first meeting of the Board following the next succeeding meeting of the Members at which Directors are seated or until his or her successor shall have been elected and shall have qualified, whichever is later. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 6.03. Removal of Officers by Directors: Any officer elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of this Cooperative will be served thereby. In addition, any Member of this Cooperative may bring charges against any officer, by filing with the Secretary such charges in writing. (If the officer is the Secretary, then by filing with the President). The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Director's meeting at which the charges are to be considered and shall have an opportunity to be present and represented by

counsel at the meeting and to present evidence in respect of the charge; and the person or persons bringing the charges against the officer shall have the same opportunity.

SECTION 6.04. President: The President shall:

- (a) be the principal executive officer of this Cooperative and shall preside at all meetings of the Members and the Board;
- (b) sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer, employee or agent of this Cooperative, or shall be required by law to be otherwise signed or executed; and,
- (c) in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

SECTION 6.05. Vice President: In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned by the Board.

SECTION 6.06. Secretary: The Secretary shall be responsible for performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board.

SECTION 6.07. Treasurer: The Treasurer shall be responsible for performing all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board. The Treasurer shall be designated as an Assistant Secretary.

SECTION 6.08. Executive Vice President and Chief Executive Officer: The Board is empowered to employ, pursuant to contract, an Executive Vice President and Chief Executive Officer (hereinafter referred to as "CEO") to conduct the business of this Cooperative and shall delegate to the CEO such authority, responsibility and accountability as it may deem necessary for the successful operation of the business. The CEO shall not be eligible to serve as a Director of this Cooperative.

SECTION 6.09. Reports: The officers of this Cooperative shall submit at each annual meeting of the Members reports covering the business of this Cooperative for the previous fiscal year. Such reports shall set forth the condition of this Cooperative consistent with Section 4.01(d) of these Bylaws, at the close of such fiscal year.



ARTICLE VII  
NON-PROFIT OPERATION

SECTION 7.01. Interest or Dividends on Capital Prohibited: This Cooperative shall at all times be operated as a non-profit cooperative, pursuant to applicable legal requirements, for the mutual benefit of its Members. No interest or dividends shall be paid or payable by this Cooperative on any capital furnished by its Members.

SECTION 7.02. Patronage Capital in Connection with the Sale of Electric Power, Electric Network Transmission Services and Capacity, and Energy Services: In the sale or delivery of electric power, network electric transmission services and capacity, and energy services, this Cooperative's operations will be so conducted that Members and non-members alike, will through their patronage furnish capital for this Cooperative.

- (a) In order to induce patronage and to ensure that this Cooperative will operate on a non-profit basis, this Cooperative is obligated to account, on a patronage basis, to all its Members for all amounts received and receivable from the sale and/or delivery of electric power, network electric transmission services and capacity, and energy services in excess of the sum of:
  - 1. operating costs and expenses, including interest on debt service, properly chargeable against the sale and/or delivery of electric power and other services; and,
  - 2. amounts required to offset any losses incurred during the current or any prior fiscal years.

All such amounts in excess of operating costs, expenses and prior losses at the moment of receipt by this Cooperative are received with the understanding that they are furnished by the Members as capital. This Cooperative is hereby obligated to pay by credits to a capital account for each Member for all such amounts as credits in proportion to the value or quantity of this Cooperative's service used, received or purchased by each Member during the applicable fiscal year in excess of operating costs and expenses, and prior losses. The books and records of this Cooperative shall, consistent with Section 4.01(d) hereof, be set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by each Member is clearly reflected and credited in an appropriate record to the capital account of each Member, and this Cooperative shall within a reasonable time after the close of the fiscal year notify each Member of the amount of capital in the dollar amount so credited to its account. All such amounts credited to the capital account of any Member shall have the same status as though they had been paid to the Member in cash in accordance with a legal obligation to do so and the Member had then furnished this Cooperative corresponding amounts of capital. Notwithstanding any provision of this Article 7, the amount to be credited to the capital of Members on account of their patronage shall be determined based upon the greater of an alternative minimum tax or regular tax as determined under Federal income tax law.

- (a) Funds and amounts, other than operating margins, received by this Cooperative that exceed this Cooperative's costs and expenses may be allocated as capital credits to Members in the same manner as this Cooperative allocates capital credits to Members.
- (b) In the event of the dissolution or liquidation of this Cooperative, after all outstanding indebtedness of this Cooperative shall have been paid, outstanding capital contributions, credits and Membership fees shall be retired on a pro rata basis within the classes and in such order, before any payments are made on account of property rights of Members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of this Cooperative will not be impaired thereby, the capital then credited to accounts of Members may be retired in full or in part. Such retirements shall consider the need to maintain reserves in accordance with prudent utility practice and the financial requirements and obligations imposed by lenders. The Board shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital; provided, however, that any capital contributions, credits, and Membership fees returned, refunded or distributed for any given time period shall be paid out to the Members in proportion to the contributions, credits or fees paid or earned by each Member in the relevant time period.
- (d) Capital credited to the account of each Member shall be assignable only on the books of this Cooperative pursuant to written instruction from the assignor and only to successors in interest in the business or the physical assets of such Member unless the Board, acting under policies of general application, shall determine otherwise.
- (e) The Members of this Cooperative, by dealing with this Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be an agreement between this Cooperative and the Members and both this Cooperative and the Members are bound by such an agreement, as fully as though each Member had individually signed a separate instrument containing such terms and provisions, but such agreement shall not constitute the written agreement required by Article I for Membership.
- (e) As a condition of using, receiving or purchasing any services of this Cooperative, and unless otherwise determined by the Board: Patrons who are not Members (hereinafter referred to as "non-member patrons") and persons using, or receiving cooperative service who are neither Members nor patrons (hereinafter referred to as "non-member non-patrons") shall abide by, and be bound to, all the duties, obligations, liabilities and responsibilities imposed by the applicable contract terms, tariffs and service rules.

- (f) Non-member patrons and former non-member patrons shall have none of the rights granted specifically to Members by the Governing Documents.
- (g) Non-member non-patrons shall have none of the rights granted specifically to Members by the Governing Documents.

ARTICLE VIII  
DISPOSITION OF PROPERTY

SECTION 8.01. Unless otherwise provided by law, this Cooperative may not sell, lease or otherwise dispose of all or a substantial portion of its property unless such sale, lease or other disposition is: (i) first, proposed by Resolution of the Board; and (ii) second, authorized at a meeting of the Members thereof by the affirmative vote of not less than two-thirds of the voting delegates representing the Members of this Cooperative, provided that the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided further, that notwithstanding anything herein contained, the Board of this Cooperative, without authorization of the Members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed of trust upon, or the pledging or encumbering of, any or all the property, assets, rights, privileges, licenses, franchises and permits of this Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of this Cooperative.

ARTICLE IX  
SEAL

SECTION 9.01. This Cooperative shall not be required to have or use a seal, but may do so if desired. The corporate seal of this Cooperative, if any, shall be in the form of a circle and shall have inscribed thereon the name of this Cooperative and the words "Corporate Seal, Arizona."

ARTICLE X  
FINANCIAL TRANSACTIONS

SECTION 10.01. Contracts, Checks, Drafts and Other Instruments: This Cooperative shall not enter into any written agreements to furnish electric power, network electric transmission services and capacity, or energy services to any applicant for Class B, Class C, or Class D Membership unless the CEO determines on sufficient inquiry and affirmatively demonstrates to the Board that, with reasonable certainty and reasonable margin for error, this Cooperative will be able to fulfill such commitment without threatening performance of its other commitments. The CEO shall not embark upon any course of conduct with regard to any Member that commits this Cooperative for any period longer than is authorized by the Board.

Except as otherwise provided in these Bylaws, the Board may, by Resolution, authorize any officer, employee or agent to enter into any contract or execute and deliver any instrument in the name and on behalf of this Cooperative, and such authority may be general or confined to a specific instance. All checks, drafts or other orders for the payment of money and all notes, bonds

or other evidences of indebtedness issued in the name of this Cooperative shall be signed by a designated officer, employee or agent of this Cooperative.

SECTION 10.02. Deposits: All funds of this Cooperative shall be deposited from time to time to the credit of this Cooperative in such bank or banks as the Board may select.

SECTION 10.03. Change in Rates: Written notice shall be given to the Administrator of the RUS, in accordance with RUS rules, of any proposed change in the rates charged by this Cooperative for electric energy for so long as this Cooperative is a RUS borrower.

SECTION 10.04. Fiscal Year: The fiscal year of this Cooperative shall begin on the first day of January of each year and shall end on the 31<sup>st</sup> day of December of the same year.

## ARTICLE XI MISCELLANEOUS

SECTION 11.01. Membership in Other Organizations: This Cooperative may become a Member of or purchase an interest in any other organization unless otherwise limited by law.

SECTION 11.02. Waiver of Notice: At any time, a Member, delegate or Director may waive notice of any meeting required to be given by these Bylaws by delivering to this Cooperative a written waiver of notice signed by the Member, delegate or Director and later filed with the meeting minutes of this Cooperative's records. Unless a Member, delegate or Director:

- (a) upon arriving at the meeting or prior to the vote on a particular matter, objects to lack of, or defective notice of the meeting or a matter being considered at the meeting; and
- (b) does not vote for, or assent to, an objected matter; then the Member's, delegate's or Director's attendance at, or participation in, a meeting waives notice of the meeting and any matter considered at the meeting.

SECTION 11.03. No Joint Venture: These Bylaws shall not be interpreted or construed to create a joint venture, agency relationship or partnership between this Cooperative and any Member, or to impose any partnership obligation or partnership liability upon this cooperative or any Member.

SECTION 11.04. Indemnification: This Cooperative shall indemnify an individual who is, or was, a Director, officer or employee of this Cooperative against liability asserted against, or incurred by, that individual in that capacity or arising from the individual's status as such to the maximum extent permitted by and in accordance with Arizona law for indemnification by non-profit corporations. Indemnification as between the Cooperative and any Member shall be governed by the terms of any contracts between the Cooperative and the Member or, if no contract exists, as authorized by Arizona law.

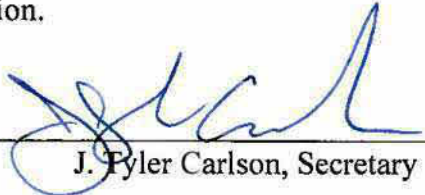


SECTION 11.05. Insurance: Regardless of any indemnification authority or requirements, this Cooperative may purchase and maintain insurance on behalf of any individual who is, or was, a Director, officer, employee, agent or representative of this Cooperative against any: (a) liability, including judgment, settlement or otherwise; or (b) reasonable expenses, including reasonable attorney fees, asserted against, or incurred by, the individual in that individual's capacity, or arising from the individual's status as this Cooperative's Director, officer, employee, agent or representative.

ARTICLE XII  
AMENDMENTS

SECTION 12.01. These Bylaws may only be altered, amended or repealed by the majority of the authorized voting shares represented by the delegates of Members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed, alteration, amendment or repeal.

I, J. Tyler Carlson, Secretary of **ARIZONA ELECTRIC POWER COOPERATIVE, INC.**, an Arizona nonprofit corporation, do hereby certify that the foregoing Bylaws were duly adopted at a meeting of the Members of said corporation held on the 10<sup>th</sup> day of May 2023, and that the same do constitute the Bylaws of said corporation.

  
\_\_\_\_\_  
J. Tyler Carlson, Secretary

**§ 1710.501.B.2 - Borrower's Type of Organizational Structure and a  
Copy of Articles of Incorporation**

## STATE OF ARIZONA



## Corporation Commission

To all to Whom these Presents shall Come, Greeting;

I, FRANCIS J. BYRNES, SECRETARY OF THE ARIZONA CORPORATION COMMISSION,  
DO HEREBY CERTIFY THAT the annexed is a true and complete copy of the ARTICLES  
OF INCORPORATION of ARIZONA ELECTRIC POWER COOPERATIVE, INC., which were filed  
in the office of the Arizona Corporation Commission on the 20th day of February,  
1961, at 1:00 P. M., as provided by law.

IN WITNESS WHEREOF, I HAVE HEREUNTO  
SET MY HAND AND AFFIXED THE OFFICIAL SEAL  
OF THE ARIZONA CORPORATION COMMISSION, AT  
THE CAPITOL, IN THE CITY OF PHOENIX, THIS 20th  
DAY OF February A. D. 1961

*Francis J. Byrnes*

ARTICLES OF INCORPORATION  
OF  
ARIZONA ELECTRIC POWER COOPERATIVE, INC.

We, the undersigned, do hereby execute the within Articles for the purpose of organizing a cooperative, non-profit, membership cooperative (hereinafter designated as the "Cooperative") under the laws of the State of Arizona, pursuant to "An Act relating to electric, cooperative, non-profit, membership corporation," etc., approved March 27, 1947, and known as the Electric Cooperative Act.

I.

The name of the Cooperative is Arizona Electric Power Cooperative, Inc.

II.

The address of the principal office of the Cooperative is Willcox, Cochise County, Arizona, and such other places in Cochise County, Pima County, Graham County and Greenlee County, Arizona, as the Board of Directors may from time to time designate.

III.

The names and addresses of the incorporators of the Cooperative are:

W. B. Loving,	209 W. El Paso Avenue, Willcox, Arizona
Howard Halmers,	2025 Relation Street, Duncan, Arizona
Ernest V. Romney, Jr.	Duncan, Arizona
A. O. Bicknell,	641 Calle Lerdo, Tucson, Arizona
James F. McNulty, Jr.	Yuma Drive, Bisbee, Arizona

IV.

The private property of the directors, members and incorporators shall be exempt from corporate debts and the names and addresses of the persons who shall constitute the first Board of Directors are:



J. A. Kartchner,		St. David, Arizona
W. B. Loving,	209 S. El Paso Avenue,	Willcox, Arizona
Larue Allred,		Duncan, Arizona
Ernest V. Romney, Mr.		Duncan, Arizona
R. G. Buckelew,	Sells Star Route,	Tucson, Arizona
	Box 26B	Tucson, Arizona
A. O. Bicknell,	641 Calle Lerdo,	

IN WITNESS WHEREOF, we have set our hands and affixed our seals  
this 8<sup>th</sup> day of February, 1961.

W. B. Loving  
W. B. LOVING

Howard F. Helmers  
HOWARD HELMERS

Ernest Van Romney Jr  
ERNEST V. ROMNEY, JR.

A. O. Bicknell  
A. O. BICKNELL

James F. McNulty Jr  
JAMES F. McNULTY, JR.

STATE OF ARIZONA :  
: ss  
COUNTY OF COCHISE :

On this, the 8<sup>th</sup> day of February, 1961, before me, the undersigned officer, personally appeared JAMES F. McNULTY, JR., and W. B. LOVING, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged that they executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

E. A. [Signature]  
Notary Public

My commission expires:

3-16-64

STATE OF ARIZONA :  
 : ss  
 COUNTY OF GRAHAM :

On this, the 27th day of July, 1961, before me, the undersigned officer, personally appeared HOWARD HELMERS, known to me to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My commission expires:

May 30, 1964

Edward M. Bailey  
 Notary Public

STATE OF ARIZONA :  
GRAHAM : ss  
 COUNTY OF GREENLEE :

On this, the 27th day of July, 1961, before me, the undersigned officer, personally appeared ERNEST V. ROMNEY, JR., known to me to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My commission expires:

May 30 1964

Edward M. Bailey  
 Notary Public

STATE OF ARIZONA :  
 : ss  
 COUNTY OF PIMA :

On this, the 13 day of February, 1961, before me, the undersigned officer, personally appeared A. O. BICKNELL, known to me to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My commission expires:

March 3, 1964

June Area  
 Notary Public

57418

ARIZONA CORPORATION COMMISSION  
INCORPORATING DIVISION

FILED

FEB 20 1961

At ..... 1:00 P. M. .... at request of  
..... Gentry & McNulty  
Address ..... Drawer T  
..... Bisbee, Arizona  
By ..... T. Salonke  
FRANCIS J. BYRNES, SECRETARY

203010 0026

057418-9  
AZ. CORP. COMMISSION  
FOR THE STATE OF AZ.  
FILED

JAN 21 2 45 PM '86

APPEARED Walter McDonald  
DATE APR 22 FILED  
TERM 120  
DATE \_\_\_\_\_ TIME \_\_\_\_\_AMENDMENT OF THE ARTICLES OF INCORPORATIONOFARIZONA ELECTRIC POWER COOPERATIVE, INC.

Pursuant to the provisions of Section 10-826, Arizona Revised Statutes, the undersigned corporation has adopted the attached Article of Amendment to its Articles of Incorporation and states the following:

FIRST: The name of the corporation is ARIZONA ELECTRIC POWER COOPERATIVE, INC.

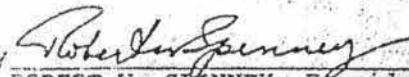
SECOND: The address of this corporation's principal office is South Highway 20, P. O. Box 670, Benson, Arizona 85602.

THIRD: The document attached hereto as Exhibit "A" sets forth the Amendment to the Articles of Incorporation which was adopted by the members at a special meeting of the corporation on January 8, 1986, after the giving of written notice in the manner prescribed by the Arizona Revised Statutes.

DATED this 8th day of January, 1986.


ARIZONA ELECTRIC POWER COOPERATIVE,  
INC.

By



ROBERT W. SPINNEY, President

ATTEST:



WALTER J. McDONALD, Secretary

(Corporate Seal)

DEBENS, DEBENS & MITCHELL

RECEIVED

APR 22 1986

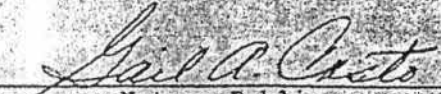
BENSON, ARIZONA



208010 0026

STATE OF ARIZONA :  
COUNTY OF COCHISE : SS

The foregoing instrument was acknowledged before me this  
8th day of January, 1986 by ROBERT W. SPINNEY, President, and  
LYLE J. McDONALD, Secretary, respectively, of ARIZONA ELECTRIC  
POWER COOPERATIVE, INC., an Arizona non-profit electric generation  
and transmission cooperative corporation, on behalf of said corpora-  
tion.

  
Notary Public

My commission expires:

Jan. 31, 1988

203010 0026

EXHIBIT "A"ARTICLE OF AMENDMENT TO THE ARTICLES OF INCORPORATIONOFARIZONA ELECTRIC POWER COOPERATIVE, INC.

There shall be a new ARTICLE V which shall read as follows:


ARTICLE V.

The corporate existence of ARIZONA ELECTRIC POWER COOPERATIVE, INC., shall continue for a period of perpetual duration.

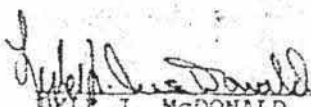
DATED this 8th day of January, 1986.

ARIZONA ELECTRIC POWER COOPERATIVE,  
INC.

By

  
ROBERT W. SPINNEY, President

ATTEST:

  
J. McDONALD, Secretary

(Corporate Seal)



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AFFIDAVIT AFFIRMING COMPLIANCE WITH A.R.S. SECTION 10-826

STATE OF ARIZONA :  
 : ss  
COUNTY OF COCHISE :

We, the undersigned, ROBERT W. SPINNEY and LYLE J. McDONALD, President and Secretary, respectively, for ARIZONA ELECTRIC POWER COOPERATIVE, INC., do hereby certify and affirm that the Article of Amendment to the Articles of Incorporation of ARIZONA ELECTRIC POWER COOPERATIVE, INC., was approved and adopted pursuant to the provisions of A.R.S. Section 10-826.

DATED this 8th day of January, 1986.

ARIZONA ELECTRIC POWER COOPERATIVE  
INC.

By Robert W. Spinney  
ROBERT W. SPINNEY, President

By J. McDonald  
J. McDonald, Secretary

SUBSCRIBED AND SWORN to before me this 8th day of January, 1986, by ROBERT W. SPINNEY and LYLE J. McDONALD.

Notary Public

My commission expires:

Jan. 31, 1988

**§ 1710.501.B.3 - Provide Evidence of Where Borrower is Registered  
to do Business**



# STATE OF ARIZONA



## Office of the CORPORATION COMMISSION

### CERTIFICATE OF GOOD STANDING

I, the undersigned Executive Director of the Arizona Corporation Commission, do hereby certify that:

**ARIZONA ELECTRIC POWER COOPERATIVE, INC.**

ACC file number: 00574189

was incorporated under the laws of the State of Arizona on 02/20/1961;

That all annual reports owed to date by said corporation have been filed or delivered for filing, and all annual filing fees owed to date have been paid; and

That, according to the records of the Arizona Corporation Commission, said corporation is in good standing in the State of Arizona as of the date this Certificate is issued.

This Certificate relates only to the legal existence of the above named entity as of the date this Certificate is issued, and is not an endorsement, recommendation, or approval of the entity's condition, business activities, affairs, or practices.

IN WITNESS WHEREOF, I have hereunto set my hand, affixed the official seal of the Arizona Corporation Commission, and issued this Certificate on this date: **08/07/2024**



A handwritten signature in cursive script, reading "Douglas R. Clark".

**Douglas R. Clark, Executive Director**

**§ 1710.501.B.4 - Copies of Borrower's Audited GAAP Financials for  
the Past 1-3 Years**



Report of Independent Auditors and  
Financial Statements

**Arizona Electric Power Cooperative, Inc.**

December 31, 2023 and 2022



MOSSADAMS

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## Report of Independent Auditors

The Board of Directors  
Arizona Electric Power Cooperative, Inc.

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Arizona Electric Power Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2023 and 2022; and the related statements of revenues, expenses, and unallocated accumulated margins; and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arizona Electric Power Cooperative, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024 on our consideration of Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting and compliance.



Portland, Oregon

March 29, 2024

## **Financial Statements**

**Arizona Electric Power Cooperative, Inc.**  
**Balance Sheets**  
**December 31, 2023 and 2022**

	2023	2022
ASSETS		
UTILITY PLANT		
Plant in service	\$ 786,452,566	\$ 760,693,194
Construction work in progress	109,956,714	29,504,407
Total utility plant	896,409,280	790,197,601
Less accumulated depreciation	475,040,123	458,520,050
Utility plant, net	421,369,157	331,677,551
INVESTMENTS		
Restricted	6,968,708	7,169,808
Unrestricted	4,238,986	3,827,067
Total investments	11,207,694	10,996,875
CURRENT ASSETS		
Cash and cash equivalents		
General unrestricted	34,599,219	31,279,858
Restricted	3,409,183	2,717,707
Accounts receivable	39,211,237	66,246,451
Accumulated under-recovered fuel and purchased power costs	-	31,147,334
Inventories, at average cost		
Coal and natural gas	24,471,866	10,649,701
Materials and supplies	16,303,707	14,788,973
Prepayments and other current assets	4,582,669	3,787,830
Notes receivable	345,953	375,632
Total current assets	122,923,834	160,993,486
DEFERRED DEBITS	51,619,914	37,116,241
Total assets	\$ 607,120,599	\$ 540,784,153

See accompanying notes.



**Arizona Electric Power Cooperative, Inc.****Balance Sheets****December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>MEMBERSHIP CAPITAL AND LIABILITIES</b>		
<b>MEMBERSHIP CAPITAL</b>		
Membership fees	\$ 930	\$ 830
Patronage capital	179,278,276	170,853,120
Unallocated accumulated margins	<u>3,198,527</u>	<u>8,739,869</u>
Total membership capital	<u>182,477,733</u>	<u>179,593,819</u>
<b>LONG-TERM DEBT</b>		
Federal Financing Bank	134,783,087	139,093,621
Solid Waste Disposal Revenue Bonds	-	2,200,000
Cooperative Finance Corporation	69,799,931	16,500,000
CoBank	12,948,819	-
Debt issuance costs	(642,711)	(371,801)
Financing lease obligation	<u>1,455,993</u>	<u>1,100,409</u>
Total long-term debt	<u>218,345,119</u>	<u>158,522,229</u>
<b>CURRENT LIABILITIES</b>		
Member advances and other investments	36,606,003	28,276,574
Current maturities of financing lease obligation	884,627	697,519
Current maturities of long-term debt	15,307,627	15,036,954
Accounts payable	29,069,038	55,654,507
Accrued property and business taxes	2,390,262	2,388,009
Accrued interest	58,216	76,758
Line of credit	59,029,412	66,000,000
Accumulated over-recovered fuel and purchase power costs	5,001,085	-
Other accrued liabilities	<u>5,164,512</u>	<u>3,616,037</u>
Total current liabilities	<u>153,510,782</u>	<u>171,746,358</u>
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>	<u>52,786,965</u>	<u>30,921,747</u>
Total membership capital and liabilities	<u>\$ 607,120,599</u>	<u>\$ 540,784,153</u>

See accompanying notes.

**Arizona Electric Power Cooperative, Inc.**  
**Statements of Revenues, Expenses, and Unallocated Accumulated Margins**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
OPERATING REVENUES		
Electric energy and transmission		
Members		
Class A	\$ 170,689,638	\$ 178,199,951
Class D	16,328,145	19,430,320
Under-recovery of fuel and purchase		
power costs	16,817,092	66,500,800
Nonmembers	19,975,329	25,473,700
Other, net	1,207,020	1,627,476
Total operating revenues	<u>225,017,224</u>	<u>291,232,247</u>
OPERATING EXPENSES		
Operations:		
Production	83,744,895	125,650,389
Transmission	5,460,376	5,126,849
Maintenance:		
Production	15,695,815	14,560,835
Transmission	5,316,448	4,760,365
Other power supply	49,718,797	74,114,743
Administration and general	14,666,729	14,744,854
Depreciation, amortization and accretion	21,823,322	20,631,148
Wheeling and ancillary charges	16,817,582	18,412,214
Property and other taxes	4,199,608	4,438,980
Total operating expenses	<u>217,443,572</u>	<u>282,440,377</u>
OPERATING MARGIN	7,573,652	8,791,870
Interest and interest related expenses, net	(8,404,442)	(6,173,424)
Other, net	4,029,317	528,686
NET MARGIN	3,198,527	3,147,132
UNALLOCATED ACCUMULATED MARGINS,		
beginning of year	8,739,869	9,649,968
PATRONAGE CAPITAL ALLOCATION	(8,739,869)	(4,057,231)
UNALLOCATED ACCUMULATED MARGINS, end of year	<u>\$ 3,198,527</u>	<u>\$ 8,739,869</u>

See accompanying notes.

**Arizona Electric Power Cooperative, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margin	\$ 3,198,527	\$ 3,147,132
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation and amortization	21,823,323	20,631,148
Patronage capital allocations	(621,102)	(348,226)
Amortization of deferred charges	240	240
Liabilities Incurred on Asset Retirement Obligation	20,160,801	-
Changes in assets and liabilities		
Accounts and notes receivable	27,064,893	(39,134,231)
Accumulated under-recovered fuel and purchased power costs	31,147,334	(8,730,213)
Inventories	(15,336,899)	(1,637,667)
Prepayments and other current assets	(794,839)	265,031
Deferred debits	(14,503,913)	(11,964,600)
Accounts payable	(26,585,469)	30,440,026
Accrued interest	(18,542)	64,964
Accumulated over-recovered fuel and purchased power costs	5,001,085	-
Accrued property and business taxes and other	1,550,728	794,104
Net cash from operating activities	<u>52,086,167</u>	<u>(6,472,292)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction expenditures, net	(109,810,512)	(32,639,970)
Purchases and redemptions of investments, net	95,670	179,337
Net cash from investing activities	<u>(109,714,842)</u>	<u>(32,460,633)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member advances and other investments, net	8,329,429	11,411,197
Proceeds from long-term debt	72,845,619	27,351,731
Borrowing on line of credit	(6,970,588)	22,022,396
Payments on long-term debt and financing lease obligation	(12,564,948)	(14,255,563)
Net cash from financing activities	<u>61,639,512</u>	<u>46,529,761</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,010,837	7,596,836
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>33,997,565</u>	<u>26,400,729</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 38,008,402</u>	<u>\$ 33,997,565</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Right of use assets acquired in exchange for lease liabilities	<u>\$ 2,315,439</u>	<u>\$ 5,806,201</u>
Cash paid for interest, net of amounts capitalized	<u>\$ 8,385,900</u>	<u>\$ 6,108,220</u>

See accompanying notes.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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#### Note 1 – Organization

Arizona Electric Power Cooperative, Inc. (the Cooperative or AEPCO) is a member owned, non-profit Arizona rural generation and transmission electric cooperative organized in 1961 to provide wholesale electric power and transmission and ancillary services to its member distribution cooperatives, municipalities and other customers.

Membership of the Cooperative is restricted to electric utilities. The Cooperative has four classes of members. Class A members consist of three distribution cooperatives with all requirements contracts and three distribution cooperatives with partial requirements contracts. Currently there are no Class B or C members. There are five Class D members, representing electric utilities other than Class A, B, or C, with a written agreement for power and/or energy and/or substantial service, represented jointly by one director. Class A, Class B, Class C, and Class D members are collectively referred to herein as Members.

#### Note 2 – Summary of Significant Accounting Policies

**System of accounts** – The Cooperative maintains its accounts in accordance with policies and procedures as prescribed by the Rural Utilities Service (RUS) in conformity with the Uniform System of Accounts. The Cooperative's accounting policies conform to accounting principles generally accepted in the United States of America as applied in the case of regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the RUS and the Arizona Corporation Commission (ACC), the regulatory authorities having jurisdiction.

**Accounting for the effects of regulation** – Due to the regulation of its rates by the ACC, the Cooperative prepares its financial statements in accordance with ASC 980 Regulated Operations. This accounting requires a cost-based, regulated enterprise to recognize revenues and expenses in the time periods when the revenues and expenses are included in rates. This may result in regulatory assets and liabilities until such time that the related revenues and expenses are included in rates.

**Indenture** – As of March 1, 2016, AEPCO has an Indenture of Deed of Trust, Security Agreement and Financing Statement (Indenture), approved by RUS that will allow the Cooperative to explore alternative financing providers in addition to RUS. The indenture consolidates all of AEPCO's secured debt under one trustee, who will manage the debt portfolio for RUS, reducing RUS reporting requirements, while still maintaining RUS oversight.

**Utility plant** – Utility plant, consisting primarily of coal and natural gas electric generation facilities and transmission facilities, is stated at historical cost and includes the costs of outside contractors, direct labor and materials, allocable overhead and interest charged during construction.

In accordance with the Uniform System of Accounts, the Cooperative capitalizes the interest costs associated with the borrowing of funds used to finance construction work in progress (CWIP). Interest income from construction funds held in trust, if any, is credited to CWIP. Interest costs capitalized on construction projects was approximately \$3,088,000 and \$231,000 for 2023 and 2022, respectively.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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Depreciation is computed on the straight-line basis over estimated useful lives of depreciable property in accordance with rates prescribed by RUS, averaging 2.56% and 2.60% in 2023 and 2022, respectively. Minor replacements and repairs are charged to expense as incurred. When utility plant is retired, sold, or otherwise disposed of, the original cost plus the cost of removal less salvage value is charged to accumulated depreciation, along with any corresponding gain or loss.

The Cooperative assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. The Cooperative has not recorded any losses resulting from impairment of its long-lived assets.

**Asset retirement obligations** – Accounting standards require the recognition of an Asset Retirement Obligation (ARO), measured at estimated fair value, for legal obligations related to decommissioning and restoration costs associated with the retirement of tangible long-lived assets in the period in which the liability is incurred. The initial capitalized asset retirement costs are depreciated over the life of the related asset, with accretion of the ARO liability classified as an operating expense (see Note 10 – Asset retirement obligation).

**Investments** – The Cooperative accounts for its investments in accordance with accounting for certain investments in debt and equity securities. At December 31, 2023 and 2022, all investment balances are recorded at fair market value (see Note 3), with the exception of investments in associated organizations and patronage capital. Investments in associated organizations and patronage capital are carried at cost, plus capital credits allocated and not retired.

**Cash equivalents** – The Cooperative considers all investments with an original maturity of 90 days or less to be cash equivalents. The Cooperative maintains its cash in bank accounts, which, at times, exceed federally insured limits and has not experienced any losses in such accounts. Restricted cash consists of special deposits and economic development funds, which are restricted in use.

**Receivables** – Receivables are recorded when invoices are issued and are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on historical losses, review of specific problem accounts, the existing economic conditions in the industry and the financial stability of customers. Generally, accounts receivable are considered past due after 30 days. No allowance was deemed necessary at December 31, 2023 and 2022.

**Inventories** – Inventories consisting of coal, natural gas and materials and supplies, are carried at average cost.

**Deferred debits and credits** – Deferred debits and credits are recorded at cost and either: (1) amortized over their expected period of benefit or alternate period of time as may be mandated by ACC order or other regulatory order, if different, or (2) eliminated upon determination of their ultimate disposition.

**Debt issuance costs** – Debt issuance costs related to a recognized debt liability are presented on the balance sheet as a direct reduction from the carrying amount of that debt liability. These costs are amortized to interest expense over the life of the related debt using the effective interest method. As of December 31, 2023 and 2022, the total debt issuance costs net of debt was \$642,711 and \$371,801, respectively.



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Overhaul costs** – The Cooperative accounts for major and minor overhauls using the deferral method. Accordingly, incurred overhaul costs are deferred and amortized over the overhaul benefit period, generally three years for minor overhauls and six years for major overhauls. The frequency of overhauls is based on the operating characteristics and operating profiles of each generating unit (see Note 7).

**Leases** – The Cooperative determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the balance sheets as right-of-use (ROU) assets and lease liabilities. ROU assets represent the Cooperative's right to use an underlying asset for the lease term and lease liabilities represent the Cooperative's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Cooperative considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Cooperative will utilize a weighted average cost of capital rate, as permitted by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842 – *Leases*. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Cooperative will exercise that option.

**Income tax status** – The Cooperative is exempt from income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code, except to the extent of unrelated business income, if any. The Cooperative follows FASB ASC 740-10, relating to accounting for uncertain tax positions. As of December 31, 2023 and 2022, the Cooperative does not have any uncertain tax positions. The Cooperative files an exempt organization and unrelated business income tax return in the U.S. federal jurisdiction and the states of Arizona and California. Based upon its equity membership in ACES (see Note 3), returns are filed with the states of Arkansas, Georgia, Indiana, Maryland, Minnesota and North Carolina.

**Revenue recognition** – Revenues are recognized as electric power, electric transmission and other energy service products and are delivered at rates approved by the ACC. The Cooperative recognizes operating revenues from wholesale electricity sales and electricity transmission services in an amount that reflects the consideration to which the Cooperative expects to be entitled in exchange for those sales and services.

The Cooperative supplies power requirements (energy and demand) to its Members, subject to substantially identical wholesale power contracts. The Cooperative also supplies power (energy and demand) to Non-members subject to wholesale power contracts. Class A Member revenue is recorded at either ACC authorized rates or contractual rates and Class D Member and Non-member revenue is generally recorded at contractual rates. Based on the invoice practical expedient, revenue is recognized equal to the amount the Cooperative has the right to invoice. The Cooperative bills its Members monthly, and payments are due monthly. Substantially all of the Cooperative's accounts receivable relate to revenues under its contracts with Members and Non-members.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Purchased power and fuel costs** – Purchased power and fuel costs are charged to expense as incurred. In its October 25, 2013 rate order, the ACC approved a new purchased power and fuel cost adjustor (the adjustor) for the Cooperative. Starting on November 1, 2013, the new adjustor enables the Cooperative to accumulate its over- and under-collection of fuel and purchased power costs and subsequently, as approved by the ACC, refund or collect from its Members the amount of over- or under-collection of fuel and purchased power costs. Such amounts are recorded as revenue in the period the costs are incurred.

**Fair value of financial instruments** – All of the Cooperative's financial instruments are recorded at fair market value or carrying value, which approximates fair market value. Investments in associated organizations and patronage capital are not considered financial instruments because they represent nontransferable interests in associated organizations. The Cooperative has determined that its financial instruments fall into the Level 1 category. Level 1 asset valuations are based on assets at the quoted prices in active markets for identical assets; Level 2 asset valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and Level 3 asset valuations are based on inputs that are unobservable and significant to the overall fair value measurement (see Note 3).

**Use of estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the adjustor, depreciation, asset retirement obligation and overhaul amortization. Actual results could differ from these estimates.

**Recently issued and adopted accounting pronouncements** – The Cooperative adopted FASB Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including trade receivables and held-to-maturity debt securities. The Cooperative adopted the standard on January 1, 2023, utilizing the modified retrospective transition approach. This standard did not have a material impact on the financial statements.

**Subsequent events** – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Cooperative has evaluated subsequent events through March 29, 2024, the date the financial statements were available to be issued.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

#### Note 3 – Investments

Investments at December 31 consist of the following:

	2023	2022
Restricted - municipal bonds	\$ 2,809,686	\$ 2,950,786
Restricted - term certificates	4,219,022	4,273,022
Investment in associated organizations	1,310,968	1,312,768
Patronage capital	2,291,639	2,022,545
Other	636,379	491,754
	<hr/>	<hr/>
Subtotal	11,267,694	11,050,875
Less current portion of restricted investments	60,000	54,000
	<hr/>	<hr/>
Total	<u>\$ 11,207,694</u>	<u>\$ 10,996,875</u>

Contractual maturities of restricted investments at December 31 are as follows:

	2023	2022
Due from one year to five years	\$ 2,809,686	\$ 2,896,786
Due after 10 years	4,219,022	4,327,022
	<hr/>	<hr/>
Total	<u>\$ 7,028,708</u>	<u>\$ 7,223,808</u>

**Municipal bonds** – As a condition of National Rural Utilities Cooperative Finance Corporation's (CFC) guarantee of the Solid Waste Disposal Revenue Bonds (see Note 8), the Cooperative purchased a non-interest bearing Debt Service Reserve Certificate (the certificate) maturing in 2024 upon final payment of the debt. The proceeds of the certificate are held by CFC in a Debt Service Reserve Fund (DSRF). At December 31, 2023, the investment included two municipal bonds for approximately \$1,054,000, which bear interest at 5% per annum, respectively and cash of approximately \$1,755,000. At December 31, 2022, the investment included three municipal bonds for approximately \$2,873,000, which bear interest at 5% per annum, respectively and cash of approximately \$77,000.

Municipal bonds are valued based on quoted market prices for those or similar investments.

**Term certificates** – The Cooperative is a member of CFC, a not-for-profit cooperative financing institution. As a condition of membership, the Cooperative purchased Subscription Capital Term Certificates (SCTCs). The SCTCs, totaling \$4,093,022 at December 31, 2023 and 2022, respectively, bear interest at 5.00% per annum and have maturity dates ranging from 2070 to 2080.

As a condition of the Solid Waste Disposal Revenue Bonds (see Note 8), which are guaranteed by CFC, the Cooperative purchased a Subordinated Term Certificate (STC). The STC, totaling \$126,000 and \$183,000 at December 31, 2023 and 2022, respectively, bears interest at 7.57% per annum and matures in full in 2024 upon final payment of the related debt. At December 31, 2023 and 2022, the current portion of the STC loan guarantee valued at \$60,000 and \$54,000, respectively, is recorded in current assets as an accounts receivable.

The SCTCs and STCs are unrated, uncollateralized debt securities of CFC.



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Investment in associated organizations** – The Cooperative is a member of Sierra. The Cooperative's membership fee in Sierra was \$2,000 as of December 31, 2023 and 2022, respectively, and is carried at cost. The Cooperative's investment in Sierra was \$72,000 as of December 31, 2023 and 2022, respectively, and is carried at cost (see Note 16).

The Cooperative is an equity member of Alliance for Cooperative Energy Services Power Marketing LLC (ACES). The Cooperative's investment in ACES was \$961,610 as of December 31, 2023 and 2022, respectively, and is accounted for under the cost method of accounting.

The Cooperative invested in the capital of Grand Canyon State Electric Cooperative Association (GCSECA), which is accounted for under the cost method of accounting. The Cooperative's investment in GCSECA was \$275,358 as of December 31, 2023 and 2022, respectively.

The Cooperative is a member of CoBank AFB (CoBank). The membership fee is \$1,000 and is carried at cost.

The Cooperative is a member of CFC. The membership fee is \$1,000 and is carried at cost.

The Cooperative holds investments made in the Board of Directors deferred compensation plan program in Homestead Funds (see Note 5 – Deferred Compensation Plans). The balance in the account at December 31, 2023 and 2022 was \$491,754 and \$500,084, respectively, and is carried at fair market value.

**Patronage capital** – Patronage capital represents capital credit allocation of margins due to the Cooperative. Such amounts are returned to the Cooperative in accordance with the associated organization's bylaws and/or at their discretion.

#### Note 4 – Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents at December 31 consist of the following:

	2023	2022
Rural economic development revolving loan program	\$ 547,567	\$ 510,992
Other deposits on account	2,861,616	2,206,715
Total restricted cash and cash equivalents	<u>\$ 3,409,183</u>	<u>\$ 2,717,707</u>

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

#### Note 5 – Accounts Receivable

Accounts receivable at December 31 consist of the following:

	2023	2022
Member energy sales	\$ 17,263,588	\$ 42,502,689
Electric transmission sales	1,891,872	1,880,804
Nonmember energy sales	13,220,563	11,399,923
Due from related party	510,825	-
Other	6,324,389	10,463,035
	<u>\$ 39,211,237</u>	<u>\$ 66,246,451</u>
Total accounts receivable	<u>\$ 39,211,237</u>	<u>\$ 66,246,451</u>

**Member energy sales** – Member energy sales consist of sales to Members under their wholesale power sales contracts (see Note 11) and generally are not collateralized.

**Electric transmission sales** – Electric transmission sales consist of sales to Members and Non-members under transmission service agreements (see Note 11) and are generally not collateralized.

**Non-member energy sales** – Non-member energy sales consist of non-firm sales to unrelated electric utilities and are generally not collateralized.

#### Note 6 – Notes and Other Receivables

**Related-party promissory notes** – The Cooperative replaced the balance of the short-term note to Sierra to finance construction of solar photovoltaic distributed generation facilities with two promissory notes (see Note 16). Each note between Sierra and AEPCO has an annual interest rate of 3.00% and a term of 25 years. The combined notes receivable was \$1,074,502 and \$1,145,542 as of December 31, 2023 and 2022, respectively.

**RUS Rural Economic Development Grant** – In 1998, the Cooperative was awarded a \$400,000 RUS Rural Economic Development Grant. The Cooperative contributed matching funds in the amount of \$80,000. In 2020, the Cooperative was awarded an additional \$182,213 RUS Rural Economic Development Grant. In accordance with grant guidelines, initial loans made to qualifying recipients at a zero-interest rate were repaid over a ten-year period. The loan repayments were used to establish a revolving loan fund, which in turn, is used for providing loans to foster rural economic development. Loans made from repayments of the initial loans may carry an interest rate. In November 2010, March 2012, June 2015, March 2017, and February 2020, the Cooperative issued loans in the amount of \$300,000, \$80,000, \$280,000, \$100,000, and \$360,000, respectively, at an interest rate of 3.00%. As of December 31, 2023 and 2022, the Cooperative has \$547,567 and \$510,992, respectively, of cash and cash equivalents restricted for use in this program (see Note 4).

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

#### Note 7 – Deferred Debits

Deferred debits at December 31 consist of the following:

	2023	2022
Deferred overhaul costs	\$ 17,566,204	\$ 9,931,224
Preliminary survey and investigation and other deferred debits	30,487,919	23,070,643
RS plan prepayment (See Note 14)	3,565,791	4,114,374
Total deferred debits	<u>\$ 51,619,914</u>	<u>\$ 37,116,241</u>

**Deferred overhaul costs** – The Cooperative accrues for overhaul costs on the generation equipment by charging a proportion of the estimated cost of the overhaul, over the period covered by the overhaul cycle, to maintenance expense.

**Preliminary surveys investigation** – Deferred preliminary survey and investigation costs are capitalized to construction in progress when the construction phase begins or expensed if the project is abandoned.

#### Note 8 – Long-Term Debt

**Federal Financing Bank (FFB)** – Long-term debt due to FFB is payable at interest rates based on long-term obligations of the United States Government as determined on the date of advance. Interest rates on existing FFB debt ranged from 0.645% to 4.88% in 2023 and 2022. Quarterly principal and interest installments on these obligations extend through 2035. The obligations are guaranteed by RUS. The Cooperative may prepay all outstanding notes by paying the principal amount plus either 1) the difference between the outstanding principal balance of the loan being refinanced and the present value of the loan discounted at a rate equal to the then current cost of funds to the Department of the Treasury for obligations of comparable maturity; 2) 100% of the amount of interest for one year on the outstanding principal balance of the loan being refinanced multiplied by the ratio of a) number of quarterly payment dates remaining to maturity bears to b) number of quarterly payment dates between year 13 of the loan and the maturity date; or 3) present value of 100% of the amount of interest for one year on the outstanding principal balance of the loan.

**Solid Waste Disposal Revenue bonds** – These bonds are repriced and sold semi-annually at six month intervals, on March 1st and September 1st, and AEPCO has the option to redeem at each repricing. Principal on these bonds is due in annual installments through 2024. Interest rates on the bonds are variable and subject to revision semiannually. The interest rates in effect at December 31, 2023 and 2022 were 4.375% and 3.30%, respectively. Interest is paid semiannually. These bonds are guaranteed by CFC and are not subject to optional redemption prior to maturity.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Cooperative Finance Corporation** – On November 9, 2022, the Cooperative entered into a long-term bridge loan debt agreement with CFC to fund new generation. The loan is subject to a variable interest rate that is established monthly and effective on the first day of each month. There was a \$57,851,112 and \$16,500,000 outstanding balance as of December 31, 2023 and 2022, respectively. The average variable interest rate in effect at December 31, 2023 and 2022 was 7.01% and 5.75%, respectively. Quarterly principal and interest payments on these obligations extend through 2027. The variable interest rate on the debt is convertible to a fixed rate. The fixed rate would be equal to the rate of interest offered by CFC at the time of the conversion request. The Cooperative may prepay fixed rate notes in whole or in part, subject to a prepayment premium prescribed by CFC. As of December 31, 2023, the loan is interest only and no long-term maturities have been established.

On November 1, 2023, the Cooperative entered into a new five-year unsecured non-revolving bridge Loan debt agreement with CFC to fund additional generation projects. The interest rate on advances is calculated at a rate per annum as may be fixed by CFC from time to time or in the case of a Secured Overnight Financing Rate (SOFR) advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. There was a \$11,948,819 outstanding balance as of December 31, 2023. The interest rate on this line of credit notes averaged 6.46% as of December 31, 2023. Both bridge loans may be converted to permanent financing with the bank or RUS without penalty. As of December 31, 2023, the loan is interest only and no long-term maturities have been established.

**CoBank** – On November 1, 2023, the Cooperative entered into a five-year unsecured non-revolving bridge Loan debt agreement with CoBank to fund additional generation projects. The interest rate on advances is calculated at a variable or fixed rate per annum as may be determined by CoBank from time to time or in the case of a SOFR advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. Subject to certain limitations, rates types may be converted. There was a \$12,948,819 outstanding balance as of December 31, 2023. The interest rate on this line of credit notes averaged 6.626% as of December 31, 2023. The bridge loan may be converted to permanent financing with the bank or RUS without penalty. As of December 31, 2023, the loan is interest only and no long-term maturities have been established.

**Maturities of long-term debt** – Maturities of long-term debt, excluding CoBank for \$12,948,819 and CFC for \$69,799,831, for the next five years and thereafter are as follows as of December 31, 2023:

2024	\$ 14,853,029
2025	11,452,952
2026	11,750,755
2027	12,034,960
2028	12,381,801
Thereafter	<u>86,974,506</u>
Total long-term debt, net	<u><u>\$ 149,448,003</u></u>

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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On March 1, 2016, AEPCO replaced the RUS Mortgage with the Indenture, pursuant to which AEPCO has granted a lien and a security interest in substantially all of its real and personal property to secure current indebtedness and other obligations and to secure other indebtedness (see Note 2 – Indenture). In connection with the adoption of the Indenture as a replacement for the RUS Mortgage, AEPCO and RUS amended and restated the existing loan contracts as the Amended and Restated Loan Contract (Contract), dated March 1, 2016 between AEPCO and the Government acting by and through the Administrator of the RUS. Under the covenants of the Contract, the Cooperative must, among other things, maintain a credit rating from at least two rating agencies and comply with covenants in the Indenture, which includes establishment and collection of rates for the use or sale of output, capacity, or service of the system that together with other revenues available to the Cooperative are reasonably expected to yield margins for interest equal to at least 1.10 times secured interest charges. Management believes these financial covenants have been achieved as of December 31, 2023.

#### **Note 9 – Member Advances and Other Investments**

**Member investment program** – The Cooperative offers all Members the ability to invest funds with the Cooperative on a short-term basis for periods of up to nine months. The Cooperative had recorded liabilities for notes of \$11,463,814 and \$10,000,000 at December 31, 2023 and 2022, respectively. The interest rate on these notes averaged 5.298% and 1.519% in 2023 and 2022, respectively. Interest expense on these notes was approximately \$97,000 and \$218,000 for the years ended December 31, 2023 and 2022, respectively.

**Prepaid billing program** – The Cooperative also offers a program for all Members whereby the Members may make interest-bearing prepayments of their monthly power and transmission billings. The prepayment and accrued interest are applied to the Members' power and transmission billings on the date such billings become due. The Cooperative recorded no liabilities for prepayments at December 31, 2023 and 2022.

**Southwest Public Power Agency** – The Cooperative entered into an Energy Management Services Agreement (Agreement) with Southwest Public Power Agency (SPPA), a Class D member of AEPCO, on March 31, 2015, to provide accounting, reporting, scheduling, selling, purchasing, and gas hedging services with respect to the energy available to SPPA under the Agreement. To enable AEPCO to provide credit services necessary to this Agreement, SPPA has provided a deposit to AEPCO in the amount of \$1,000,000, which AEPCO has placed and will maintain in an interest bearing account separate from other sources. SPPA is entitled to all interest that accumulates in the deposit account. The balance in the deposit account was \$1,143,390 and \$1,087,383 for the years ended December 31, 2023 and 2022, respectively.



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

**Metropolitan Water District of Southern California** – The Cooperative entered into a Scheduling and Trading Services Agreement (Agreement) with the Metropolitan Water District of Southern California (MWD), a class D member of AEPCO, on August 28, 2017, to provide accounting, reporting, scheduling, selling, and purchasing services as defined in the agreement through December 31, 2035, unless terminated under provisions within the agreement. To enable AEPCO to provide credit services necessary to this Agreement, MWD has provided a deposit to AEPCO in the amount of \$1,000,000, which AEPCO has placed and will maintain in an interest bearing account separate from other sources. MWD is entitled to all interest that accumulates in the deposit account. The balance in the deposit account was \$24,767,129 and \$12,486,297 for the years ended December 31, 2023 and 2022, respectively.

#### Note 10 – Deferred Credits and Other Liabilities

Deferred credits at December 31 consist of the following:

	2023	2022
Asset retirement obligation	\$ 48,445,926	\$ 26,663,501
Regulatory liability - ARO	4,158,826	4,076,033
Pension distribution liability	182,213	182,213
Total deferred credits and other liabilities	<u>\$ 52,786,965</u>	<u>\$ 30,921,747</u>

**Asset retirement obligation** – The Cooperative completed the ARO calculation for the Apache Station Generation Plant in Cochise, Arizona, with the assumption that the assets will be in service through the year 2035. The useful life expectations used in the calculations of the ARO are based on the assumption that operations will continue without deviation from historical trends.

The asset retirement obligation related to generation assets at December 31 consists of the following:

	2023	2022
Liability at January 1	\$ 26,663,501	\$ 25,519,476
Decommission expense recognized	1,621,624	1,144,025
Liabilities incurred	20,160,801	-
Liability at December 31	<u>\$ 48,445,926</u>	<u>\$ 26,663,501</u>

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

The regulatory liability related to the asset retirement obligation calculation at December 31 consists of the following:

	2023	2022
Liability at January 1	\$ 4,076,033	\$ 3,846,346
Estimated recovery	107,003	1,978,704
Less accretion & depreciation expense	(24,210)	(1,749,017)
Liability at December 31	<u>\$ 4,158,826</u>	<u>\$ 4,076,033</u>

#### Note 11 – Commitments and Contingencies

**Class A Member power sales contracts – Wholesale power sales contracts** – The Cooperative holds all-requirements wholesale power sales contracts with three of its six Class A member cooperatives pursuant to which each Class A member agrees to purchase from the Cooperative all of its electric power requirements. These all-requirements power contracts expire December 31, 2035, and will remain in effect thereafter until terminated by either party upon six months' notice. Management believes the Cooperative will be able to fulfill its requirements on these long-term contracts.

**Class A Member power sales contracts – Partial requirements wholesale power contracts** – The Cooperative holds partial requirements wholesale power sales contracts, expiring December 31, 2035, with three of its Class A member cooperatives pursuant to which the Class A members have agreed to purchase from the Cooperative electric energy up to and capacity at the member's allocated capacity percentage in the Cooperative's total resources existing at the time of execution of the contract.

**Class A Member network service agreements** – The Cooperative has agreements to provide network integration transmission service to deliver power to the all-requirements Class A distribution cooperative members. The Cooperative previously entered into separate agreements to provide network integration and point-to-point transmission services to the partial requirements Class A members. These agreements had a termination date of December 31, 2035. In 2023, the Cooperative and its Class A Members amended these agreements and extended the initial term to December 31, 2052, with the term automatically renewing for four successive additional 5-year renewal periods and a termination date on December 31, 2072, absent any non-renewals. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

**Class B and Class C Member power sales contracts** – There are no Class B or C member contracts at December 31, 2023.

**Class D Member service contracts** – Class D membership requires the Member to enter into a service contract for a minimum term of 2 years. The service contracts with each Cooperative's Class D members are renewed annually until terminated by either party upon a six months written notice. At December 31, 2023, the Cooperative had five Class D members.

**Non-member power and services agreements** – The Cooperative holds one non-member power and service agreement.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Wholesale power purchase contracts** – The Cooperative's current power supply includes the following purchase power agreements:

- Hydroelectric power purchases from Western Area Power Administration (Western), a federal power marketing agency. Under the terms of its Salt Lake City Integrated Project (formerly Colorado River Storage Project) contract, which expires September 30, 2024, the Cooperative can receive up to 2.4 MW during October through March, and up to 11.7 MW during April through September, for service to its Class A members. Additionally, under the terms of a contract with the Parker Davis Project, which expires September 30, 2028, the Cooperative receives 18.3 MW during October through February, and 23.6 MW during March through September. Hoover (Boulder Canyon Project) hydroelectric power purchase from Arizona Power Authority and Western of approximately 4 MW each month October 2017–September 30, 2067.
- Power purchase agreement with Salt River Project to purchase up to 15 MW capacity and energy at a maximum of 44% capacity factor per month and priced at less than the market price for Peak Hours with a term to begin in January 2016 and ending 20 years thereafter. Beginning January 2017 through the remaining term of the contract, 1.755 MW will be allocated to Navopache Electric Cooperative.

**Solar services agreements** – The Cooperative's current power supply includes the following solar services agreements:

- Solar services agreement with Sierra to purchase up to 20 MW alternating current electricity at a maximum of 100% capacity factor per month with a term to begin on October 10, 2017 and ending on October 9, 2026. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.
- Solar services agreement with Sierra to purchase up to 2 MW alternating current electricity at a maximum of 100% capacity factor per month with a term to begin on August 17, 2017 and ending on August 16, 2026. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.
- Solar services agreement with Sierra to purchase up to 1.35 MW alternating current electricity at a maximum of 100% capacity factor per month and the capacity from a 2 MW/ 4 MWh battery energy storage system with a term to begin on December 9, 2020 and ending on December 8, 2027. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.
- Energy storage services agreement with Sierra to purchase the capacity from a 2.4 MW/ 5.2 MWh battery energy storage system with a term to begin on October 25, 2022 and ending on October 24, 2027. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Wholesale transmission contracts** – The Cooperative holds three separate point-to-point transmission agreements to provide point-to-point transmission services for delivering to other Southwest Reserve Sharing Group (SRSG) members under the SRSG Agreement and for the Joint Generation Contingency Reserve Plan (N-1 Plan). The first agreement provides for reserved transmission capacity of 30 MW for delivery of energy to other SRSG participants; the second agreement provides for reserved transmission capacity of 175 MW for the receipt of energy from other SRSG participants in the event of a loss of Apache generation; and the third agreement provides for reserved transmission capacity of 110 MW as established in the N-1 Plan. Each of these agreements, which renew annually, are expected to remain in effect for the term of the Members' network service agreements. In the opinion of Management, the Cooperative will be able to provide service in accordance with these agreements.

**Other transmission service agreements** – The Cooperative provides separate transmission service agreements (Point-to-point and Network Integration) with other entities in accordance with the Cooperative's Open Access Transmission Tariff (OATT) or other pre-OATT agreements. These other transmission service agreements provide for reserved transmission capacity and will remain in effect in accordance with each respective service agreement. In the opinion of Management, the Cooperative will be able to provide service in accordance with these agreements.

**Transmission wheeling agreements** – The Cooperative purchases transmission wheeling rights from other entities. There are currently six (five with Western Area Power Administration – Desert Southwest Region and one with Southern California Edison) transmission wheeling agreements under which the Cooperative purchases transmission to provide for deliveries to AEPCO's Class A members loads. There are currently five wheeling agreements (one with Western Areas Power Administration – Desert Southwest Region, two with El Paso Electric, one with Tucson Electric Power, and one with Salt River Project) under which the Cooperative moves power from market hubs into the Cooperative's service area. These transmission wheeling agreements expire at various times and may include associated roll-over rights.

**Rate filing application – transmission** – On September 1, 2021, the Cooperative filed an application with the Commission 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. The Cooperative also requested the continuance of its purchased power and fuel cost adjustor (PPFAC) and environmental cost adjustment rider (ECAR), the approval of updated depreciation rates, and a new Transmission Adjustor (TA) and Plan of Administration. On May 9, 2023, the ACC issued a decision approving the Cooperative's application, authorizing new rate tariffs, depreciation rates, PPFAC, and transmission adjuster, all of which became effective on July 1, 2023.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Fuel procurement contracts – Coal supply agreements** – To ensure an adequate fuel supply, the Cooperative enters into various long-term fuel contracts. At December 31, 2023 and 2022, these contracts consist of:

- A 60-month agreement that originally required the Cooperative to purchase approximately 3,220,000 tons of coal during the term of the agreement. The agreement has since been amended to replace the term of the agreement with January 1, 2013 through December 31, 2024 and limit the remaining base tonnage obligation to 1,060,000 tons effective January 1, 2016. The amendment further limits the purchase and delivery of coal to approximately 176,000 tons in 2017, 153,000 tons in year 2018, 221,000 tons in 2019, and 92,060 tons in year 2020. A new amendment signed in year 2020 includes a quantity of 125,000 tons to be purchased in year 2021 with an optional tonnage quantity of 75,000 tons to be purchased in year 2021. A new amendment signed in 2021 includes a quantity of 235,000 tons to be purchased in year 2022 with an optional tonnage quantity of 83,000 tons to be purchased in year 2022. A new amendment signed in 2022 includes a quantity of 300,000 tons to be purchased in year 2023, and a quantity of 257,000 tons to be purchased in year 2024 with an optional tonnage quantity of 43,000 tons to be purchased in year 2024.
- A 7-month agreement for 85,000 tons to be delivered in year 2020 and an amendment to this agreement extending the term for another 12 months thru 2021, adding an additional 187,500 tons of coal to be delivered through 2021. A new amendment signed in year 2021 includes a quantity of 240,000 tons to be purchased in year 2022 with an optional tonnage quantity of 70,000 tons to be purchased in the year 2022. A new amendment signed in year 2022 includes a quantity of 300,000 tons to be purchased in year 2023 and a quantity of 257,000 tons to be purchased in the year 2024 with an optional tonnage quantity of 43,000 tons to be purchased in the year 2024.

**Coal railcar lease agreements** – To provide for the shipment of the coal supply, the Cooperative entered into lease agreements for the lease of coal railcar trainsets (see Note 15 – Coal railcar trainsets).

**Coal railcar maintenance agreement** – The Cooperative entered into railcar management services agreement, effective January 1, 2013, for the maintenance of the coal railcar trainset leased under the 20-year lease agreement (see Note 15 – Coal railcar trainsets). The term of the original maintenance agreement was extended to December 31, 2025.

**Collective bargaining agreement** – Approximately 33% of the personnel employed by the Cooperative's work force are subject to a collective bargaining agreement. The Cooperative entered into a five-year collective bargaining agreement effective March 1, 2023 through February 28, 2026.

**Letters of credit** – A letter of credit in the amount of \$800,000 was obtained by the Cooperative from CFC for the purpose of providing credit support for a power purchase agreement with Salt River Project Agricultural Improvement and Power District (SRP). The letter of credit was issued to SRP on December 1, 2015, and was renewed during 2023. The agreement will expire on December 31, 2024. The interest rate, if draws were to occur, will be equal to a fixed rate set by CFC, not to exceed the Prevailing Bank Prime Rate, as published in the Money Rates column of *The Wall Street Journal*, plus one percent per annum. As a condition of the letter of credit, the Cooperative is required to remain in compliance with the terms and conditions of the Indenture and Contract (see Note 2 and Note 8).

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Lines of credit** – On June 5, 2014, the Cooperative entered into a five-year committed unsecured line of credit agreement with CFC for \$50,000,000. On July 20, 2022, the Cooperative increased the unsecured commitment to \$75,000,000 and extended the agreement to July 2027. The interest rate on advances will be calculated at a rate per annum as may be fixed by CFC from time to time or in the case of a SOFR advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. There was a \$30,000,000 outstanding balance as of December 31, 2022 and a \$33,000,000 balance outstanding as of December 31, 2023. The interest rate on this line of credit notes averaged 6.46% and 5.42% as of December 31, 2023, and 2022, respectively.

On August 21, 2014, the Cooperative entered into a five-year committed unsecured line of credit agreement with CoBank for \$50,000,000. On July 20, 2022, the Cooperative increased the unsecured commitment to \$75,000,000 and extended the agreement to July 2027. The interest rate on advances will be calculated at a Base Rate Option, at a rate per annum equal to the Base Rate plus the Applicable Margin, or in the case of a Term SOFR Option, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. There was a \$29,029,412 outstanding balance as of December 31, 2023, and a \$33,000,000 outstanding balance as of December 31, 2022. The interest rate on this line of credit averaged 6.63% and 5.44% as of December 31, 2023 and 2022, respectively.

**Financing leases** – Financing lease property and the related liabilities are in substance asset purchases. Assets and liabilities under financing leases are recorded at the lesser of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over their related lease terms or their estimated useful lives, whichever is less.

On January 28, 2013, the Cooperative entered into a master lease agreement for the lease of substantially all of the Cooperative's vehicles. Individual lease schedules underlying the master lease agreement are entered into as individual vehicles are delivered. Each lease schedule includes a description of the vehicle, the lease term and the monthly rental and other payments due with respect to the vehicle. The term for each vehicle begins on the date each vehicle is delivered and continues as described in the individual schedule.

**Computer equipment** – The Cooperative entered into master lease agreements for the lease of substantially all the Cooperative's personal computers and peripheral equipment. Individual certificates of acceptance (COAs) underlying the master lease agreements are entered into as groups of computers and equipment are delivered. The terms of the COAs are for up to six years. Rent expense for the lease of the computer equipment was approximately \$419,000 and \$362,000 for the years ended December 31, 2023 and 2022, respectively, and is included in administration and general on the accompanying statements of revenues and expenses and unallocated accumulated margins.

**Copier equipment** – The Cooperative entered into two and three lease agreements for the lease of copier equipment for 2023 and 2022, respectively. The terms of each lease is 60 months. Rent expense for the lease of copier equipment was approximately \$43,437 and \$51,000 for the years ended December 31, 2023 and 2022, respectively and is included in administration and general on the accompanying statements of revenues and expenses and unallocated accumulated margins.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

**Hydrogen bulk storage vessel** – The Cooperative entered into a lease agreement for the lease of a storage vessel to store hydrogen gas. The term of the lease agreement is 60 months and is automatically renewed at the end of each term for 60 months unless either party gives written termination notice at least six (6) months before the expiration of the current term. The current 60 month period expires November 1, 2027. Rent expense for the lease of the storage vessel was approximately \$32,000 for the years ended December 31, 2023 and 2022, respectively.

**Coal railcar trainsets** – The Cooperative entered into lease agreements for the lease of coal railcar trainsets. Lease payments are included as a component of fuel expense. At December 31, 2023, these lease agreements consist of the following:

- A 20-year lease agreement, effective December 17, 2002 was extended effective January 1, 2023. Lease payments under this agreement totaled approximately \$319,000 and \$369,000 in 2023 and 2022. The Cooperative has the option of canceling this agreement effective December 31, 2025 subject to the Cooperative notifying the lessor in writing on or before 30 days prior to the effective date of the termination.

Future minimum financing lease payments and present values of the minimum lease payments are as follows as of December 31, 2023:

Years ending December 31,	2024	\$ 884,627
	2025	714,436
	2026	385,099
	2027	<u>405,479</u>
Total minimum lease payments		2,389,641
Less amount representing interest		<u>49,021</u>
Present value of minimum lease payments		2,340,620
Less current portion		<u>884,627</u>
Total minimum payments, net		<u><u>\$ 1,455,993</u></u>

The following provides the supplemental information related to financing leases for the purpose of the measurement of lease liabilities at December 31:

	<u>2023</u>	<u>2022</u>
Financing cash flows from financing leases	\$ 572,209	\$ 675,197
Weighted average remaining lease term	3.58	20 years
Weighted average discount rate	4.24	0.87%

**Legal** – In the normal course of business, the Cooperative is party to claims and matters of litigation. The ultimate outcome of these matters cannot presently be determined; however, in the opinion of the Management of the Cooperative, the resolution of these matters will not have a material adverse effect on the Cooperative's financial position, results of operations, or liquidity.



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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#### Note 12 – Patronage Capital

**Patronage capital allocation** – In accordance with the Cooperative's bylaws, the Cooperative is obligated to account, on a patronage basis, to all its Members for all amounts received and receivable from the sale and/or delivery of electric energy and other services in excess of the sum of:

- operating costs and expenses, including interest on debt service, properly chargeable against the sale and/or delivery of electric energy and other services; and,
- amounts required to offset any losses incurred during the current or any prior fiscal years.

All such amounts in excess of operating costs, expenses, and prior losses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Members as capital. The Cooperative is obligated to pay by credits to a capital account for each Member for all such amounts as credits in proportion to the value or quantity of the Cooperative's service used, received, or purchased by each Member during the applicable fiscal year in excess of operating costs and expenses and prior losses.

**Patronage capital retirement** – Per the Indenture, AEPCO may retire patronage capital without further restriction as long as aggregated margins and equity are maintained at a level that is at least 30% of total long-term debt and equities. The retirements for 2023 and 2022 were \$314,713 and \$0, respectively.

#### Note 13 – Employee Benefit Plans

**Managed Time Off (MTO)** – Employees earn paid time-off based on years of service and hours worked in the current period. The maximum accrued MTO for each employee is limited to a predetermined amount as established by policy of the Cooperative's Board of Directors. Any earned MTO not taken by an employee at the time of separation from employment in good standing may be paid in lump-sum as a termination benefit. Each year, employees with MTO exceeding 120 hours may convert up to 80 hours to cash at the employee's current base rate of pay.

**Pension plans** – The Cooperative has a defined benefit pension plan covering substantially all of its employees. Pension benefits are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan). The Cooperative contributes a percentage of salaried and union employees' earnings to the program, as prescribed by NRECA. The Cooperative's policy has been to fund retirement costs annually as they accrue. Withdrawal from the RS Plan may result in the Cooperative having a significant obligation to the program. The Cooperative does not currently intend to withdraw from the plan and accordingly, no provision has been included in the accompanying financial statements.

The NRECA RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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The Cooperative's contributions to the RS Plan in 2023 and 2022 represented less than 5 percent of the total contributions made to the plan by all participating employers. Contributions by the Cooperative to this plan approximated \$3,351,000 and \$3,158,000 for the years ended December 31, 2023 and 2022, respectively. Contributions in 2023 reflect a reduction in the contribution billing rate of approximately 25% resulting from the Cooperative's voluntary decision to prepay RS Plan contributions (See RS Plan prepayment).

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2023 and 2022, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The Cooperative offers participation in the 401(k) Pension Plan to non-union employees hired prior to January 1, 2012 and union employees hired prior to January 1, 2019 who meet certain minimum service requirements. This plan has 401(k) salary deferral features. Under this plan, the Cooperative matches a percentage of the employees' contributions to the plan. The Cooperative's contributions to the plan were approximately \$337,000 and \$353,000 for the years ended December 31, 2023 and 2022, respectively.

The Cooperative offers participation in the 401(k) Pension Plan to non-union employees hired after December 31, 2011 and union employees hired after December 31, 2018 who have no prior RS Plan participation history and meet certain minimum service requirements. This plan has 401(k) salary deferral features. Under this plan, the Cooperative matches a percentage of the employees' contributions to the plan. The Cooperative's contributions to the plan were approximately \$402,000 and \$445,000 for the years ended December 31, 2023 and 2022, respectively.

**RS Plan prepayment** – On April 29, 2013, the Cooperative voluntarily prepaid contributions of \$9,600,211 to the NRECA RS Plan. The prepayment amount is the Cooperative's share as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment was the equivalent of approximately 2.5 times the Cooperative's 2013 annual required contribution and will result in an approximate 25% reduction in the Cooperative's required contributions as of January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period. In accordance with the guidance provided by RUS to its borrowers, the Cooperative created a deferred debit and will amortize it over 17.5 years starting January 1, 2013.

**Deferred compensation programs** – The Cooperative offers a program to key employees whereby these employees may elect to set aside a portion of current compensation to be paid out at a later date upon a qualifying event including retirement, termination of employment, death, or disability. As of December 31, 2023 and 2022, there was one participant in the program.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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Effective March 1, 2016, the Cooperative offers a program (Top Hat Plan) to key employees whereby these employees may elect to set aside a portion of current compensation to be paid out at a later date selected by the employee upon initial participation in the plan or upon a qualifying event including retirement, termination of employment, death, or disability. As of December 31, 2023 and 2022, there was one participant in this program.

Effective January 1, 2016, the Cooperative offers a program (Performance Incentive 457(f) Plan) to a select group of management, key employees, or highly compensated employees within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA), which is intended to be a nonqualified deferred compensation plan maintained in conformity with the requirements of Internal Revenue Code Section 457(f). All amounts deferred under the Plan shall constitute short-term deferrals for the purposes of Code Section 409A. Benefits payable under the Plan shall be payable only if the participant achieves the performance goal or goals outlined in the Plan addendum. As of December 31, 2023 and 2022, there was one participant in this program.

#### **Note 15 – Concentration of Customers and Credit Risk**

Revenue and accounts receivable for the year ended December 31, 2023, included amounts from three customers, whom each individually represented more than 10% of the total operating revenue and accounts receivable. Revenue from these customers collectively represented approximately 85% of total operating revenue for 2023. The amounts owed from these customers collectively represented approximately 40% of the total accounts receivable balance at December 31, 2023.

Revenue and accounts receivable for the year ended December 31, 2022, included amounts from three customers, whom each individually represented more than 10% of the total operating revenue and accounts receivable. Revenue from these customers collectively represented approximately 59% of total operating revenue for 2022. The amounts owed from these customers collectively represented approximately 29% of the total accounts receivable balance at December 31, 2022.

#### **Note 16 – Related-Parties**

The Cooperative is a member of Sierra. Sierra is a member-owned, non-profit Arizona cooperative corporation organized to provide electric power and energy related products and services to its members and other patrons. The Cooperative is represented by two delegates. Each delegate is seated as a director on the Cooperative's Board of Directors and is entitled to one vote on each matter submitted to a vote at a meeting of the directors.

The Cooperative entered into an agreement with Sierra to lease certain real property (Property) to Sierra for the purpose of constructing and operating a 20 megawatt (MW) AC solar photovoltaic generating facility system (Generating Facility), which will be located on a portion of the Property. The term of the agreement is effective October 16, 2017 through December 31, 2045, and shall be automatically renewed as long as the Generating Facility remains in commercial operation. The Cooperative recorded solar site rental income from Sierra totaling approximately \$10,000 and \$0 for the years ended December 31, 2023 and 2022, respectively.

## Arizona Electric Power Cooperative, Inc. Notes to Financial Statements

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The Cooperative entered into an agreement with Sierra to finance construction of solar photovoltaic distributed generation facilities with two promissory notes (see Note 6). The combined notes receivable was \$1,074,502 and \$1,145,542 as of December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Cooperative has recorded approximately \$360,000 accounts payable to Sierra and there were approximately \$501,000 accounts receivable from Sierra. As of December 31, 2022, the Cooperative has recorded approximately \$354,000 accounts payable to Sierra and there were approximately \$382,000 accounts receivable from Sierra. The net receivable or payable are included in the accompanying balance sheets as accounts receivable or payable.





## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Arizona Electric Power Cooperative, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, of Arizona Electric Power Cooperative, Inc. (the "Cooperative") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Arizona Electric Power Cooperative, Inc. basic financial statements, and have issued our report thereon dated March 29, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arizona Electric Power Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Arizona Electric Power Cooperative, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Arizona Electric Power Cooperative, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Portland, Oregon  
March 29, 2024



MOSSADAMS



**§ 1710.501.B.5 – List of Secured Outstanding Debt Including  
amount and Lender**

***Arizona Electric Power Cooperative***  
***Summary of Secured Long-Term Debt Balances***  
*As of August 31, 2024*

DESCRIPTION	LENDER	AMOUNT OUTSTANDING
Long-Term Debt - FFB - RUS Guaranteed	RUS	\$147,989,644.23
CFC Long Term Debt	CFC	\$57,851,112.00
CFC Series 1994A Bonds	CFC	\$2,200,000.00
Total		<u>\$208,040,756.23</u>

**§ 1710.501.B.6 - Evidence of Collateral and/or Ability to Pledge  
Such Collateral**

Collateral and/or ability to pledge such collateral is governed by the terms and conditions of AEPCO's Indenture Deed of Trust.

**§ 1710.501.B.7 - Borrower Attorney Opinion**



**September 24, 2024**

Administrator  
Rural Utilities Service  
United States Department of Agriculture  
Washington, D.C. 20250-1500

**Subject: Arizona Electric Power Cooperative, Inc., (AEPCO) Arizona 28 U45**

Dear Sir or Madam:

I have examined or caused to be examined by competent and trustworthy persons, such corporate records and files and such other records, indexes and files as I have deemed necessary to permit me to render the opinions expressed herein.

I am of the opinion that:

- (a) the Borrower has real or personal property interest(s) (including easements, rights of way or leases) in the counties of Cochise, Gila, Graham, Greenlee, Maricopa, Mohave, Pima, Pinal, Santa Cruz and Yavapai in the State of Arizona and 10 mortgage counterparts are necessary for registering and indexing as a real estate mortgage in the appropriate offices in which the Borrower owns real property;
- (b) the Borrower was organized under the laws of the State of Arizona as a cooperative corporation and it is in good standing as evidenced in the attached Certificate of Good Standing marked as Schedule A hereto;
- (c) as of the date hereof, Exhibit A to the Indenture of Deed of Trust, Security Agreement, and Financing Statement, dated as of March 1, 2016, from the Borrower, as Grantor, to Regions Bank, as Trustee, as supplemented and amended ("Indenture") sets forth the schedule of real property comprising the Trust Estate (as defined in the Indenture);
- (d) the property descriptions contained Exhibit A to the Indenture are legally sufficient in the above specified States, in form, substance and copy quality, for inclusion in the granting clause of a mortgage and security instrument creating a lien on such property;
- (e) the Borrower's organizational number is 00574189;

**Arizona Electric Power Cooperative, Inc. • Sierra Southwest Cooperative Services, Inc.**  
**P.O. Box 670 • 1000 S. Highway 80 • Benson, Arizona 85602 • (520) 586-3631 Phone • [www.azgt.coop](http://www.azgt.coop)**  
AzGT is an equal opportunity provider and employer

- (f) the Borrower is qualified to conduct business in the States of Arizona and California;
- (g) the exact true and correct legal name of the Borrower, as stated in the articles of incorporation is Arizona Electric Power Cooperative, Inc.;
- (h) the Borrower has no corporate debt limit, but the amount of secured debt that the Borrower can issue under the Indenture is limited by the terms of Indenture;
- (i) the execution, delivery and performance by the Borrower of loan documents would require the consent, permission or authorization of the the Arizona Corporation Commission;
- (j) the Borrower's tax payer identification number is 86-0176697;
- (k) there are no pending claims or litigation against the Borrower;
- (l) the Borrower has the following named subsidiary or subsidiaries: Sierra Southwest Cooperative Services, Inc.;
- (m) the titles of the officials of the Borrower with the proper authority to execute all loan documents on behalf of the Borrower, and attest to the execution where required, are President, Secretary, Treasurer, Executive Vice President and Chief Executive Officer, and Chief Financial Officer.

Very truly yours,



**Charles Alves**

**Senior Attorney**

Arizona Electric Power Cooperative, Inc.

Attachments:

Good Standing Certificate - marked as Schedule A - Good Standing Certificate



## Attachment A – Good Standing Certificate

## STATE OF ARIZONA

**Office of the  
CORPORATION COMMISSION**

## CERTIFICATE OF GOOD STANDING

I, the undersigned Executive Director of the Arizona Corporation Commission, do hereby certify that:

**ARIZONA ELECTRIC POWER COOPERATIVE, INC.**

ACC file number: 00574189

was incorporated under the laws of the State of Arizona on 02/20/1961;

That all annual reports owed to date by said corporation have been filed or delivered for filing, and all annual filing fees owed to date have been paid; and

That, according to the records of the Arizona Corporation Commission, said corporation is in good standing in the State of Arizona as of the date this Certificate is issued.

This Certificate relates only to the legal existence of the above named entity as of the date this Certificate is issued, and is not an endorsement, recommendation, or approval of the entity's condition, business activities, affairs, or practices.

IN WITNESS WHEREOF, I have hereunto set my hand, affixed the official seal of the  
Arizona Corporation Commission, and issued this Certificate on this date: **08/07/2024**



A handwritten signature in cursive script, reading "Douglas R. Clark".

**Douglas R. Clark, Executive Director**

## § 1710.501.B 8 - Copies of Borrower's Power Supply Contracts

The following describe AEPCO's existing long term purchase agreements:

AEPCO is the off-taker, on behalf of Class A Members, of the Arizona Power Pooling Association hydroelectric power purchases from WAPA for **Salt Lake City Integrated Project** (SLCIP and formerly Colorado River Storage Project). AEPCO receives up to 2.4 MW during October through March and up to 11.7 MW during April through September under SLCIP, Contract No. 87-BCA-10001 as amended. Termination of 87-BCA-10001 and implementation of superseding Contract No. 17-SLC-0800 occurred simultaneously with no disruption in delivery. Superseding term of Contract No. 17-SLC-0800 is 10/1/24 through 9/30/57.

AEPCO is the off-taker, on behalf of Class A Members, of the Arizona Power Pooling Association hydroelectric power purchases from WAPA for **Parker Davis Project**. AEPCO can receive up to 18.4 MW during October through February and 23.8 MW during March through September under Parker Davis Project Contract No. 87-BCA-10085 as amended. Original term is 20 years commencing 3/1/88 through 9/30/08 and extended to 9/30/28 via Amendment 1, dated 2/10/06.

AEPCO is the off-taker, on behalf of Anza, and receives 2 MW each month of Hoover hydroelectric through a power purchase from the Bureau of Reclamation and WAPA under Boulder Canyon Project Contract No. 16-DSR-12636 known as **Anza Hoover**. Term is 50 years commencing 10/1/17 through 9/30/67.

AEPCO is the off-taker, on behalf of All Requirements Members (ARM), of a Power Sale Contract with Arizona Power Authority to receive Hoover hydroelectric known as **ARM Hoover**. AEPCO receives this hydroelectric through an Assignment of Power Sales Contract between each ARM, AEPCO and Arizona Power Authority. Term is 50 years commencing 10/1/17 through 9/30/67.

AEPCO is the off-taker, on behalf of Arizona cooperatives, of a Confirmation for Power Sale entered on 9/10/13 known as **SRP PPA**. AEPCO may schedule a maximum hourly capacity of 15 MW and up to a monthly maximum capacity of 44%. On 11/26/13, AEPCO and the Arizona cooperatives entered into an Allocation Agreement to allocate the SRP resource. Term is from 1/1/16 to 12/31/35 and may be terminated with 240 days advance written notice.

AEPCO is the off-taker of the 20 MW-ac solar facility known as **Apache Solar I** under the Solar Services Agreement, dated October 10, 2017, between AEPCO and Sierra. The term is 9 years commencing on the Commercial Operation Date and absent notice of non-renewal, the agreement automatically renews for 5-year periods until the termination of the interconnection.

AEPCO is the off-taker of the 2 MW-ac solar facility known as **Anza Phase I Solar** under the Solar Services Agreement, dated August 17, 2017, between AEPCO and Sierra. The term is 9 years commencing on the Commercial Operation Date and absent notice of non-renewal, the agreement automatically renews for 5-year periods until the termination of the interconnection.

AEPCO is the off-taker of 1.35 MW-ac solar facility and 2 MW-ac/4 MWh-ac battery energy storage system known as **Anza Phase II Solar and Storage Project** under the Solar Services Agreement, dated December 9, 2020, between AEPCO and Sierra. The term is 9 years commencing on the Commercial Operation Date and absent notice of non-renewal, the agreement automatically renews for 5-year periods until the termination of the interconnection.

AEPCO is the off-taker of 35 MW of energy storage systems known as the **Partial Requirements Member Battery Services Agreement (BESS)** between AEPCO and Sierra which provides for Sierra to develop, operate, maintain, and sell the 35 MW BESS at three locations and for AEPCO to purchase the full storage capacity of the 35 MW BESS. Three successor energy storage service agreements, are dated 1/8/24, 3/7/24, and 5/30/24, and remain in effect for 20 years.

AEPCO is the off-taker of a PPA, as amended by the First, Second and Third Amendment and later superseded by the Amended and Restated PPA (A&R PPA) with Roadrunner Solar LLC to develop solar generation facility of 235 MW known as **Apache II Solar**. Effective date of the A&R PPA is 9/24/24. Terminates 20 years after the commercial operation date.

AEPCO is the off-taker of an ESA, as amended by the First, Second and Third Amendment and later superseded by the Amended and Restated ESA (A&R ESA) with Roadrunner Battery Storage LLC to develop a battery energy storage system of 235 MW known as **Apache II Battery**. Effective date of the A&R ESA is 9/24/24. Terminates 20 years after the commercial operation date.

**§ 1710.501.B.9 - Competitive Position Information Including Rate  
Disparity Between Neighboring Utilities**

As a wholesale power provider, AEPCO does not compete with retail service providers. However, we have enclosed sales and rate information for retail utilities in the state of Arizona for reference.

Utility Characteristics									RESIDENTIAL				COMMERCIAL				INDUSTRIAL				TRANSPORTATION				TOTAL			
Data Year	Utility Number	Utility Name	Part	Service Type	Data Type	State	Ownership	BA Code	Revenues	Sales	Customers	Imputed Rate	Revenues	Sales	Customers	Imputed Rate	Revenues	Sales	Customers	Imputed Rate	Revenues	Sales	Customers	Imputed Rate	Revenues	Sales	Customers	Imputed Rate
									Thousand Dollars	Megawatt hours	Count	\$/MWh	Thousand Dollars	Megawatt hours	Count	\$/MWh	Thousand Dollars	Megawatt hours	Count	\$/MWh	Thousand Dollars	Megawatt hours	Count	\$/MWh	Thousand Dollars	Megawatt hours	Count	\$/MWh
2023	176	Ajo Improvement Co	A	Bundled	O	AZ	Investor Owned	AZPS	625.0	5,338	816	\$ 117.09	356.8	3,431	212	\$ 103.99	0.0	0	0	\$ -	0.0	0	0	\$ -	981.8	8,769	1,028	\$ 111.96
2023	803	Arizona Public Service Co	A	Bundled	O	AZ	Investor Owned	AZPS	2,289,196.4	14,947,950	1,228,022	\$ 153.14	1,831,339.4	14,334,300	140,199	\$ 127.76	217,076.3	2,088,056	2,709	\$ 103.96	0.0	0	0	\$ -	4,337,612.1	31,370,312	1,370,930	\$ 136.27
2023	5729	Electrical Dist No8 Maricopa	A	Bundled	O	AZ	Political Subdivision	AZPS	-	-	-	\$ -	-	-	-	\$ -	36,361.0	376,298	694	\$ 96.63	-	-	-	\$ -	36,361.0	376,298	694	\$ 96.63
2023	6957	Garkane Energy Coop, Inc	A	Bundled	O	AZ	Cooperative	WALC	2,593.8	25,935	1,353	\$ 100.01	1,594.5	16,839	431	\$ 94.69	0.0	0	0	\$ -	0.0	0	0	\$ -	4,188.3	42,774	1,784	\$ 97.92
2023	12351	City of Mesa - (AZ)	A	Bundled	O	AZ	Municipal	WALC	26,930.3	154,564	15,020	\$ 174.23	24,231.1	169,075	2,767	\$ 143.32	0.0	0	0	\$ -	0.0	0	0	\$ -	51,161.4	323,639	17,787	\$ 158.08
2023	12919	Moreno Water and Electric	A	Bundled	O	AZ	Investor Owned	WALC	2,143.3	20,438	2,305	\$ 104.87	1,636.4	16,431	389	\$ 99.59	179,446.0	2,747,805	2	\$ 65.31	-	-	-	\$ -	183,225.7	2,764,674	2,696	\$ 65.80
2023	13314	Navajo Tribal Utility Authority	A	Bundled	O	AZ	State	PACE	30,397.0	163,328	27,267	\$ 186.11	41,800.0	210,429	3,359	\$ 198.64	7,372.0	75,850	2	\$ 97.14	0.0	0	0	\$ -	79,569.0	449,647	30,628	\$ 176.96
2023	13318	Navapah Electric Coop, Inc	A	Bundled	O	AZ	Cooperative	TEPC	40,723.0	284,702	39,704	\$ 143.04	7,766.0	65,278	3,800	\$ 118.97	11,690.0	108,125	386	\$ 108.12	-	-	-	\$ -	60,179.0	458,105	43,702	\$ 131.37
2023	15048	Electrical Dist No2 Pinal County	A	Bundled	O	AZ	Political Subdivision	WALC	8,267.0	64,019	5,123	\$ 129.13	11,629.0	142,298	986	\$ 83.13	5,193.0	54,680	15	\$ 96.02	-	-	-	\$ -	25,289.0	260,397	6,124	\$ 97.12
2023	16572	Salt River Project	A	Bundled	O	AZ	Political Subdivision	SRP	1,837,996.4	14,741,168	1,030,789	\$ 124.68	1,261,594.3	12,715,899	110,794	\$ 99.21	296,476.0	4,373,110	47	\$ 87.90	947.9	9,688	1	\$ 97.84	3,397,004.6	31,839,885	1,141,630	\$ 106.69
2023	18280	Sulphur Springs Valley E C Inc	A	Bundled	O	AZ	Cooperative	WALC	67,989.8	405,883	45,606	\$ 167.51	71,435.9	514,018	7,824	\$ 138.96	5,886.3	45,718	5	\$ 128.75	0.0	0	0	\$ -	145,312.0	965,619	53,435	\$ 150.49
2023	19189	Trico Electric Cooperative Inc	A	Bundled	O	AZ	Cooperative	WALC	61,470.3	572,818	50,614	\$ 142.23	30,012.6	238,866	2,283	\$ 125.65	3,962.6	44,220	29	\$ 89.62	-	-	-	\$ -	115,445.7	855,904	52,926	\$ 134.88
2023	19604	USBIA-San Carlos Project	A	Bundled	O	AZ	Federal	WALC	13,547.0	116,379	11,025	\$ 116.40	8,521.0	105,993	1,675	\$ 80.39	766.0	11,307	3	\$ 69.51	-	-	-	\$ -	22,854.0	233,679	12,903	\$ 97.80
2023	19728	UNIS Electric, Inc	A	Bundled	O	AZ	Investor Owned	TEPC	137,698.4	1,009,273	93,838	\$ 136.43	96,970.9	696,683	12,200	\$ 139.19	13,197.7	126,468	7	\$ 104.36	-	-	-	\$ -	247,667.0	1,832,424	106,045	\$ 135.27
2023	21538	Mohave Electric Cooperative, Inc.	A	Bundled	O	AZ	Cooperative	WALC	57,964.8	456,200	39,953	\$ 127.06	24,828.5	203,748	4,450	\$ 121.86	12,577.1	115,960	25	\$ 108.46	0.0	0	0	\$ -	95,370.4	775,908	44,428	\$ 122.91
2023	24211	Tucson Electric Power Co	A	Bundled	O	AZ	Investor Owned	TEPC	594,104.9	3,967,416	407,394	\$ 149.75	293,128.5	1,962,442	41,707	\$ 149.37	292,465.4	3,023,450	572	\$ 96.73	60.0	378	1	\$ 158.73	1,179,758.8	8,953,696	449,674	\$ 131.76
2023	25866	Ak-Chin Electric Utility Authority	A	Bundled	O	AZ	State	AZPS	570.3	5,120	319	\$ 111.39	2,609.9	32,735	116	\$ 79.73	92.3	1,801	31	\$ 51.25	0.0	0	0	\$ -	3,272.5	39,656	466	\$ 82.52
2023	27000	WAPA-- Western Area Power Administration	A	Bundled	O	AZ	Federal	WALC	0.0	0	0	\$ -	2,119.9	83,316	15	\$ 25.44	4,166.8	218,559	5	\$ 19.06	0.0	0	0	\$ -	6,286.7	301,875	20	\$ 20.83
2023	30516	Electrical Dist No3 Pinal County	A	Bundled	O	AZ	Political Subdivision	AZPS	58,925.2	427,876	28,126	\$ 137.72	27,791.5	204,067	1,911	\$ 136.19	13,570.7	238,904	383	\$ 56.80	-	-	-	\$ -	100,267.4	870,847	30,420	\$ 115.16
2023	40165	Duke Escalante R E A, Inc	A	Bundled	O	AZ	Cooperative	PACE	2,864.0	33,466	2,712	\$ 85.58	996.6	12,224	353	\$ 81.53	-	-	-	\$ -	-	-	-	\$ -	3,860.6	45,690	3,085	\$ 84.50
2023	65261	Gila River Indian Utility Authority (GRICUA)	A	Bundled	O	AZ	Cooperative	WALC	6,514.0	45,667	2,616	\$ 142.64	27,544.0	219,163	753	\$ 125.68	0.0	0	0	\$ -	0.0	0	0	\$ -	34,058.0	264,830	3,369	\$ 128.60

Source: U.S. Department of Energy, Energy Information Administration, Form EIA-861, 2023 data

## **§ 1710.501.B.10 - Construction Work Plan and/or Engineering Power Cost Study**

Enclosed are summaries of the 2017-2020 Construction Work Plan (CWP), as amended, and the 2021-2024 Construction Work Plan (CWP), as amended, and a summary of the projects (from the two CWP's) included in this loan application, which also reconciles with the form 740c.



**Summary of Construction Program and Cost** (all project costs are shown in in-service year although there may be cash flow in previous years)  
(2017 - 2020 Construction Work Plan, Am. #2)

RUS 740c	App. A Pg	Project Name	Project Number	2017	2018	2019	2020	Total S's	Amend. # / Chg.
<u>800 - Transmission Lines</u>									
800.1	800.1-1	Saguaro-North Loop Line Procurement	2-02092	\$0	\$0	\$0	\$2,900,000	\$2,900,000	2 - Revised \$
<b>Transmission Lines - Totals</b>				<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,900,000</b>	<b>\$2,900,000</b>	
<u>1000 - Line and Station Changes</u>									
1000.1	1000.1-1	REMOVED 2017-18 Easement Correction Project	2-02061r	\$0	\$0	\$0	\$0	\$0	2 - Removed
1000.2	1000.2-1	2019-20 Easement Correction Project	2-02062	\$0	\$0	\$0	\$300,000	\$300,000	0 - Original
1000.3	1000.3-1	Greenlee 230/25 kV Substation Upgrade	2-02053	\$0	\$0	\$965,000	\$0	\$965,000	1 - Amended
1000.4	1000.4-1	Valencia - CAWCD Interconnect	2-02051	\$0	\$0	\$0	\$2,537,500	\$2,537,500	0 - Original
1000.5	1000.5-1	APS Bagdad Interconnect	2-02052	\$0	\$0	\$1,195,000	\$0	\$1,195,000	1 - Revised \$
1000.6	1000.6-1	REMOVED - FMI Morenci - TEP Joint Project	2-02055	\$0	\$0	\$0	\$0	\$0	1 - Removed
1000.7	1000.7-1	Topock Access Road Project	2-02056	\$0	\$0	\$0	\$150,000	\$150,000	1 - Revised \$
1000.8	1000.8-1	REMOVED - UES Hilltop Substation	2-02057	\$0	\$0	\$0	\$0	\$0	2 - Removed
1000.9	1000.9-1	Round Valley Interconnect	2-02058	\$0	\$509,000	\$0	\$0	\$509,000	0 - Original
1000.1	1000.10-1	Vail-Bicknell 345 kV Structure 54	2-02059	\$215,100	\$0	\$0	\$0	\$215,100	1 - Revised \$
1000.11	1000.11-1	Valencia 115 kV Capacitor Bank	2-02060	\$0	\$0	\$0	\$565,000	\$565,000	0 - Original
1000.12	1000.12-1	Dos Condados Capacitor Bank Installation	2-02063	\$0	\$400,000	\$0	\$0	\$400,000	0 - Original
1000.13	1000.13-1	REMOVED - Fort Huachuca 138/69 kV Interconnect	2-02064r	\$0	\$0	\$0	\$0	\$0	2 - Removed
1000.14	1000.14-1	REMOVED - Marana-Thornedale-Saguaro	2-02065r	\$0	\$0	\$0	\$0	\$0	1 - Removed
1000.15	1000.15-1	Pinal West CT Replacement	2-02066	\$183,000	\$0	\$0	\$0	\$183,000	0 - Original
1000.16	1000.16-1	TEP Physical Security Upgrades	2-02080	\$0	\$0	\$120,400	\$0	\$120,400	1 - Added
1000.17	1000.17-1	TEP Communication Upgrades	2-02081	\$0	\$365,000	\$0	\$0	\$365,000	1 - Added
1000.18	1000.18-1	TEP Greenlee Substation Upgrade	2-02083	\$0	\$0	\$0	\$3,794,000	\$3,794,000	2 - Revised \$
1000.19	1000.19-1	TEP South Substation Upgrade	2-02087	\$0	\$0	\$1,080,000	\$0	\$1,080,000	1 - Added
1000.2	1000.20-1	TEP Westwing Fault Recorder	2-02088	\$0	\$0	\$75,000	\$0	\$75,000	1 - Added
1000.21	1000.21-1	TEP Westwing RTU Replacement	2-02089	\$0	\$0	\$149,700	\$0	\$149,700	2 - Revised \$
1000.22	1000.22-1	Rattlesnake 115 kV Breaker	2-02090	\$0	\$0	\$220,000	\$0	\$220,000	1 - Added
1000.23	1000.23-1	REMOVED - Marana Capacitor Bank	2-02091r	\$0	\$0	\$0	\$0	\$0	2 - Removed
1000.24	1000.24-1	Davis Dam-Riviera Easement Renewal	2-02072	\$0	\$0	\$0	\$1,858,600	\$1,858,600	2 - Revised \$
1000.25	1000.25-1	REMOVED - Marana T101 Transformer Upgrade	2-02093r	\$0	\$0	\$0	\$0	\$0	2 - Removed
1000.26	1000.26-1	Valencia T101 Transformer Upgrade	2-02095	\$0	\$0	\$0	\$682,000	\$682,000	1 - Added
1000.27	1000.27-1	Winchester and Greenlee Fault Recorders	2-02105	\$0	\$0	\$0	\$98,300	\$98,300	2 - Added
1000.28	1000.28-1	Pinal West to South Anchor Replacement	2-02103	\$0	\$0	\$0	\$119,500	\$119,500	2 - Added
1000.29	1000.29-1	Three Points Substation Upgrade	2-02109	\$0	\$0	\$0	\$1,121,000	\$1,121,000	2 - Added
<b>Line and Station Changes - Totals</b>				<b>\$398,100</b>	<b>\$1,274,000</b>	<b>\$3,805,100</b>	<b>\$11,225,900</b>	<b>\$16,703,100</b>	
<u>1102 - Line and Substation Ordinary Replacement</u>									
1102.1	1102.1-1	2017 Transmission Renew/Replace	LINES.17	\$500,000	\$0	\$0	\$0	\$500,000	0 - Original
1102.2	1102.2-1	2017 Substation Renew/Replace	SUBS.17	\$500,000	\$0	\$0	\$0	\$500,000	0 - Original
1102.3	1102.3-1	2017 Communication Renew/Replace	COMM.17	\$700,000	\$0	\$0	\$0	\$700,000	0 - Original
1102.4	1102.4-1	2018 Transmission Renew/Replace	LINES.18	\$0	\$500,000	\$0	\$0	\$500,000	0 - Original
1102.5	1102.5-1	2018 Substation Renew/Replace	SUBS.18	\$0	\$0	\$500,000	\$0	\$500,000	0 - Original
1102.6	1102.6-1	2018 Communication Renew/Replace	COMM.18	\$0	\$0	\$700,000	\$0	\$700,000	0 - Original
1102.7	1102.7-1	2019 Transmission Renew/Replace	LINES.19	\$0	\$0	\$0	\$500,000	\$500,000	0 - Original
1102.8	1102.8-1	2019 Substation Renew/Replace	SUBS.19	\$0	\$0	\$500,000	\$0	\$500,000	0 - Original
1102.9	1102.9-1	2019 Communication Renew/Replace	COMM.19	\$0	\$0	\$700,000	\$0	\$700,000	0 - Original
1102.1	1102.10-1	2020 Transmission Renew/Replace	LINES.20	\$0	\$0	\$0	\$500,000	\$500,000	0 - Original
1102.11	1102.11-1	2020 Substation Renew/Replace	SUBS.20	\$0	\$0	\$0	\$500,000	\$500,000	0 - Original
1102.12	1102.12-1	2020 Communication Renew/Replace	COMM.20	\$0	\$0	\$0	\$700,000	\$700,000	0 - Original
<b>Line and Substation Ordinary Replacement - Totals</b>				<b>\$1,700,000</b>	<b>\$500,000</b>	<b>\$2,400,000</b>	<b>\$2,200,000</b>	<b>\$6,800,000</b>	
<u>1104 - Equipment</u>									
1104.1	1104.1-1	Transmission Aerial Lift Replacement	2-02112	\$0	\$0	\$0	\$1,142,000	\$1,142,000	2 - Added
<b>Equipment - Totals</b>				<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,142,000</b>	<b>\$1,142,000</b>	
<b>CWP Year Totals:</b>				<b>\$2,098,100</b>	<b>\$1,774,000</b>	<b>\$6,205,100</b>	<b>\$17,467,900</b>	<b>\$27,545,100</b>	

**Summary of Construction Program and Cost** (all project costs are shown in in-service year although there may be cash flow in previous years)  
(2021 - 2024 Construction Work Plan, Am. #2)

RUS 740c	App. A Pg	Project Name	Project Number	2021	2022	2023	2024	Total \$'s	Amend. # / Chg.
<b>800 - Transmission Lines</b>									
800.1	800.1-1	Boothill to Schieffelin 69 kV Line	2-02021	\$0	\$0	4054000	0	\$4,054,000	1 - Revised \$
800.2	800.2-1	Adonis-Marana 115 kV Line	2-02110	\$0	\$0	0	11444671	\$11,444,671	2 - Revised \$
800.3	800.3-1	REMOVED - Marana 115 kV Loop-in Line	2-02114r	\$0	\$0	0	0	\$0	1 - Removed
800.4	800.4-1	WAPA Line Segment Procurement -Apache	2-02147	\$0	\$0	359059	0	\$359,059	2 - Added
<b>Transmission Lines - Totals</b>				<b>\$0</b>	<b>\$0</b>	<b>\$4,413,059</b>	<b>\$11,444,671</b>	<b>\$15,857,730</b>	
<b>900 - New Substations, Switching Stations</b>									
900.1	900.1-1	Schieffelin 230/69 kV Substation	2-02019	\$5,330,000	\$0	0	0	\$5,330,000	0 - Original
900.2	900.2-1	Adonis Substation	2-02117	\$0	\$0	3669000	0	\$3,669,000	1 - Revised \$
<b>New Substations, Switching Stations - Totals</b>				<b>\$5,330,000</b>	<b>\$0</b>	<b>\$3,669,000</b>	<b>\$0</b>	<b>\$8,999,000</b>	
<b>1000 - Line and Station Changes</b>									
1000.1	1000.1-1	Boothill 115/69 kV Substation	2-02020	\$0	\$0	\$4,832,000	\$0	\$4,832,000	1 - Revised \$
1000.2	1000.2-1	Bicknell 345/230 kV Transformer Replacement	2-02101	\$0	\$3,278,800	\$0	\$0	\$3,278,800	1 - Revised \$
1000.3	1000.3-1	Apache and Bicknell Fault Recorders	2-02104	\$0	\$170,100	\$0	\$0	\$170,100	0 - Original
1000.4	1000.4-1	Apache 115/69 kV Transformer Replacement	2-02111	\$0	\$0	\$0	\$1,911,000	\$1,911,000	0 - Original
1000.5	1000.5-1	Marana 115 kV Substation Rebuild Project	2-02115	\$0	\$0	\$0	\$6,187,021	\$6,187,021	2 - Revised \$
1000.6	1000.6-1	Saguaro 115 kV Interconnection	2-02113	\$0	\$0	\$1,570,000	\$0	\$1,570,000	0 - Original
1000.7	1000.7-1	Greenlee 345/230 kV Transformer Upgrade	2-02120	\$0	\$0	\$0	\$4,987,055	\$4,987,055	2 - Revised \$
1000.8	1000.8-1	REMOVED - Fort Huachuca 138/69 kV	2-02064	\$0	\$0	\$0	\$0	\$0	1 - Removed
1000.9	1000.9-1	REMOVED - 2021-22 Easement Correction	2-02118	\$0	\$0	\$0	\$0	\$0	1 - Removed
1000.1	1000.10-1	REMOVED - 2023-24 Easement Correction	2-02119	\$0	\$0	\$0	\$0	\$0	1 - Removed
1000.11	1000.11-1	REMOVED - Vail Enclosure	2-02124	\$0	\$0	\$0	\$0	\$0	1 - Removed
1000.12	1000.12-1	REMOVED - Greenlee Enclosure	2-02125	\$0	\$0	\$0	\$0	\$0	1 - Removed
1000.13	1000.13-1	Bicknell 115 kV Breaker Replacement	2-02129	\$0	\$0	\$1,090,165	\$0	\$1,090,165	2 - Revised \$
1000.14	1000.14-1	AEP/CO/APS Fiber Install	2-02131	\$0	\$0	\$92,500	\$0	\$92,500	1 - Added
1000.15	1000.15-1	Pantano 230/115 kV Transformer Replacement	2-02141	\$0	\$0	\$0	\$4,874,738	\$4,874,738	2 - Revised \$
1000.16	1000.16-1	Topock RTU and Relay Replacement	2-02134	\$0	\$0	\$0	\$463,700	\$463,700	1 - Added
1000.17	1000.17-1	West Wing - Vail ASLD Renewal	2-02140	\$0	\$0	\$331,500	\$0	\$331,500	1 - Added
1000.18	1000.18-1	Saguaro-Adonis ADSS Fiber Installation	2-02143	\$0	\$0	\$505,022	\$0	\$505,022	1 - Added
1000.19	1000.19-1	Saguaro - Adonis Structural Steel	2-02144	\$0	\$0	\$931,083	\$0	\$931,083	2 - Revised \$
1000.2	1000.20-1	Line 125 and Line 133 Easement Acquisition	2-02149	\$0	\$0	\$788,400	\$0	\$788,400	2 - Added
1000.21	1000.21-1	Riviera Meter Upgrade	2-02133	\$0	\$228,800	\$0	\$0	\$228,800	2 - Added
1000.22	1000.22-1	230 kV Ring Bus - Apache	2-02148	\$0	\$0	\$0	\$5,072,442	\$5,072,442	2 - Added
<b>Line and Station Changes - Totals</b>				<b>\$0</b>	<b>\$3,677,700</b>	<b>\$10,140,670</b>	<b>\$23,495,956</b>	<b>\$37,314,326</b>	
<b>1102 - Line and Substation Ordinary Replacement</b>									
1102.1	1102.1-1	2021 Transmission Renew/Replace	LINES.21	\$0	\$500,000	\$0	\$0	\$500,000	0 - Original
1102.2	1102.2-1	2021 Substation Renew/Replace	SUBS.21	\$0	\$500,000	\$0	\$0	\$500,000	0 - Original
1102.3	1102.3-1	2021 Communication Renew/Replace	COMM.21	\$0	\$700,000	\$0	\$0	\$700,000	0 - Original
1102.4	1102.4-1	2022 Transmission Renew/Replace	LINES.22	\$0	\$0	\$500,000	\$0	\$500,000	0 - Original
1102.5	1102.5-1	2022 Substation Renew/Replace	SUBS.22	\$0	\$0	\$500,000	\$0	\$500,000	0 - Original
1102.6	1102.6-1	2022 Communication Renew/Replace	COMM.22	\$0	\$0	\$700,000	\$0	\$700,000	0 - Original
1102.7	1102.7-1	2023 Transmission Renew/Replace	LINES.23	\$0	\$0	\$500,000	\$0	\$500,000	0 - Original
1102.8	1102.8-1	2023 Substation Renew/Replace	SUBS.23	\$0	\$0	\$500,000	\$0	\$500,000	0 - Original
1102.9	1102.9-1	2023 Communication Renew/Replace	COMM.23	\$0	\$0	\$700,000	\$0	\$700,000	0 - Original
1102.1	1102.10-1	2024 Transmission Renew/Replace	LINES.24	\$0	\$0	\$0	\$500,000	\$500,000	0 - Original
1102.11	1102.11-1	2024 Substation Renew/Replace	SUBS.24	\$0	\$0	\$0	\$500,000	\$500,000	0 - Original
1102.12	1102.12-1	2024 Communication Renew/Replace	COMM.24	\$0	\$0	\$0	\$700,000	\$700,000	0 - Original
<b>Line and Substation Ordinary Replacement - Totals</b>				<b>\$0</b>	<b>\$1,700,000</b>	<b>\$3,400,000</b>	<b>\$1,700,000</b>	<b>\$6,800,000</b>	
<b>1104 - Equipment</b>									
1104.1	1104.1-1	REMOVED - Apache 230/115kV Transformer Critical Span	2-02027	\$0	\$0	0	0	\$0	1 - Removed
1104.2	1104.2-1	Truck Replacement	2-02122	\$0	\$525,000	0	0	\$525,000	1 - Revised \$
1104.3	1104.3-1	Altec TA55 Bucket Truck	2-02151	\$0	\$0	180000	0	\$180,000	2 - Added
<b>Equipment - Totals</b>				<b>\$0</b>	<b>\$525,000</b>	<b>\$180,000</b>	<b>\$0</b>	<b>\$705,000</b>	
<b>CWP Year Totals:</b>				<b>\$5,330,000</b>	<b>\$5,902,700</b>	<b>\$21,802,729</b>	<b>\$36,640,627</b>	<b>\$69,676,056</b>	



## Arizona Electric Power Cooperative, Inc. - Transmission

ET = Technical &amp; Environmental

## Financing Application

T = Technical

Line No.	740c Group	CWP	RUS 740c	Project Name	Project Number	CWP Budget	RUS Approval	U45 Loan Request	Funds	
									Previously Advanced	
1	New Lines	2017-2020	800.1	Saguaro-North Loop Line Procurement	2-02092	\$2,900,000	ET	\$2,900,000		
2	<b>New Lines Total</b>	<b>2017-2020</b>				<b>\$2,900,000</b>		<b>\$2,900,000</b>		
3	Line and Station Changes	2017-2020	1000.2	2019-20 Easement Correction Project	2-02062	\$300,000	-	\$300,000		
4	Line and Station Changes	2017-2020	1000.3	Greenlee 230/25 kV Substation Upgrade	2-02053	\$965,000	ET	\$965,000		
5	Line and Station Changes	2017-2020	1000.4	Valencia - CAWCD Interconnect	2-02051	\$2,537,500	ET	\$2,537,500		
6	Line and Station Changes	2017-2020	1000.5	APS Bagdad Interconnect	2-02052	\$1,195,000	ET	\$1,195,000		
7	Line and Station Changes	2017-2020	1000.7	Topock Access Road Project	2-02056	\$150,000	ET	\$150,000		
8	Line and Station Changes	2017-2020	1000.9	Round Valley Interconnect	2-02058	\$509,000	ET	\$509,000		
9	Line and Station Changes	2017-2020	1000.1	Vail-Bicknell 345 kV Structure 54	2-02059	\$215,100	ET	\$0	D8	
10	Line and Station Changes	2017-2020	1000.11	Valencia 115 kV Capacitor Bank	2-02060	\$565,000	ET	\$565,000		
11	Line and Station Changes	2017-2020	1000.12	Dos Condados Capacitor Bank Installation	2-02063	\$400,000	ET	\$400,000		
12	Line and Station Changes	2017-2020	1000.15	Pinal West CT Replacement	2-02066	\$183,000	ET	\$0	D8	
13	Line and Station Changes	2017-2020	1000.16	TEP Physical Security Upgrades	2-02080	\$120,400	ET	\$120,400		
14	Line and Station Changes	2017-2020	1000.17	TEP Communication Upgrades	2-02081	\$365,000	ET	\$365,000		
15	Line and Station Changes	2017-2020	1000.18	TEP Greenlee Substation Upgrade	2-02083	\$3,794,000	ET	\$3,794,000		
16	Line and Station Changes	2017-2020	1000.19	TEP South Substation Upgrade	2-02087	\$1,080,000	ET	\$1,080,000		
17	Line and Station Changes	2017-2020	1000.20	TEP Westwing Fault Recorder	2-02088	\$75,000	ET	\$75,000		
18	Line and Station Changes	2017-2020	1000.21	TEP Westwing RTU Replacement	2-02089	\$149,700	ET	\$149,700		
19	Line and Station Changes	2017-2020	1000.22	Rattlesnake 115 kV Breaker	2-02090	\$220,000	ET	\$220,000		
20	Line and Station Changes	2017-2020	1000.24	Davis Dam-Riviera Easement Renewal	2-02072	\$1,858,600	ET	\$1,858,600		
21	Line and Station Changes	2017-2020	1000.26	Valencia T101 Transformer Upgrade	2-02095	\$682,000	ET	\$682,000		
22	Line and Station Changes	2017-2020	1000.27	Winchester and Greenlee Fault Recorders	2-02105	\$98,300	E	\$98,300		
23	Line and Station Changes	2017-2020	1000.28	Pinal West to South Anchor Replacement	2-02103	\$119,500	ET	\$119,500		
24	Line and Station Changes	2017-2020	1000.29	Three Points Substation Upgrade	2-02109	\$1,121,000	ET	\$1,121,000		
25	<b>Line and Station Changes Total</b>	<b>2017-2020</b>				<b>\$16,703,100</b>		<b>\$16,305,000</b>		
26	Line and Substation Replacements	2017-2020	1102.1	2017 Transmission Renew/Replace	LINES.17	\$500,000	ET	\$0	D8	
27	Line and Substation Replacements	2017-2020	1102.2	2017 Substation Renew/Replace	SUBS.17	\$500,000	ET	\$0	D8	
28	Line and Substation Replacements	2017-2020	1102.3	2017 Communication Renew/Replace	COMM.17	\$700,000	ET	\$0	D8	
29	Line and Substation Replacements	2017-2020	1102.4	2018 Transmission Renew/Replace	LINES.18	\$500,000	ET	\$0	D8	
30	Line and Substation Replacements	2017-2020	1102.5	2018 Substation Renew/Replace	SUBS.18	\$500,000	ET	\$0	D8	
31	Line and Substation Replacements	2017-2020	1102.6	2018 Communication Renew/Replace	COMM.18	\$700,000	ET	\$700,000		
32	Line and Substation Replacements	2017-2020	1102.7	2019 Transmission Renew/Replace	LINES.19	\$500,000	ET	\$500,000		
33	Line and Substation Replacements	2017-2020	1102.8	2019 Substation Renew/Replace	SUBS.19	\$500,000	ET	\$500,000		
34	Line and Substation Replacements	2017-2020	1102.9	2019 Communication Renew/Replace	COMM.19	\$700,000	-	\$700,000		
35	Line and Substation Replacements	2017-2020	1102.10	2020 Transmission Renew/Replace	LINES.20	\$500,000	-	\$500,000		
36	Line and Substation Replacements	2017-2020	1102.11	2020 Substation Renew/Replace	SUBS.20	\$500,000	ET	\$500,000		
37	Line and Substation Replacements	2017-2020	1102.12	2020 Communication Renew/Replace	COMM.20	\$700,000	ET	\$700,000		
38	<b>Line and Substation Replacements Total</b>	<b>2017-2020</b>				<b>\$6,800,000</b>		<b>\$4,100,000</b>		
39	Equipment	2017-2020	1104.1	Transmission Aerial Lift Replacement	2-02112	\$1,142,000	-	\$1,142,000		
40	<b>Equipment Total</b>	<b>2017-2020</b>				<b>\$1,142,000</b>		<b>\$1,142,000</b>		
41	<b>Total</b>	<b>2017-2020</b>				<b>\$27,545,100</b>		<b>\$24,447,000</b>		
42	New Lines	2021-2024	800.1	Boothill to Schieffelin 69 kV Line	2-02021	\$4,054,000	ET	\$4,054,000		
43	New Lines	2021-2024	800.2	Adonis-Marana 115 kV Line	2-02110	\$11,444,671	T	\$11,444,671		
44	New Lines	2021-2024	800.4	WAPA Line Segment Procurement -Apache	2-02147	\$359,059	-	\$359,059		
45	<b>New Lines Total</b>	<b>2021-2024</b>				<b>\$15,857,730</b>		<b>\$15,857,730</b>		
46	New Substations	2021-2024	900.1	Schieffelin 230/69 kV Substation	2-02019	\$5,330,000	ET	\$5,330,000		
47	New Substations	2021-2024	900.2	Adonis Substation	2-02117	\$3,669,000	ET	\$3,669,000		
48	<b>New Substations Total</b>	<b>2021-2024</b>				<b>\$8,999,000</b>		<b>\$8,999,000</b>		
49	Line and Station Changes	2021-2024	1000.1	Boothill 115/69 kV Substation	2-02020	\$4,832,000	T	\$4,832,000		
50	Line and Station Changes	2021-2024	1000.2	Bicknell 345/230 kV Transformer Replacement	2-02101	\$3,278,800	ET	\$3,278,800		
51	Line and Station Changes	2021-2024	1000.3	Apache and Bicknell Fault Recorders	2-02104	\$170,100	T	\$170,100		
52	Line and Station Changes	2021-2024	1000.4	Apache 115/69 kV Transformer Replacement	2-02111	\$1,911,000	T	\$1,911,000		
53	Line and Station Changes	2021-2024	1000.5	Marana 115 kV Substation Rebuild Project	2-02115	\$6,187,021	T	\$6,187,021		
54	Line and Station Changes	2021-2024	1000.6	Saguaro 115 kV Interconnection	2-02113	\$1,570,000	T	\$1,570,000		
55	Line and Station Changes	2021-2024	1000.7	Greenlee 345/230 kV Transformer Upgrade	2-02120	\$4,987,055	T	\$4,987,055		
56	Line and Station Changes	2021-2024	1000.13	Bicknell 115 kV Breaker Replacement	2-02129	\$1,090,165	T	\$1,090,165		
57	Line and Station Changes	2021-2024	1000.14	AEP/CO/APS Fiber Install	2-02131	\$92,500	ET	\$92,500		
58	Line and Station Changes	2021-2024	1000.15	Pantano 230/115 kV Transformer Replacement	2-02141	\$4,874,738	ET	\$4,874,738		
59	Line and Station Changes	2021-2024	1000.16	Topock RTU and Relay Replacement	2-02134	\$463,700	ET	\$463,700		
60	Line and Station Changes	2021-2024	1000.17	West Wing - Vail ASDL Renewal	2-02140	\$331,500	ET	\$331,500		
61	Line and Station Changes	2021-2024	1000.18	Saguaro-Adonis ADSS Fiber Installation	2-02143	\$505,022	T	\$505,022		
62	Line and Station Changes	2021-2024	1000.19	Saguaro - Adonis Structural Steel	2-02144	\$931,083	T	\$931,083		
63	Line and Station Changes	2021-2024	1000.20	Line 125 and Line 133 Easement Acquisition	2-02149	\$788,400	-	\$788,400		
64	Line and Station Changes	2021-2024	1000.21	Riviera Meter Upgrade	2-02133	\$228,800	-	\$228,800		
65	Line and Station Changes	2021-2024	1000.22	230 kV Ring Bus - Apache	2-02148	\$5,072,442	-	\$5,072,442		
66	<b>Line and Station Changes Total</b>	<b>2021-2024</b>				<b>\$37,314,326</b>		<b>\$37,314,326</b>		
67	Line and Substation Replacements	2021-2024	1102.1	2021 Transmission Renew/Replace	LINES.21	\$500,000	T	\$500,000		
68	Line and Substation Replacements	2021-2024	1102.2	2021 Substation Renew/Replace	SUBS.21	\$500,000	-	\$500,000		
69	Line and Substation Replacements	2021-2024	1102.3	2021 Communication Renew/Replace	COMM.21	\$700,000	T	\$700,000		
70	Line and Substation Replacements	2021-2024	1102.4	2022 Transmission Renew/Replace	LINES.22	\$500,000	T	\$500,000		
71	Line and Substation Replacements	2021-2024	1102.5	2022 Substation Renew/Replace	SUBS.22	\$500,000	T	\$500,000		
72	Line and Substation Replacements	2021-2024	1102.6	2022 Communication Renew/Replace	COMM.22	\$700,000	T	\$700,000		
73	Line and Substation Replacements	2021-2024	1102.7	2023 Transmission Renew/Replace	LINES.23	\$500,000	T	\$500,000		
74	Line and Substation Replacements	2021-2024	1102.8	2023 Substation Renew/Replace	SUBS.23	\$500,000	T	\$500,000		
75	Line and Substation Replacements	2021-2024	1102.9	2023 Communication Renew/Replace	COMM.23	\$700,000	T	\$700,000		
76	Line and Substation Replacements	2021-2024	1102.10	2024 Transmission Renew/Replace	LINES.24	\$500,000	T	\$500,000		
77	Line and Substation Replacements	2021-2024	1102.11	2024 Substation Renew/Replace	SUBS.24	\$500,000	T	\$500,000		
78	Line and Substation Replacements	2021-2024	1102.12	2024 Communication Renew/Replace	COMM.24	\$700,000	T	\$700,000		
79	<b>Line and Substation Replacements Total</b>	<b>2021-2024</b>				<b>\$6,800,000</b>		<b>\$6,800,000</b>		
80	Equipment	2021-2024	1104.2	Truck Replacement	2-02122	\$525,000	T	\$525,000		
81	Equipment	2021-2024	1104.3	Altec TA55 Bucket Truck	2-02151	\$180,000	-	\$180,000		
82	<b>Equipment Total</b>	<b>2021-2024</b>				<b>\$705,000</b>		<b>\$705,000</b>		
83	<b>Total</b>	<b>2021-2024</b>				<b>\$69,676,056</b>		<b>\$69,676,056</b>		
84	<b>Grand Total</b>					<b>\$97,221,156</b>		<b>\$94,123,056</b>		

**§ 1710.501.B.11 - An Environmental Report Related to the Facilities  
for Which Financing is Being Requested**

Environmental reports related to the facilities for which financing is being requested in this loan application were previously submitted to the RUS.

### **§ 1710.501.C.1 - Power Supply Arrangements and/or Wholesale Power Contracts Including Maturity Dates**

AEPCO has six Class A Members. Three of the Class A Members are all requirement members (ARMs) and three of the Class A Members are partial requirement members (PRMs). AEPCO is obligated to provide all energy and capacity to serve the ARM's load under the Wholesale Power Contract (WPC). AEPCO is obligated to provide a portion of the energy and capacity to serve the PRM's load under a Partial Requirements Capacity and Energy Agreement (PRCEA).

The Mohave Electric Cooperative PRCEA is dated July 2, 2001, as amended; the Sulphur Springs Valley Electric Cooperative PRCEA is dated December 29, 2005, as amended; and the Trico Electric Cooperative PRCEA is dated May 12, 2010, as amended.

The Duncan Valley Electric Cooperative WPC and the Graham County Electric Cooperative WPC is dated February 15, 1962, as amended; and the Anza Electric Cooperative WPC is dated April 1, 1982, as amended.

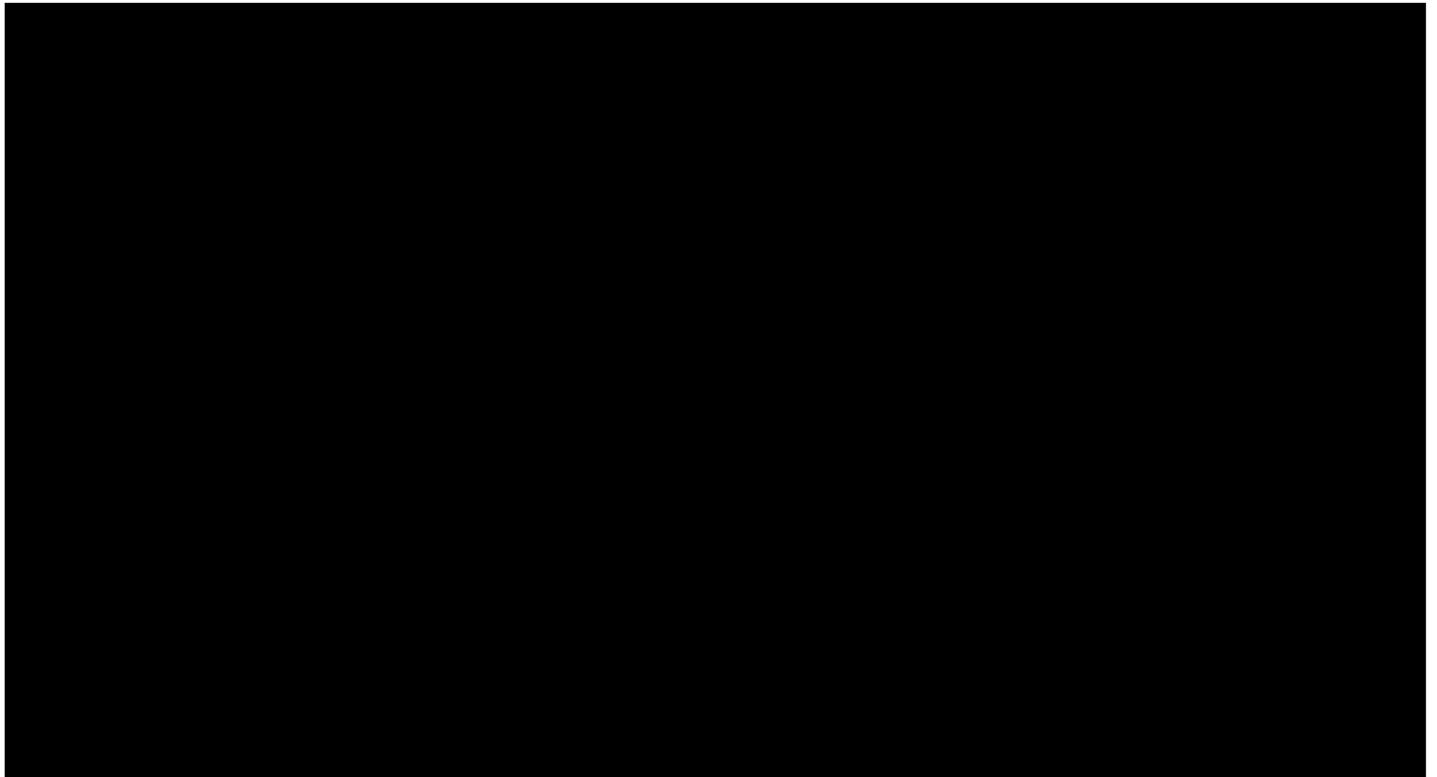
The current term for the WPC and PRCEA is through December 31, 2060, excluding the Anza Electric Cooperative WPC, which is through December 31, 2035.



**§ 1710.501.C.3 - Borrower's Load Resource Table**



**§ 1710.501.C.4 - Information on its Transmission and  
Interconnection Arrangements**



**§ 1710.501.C.5 - Power Supply Borrower's New/Returning  
Membership Chart Profile and Relationships**



# AEPCO Membership Profile



## ● Class A All Requirements Members (ARM)

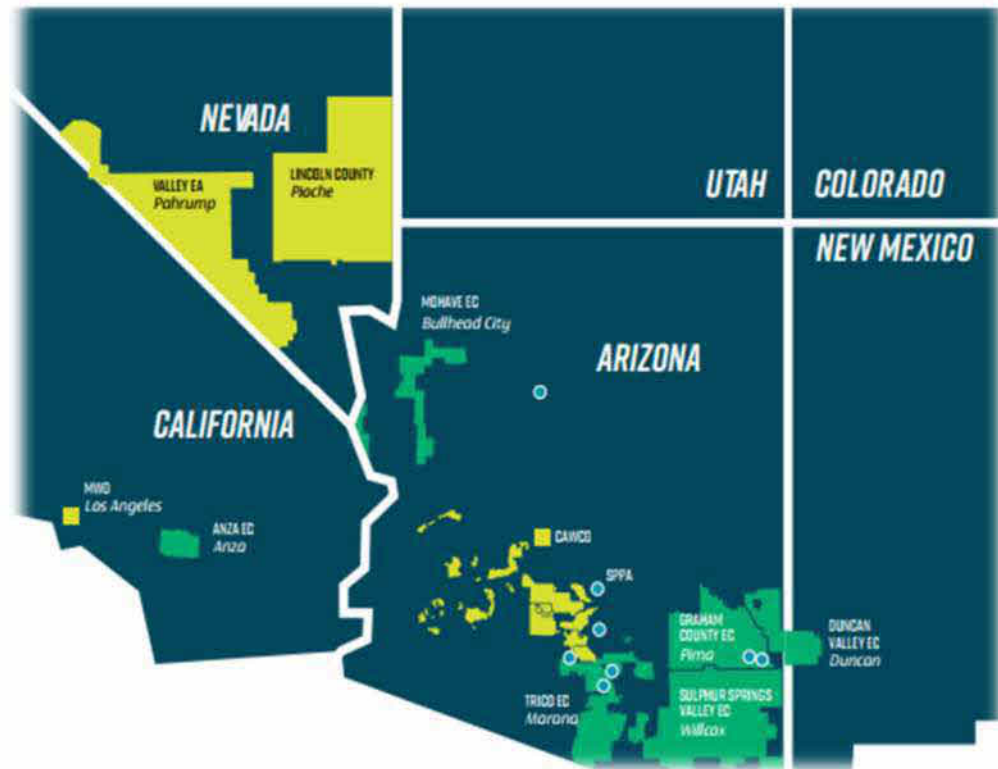
- Anza Electric Cooperative
- Duncan Valley Electric Cooperative
- Graham County Electric Cooperative

## ● Class A Partial Requirements Members (PRM)

- Mohave Electric Cooperative
- Sulphur Springs Valley Electric Cooperative
- Trico Electric Cooperative

## ● AEPCO Class D Members

- Central Arizona Water Conservation District
- Lincoln County Power District No. 1
- Metropolitan Water District of Southern California
- Southwest Public Power Agency
- Valley Electric Association



# AEPCO Membership Profile



## ● Class A All Requirements Members (ARM)

- Anza Electric Cooperative
- Duncan Valley Electric Cooperative
- Graham County Electric Cooperative

- An ARM has a Wholesale Power Contract to receive all of its capacity and energy requirements from AEPCO and a separate Network Transmission Service Agreement with AEPCO to deliver power to their loads
- An ARM also receives scheduling and trading services from AEPCO.

## ● Class A Partial Requirements Members (PRM)

- Mohave Electric Cooperative
- Sulphur Springs Valley Electric Cooperative
- Trico Electric Cooperative

- A PRM has a Partial Requirements Capacity and Energy Agreement with AEPCO to furnish only a portion of its retail sales electricity requirements and a separate Transmission Agreement to deliver their respective shares of the capacity of AEPCO resources and any purchased power
- A PRM also receives scheduling and trading services from AEPCO

## ● AEPCO Class D Members

- Central Arizona Water Conservation District
- Lincoln County Power District No. 1
- Metropolitan Water District of Southern California
- Southwest Public Power Agency
- Valley Electric Association

- Class D Members receive scheduling and trading services, but do not take any power or energy from AEPCO's generation resources.

## Jasin Glasner

---

**From:** Jasin Glasner  
**Sent:** Monday, January 27, 2025 7:41 AM  
**To:** 'Jenkins, Doug - RD, MD'; Brittany Moncada  
**Cc:** Urdal, Constance - RD, DC; Dela Cruz, Arsenio - RD, CO  
**Subject:** RE: AZ0028 U45- Update and LRFF Questions  
**Attachments:** AEPCO Long Range Financial Forecast v12 RUS AZ 28 U45 - Updated 20250124.pdf

Good morning Doug,

Apologies for the delay. The forecast model assumes all new issues of long-term debt are RUS financed. We have updated the attached using a 6% rate for new issues. And, yes, the load projections were based on the 2023 load forecast.

Please let us know if you have additional questions.

Thank you,

---

**From:** Jenkins, Doug - RD, MD <doug.jenkins@usda.gov>  
**Sent:** Wednesday, January 22, 2025 1:29 PM  
**To:** Jasin Glasner <jglasner@azgt.coop>; Brittany Moncada <bmoncada@azgt.coop>  
**Cc:** Urdal, Constance - RD, DC <constance.urdal@usda.gov>; Dela Cruz, Arsenio - RD, CO <arsenio.delacruz@usda.gov>  
**Subject:** AZ0028 U45- Update and LRFF Questions


Good afternoon Jasin and Brittany-

I appreciate the updated information and requested material Jasin provided near the end of December. I have reviewed this material, along the application material submitted, and completed 90% of the financial review for APECO's U45 loan. Although I'm still awaiting the completion of the Engineering review in order to submit the loan for approval, I'd like to fully complete the Financial portion so I can move the loan quickly once the Engineering portion is received.

In reviewing the updated Long Range Financial Forecast (attached for reference), I ran into an issue concerning the projections related to long term debt. I'm not sure if Larry discussed this with you, but RUS requires that Borrowers use an interest rate of 6% for all future RUS/FFB debt. Based on page 5 (Balance Sheet) of the LRFF, it appears that the majority of the projected future debt is RUS/FFB.



Page 12 of the LRFF indicates future interest rates ranging from 4.12% to 5.03%.



It may be that the figures on page 12 are a weighted average of rates, combining RUS debt with debt from other sources. **Can you please clarify if the debt projections for the RUS portion of the long term debt were run using an interest rate of 6%? If not can you adjust the model to reflect all future RUS debt as having an interest rate of 6% and resubmit it?**

The assumption in the LRFF did not address this. Were the load projections in the LRFF were based on the AEPCO 2023 Load Forecast?

I have one other question that I believe to be pretty straight forward. The application letter lists "*Sierra Southwest Cooperative, Inc.*" as a subsidiary. Is this different from "*Sierra Southwest Cooperative Services Inc.*"?

Please feel free to contact me if you have any questions. Thank you for your help.

Doug Jenkins  
Senior Loan Specialist  
Office of Loan Origination and Approval  
U.S. Department of Agriculture  
1400 Independence Ave., S.W.  
Room 4153  
Washington, D.C. 20250  
Phone: 202.720.0453  
[www.rurdev.usda.gov](http://www.rurdev.usda.gov)

---

**From:** Jasin Glasner <[jglasner@azgt.coop](mailto:jglasner@azgt.coop)>  
**Sent:** Monday, December 23, 2024 9:28 AM  
**To:** Jenkins, Doug - RD, MD <[doug.jenkins@usda.gov](mailto:doug.jenkins@usda.gov)>  
**Cc:** McGraw, Larry - RD, NM <[larry.mcgraw@usda.gov](mailto:larry.mcgraw@usda.gov)>; Peter Scott <[pscott@azgt.coop](mailto:pscott@azgt.coop)>; Brittany Moncada



<bmoncada@azgt.coop>

**Subject:** [External Email]FW: AZ0028 U45- Missing Items and Questions

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Hello Doug,

Please see attached items requested and responses to your questions below (*in red italics*). Please let us know if you have any additional questions.

Happy holidays!

---

**Jasin Glasner, Financial Controller**

[jglasner@azgt.coop](mailto:jglasner@azgt.coop)

Mobile: 310-707-5861 | Office: 520-586-5114

1000 S. Hwy 80 | Benson, AZ 85602

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**From:** McGraw, Larry - RD, NM <[larry.mcgraw@usda.gov](mailto:larry.mcgraw@usda.gov)>

**Sent:** Thursday, December 19, 2024 3:06 PM

**To:** Brittany Moncada <[bmoncada@azgt.coop](mailto:bmoncada@azgt.coop)>

**Cc:** Jenkins, Doug - RD, MD <[doug.jenkins@usda.gov](mailto:doug.jenkins@usda.gov)>; Peter Scott <[pscott@azgt.coop](mailto:pscott@azgt.coop)>

**Subject:** FW: AZ0028 U45- Missing Items and Questions

Brittany,

Please see the email from Doug and respond directly to him, since I will be on leave until January 6.

Merry Christmas to all!

**Larry McGraw**

General Field Representative

Rural Utilities Service-Electric, Rural Development

United States Department of Agriculture

Phone: 505.892.0353 | Cell: 505.235.6312

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---

**From:** Jenkins, Doug - RD, MD <[doug.jenkins@usda.gov](mailto:doug.jenkins@usda.gov)>

**Sent:** Thursday, December 19, 2024 2:48 PM

To: McGraw, Larry - RD, NM <larry.mcgraw@usda.gov>

Subject: AZ0028 U45- Missing Items and Questions

Good afternoon Larry-

I've been working on the loan for Arizona 28 over the last few days. There are a few items I need to request from the borrower, along with a few questions regarding their 2023 Form 12.

### Missing Items

- 1- We need the Borrower to provide their MFI for 2021-2023. *Please see attached file of compliance coverage ratios.*
- 2- Additionally, the Long Range Financial Forecast does not contain the calculations for MFI. Since this is a requirement under the Indenture, the LRFF must include these calculations. Please have the Borrower provide an updated LRFF or an addendum with the MFI projections. *Please see attached updated LRFF (we have added MFI to page 15).*
- 3- We need their most recent credit ratings from two rating agencies. *Please see attached latest reports from Fitch and S&P.*

### Form 12 (2023 Form 12 attached for reference)

As calculated from the 2023 RUS Form 12, the Borrower had Total Operation Revenues & Patronage Capital of \$225 million in 2023, which was \$66.2M (22.74%) lower than the previous year (2022). This reduction corresponds with a \$66.3 million (25.63%) reduction in Electric Energy Revenues. There was a reduction of \$67.8 million (28%) in Operating expenses (mostly fuel costs). Was this passed to the Borrower's members through lower rates (fuel cost adjustment), thereby reducing the revenues collected in 2023? I just need to provide an accurate explanation for the lower revenues. *The lower revenue experienced in 2023 versus 2022 is primarily due to lower pass-through fuel and purchased power costs. In rough numbers, the twelve-month average cost of gas @ 12/31/2023 decreased by over \$4 per Mmbtu, which was over a 60% decrease versus the twelve-month ending 12/31/2022. 2023 Coal costs meanwhile increased by approximately 60 cents per Mmbtu versus 2022 but we were able to decrease coal generation, and we increased gas generation MWhs by over 60% versus the prior year to take advantage of the pricing. Purchased power cost also decreased by over \$29 per MWh over the same period. The lower cost of fuel and purchased power was passed through to the Members in the form of lower energy rates which reduced revenues.*

Part A Line 7, Operating Expense – Other Power Supply was \$49.7M (down 24.4M/32.9%)- What does this account include and what drove the figure to be substantially lower in 2023?

*This account includes the demand and energy costs of purchased power. As noted above the average cost of purchased power decreased in 2023 versus 2022.*

There were sizable increases in (Part A) Line 24, Interest on Long-Term Debt, and Line 26, Other Interest Expense. It appears that this may have been the primary cause of the negative Operating Margins (line 30). Is it accurate that the increases in these expenses were related to higher interest rates and increased borrowing of both short and long term debt? Were there other contributing factors to the negative Operating Margins worthy of note?

*Interest on Long-Term Debt was higher in 2023 as compared with 2022 due to increased borrowings and higher interest rates. Long-Term Debt increased \$60m in 2023 driven by bridge loans to finance investments in new generation capacity. And the weighted average cost of Long-Term debt increased 1.3% in 2023.*

Conversely, AEPCO saw increases in Interest Income (Line 31- up \$2,166,475/277%). Is it accurate to assume this was related to higher interest rates as well? **Yes**

Line 34, Other Non-Operating Income (net) \$460,207 (up 1,061,280/176%). Can you tell us what this account is comprised of?



*The increase is primarily due to a one-time gain of \$900k on the sale of transmission assets.*

Please let me know if you'd like to pass this along to the Borrower, or if you'd prefer for me to contact them directly. Out be out of the office on Friday, but back in on Monday. Thanks for your help.

Doug Jenkins  
Senior Loan Specialist  
Office of Loan Origination and Approval  
U.S. Department of Agriculture  
1400 Independence Ave., S.W.  
Room 4153  
Washington, D.C. 20250  
Phone: 202.720.0453  
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# Arizona Electric Power Cooperative, Inc.

## Computation of Various Financial Ratios

Sources: RUS Form 12

Twelve Months Ended December 31, 2021, 2022, & 2023

Description	RUS FORM 12 12 Mos. Ended 12/31/2021	RUS FORM 12 12 Mos. Ended 12/31/2022	RUS FORM 12 12 Mos. Ended 12/31/2023
Margins for Interest Calculation:			Unaudited
Net Patronage Capital or Margins	\$ 9,649,969	\$ 3,147,132	\$ 3,198,528
Interest on Long Term Debt [A]	4,319,229	4,165,182	6,717,646
Less Unsecured Interest on Long Term Debt [B]	(73,815)	(43,337)	(169,374)
Margins for Interest [C]	<u>\$ 13,895,383</u>	<u>\$ 7,268,977</u>	<u>\$ 9,746,800</u>
Margins for Interest Ratio (MFI): [D]=C/(A+B)	<u>3.27</u>	<u>1.76</u>	<u>1.49</u>
Equity Balance:			
Total Equity	<u>\$ 176,446,686</u>	<u>\$ 179,593,819</u>	<u>\$ 182,477,732</u>
Required Equity Balance			<u>\$ 125,000,000</u>





























































## Jasin Glasner

---

**From:** Jasin Glasner  
**Sent:** Tuesday, February 25, 2025 10:14 AM  
**To:** 'Jenkins, Doug - RD, MD'  
**Cc:** Peter Scott  
**Subject:** RE: [External Email]FW: AZ0028 U45- Missing Items and Questions  
**Attachments:** Fitch 2022 Rating.pdf; Fitch No Action 2023.pdf; Fitch No Action 2024.pdf; SandP Global\_Feb-27-2024.pdf

Hello Doug,

The last credit rating report from Fitch was issued on 9/12/2022. In 2023 and 2024 Fitch issued "Review – No Action" releases, which left AEPCO's credit rating and outlook unchanged. I have attached Fitch's 9/12/2022 credit rating report and the 2023 and 2024 "Review-No Action" releases for your reference.

The last S&P credit rating report as was released on 02/27/2024, which I have also attached.

Please let us know if you need anything else.

Thank you,

---

**From:** Jenkins, Doug - RD, MD <doug.jenkins@usda.gov>  
**Sent:** Tuesday, February 25, 2025 6:45 AM  
**To:** Jasin Glasner <jglasner@azgt.coop>  
**Subject:** RE: [External Email]FW: AZ0028 U45- Missing Items and Questions

Good morning Jasin-

Did AEPCO receive an updated ratings report from Fitch? The last full report we have is from 2022.

Doug Jenkins  
Senior Loan Specialist  
Office of Loan Origination and Approval  
Rural Utilities Service, Electric Program  
U.S. Department of Agriculture

Phone: 202.720.0453

---

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**Jasin Glasner, Financial Controller**

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**Cc:** Jenkins, Doug - RD, MD <[doug.jenkins@usda.gov](mailto:doug.jenkins@usda.gov)>; Peter Scott <[psscott@azgt.coop](mailto:psscott@azgt.coop)>

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## **RATING ACTION COMMENTARY**

# **Fitch Affirms Arizona Electric Power Cooperative's Obligations at 'A'; Outlook Stable**

Mon 12 Sep, 2022 - 1:44 PM ET

Fitch Ratings - San Francisco - 12 Sep 2022: Fitch Ratings has affirmed the rating on the following Arizona Electric Power Cooperative (AEPCO) obligations at 'A':

--\$4.2 million Cochise County, AZ solid waste disposal revenue bonds.

Fitch has also affirmed AEPCO's Issuer Default Rating (IDR) at 'A'.

The Rating Outlook is Stable.

## **ANALYTICAL CONCLUSION**

The 'A' rating reflects the cooperative's historically stable financial performance and considers increasing leverage as a result of higher capital spending on new generation and transmission assets. Fitch expects AEPCO's financial profile to weaken slightly over the near term but return to levels consistent with the current rating through Fitch's forward-looking base and stress case scenario analysis.

The rating is supported by a strong revenue defensibility assessment and very low operating costs. The revenue defensibility assessment is based on the cooperative's very strong contractual framework but is constrained by the regulatory oversight provided by the Arizona Corporate Commission (ACC) and the credit quality of its members. AEPCO's operating risk assessment reflects the Fitch-calculated cost burden that has averaged below 5.0 cents/kWh over the past five years and a weaker operating risk assessment as a result of the cooperative's reliance on its single Apache generating station.

AEPCO's leverage ratio, measured as net adjusted debt-to-adjusted funds available for debt service (FADS), increases to a peak of 8.2x under Fitch's standard stress assumptions but returns to 6.6x, which is appropriate for the current rating. Overall, the stress considers the impact of a hypothetical but unlikely decline of 13.3% and 6.9% in energy demand in fiscals 2022 and 2023, respectively, followed by a recovery thereafter.

## **CREDIT PROFILE**

AEPCO is a wholesale generation and transmission cooperative that serves six member-owners located throughout Arizona and parts of California and New Mexico. Members are electric distribution cooperatives that serve a largely rural, residential and non-concentrated customer base with a combined meter count of approximately 170,000 Class A members. Member power sales contracts provide for full cost recovery under the take-and-pay contracts that extend to Dec. 31, 2035.

AEPCO has six Class A member-owners and five Class D members. The Class A members have full recovery, take-and-pay power sales agreements with AEPCO, and an allocated capacity in its resources that accommodates several members' partial requirements participation. Class A members include three partial requirements members with allocated capacity of 88.6%: Mohave Electric Cooperative (35.8%), Sulphur Springs Valley Electric Cooperative (A/Stable; 31.7%), and Trico Electric Cooperative (21.1%) and three all requirements members: Graham County Electric Cooperative (7.6%), Anza Electric (2.5%), and Duncan Valley Electric Cooperative (1.3%).

AEPCO's Class D members do not have power sales agreements with AEPCO but instead receive economic energy purchases, and scheduling and trading services. The Class D contracts generally extend for a minimum of two years and are renewed annually until terminated by either party with a six-month notice. Class D members include Valley Electric Association, Central Arizona Water Conservation District (AA/Stable), Southwest Public Power Agency, Lincoln County Power District #1, and Metropolitan Water District of Southern California (AA+/Stable).



## **KEY RATING DRIVERS**

### **Revenue Defensibility: 'a'**

Strong Purchaser Credit Quality; State Rate Regulation

AEPCO's strong revenue defensibility reflects the purchaser credit quality of AEPCO's largest Class A members and the terms of the unconditional wholesale take-and-pay contracts AEPCO has with Class A members. The wholesale contracts provide for full cost recovery. However, AEPCO and member rates are state regulated, which limits the assessment even though cost recovery has been timely and sufficient to maintain financial stability.

### **Operating Risk: 'a'**

Very Low Operating Costs; High Lifecycle Investment Needs

AEPCO's strong operating risk assessment reflects its very low five-year average operating cost burden of 4.8 cents per kilowatt hour (kWh), but is constrained by weaker operating cost flexibility given the cooperative's asset concentration and reliance on a single power generation station, the Apache Generation Station. Fitch considers AEPCO's lifecycle investment costs as high, however age and reliability concerns are somewhat addressed through an increased capital program for new generation and transmission assets over the next few years.

### **Financial Profile: 'a'**

Higher Capital Spending; Increasing Leverage

AEPCO's financial profile is assessed as strong given leverage that has ranged from 5.9x to 6.8x over the last five years. Leverage is expected to increase to a high of 8.2x through a Fitch stress case mostly as a result of increased capital spending and higher energy costs. AEPCO revenues are somewhat insulated from a downturn in energy sales due to a large fixed price component in the rate structure. The cooperative's liquidity profile is neutral with days liquidity on hand of 145 days at the end of 2021 and coverage of full obligations (COFO) of 1.4x.

### **Asymmetric Additional Risk Considerations**

No asymmetric additional risk considerations affected the rating.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Improvement in AEPCO's financial profile as reflected in sustained leverage below 6.0x in Fitch's base case and stress case;
- Improved member credit quality evidenced by a Purchaser Credit Index (PCI) below 1.5.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- A deteriorating financial profile, as represented by a sustained leverage above 8.0x in Fitch's base case or stress case;
- Higher than anticipated capital spending related to the new generation capital program;
- Less supportive or timely rate regulation;
- Weakened member credit quality evidenced by a PCI consistently above 2.5.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## **SECURITY**

AEPCO's IDR reflects Fitch's assessment of the cooperative's vulnerability to default on its financial obligations. The Cochise County solid waste disposal revenue bonds are secured under a mortgage on substantially all of AEPCO's assets.

## **REVENUE DEFENSIBILITY**

AEPCO's very strong revenue source characteristics are supported by long-term wholesale contracts with its Class A members that expire in 2035. These contracts provide for full cost recovery on the partial load requirements provided by AEPCO. Although Class A members are initially obligated to pay AEPCO for full cost recovery based on their allocated capacity percentage, the contracts provide for the unlimited reallocation of costs among contracted purchasers in the event of another member's payment default. The cooperative's fiscal 2021 total revenues were comprised of Class A - firm sales (75%), Class D scheduled sales (9%), nonmember sales (8%), over/under recovery of fuel/purchased power (8%) and other sources (less than 1%).

### **Rate Flexibility**

The ACC regulates the rates and financing plans of most Arizona-based electric utilities, including AEPCO and its five Arizona-based members. The risk of rate recovery is partially addressed by ACC's use of a streamlined rate process. Additionally, AEPCO's rate structure, approved by the ACC, includes rate adjustors related to purchased power and fuel, environmental compliance, and transmission costs, reducing potential lags in recovering costs.

AEPCO's rates include fixed charges, operation and maintenance (O&M) charges, a base energy rate and other energy charges in total designed to recover the costs associated with its generation fleet. Fixed and O&M rates are assigned based on each Class A member's allocated capacity. Energy rates are determined by the member's resource participation.

In March 2022, AEPCO filed an amended rate case with the ACC for a 9.37% increase in generation revenues and 2.89% increase in transmission revenues, resulting in projected overall net margins of approximately \$4.6 million. The rate case largely addresses the implementation of cost of service and rate design changes for AEPCO's Class A members through a newly developed billing system, designed to increase transparency and to shift costs from a tariffed basis to a contractual basis. A hearing on the rate case has been scheduled for February 2023 with a likely decision to follow shortly thereafter. AEPCO's last rate action in 2013 was approved as requested by the commission.

### **Purchaser Credit Quality**

AEPCO's purchaser credit quality weakened in 2021 to an indexed score of 2.4 from a 2.0 score in 2020. The combined score is based on the credit quality of its largest three members representing 88.6% of AEPCO allocated capacity. These are Mohave Electric Cooperative (MEC), Sulphur Springs Valley Electric Cooperative (SSVEC) and Trico Electric Cooperative (TEC).

All three members demonstrate a strong ability to absorb rate increases. SSVEC demonstrates a stronger financial profile and rate competitiveness. Trico's ability to absorb rate increases is supported by its stronger service area characteristics and financial profile, despite weaker rate competitiveness. Mohave exhibited a weaker financial profile in 2021 with days cash dropping below 30 days.

The region's transportation infrastructure includes the Douglas Port of Entry, the second-largest commercial port in Arizona in terms of import/export value, supported by a network of state highways providing easy access to Interstate-10. Fort Huachuca, the state's largest military installation, located in Cochise County, is a center for U.S. Army intelligence training, and historically represents a cornerstone of the local economy. The Fort is not a direct electric power customer of the AEPCO membership but receives related services from SSVEC.

MEC, SSVEC, and Mohave serve predominantly residential loads, although AEPCO expects commercial growth to follow. Mohave's service area is realizing growth related to a new and sizable mining operation under development. Strong service area growth in TRICO's service area stems from strong outgrowth from Tucson.

## **OPERATING RISK**

AEPCO's operating cost burden is considered very low with a Fitch-calculated five-year average of 4.83 cents/kWh, but increased to 6.1 cents/kWh in 2021 mostly as a result of higher fuel and purchased power expenses, and higher one-time costs associated with winter storm Uri. The operating costs are driven by gas price trends but have been historically offset by an increase in Class D sales which have lowered the overall power costs.

### **Operating Cost Flexibility**

Fitch assesses AEPCO's operating cost flexibility as weaker as a result of the cooperative's capacity reliance on the 551-megawatt (MW) Apache Power Generation Station (Apache), comprised of 175MW coal and 376MW gas-fired units. Apache is expected to remain in service through 2035. Additional generation capacity is available from a small hydroelectric capacity entitlement of up to 30 MW, and purchased and solar power up to 28.6 MW.

AEPCO continues to work with all of its members to evaluate additional economic renewable options, even though AEPCO and other electric cooperatives are excluded from the state of Arizona's renewable portfolio standard mandate.

AEPCO's current power supply exceeds its projected obligations through 2026. Available power supply has been aided by the stable load profile of its all-requirements members and reduced load from its three largest members who negotiated changes in their power sales agreements to partial requirements from all requirements to take advantage of resource procurement flexibility. The first member to do so was MEC in 2001, followed by SSVEC (2008) and TEC (2011). AEPCO provides the majority of its partial requirement members' energy requirements as well as their trading and scheduling services.

AEPCO provides scheduling and trading services to all of its Class A and D members through the Alliance for Cooperative Energy Services Power Marketing, LLC (ACES), of which it is an equity member. AEPCO views Class D members as beneficial to Class A members and its overall portfolio by providing new revenue to drive down scheduling and trading fees and diversity that promotes lower overall costs.

### Environmental Considerations and Clean Energy Transition

As a wholesale generation and transmission cooperative, AEPCO is not subject to the state of Arizona's renewable energy standard which applies to regulated investor-owned utilities and retail suppliers and requires 15% of energy to come from renewable resources by 2025.

One of AEPCO's all-requirements Class A members, Anza Electric Cooperative, is located in California and subject to California's renewable portfolio standard (RPS). The RPS requires California utilities to reach 100% clean energy by 2045, in addition to the state RPS requirement of 60% renewable energy by 2030. Utilities must also meet interim RPS targets of 44% by 2024 and 52% by 2027. Anza is poised to meet RPS targets through solar and battery storage projects that continue to be developed.

### Capital Planning and Management

Fitch considers lifecycle investment needs high based on its estimate of AEPCO's 22-year average life of plant and five-year historical capital expenditures equal to 78% of depreciation. AEPCO's five-year capital spending projections indicate an increase to a total of \$151 million, comprised of new generation assets and transmission projects. The cooperative's plan enhances the system's summer energy availability and reliability, and expands the system's transmission footprint to prepare for future member and customer growth.

## FINANCIAL PROFILE

AEPCO's financial performance over the past five years has been strong, supported by stable financial metrics and an overall reduction in debt. AEPCO's leverage ratio declined to a low of 5.9x in 2019 and has marginally increased the past two years to a five-year high of 6.8x in 2021. Total outstanding debt has declined from a high of \$259 million in 2017 to \$219 million in 2021. Coverage of full obligations has improved through reductions in operating expenses and has averaged 1.3x over the past five years.

AEPCO's liquidity profile is neutral to the rating with 43 days cash on hand in 2021. Additional liquidity is provided through AEPCO's \$100 million line of credit (\$50 million each with CoBank and Cooperative Finance Corporation [CFC]), of which approximately \$56 million remained available at fiscal year-end 2021, providing a liquidity cushion of 145 days. A reduction in cash and an increase in draws on the lines of credit have funded additional capital spending on transmission-related projects

#### Fitch Analytical Stress Test (FAST) - Base and Stress Cases

AEPCO's operating performance, as evidenced by the results of Fitch's scenario analysis, is expected to experience an increase in leverage through the next three years as the cooperative is expected to fund approximately \$150 million of generation and transmission projects through a combination of rates, short-term and long-term debt. Leverage is expected to peak in fiscal 2024 with the issuance of approximately \$87 million debt, before declining over the following two years of the forward look. Fitch's base case is informed by AEPCO's financial forecast and incorporates management's assumptions of energy sales growth of 1% reflecting moderate growth in sales at the member level. Fitch's base case suggests leverage is likely to increase to a high of 7.6x before declining back to 6.1x in 2026.

Fitch's stress case generally follows the base case assumptions, but applies stress by imposing reductions to the cooperative's energy sales for two years, followed by a three-year recovery based on AEPCO's historical energy sales trends. The stress case holds other expense growth to the base case level, although the stress case further reflects the addition of simulated rate adjustments to emulate AEPCO's rate structure, which includes a fixed cost component irrespective of energy sales variation

. The ACC has a 30-day period to review adjustments, but AEPCO reports that the ACC does not have a history of rejecting AEPCO adjustments. The stress case, inclusive of Fitch adjustments to reflect fixed costs in the AEPCO rate structure, indicates that AEPCO's financial profile remains stable and supportive of the current rating through the stress scenario.



## Debt Profile

AEPCO's debt profile is neutral to the rating. The cooperative's total debt of \$219 million on as of Dec. 31, 2021 consists primarily of Federal Financing Bank (FFB) obligations guaranteed by RUS. Quarterly principal and interest installments of the FFB debt extend through 2035. The balance of AEPCO's debt includes solid waste disposal revenue bonds that mature in 2024, notes, and short-term debt.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit

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## RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅		PRIOR ⇅
Arizona Electric Power Cooperative, Inc. (AZ)	LT IDR	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		

[VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**

[U.S. Public Power Rating Criteria \(pub. 09 Apr 2021\) \(including rating assumption sensitivity\)](#)

[Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 01 Sep 2021\) \(including rating assumption sensitivity\)](#)



## APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.0.0 ([1](#))

## ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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Cochise County (AZ)

EU Endorsed, UK Endorsed

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Utilities and Power    US Public Finance    North America    United States

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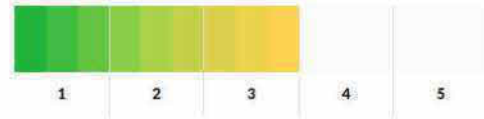
## CREDIT SUMMARY

# Arizona Electric Power Cooperative, Inc. (AZ)

US Public Finance/Global / North America/United States

EU Endorsed, UK Endorsed; Solicited by or on behalf of the issuer (sell side)

## ESG RELEVANCE



## 01 Ratings

RATING	ACTION	DATE	TYPE
A●	Review - No Action	22-Aug-2023	Long Term Issuer Default Rating

## KEY RATING FACTORS

Revenue Defensibility  
Operating Risk  
Financial Profile

## Ratings Key

POSITIVE

NEGATIVE

EVOLVING

STABLE

## Outlook



## Watch



\* Ratings displayed in orange denotes EU or UK Unsolicited and Non-Participatory Ratings

Where there was a review with no rating action (Review - No Action), please refer to the "Latest Rating Action Commentary" for an explanation of key rating drivers

\*Premium Content is displayed in Fitch Red

## RATING HISTORY

## LONG TERM ISSUER DEFAULT RATING

DATE :	22-Aug-2023	12-Sep-2022	23-Sep-2021	05-Oct-2020	22-Oct-2019	05-Apr-2019
RATING :	A●	A●	A●	A●	A●	A●
ACTION :	Review - No Action	Affirmed	Affirmed	Affirmed	Upgrade	New Rating

# 01 Ratings

RATING	ACTION	DATE	TYPE
A <sup>+</sup>	Review - No Action	09-Aug- 2024	Long Term Issuer Default Rating

## KEY RATING FACTORS

Revenue Defensibility	a
Operating Risk	a
Financial Profile	a

Ratings Key	Outlook	Watch
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

\* Ratings displayed in orange denotes EU or UK Unsolicited and Non-Participatory Ratings

Where there was a review with no rating action (Review – No Action), please refer to the “Latest Rating Action Commentary” for an explanation of key rating drivers

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## RATING HISTORY

### LONG TERM ISSUER DEFAULT RATING

DATE :	09-Aug-2024	22-Aug-2023	12-Sep-2022	23-Sep-2021	05-Oct-2020	22-Oct-2019
RATING :	A <sup>+</sup>	A <sup>+</sup>	A <sup>+</sup>	A <sup>+</sup>	A <sup>+</sup>	A <sup>+</sup>
ACTION :	Review - No Action	Review - No Action	Affirmed	Affirmed	Affirmed	Upgrade



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## Summary:

### Arizona Electric Power Cooperative Inc.; Rural Electric Coop

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Summary:

# Arizona Electric Power Cooperative Inc.; Rural Electric Coop

Credit Profile		
Arizona Elec Pwr Coop Inc		
Long Term Rating	A/Stable	Affirmed

## Credit Highlights

- S&P Global Ratings affirmed its 'A' issuer credit rating (ICR) on Arizona Electric Power Cooperative Inc. (AEPCO).
- The outlook is stable.

## Security

The rating reflects our view of AEPCO's overall creditworthiness and capacity and willingness to meet its financial commitments in full as they come due. It does not apply to any specific financial obligation, as it does not consider the nature and provisions of those obligations, their standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligations. The generation and transmission cooperative had \$172.8 million in long-term debt outstanding as of Dec. 31, 2022.

## Credit overview

The rating further reflects the following:

- About two-thirds of AEPCO's members' energy sales comes from residential customers. We view residential customers as providing the greatest revenue stability among the classes.
- We consider AEPCO's 2022 debt-to-capitalization ratio of 49% favorable. However, our calculations based on management's projections indicate this ratio will increase to about 67% as the cooperative issues additional debt to fund new generation assets. We believe these projected levels are manageable for a generation and transmission cooperative of AEPCO's size.
- We view the sound liquidity the utility maintains, together with committed facilities, as available to temper shortfalls. Total liquidity, including unrestricted cash and investments and undrawn lines of credit, equaled \$121.4 million, or about 227 days' worth of budgeted fiscal 2023 expenses, as of Nov. 30, 2023.
- Historically, AEPCO has posted robust coverage metrics, with annualized fixed-cost coverage (FCC) exceeding 1.4x in each of the past three years. However, AEPCO's historically lagging cost recovery resulted in cash-basis debt service coverage below 1.0x in 2021 and 2022 due to unanticipated cost increases. AEPCO was able to leverage its robust liquidity to mitigate the impact on cash flows. Moreover, the cooperative restructured its rates to include a forward-looking adjustor with a quarterly or semi-annual true-up, which supplants its historical annual true-up mechanism, which has translated into a year-to-date over-recovery in 2023. Projections indicate operating cash flows will remain positive, and FCC will be maintained in-line with historical results through 2027.
- The cooperative has developed robust transmission interconnections that provide access to regional generation



resources, which helps compensate for aging owned generation assets that have competitive shortcomings relative to regional markets.

S&P Global Ratings also incorporates the following exposures in its assessment:

- AEPCO's current generation fleet is exposed to variable fuel prices, with almost half of 2022 energy needs met with natural gas-fired resources. AEPCO procures fuel for these plants daily, which resulted in unbudgeted expenses in fiscal years 2021 and 2022. However, AEPCO executes gas hedges on behalf of its members, which partially mitigates this risk.
- Fuel and energy cost increases have translated into significant member rate increases. Average member rates rose to 8.24 cents per kilowatt hour (/kWh) in 2021 from 5.82 cents/kWh, although they are projected to remain generally flat. Nevertheless, these rate pressures, coupled with member service territories in counties that display below-average income levels, constrain AEPCO's ratemaking flexibility.
- Compared with cooperative utilities with autonomous ratemaking authority, Arizona Corporation Commission's (ACC) regulation of AEPCO's rates and exposure to adversarial rate proceedings could expose the cooperative's financial performance to delayed rate relief or cost disallowances. However, we view the ACC's creation of an abbreviated rate proceeding for cooperative utilities and the availability of pass-through mechanisms as mitigating the utility's exposure to regulatory lag.
- Laws allowing municipal annexations of unincorporated areas of members' service territories present an exposure that can erode customer numbers and energy sales. However, AEPCO's customer count and energy sales have been stable.

### **Environmental, social, and governance**

AEPCO has reduced its coal footprint, with electricity production from coal comprising 23% of the cooperative's power supply in 2023, down from 49% in 2017. The decline largely resulted from the conversion of a generating unit to natural gas from coal in 2017. The cooperative plans to add solar and battery projects to its resources, and projects coal will comprise just 17% of generation sources by 2026. However, AEPCO's future power supply will remain concentrated in natural gas and coal resources (projected at 63% of total energy by 2026) to ensure a reliable baseload power supply. Given its current carbon concentration, we believe AEPCO's environmental risks are elevated.

Energy Information Administration data show that members' weighted-average retail rates are generally above state averages, in part owing to the rural nature of these systems. We believe this level of rate disparity, coupled with recent rate increases, contributes to our view of elevated social risk.

We continue to monitor the strength and stability of electric utilities' revenue streams for evidence of delinquent payments or other revenue erosion. Inflation as measured by the consumer price index has remained above 3% in recent months and S&P Global Economics forecasts elevated interest rates persisting through the first half of 2024, with moderate softening through the remainder of the year. (See "U.S. Economic Forecast Update: A Sturdy Job Market Keeps Growth Going," published Feb. 21, 2024, on RatingsDirect). In addition, Bureau of Labor Statistics data show that electricity price inflation continues to outpace the overall consumer price index. The amalgam of material increases in delinquent consumer, credit card, and auto loans, along with October's resumption of student loan payments and drawdowns of household savings garnered during the pandemic, will likely compound the financial

pressures facing electricity consumers.

Following stronger-than-expected U.S. economic growth through the fourth quarter of 2023, S&P Global Economics revised its 2024 real GDP growth forecast to 2.4% from its November 2023 projection of 1.5%. S&P Global Economics believes that recent business and consumer activity are not sustainable and projects slowing economic activity with growth of 1.5% in 2025.

Finally, the cooperative's governance factors, including its rate-setting authority and credit-supportive rate-setting practices, are credit neutral. Although the utility is subject to rate regulation by the ACC, the regulator has established a framework for expedited rate proceedings and has provided AEPCO with pass-through mechanisms that limit its exposure to the regulatory lag that sometimes accompanies regulatory oversight of rates.

## Outlook

The stable outlook reflects our expectation of sound financial metrics based on what we consider a supportive rate regulation framework, and more dynamic cost recovery moving forward. Finally, the outlook reflects projections that assume steady annual member revenue, and a revenue stream that is highly residential and lacks industrial concentration, which provide a cushion against potential load volatility.

### Downside scenario

We could lower the rating if elevated energy and fuel costs or additional debt needs erode liquidity and/or coverage relative to forecast levels, or if the resulting passthrough of costs results in insurmountable affordability challenges for members. In addition, we could lower the rating if decarbonization regulation or mandates result in material pressure on AEPCO's financial metrics or its ability to provide affordable and reliable energy to its members.

### Upside scenario

We do not expect to raise the rating during our two-year outlook horizon because AEPCO operates an aging, carbon-concentrated, and somewhat uneconomical generation fleet, although we note the cooperative plans to build new, more economical generation. Furthermore, increasing capital needs to fund resource additions constrain upward rating potential.

## Credit Opinion

AEPCO is a generation and transmission cooperative serving six class A member distribution cooperatives primarily in Arizona and small portions of California and New Mexico. Through its members, the utility indirectly serves about 164,000 retail meters.

The cooperative owns 609 megawatts (MW) of generating capacity composed of 383 MW of natural gas-fired resources, 175 MW of dual-fuel (natural gas or coal), 27.8 MW of hydropower, and 23.3 MW of solar. AEPCO also has a 15 MW purchase power agreement for unspecified energy. Management projects adding approximately 235 MW of solar and battery energy storage projects and 260 MW of simple cycle gas generation by 2026. To meet its members' peak summer energy needs, AEPCO supplements its owned resources' production with economic purchases and

contractual power purchases as needed.

The wholesale power and transmission contracts between the cooperative and its members create joint-and-several financial obligations among the members such that if a member defaults on its financial obligations, nondefaulting members must cover shortfalls.

AEPCO's transmission and wholesale power supply contracts with its member distribution cooperatives extend to 2052 and 2060, respectively. Transmission contracts provide all transmission service while wholesale power supply contracts take two forms: all-requirements and partial-requirements contracts.

The partial-requirements contracts established the financial obligations those customers have assumed for owned generation, depreciation, property taxes, operating expenses, and for the power purchase contracts AEPCO uses to meet their needs. Members can subscribe to or opt out of additional owned or contracted power supply resources. Because the larger customers are partial-requirements ones, the utility is not responsible for investing in generation to serve their growth. The three partial-requirements customers account for about two-thirds of the cooperative's revenues from electric sales.

AEPCO's three smallest member distribution cooperatives have all-requirements contracts. These members include Duncan Valley Electric Cooperative Inc., Graham County Electric Cooperative Inc., and Anza Electric Cooperative Inc. Together, these three represent about 10% of the generation cooperative's revenues from electric sales.

## Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).



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# Exhibit C



Report of Independent Auditors and  
Financial Statements

**Arizona Electric Power Cooperative, Inc.**

December 31, 2023 and 2022



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## **Report of Independent Auditors**

The Board of Directors  
Arizona Electric Power Cooperative, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Arizona Electric Power Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2023 and 2022; and the related statements of revenues, expenses, and unallocated accumulated margins; and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arizona Electric Power Cooperative, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024 on our consideration of Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting and compliance.



Portland, Oregon

March 29, 2024

## **Financial Statements**

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**Arizona Electric Power Cooperative, Inc.**  
**Balance Sheets**  
**December 31, 2023 and 2022**

	2023	2022
ASSETS		
UTILITY PLANT		
Plant in service	\$ 786,452,566	\$ 760,693,194
Construction work in progress	109,956,714	29,504,407
Total utility plant	896,409,280	790,197,601
Less accumulated depreciation	475,040,123	458,520,050
Utility plant, net	421,369,157	331,677,551
INVESTMENTS		
Restricted	6,968,708	7,169,808
Unrestricted	4,238,986	3,827,067
Total investments	11,207,694	10,996,875
CURRENT ASSETS		
Cash and cash equivalents		
General unrestricted	34,599,219	31,279,858
Restricted	3,409,183	2,717,707
Accounts receivable	39,211,237	66,246,451
Accumulated under-recovered fuel and purchased power costs	-	31,147,334
Inventories, at average cost		
Coal and natural gas	24,471,866	10,649,701
Materials and supplies	16,303,707	14,788,973
Prepayments and other current assets	4,582,669	3,787,830
Notes receivable	345,953	375,632
Total current assets	122,923,834	160,993,486
DEFERRED DEBITS	51,619,914	37,116,241
Total assets	\$ 607,120,599	\$ 540,784,153

See accompanying notes.

**Arizona Electric Power Cooperative, Inc.**  
**Balance Sheets**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
MEMBERSHIP CAPITAL AND LIABILITIES		
MEMBERSHIP CAPITAL		
Membership fees	\$ 930	\$ 830
Patronage capital	179,278,276	170,853,120
Unallocated accumulated margins	<u>3,198,527</u>	<u>8,739,869</u>
Total membership capital	<u>182,477,733</u>	<u>179,593,819</u>
LONG-TERM DEBT		
Federal Financing Bank	134,783,087	139,093,621
Solid Waste Disposal Revenue Bonds	-	2,200,000
Cooperative Finance Corporation	69,799,931	16,500,000
CoBank	12,948,819	-
Debt issuance costs	(642,711)	(371,801)
Financing lease obligation	<u>1,455,993</u>	<u>1,100,409</u>
Total long-term debt	<u>218,345,119</u>	<u>158,522,229</u>
CURRENT LIABILITIES		
Member advances and other investments	36,606,003	28,276,574
Current maturities of financing lease obligation	884,627	697,519
Current maturities of long-term debt	15,307,627	15,036,954
Accounts payable	29,069,038	55,654,507
Accrued property and business taxes	2,390,262	2,388,009
Accrued interest	58,216	76,758
Line of credit	59,029,412	66,000,000
Accumulated over-recovered fuel and purchase power costs	5,001,085	-
Other accrued liabilities	<u>5,164,512</u>	<u>3,616,037</u>
Total current liabilities	<u>153,510,782</u>	<u>171,746,358</u>
DEFERRED CREDITS AND OTHER LIABILITIES	<u>52,786,965</u>	<u>30,921,747</u>
Total membership capital and liabilities	<u><u>\$ 607,120,599</u></u>	<u><u>\$ 540,784,153</u></u>

See accompanying notes.

**Arizona Electric Power Cooperative, Inc.**  
**Statements of Revenues, Expenses, and Unallocated Accumulated Margins**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
OPERATING REVENUES		
Electric energy and transmission		
Members		
Class A	\$ 170,689,638	\$ 178,199,951
Class D	16,328,145	19,430,320
Under-recovery of fuel and purchase		
power costs	16,817,092	66,500,800
Nonmembers	19,975,329	25,473,700
Other, net	1,207,020	1,627,476
Total operating revenues	225,017,224	291,232,247
OPERATING EXPENSES		
Operations:		
Production	83,744,895	125,650,389
Transmission	5,460,376	5,126,849
Maintenance:		
Production	15,695,815	14,560,835
Transmission	5,316,448	4,760,365
Other power supply	49,718,797	74,114,743
Administration and general	14,666,729	14,744,854
Depreciation, amortization and accretion	21,823,322	20,631,148
Wheeling and ancillary charges	16,817,582	18,412,214
Property and other taxes	4,199,608	4,438,980
Total operating expenses	217,443,572	282,440,377
OPERATING MARGIN	7,573,652	8,791,870
Interest and interest related expenses, net	(8,404,442)	(6,173,424)
Other, net	4,029,317	528,686
NET MARGIN	3,198,527	3,147,132
UNALLOCATED ACCUMULATED MARGINS,		
beginning of year	8,739,869	9,649,968
PATRONAGE CAPITAL ALLOCATION	(8,739,869)	(4,057,231)
UNALLOCATED ACCUMULATED MARGINS, end of year	\$ 3,198,527	\$ 8,739,869

See accompanying notes.

**Arizona Electric Power Cooperative, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margin	\$ 3,198,527	\$ 3,147,132
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation and amortization	21,823,323	20,631,148
Patronage capital allocations	(621,102)	(348,226)
Amortization of deferred charges	240	240
Liabilities Incurred on Asset Retirement Obligation	20,160,801	-
Changes in assets and liabilities		
Accounts and notes receivable	27,064,893	(39,134,231)
Accumulated under-recovered fuel and purchased power costs	31,147,334	(8,730,213)
Inventories	(15,336,899)	(1,637,667)
Prepayments and other current assets	(794,839)	265,031
Deferred debits	(14,503,913)	(11,964,600)
Accounts payable	(26,585,469)	30,440,026
Accrued interest	(18,542)	64,964
Accumulated over-recovered fuel and purchased power costs	5,001,085	-
Accrued property and business taxes and other	1,550,728	794,104
Net cash from operating activities	<u>52,086,167</u>	<u>(6,472,292)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction expenditures, net	(109,810,512)	(32,639,970)
Purchases and redemptions of investments, net	95,670	179,337
Net cash from investing activities	<u>(109,714,842)</u>	<u>(32,460,633)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member advances and other investments, net	8,329,429	11,411,197
Proceeds from long-term debt	72,845,619	27,351,731
Borrowing on line of credit	(6,970,588)	22,022,396
Payments on long-term debt and financing lease obligation	(12,564,948)	(14,255,563)
Net cash from financing activities	<u>61,639,512</u>	<u>46,529,761</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>4,010,837</u>	<u>7,596,836</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>33,997,565</u>	<u>26,400,729</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 38,008,402</u></u>	<u><u>\$ 33,997,565</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Right of use assets acquired in exchange for lease liabilities	<u>\$ 2,315,439</u>	<u>\$ 5,806,201</u>
Cash paid for interest, net of amounts capitalized	<u>\$ 8,385,900</u>	<u>\$ 6,108,220</u>

See accompanying notes.

## **Arizona Electric Power Cooperative, Inc.**

### **Notes to Financial Statements**

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#### **Note 1 – Organization**

Arizona Electric Power Cooperative, Inc. (the Cooperative or AEPCO) is a member owned, non-profit Arizona rural generation and transmission electric cooperative organized in 1961 to provide wholesale electric power and transmission and ancillary services to its member distribution cooperatives, municipalities and other customers.

Membership of the Cooperative is restricted to electric utilities. The Cooperative has four classes of members. Class A members consist of three distribution cooperatives with all requirements contracts and three distribution cooperatives with partial requirements contracts. Currently there are no Class B or C members. There are five Class D members, representing electric utilities other than Class A, B, or C, with a written agreement for power and/or energy and/or substantial service, represented jointly by one director. Class A, Class B, Class C, and Class D members are collectively referred to herein as Members.

#### **Note 2 – Summary of Significant Accounting Policies**

**System of accounts** – The Cooperative maintains its accounts in accordance with policies and procedures as prescribed by the Rural Utilities Service (RUS) in conformity with the Uniform System of Accounts. The Cooperative's accounting policies conform to accounting principles generally accepted in the United States of America as applied in the case of regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the RUS and the Arizona Corporation Commission (ACC), the regulatory authorities having jurisdiction.

**Accounting for the effects of regulation** – Due to the regulation of its rates by the ACC, the Cooperative prepares its financial statements in accordance with ASC 980 Regulated Operations. This accounting requires a cost-based, regulated enterprise to recognize revenues and expenses in the time periods when the revenues and expenses are included in rates. This may result in regulatory assets and liabilities until such time that the related revenues and expenses are included in rates.

**Indenture** – As of March 1, 2016, AEPCO has an Indenture of Deed of Trust, Security Agreement and Financing Statement (Indenture), approved by RUS that will allow the Cooperative to explore alternative financing providers in addition to RUS. The indenture consolidates all of AEPCO's secured debt under one trustee, who will manage the debt portfolio for RUS, reducing RUS reporting requirements, while still maintaining RUS oversight.

**Utility plant** – Utility plant, consisting primarily of coal and natural gas electric generation facilities and transmission facilities, is stated at historical cost and includes the costs of outside contractors, direct labor and materials, allocable overhead and interest charged during construction.

In accordance with the Uniform System of Accounts, the Cooperative capitalizes the interest costs associated with the borrowing of funds used to finance construction work in progress (CWIP). Interest income from construction funds held in trust, if any, is credited to CWIP. Interest costs capitalized on construction projects was approximately \$3,088,000 and \$231,000 for 2023 and 2022, respectively.



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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Depreciation is computed on the straight-line basis over estimated useful lives of depreciable property in accordance with rates prescribed by RUS, averaging 2.56% and 2.60% in 2023 and 2022, respectively. Minor replacements and repairs are charged to expense as incurred. When utility plant is retired, sold, or otherwise disposed of, the original cost plus the cost of removal less salvage value is charged to accumulated depreciation, along with any corresponding gain or loss.

The Cooperative assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. The Cooperative has not recorded any losses resulting from impairment of its long-lived assets.

**Asset retirement obligations** – Accounting standards require the recognition of an Asset Retirement Obligation (ARO), measured at estimated fair value, for legal obligations related to decommissioning and restoration costs associated with the retirement of tangible long-lived assets in the period in which the liability is incurred. The initial capitalized asset retirement costs are depreciated over the life of the related asset, with accretion of the ARO liability classified as an operating expense (see Note 10 – Asset retirement obligation).

**Investments** – The Cooperative accounts for its investments in accordance with accounting for certain investments in debt and equity securities. At December 31, 2023 and 2022, all investment balances are recorded at fair market value (see Note 3), with the exception of investments in associated organizations and patronage capital. Investments in associated organizations and patronage capital are carried at cost, plus capital credits allocated and not retired.

**Cash equivalents** – The Cooperative considers all investments with an original maturity of 90 days or less to be cash equivalents. The Cooperative maintains its cash in bank accounts, which, at times, exceed federally insured limits and has not experienced any losses in such accounts. Restricted cash consists of special deposits and economic development funds, which are restricted in use.

**Receivables** – Receivables are recorded when invoices are issued and are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on historical losses, review of specific problem accounts, the existing economic conditions in the industry and the financial stability of customers. Generally, accounts receivable are considered past due after 30 days. No allowance was deemed necessary at December 31, 2023 and 2022.

**Inventories** – Inventories consisting of coal, natural gas and materials and supplies, are carried at average cost.

**Deferred debits and credits** – Deferred debits and credits are recorded at cost and either: (1) amortized over their expected period of benefit or alternate period of time as may be mandated by ACC order or other regulatory order, if different, or (2) eliminated upon determination of their ultimate disposition.

**Debt issuance costs** – Debt issuance costs related to a recognized debt liability are presented on the balance sheet as a direct reduction from the carrying amount of that debt liability. These costs are amortized to interest expense over the life of the related debt using the effective interest method. As of December 31, 2023 and 2022, the total debt issuance costs net of debt was \$642,711 and \$371,801, respectively.



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Overhaul costs** – The Cooperative accounts for major and minor overhauls using the deferral method. Accordingly, incurred overhaul costs are deferred and amortized over the overhaul benefit period, generally three years for minor overhauls and six years for major overhauls. The frequency of overhauls is based on the operating characteristics and operating profiles of each generating unit (see Note 7).

**Leases** – The Cooperative determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the balance sheets as right-of-use (ROU) assets and lease liabilities. ROU assets represent the Cooperative's right to use an underlying asset for the lease term and lease liabilities represent the Cooperative's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Cooperative considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Cooperative will utilize a weighted average cost of capital rate, as permitted by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842 – *Leases*. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Cooperative will exercise that option.

**Income tax status** – The Cooperative is exempt from income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code, except to the extent of unrelated business income, if any. The Cooperative follows FASB ASC 740-10, relating to accounting for uncertain tax positions. As of December 31, 2023 and 2022, the Cooperative does not have any uncertain tax positions. The Cooperative files an exempt organization and unrelated business income tax return in the U.S. federal jurisdiction and the states of Arizona and California. Based upon its equity membership in ACES (see Note 3), returns are filed with the states of Arkansas, Georgia, Indiana, Maryland, Minnesota and North Carolina.

**Revenue recognition** – Revenues are recognized as electric power, electric transmission and other energy service products and are delivered at rates approved by the ACC. The Cooperative recognizes operating revenues from wholesale electricity sales and electricity transmission services in an amount that reflects the consideration to which the Cooperative expects to be entitled in exchange for those sales and services.

The Cooperative supplies power requirements (energy and demand) to its Members, subject to substantially identical wholesale power contracts. The Cooperative also supplies power (energy and demand) to Non-members subject to wholesale power contracts. Class A Member revenue is recorded at either ACC authorized rates or contractual rates and Class D Member and Non-member revenue is generally recorded at contractual rates. Based on the invoice practical expedient, revenue is recognized equal to the amount the Cooperative has the right to invoice. The Cooperative bills its Members monthly, and payments are due monthly. Substantially all of the Cooperative's accounts receivable relate to revenues under its contracts with Members and Non-members.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Purchased power and fuel costs** – Purchased power and fuel costs are charged to expense as incurred. In its October 25, 2013 rate order, the ACC approved a new purchased power and fuel cost adjustor (the adjustor) for the Cooperative. Starting on November 1, 2013, the new adjustor enables the Cooperative to accumulate its over- and under-collection of fuel and purchased power costs and subsequently, as approved by the ACC, refund or collect from its Members the amount of over- or under-collection of fuel and purchased power costs. Such amounts are recorded as revenue in the period the costs are incurred.

**Fair value of financial instruments** – All of the Cooperative's financial instruments are recorded at fair market value or carrying value, which approximates fair market value. Investments in associated organizations and patronage capital are not considered financial instruments because they represent nontransferable interests in associated organizations. The Cooperative has determined that its financial instruments fall into the Level 1 category. Level 1 asset valuations are based on assets at the quoted prices in active markets for identical assets; Level 2 asset valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and Level 3 asset valuations are based on inputs that are unobservable and significant to the overall fair value measurement (see Note 3).

**Use of estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the adjustor, depreciation, asset retirement obligation and overhaul amortization. Actual results could differ from these estimates.

**Recently issued and adopted accounting pronouncements** – The Cooperative adopted FASB Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including trade receivables and held-to-maturity debt securities. The Cooperative adopted the standard on January 1, 2023, utilizing the modified retrospective transition approach. This standard did not have a material impact on the financial statements.

**Subsequent events** – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Cooperative has evaluated subsequent events through March 29, 2024, the date the financial statements were available to be issued.

# Arizona Electric Power Cooperative, Inc.

## Notes to Financial Statements

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### Note 3 – Investments

Investments at December 31 consist of the following:

	2023	2022
Restricted - municipal bonds	\$ 2,809,686	\$ 2,950,786
Restricted - term certificates	4,219,022	4,273,022
Investment in associated organizations	1,310,968	1,312,768
Patronage capital	2,291,639	2,022,545
Other	636,379	491,754
	<hr/>	<hr/>
Subtotal	11,267,694	11,050,875
Less current portion of restricted investments	60,000	54,000
	<hr/>	<hr/>
Total	<u>\$ 11,207,694</u>	<u>\$ 10,996,875</u>

Contractual maturities of restricted investments at December 31 are as follows:

	2023	2022
Due from one year to five years	\$ 2,809,686	\$ 2,896,786
Due after 10 years	4,219,022	4,327,022
	<hr/>	<hr/>
Total	<u>\$ 7,028,708</u>	<u>\$ 7,223,808</u>

**Municipal bonds** – As a condition of National Rural Utilities Cooperative Finance Corporation's (CFC) guarantee of the Solid Waste Disposal Revenue Bonds (see Note 8), the Cooperative purchased a non-interest bearing Debt Service Reserve Certificate (the certificate) maturing in 2024 upon final payment of the debt. The proceeds of the certificate are held by CFC in a Debt Service Reserve Fund (DSRF). At December 31, 2023, the investment included two municipal bonds for approximately \$1,054,000, which bear interest at 5% per annum, respectively and cash of approximately \$1,755,000. At December 31, 2022, the investment included three municipal bonds for approximately \$2,873,000, which bear interest at 5% per annum, respectively and cash of approximately \$77,000.

Municipal bonds are valued based on quoted market prices for those or similar investments.

**Term certificates** – The Cooperative is a member of CFC, a not-for-profit cooperative financing institution. As a condition of membership, the Cooperative purchased Subscription Capital Term Certificates (SCTCs). The SCTCs, totaling \$4,093,022 at December 31, 2023 and 2022, respectively, bear interest at 5.00% per annum and have maturity dates ranging from 2070 to 2080.

As a condition of the Solid Waste Disposal Revenue Bonds (see Note 8), which are guaranteed by CFC, the Cooperative purchased a Subordinated Term Certificate (STC). The STC, totaling \$126,000 and \$183,000 at December 31, 2023 and 2022, respectively, bears interest at 7.57% per annum and matures in full in 2024 upon final payment of the related debt. At December 31, 2023 and 2022, the current portion of the STC loan guarantee valued at \$60,000 and \$54,000, respectively, is recorded in current assets as an accounts receivable.

The SCTCs and STCs are unrated, uncollateralized debt securities of CFC.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Investment in associated organizations** – The Cooperative is a member of Sierra. The Cooperative's membership fee in Sierra was \$2,000 as of December 31, 2023 and 2022, respectively, and is carried at cost. The Cooperative's investment in Sierra was \$72,000 as of December 31, 2023 and 2022, respectively, and is carried at cost (see Note 16).

The Cooperative is an equity member of Alliance for Cooperative Energy Services Power Marketing LLC (ACES). The Cooperative's investment in ACES was \$961,610 as of December 31, 2023 and 2022, respectively, and is accounted for under the cost method of accounting.

The Cooperative invested in the capital of Grand Canyon State Electric Cooperative Association (GCSECA), which is accounted for under the cost method of accounting. The Cooperative's investment in GCSECA was \$275,358 as of December 31, 2023 and 2022, respectively.

The Cooperative is a member of CoBank AFB (CoBank). The membership fee is \$1,000 and is carried at cost.

The Cooperative is a member of CFC. The membership fee is \$1,000 and is carried at cost.

The Cooperative holds investments made in the Board of Directors deferred compensation plan program in Homestead Funds (see Note 5 – Deferred Compensation Plans). The balance in the account at December 31, 2023 and 2022 was \$491,754 and \$500,084, respectively, and is carried at fair market value.

**Patronage capital** – Patronage capital represents capital credit allocation of margins due to the Cooperative. Such amounts are returned to the Cooperative in accordance with the associated organization's bylaws and/or at their discretion.

#### Note 4 – Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents at December 31 consist of the following:

	2023	2022
Rural economic development revolving loan program	\$ 547,567	\$ 510,992
Other deposits on account	2,861,616	2,206,715
Total restricted cash and cash equivalents	<u>\$ 3,409,183</u>	<u>\$ 2,717,707</u>

# Arizona Electric Power Cooperative, Inc.

## Notes to Financial Statements

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### Note 5 – Accounts Receivable

Accounts receivable at December 31 consist of the following:

	2023	2022
Member energy sales	\$ 17,263,588	\$ 42,502,689
Electric transmission sales	1,891,872	1,880,804
Nonmember energy sales	13,220,563	11,399,923
Due from related party	510,825	-
Other	6,324,389	10,463,035
	<u>\$ 39,211,237</u>	<u>\$ 66,246,451</u>
Total accounts receivable	<u>\$ 39,211,237</u>	<u>\$ 66,246,451</u>

**Member energy sales** – Member energy sales consist of sales to Members under their wholesale power sales contracts (see Note 11) and generally are not collateralized.

**Electric transmission sales** – Electric transmission sales consist of sales to Members and Non-members under transmission service agreements (see Note 11) and are generally not collateralized.

**Non-member energy sales** – Non-member energy sales consist of non-firm sales to unrelated electric utilities and are generally not collateralized.

### Note 6 – Notes and Other Receivables

**Related-party promissory notes** – The Cooperative replaced the balance of the short-term note to Sierra to finance construction of solar photovoltaic distributed generation facilities with two promissory notes (see Note 16). Each note between Sierra and AEPCO has an annual interest rate of 3.00% and a term of 25 years. The combined notes receivable was \$1,074,502 and \$1,145,542 as of December 31, 2023 and 2022, respectively.

**RUS Rural Economic Development Grant** – In 1998, the Cooperative was awarded a \$400,000 RUS Rural Economic Development Grant. The Cooperative contributed matching funds in the amount of \$80,000. In 2020, the Cooperative was awarded an additional \$182,213 RUS Rural Economic Development Grant. In accordance with grant guidelines, initial loans made to qualifying recipients at a zero-interest rate were repaid over a ten-year period. The loan repayments were used to establish a revolving loan fund, which in turn, is used for providing loans to foster rural economic development. Loans made from repayments of the initial loans may carry an interest rate. In November 2010, March 2012, June 2015, March 2017, and February 2020, the Cooperative issued loans in the amount of \$300,000, \$80,000, \$280,000, \$100,000, and \$360,000, respectively, at an interest rate of 3.00%. As of December 31, 2023 and 2022, the Cooperative has \$547,567 and \$510,992, respectively, of cash and cash equivalents restricted for use in this program (see Note 4).

# Arizona Electric Power Cooperative, Inc.

## Notes to Financial Statements

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### Note 7 – Deferred Debits

Deferred debits at December 31 consist of the following:

	2023	2022
Deferred overhaul costs	\$ 17,566,204	\$ 9,931,224
Preliminary survey and investigation and other deferred debits	30,487,919	23,070,643
RS plan prepayment (See Note 14)	3,565,791	4,114,374
 Total deferred debits	 <u>\$ 51,619,914</u>	 <u>\$ 37,116,241</u>

**Deferred overhaul costs** – The Cooperative accrues for overhaul costs on the generation equipment by charging a proportion of the estimated cost of the overhaul, over the period covered by the overhaul cycle, to maintenance expense.

**Preliminary surveys investigation** – Deferred preliminary survey and investigation costs are capitalized to construction in progress when the construction phase begins or expensed if the project is abandoned.

### Note 8 – Long-Term Debt

**Federal Financing Bank (FFB)** – Long-term debt due to FFB is payable at interest rates based on long-term obligations of the United States Government as determined on the date of advance. Interest rates on existing FFB debt ranged from 0.645% to 4.88% in 2023 and 2022. Quarterly principal and interest installments on these obligations extend through 2035. The obligations are guaranteed by RUS. The Cooperative may prepay all outstanding notes by paying the principal amount plus either 1) the difference between the outstanding principal balance of the loan being refinanced and the present value of the loan discounted at a rate equal to the then current cost of funds to the Department of the Treasury for obligations of comparable maturity; 2) 100% of the amount of interest for one year on the outstanding principal balance of the loan being refinanced multiplied by the ratio of a) number of quarterly payment dates remaining to maturity bears to b) number of quarterly payment dates between year 13 of the loan and the maturity date; or 3) present value of 100% of the amount of interest for one year on the outstanding principal balance of the loan.

**Solid Waste Disposal Revenue bonds** – These bonds are repriced and sold semi-annually at six month intervals, on March 1st and September 1st, and AEPCO has the option to redeem at each repricing. Principal on these bonds is due in annual installments through 2024. Interest rates on the bonds are variable and subject to revision semiannually. The interest rates in effect at December 31, 2023 and 2022 were 4.375% and 3.30%, respectively. Interest is paid semiannually. These bonds are guaranteed by CFC and are not subject to optional redemption prior to maturity.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Cooperative Finance Corporation** – On November 9, 2022, the Cooperative entered into a long-term bridge loan debt agreement with CFC to fund new generation. The loan is subject to a variable interest rate that is established monthly and effective on the first day of each month. There was a \$57,851,112 and \$16,500,000 outstanding balance as of December 31, 2023 and 2022, respectively. The average variable interest rate in effect at December 31, 2023 and 2022 was 7.01% and 5.75%, respectively. Quarterly principal and interest payments on these obligations extend through 2027. The variable interest rate on the debt is convertible to a fixed rate. The fixed rate would be equal to the rate of interest offered by CFC at the time of the conversion request. The Cooperative may prepay fixed rate notes in whole or in part, subject to a prepayment premium prescribed by CFC. As of December 31, 2023, the loan is interest only and no long-term maturities have been established.

On November 1, 2023, the Cooperative entered into a new five-year unsecured non-revolving bridge Loan debt agreement with CFC to fund additional generation projects. The interest rate on advances is calculated at a rate per annum as may be fixed by CFC from time to time or in the case of a Secured Overnight Financing Rate (SOFR) advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. There was a \$11,948,819 outstanding balance as of December 31, 2023. The interest rate on this line of credit notes averaged 6.46% as of December 31, 2023. Both bridge loans may be converted to permanent financing with the bank or RUS without penalty. As of December 31, 2023, the loan is interest only and no long-term maturities have been established.

**CoBank** – On November 1, 2023, the Cooperative entered into a five-year unsecured non-revolving bridge Loan debt agreement with CoBank to fund additional generation projects. The interest rate on advances is calculated at a variable or fixed rate per annum as may be determined by CoBank from time to time or in the case of a SOFR advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. Subject to certain limitations, rates types may be converted. There was a \$12,948,819 outstanding balance as of December 31, 2023. The interest rate on this line of credit notes averaged 6.626% as of December 31, 2023. The bridge loan may be converted to permanent financing with the bank or RUS without penalty. As of December 31, 2023, the loan is interest only and no long-term maturities have been established.

**Maturities of long-term debt** – Maturities of long-term debt, excluding CoBank for \$12,948,819 and CFC for \$69,799,831, for the next five years and thereafter are as follows as of December 31, 2023:

2024	\$ 14,853,029
2025	11,452,952
2026	11,750,755
2027	12,034,960
2028	12,381,801
Thereafter	<u>86,974,506</u>
Total long-term debt, net	<u>\$ 149,448,003</u>



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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On March 1, 2016, AEPCO replaced the RUS Mortgage with the Indenture, pursuant to which AEPCO has granted a lien and a security interest in substantially all of its real and personal property to secure current indebtedness and other obligations and to secure other indebtedness (see Note 2 – Indenture). In connection with the adoption of the Indenture as a replacement for the RUS Mortgage, AEPCO and RUS amended and restated the existing loan contracts as the Amended and Restated Loan Contract (Contract), dated March 1, 2016 between AEPCO and the Government acting by and through the Administrator of the RUS. Under the covenants of the Contract, the Cooperative must, among other things, maintain a credit rating from at least two rating agencies and comply with covenants in the Indenture, which includes establishment and collection of rates for the use or sale of output, capacity, or service of the system that together with other revenues available to the Cooperative are reasonably expected to yield margins for interest equal to at least 1.10 times secured interest charges. Management believes these financial covenants have been achieved as of December 31, 2023.

#### **Note 9 – Member Advances and Other Investments**

**Member investment program** – The Cooperative offers all Members the ability to invest funds with the Cooperative on a short-term basis for periods of up to nine months. The Cooperative had recorded liabilities for notes of \$11,463,814 and \$10,000,000 at December 31, 2023 and 2022, respectively. The interest rate on these notes averaged 5.298% and 1.519% in 2023 and 2022, respectively. Interest expense on these notes was approximately \$97,000 and \$218,000 for the years ended December 31, 2023 and 2022, respectively.

**Prepaid billing program** – The Cooperative also offers a program for all Members whereby the Members may make interest-bearing prepayments of their monthly power and transmission billings. The prepayment and accrued interest are applied to the Members' power and transmission billings on the date such billings become due. The Cooperative recorded no liabilities for prepayments at December 31, 2023 and 2022.

**Southwest Public Power Agency** – The Cooperative entered into an Energy Management Services Agreement (Agreement) with Southwest Public Power Agency (SPPA), a Class D member of AEPCO, on March 31, 2015, to provide accounting, reporting, scheduling, selling, purchasing, and gas hedging services with respect to the energy available to SPPA under the Agreement. To enable AEPCO to provide credit services necessary to this Agreement, SPPA has provided a deposit to AEPCO in the amount of \$1,000,000, which AEPCO has placed and will maintain in an interest bearing account separate from other sources. SPPA is entitled to all interest that accumulates in the deposit account. The balance in the deposit account was \$1,143,390 and \$1,087,383 for the years ended December 31, 2023 and 2022, respectively.



# Arizona Electric Power Cooperative, Inc.

## Notes to Financial Statements

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**Metropolitan Water District of Southern California** – The Cooperative entered into a Scheduling and Trading Services Agreement (Agreement) with the Metropolitan Water District of Southern California (MWD), a class D member of AEPCO, on August 28, 2017, to provide accounting, reporting, scheduling, selling, and purchasing services as defined in the agreement through December 31, 2035, unless terminated under provisions within the agreement. To enable AEPCO to provide credit services necessary to this Agreement, MWD has provided a deposit to AEPCO in the amount of \$1,000,000, which AEPCO has placed and will maintain in an interest bearing account separate from other sources. MWD is entitled to all interest that accumulates in the deposit account. The balance in the deposit account was \$24,767,129 and \$12,486,297 for the years ended December 31, 2023 and 2022, respectively.

### Note 10 – Deferred Credits and Other Liabilities

Deferred credits at December 31 consist of the following:

	2023	2022
Asset retirement obligation	\$ 48,445,926	\$ 26,663,501
Regulatory liability - ARO	4,158,826	4,076,033
Pension distribution liability	182,213	182,213
	<u>\$ 52,786,965</u>	<u>\$ 30,921,747</u>
Total deferred credits and other liabilities		

**Asset retirement obligation** – The Cooperative completed the ARO calculation for the Apache Station Generation Plant in Cochise, Arizona, with the assumption that the assets will be in service through the year 2035. The useful life expectations used in the calculations of the ARO are based on the assumption that operations will continue without deviation from historical trends.

The asset retirement obligation related to generation assets at December 31 consists of the following:

	2023	2022
Liability at January 1	\$ 26,663,501	\$ 25,519,476
Decommission expense recognized	1,621,624	1,144,025
Liabilities incurred	20,160,801	-
	<u>\$ 48,445,926</u>	<u>\$ 26,663,501</u>
Liability at December 31		

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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The regulatory liability related to the asset retirement obligation calculation at December 31 consists of the following:

	2023	2022
Liability at January 1	\$ 4,076,033	\$ 3,846,346
Estimated recovery	107,003	1,978,704
Less accretion & depreciation expense	<u>(24,210)</u>	<u>(1,749,017)</u>
Liability at December 31	<u>\$ 4,158,826</u>	<u>\$ 4,076,033</u>

#### Note 11 – Commitments and Contingencies

**Class A Member power sales contracts – Wholesale power sales contracts** – The Cooperative holds all-requirements wholesale power sales contracts with three of its six Class A member cooperatives pursuant to which each Class A member agrees to purchase from the Cooperative all of its electric power requirements. These all-requirements power contracts expire December 31, 2035, and will remain in effect thereafter until terminated by either party upon six months' notice. Management believes the Cooperative will be able to fulfill its requirements on these long-term contracts.

**Class A Member power sales contracts – Partial requirements wholesale power contracts** – The Cooperative holds partial requirements wholesale power sales contracts, expiring December 31, 2035, with three of its Class A member cooperatives pursuant to which the Class A members have agreed to purchase from the Cooperative electric energy up to and capacity at the member's allocated capacity percentage in the Cooperative's total resources existing at the time of execution of the contract.

**Class A Member network service agreements** – The Cooperative has agreements to provide network integration transmission service to deliver power to the all-requirements Class A distribution cooperative members. The Cooperative previously entered into separate agreements to provide network integration and point-to-point transmission services to the partial requirements Class A members. These agreements had a termination date of December 31, 2035. In 2023, the Cooperative and its Class A Members amended these agreements and extended the initial term to December 31, 2052, with the term automatically renewing for four successive additional 5-year renewal periods and a termination date on December 31, 2072, absent any non-renewals. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

**Class B and Class C Member power sales contracts** – There are no Class B or C member contracts at December 31, 2023.

**Class D Member service contracts** – Class D membership requires the Member to enter into a service contract for a minimum term of 2 years. The service contracts with each Cooperative's Class D members are renewed annually until terminated by either party upon a six months written notice. At December 31, 2023, the Cooperative had five Class D members.

**Non-member power and services agreements** – The Cooperative holds one non-member power and service agreement.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Wholesale power purchase contracts** – The Cooperative's current power supply includes the following purchase power agreements:

- Hydroelectric power purchases from Western Area Power Administration (Western), a federal power marketing agency. Under the terms of its Salt Lake City Integrated Project (formerly Colorado River Storage Project) contract, which expires September 30, 2024, the Cooperative can receive up to 2.4 MW during October through March, and up to 11.7 MW during April through September, for service to its Class A members. Additionally, under the terms of a contract with the Parker Davis Project, which expires September 30, 2028, the Cooperative receives 18.3 MW during October through February, and 23.6 MW during March through September. Hoover (Boulder Canyon Project) hydroelectric power purchase from Arizona Power Authority and Western of approximately 4 MW each month October 2017–September 30, 2067.
- Power purchase agreement with Salt River Project to purchase up to 15 MW capacity and energy at a maximum of 44% capacity factor per month and priced at less than the market price for Peak Hours with a term to begin in January 2016 and ending 20 years thereafter. Beginning January 2017 through the remaining term of the contract, 1.755 MW will be allocated to Navopache Electric Cooperative.

**Solar services agreements** – The Cooperative's current power supply includes the following solar services agreements:

- Solar services agreement with Sierra to purchase up to 20 MW alternating current electricity at a maximum of 100% capacity factor per month with a term to begin on October 10, 2017 and ending on October 9, 2026. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.
- Solar services agreement with Sierra to purchase up to 2 MW alternating current electricity at a maximum of 100% capacity factor per month with a term to begin on August 17, 2017 and ending on August 16, 2026. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.
- Solar services agreement with Sierra to purchase up to 1.35 MW alternating current electricity at a maximum of 100% capacity factor per month and the capacity from a 2 MW/ 4 MWh battery energy storage system with a term to begin on December 9, 2020 and ending on December 8, 2027. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.
- Energy storage services agreement with Sierra to purchase the capacity from a 2.4 MW/ 5.2 MWh battery energy storage system with a term to begin on October 25, 2022 and ending on October 24, 2027. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Wholesale transmission contracts** – The Cooperative holds three separate point-to-point transmission agreements to provide point-to-point transmission services for delivering to other Southwest Reserve Sharing Group (SRSG) members under the SRSG Agreement and for the Joint Generation Contingency Reserve Plan (N-1 Plan). The first agreement provides for reserved transmission capacity of 30 MW for delivery of energy to other SRSG participants; the second agreement provides for reserved transmission capacity of 175 MW for the receipt of energy from other SRSG participants in the event of a loss of Apache generation; and the third agreement provides for reserved transmission capacity of 110 MW as established in the N-1 Plan. Each of these agreements, which renew annually, are expected to remain in effect for the term of the Members' network service agreements. In the opinion of Management, the Cooperative will be able to provide service in accordance with these agreements.

**Other transmission service agreements** – The Cooperative provides separate transmission service agreements (Point-to-point and Network Integration) with other entities in accordance with the Cooperative's Open Access Transmission Tariff (OATT) or other pre-OATT agreements. These other transmission service agreements provide for reserved transmission capacity and will remain in effect in accordance with each respective service agreement. In the opinion of Management, the Cooperative will be able to provide service in accordance with these agreements.

**Transmission wheeling agreements** – The Cooperative purchases transmission wheeling rights from other entities. There are currently six (five with Western Area Power Administration – Desert Southwest Region and one with Southern California Edison) transmission wheeling agreements under which the Cooperative purchases transmission to provide for deliveries to AEPCO's Class A members loads. There are currently five wheeling agreements (one with Western Areas Power Administration – Desert Southwest Region, two with El Paso Electric, one with Tucson Electric Power, and one with Salt River Project) under which the Cooperative moves power from market hubs into the Cooperative's service area. These transmission wheeling agreements expire at various times and may include associated roll-over rights.

**Rate filing application – transmission** – On September 1, 2021, the Cooperative filed an application with the Commission 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. The Cooperative also requested the continuance of its purchased power and fuel cost adjustor (PPFAC) and environmental cost adjustment rider (ECAR), the approval of updated depreciation rates, and a new Transmission Adjustor (TA) and Plan of Administration. On May 9, 2023, the ACC issued a decision approving the Cooperative's application, authorizing new rate tariffs, depreciation rates, PPFAC, and transmission adjuster, all of which became effective on July 1, 2023.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Fuel procurement contracts – Coal supply agreements** – To ensure an adequate fuel supply, the Cooperative enters into various long-term fuel contracts. At December 31, 2023 and 2022, these contracts consist of:

- A 60-month agreement that originally required the Cooperative to purchase approximately 3,220,000 tons of coal during the term of the agreement. The agreement has since been amended to replace the term of the agreement with January 1, 2013 through December 31, 2024 and limit the remaining base tonnage obligation to 1,060,000 tons effective January 1, 2016. The amendment further limits the purchase and delivery of coal to approximately 176,000 tons in 2017, 153,000 tons in year 2018, 221,000 tons in 2019, and 92,060 tons in year 2020. A new amendment signed in year 2020 includes a quantity of 125,000 tons to be purchased in year 2021 with an optional tonnage quantity of 75,000 tons to be purchased in year 2021. A new amendment signed in 2021 includes a quantity of 235,000 tons to be purchased in year 2022 with an optional tonnage quantity of 83,000 tons to be purchased in year 2022. A new amendment signed in 2022 includes a quantity of 300,000 tons to be purchased in year 2023, and a quantity of 257,000 tons to be purchased in year 2024 with an optional tonnage quantity of 43,000 tons to be purchased in year 2024.
- A 7-month agreement for 85,000 tons to be delivered in year 2020 and an amendment to this agreement extending the term for another 12 months thru 2021, adding an additional 187,500 tons of coal to be delivered through 2021. A new amendment signed in year 2021 includes a quantity of 240,000 tons to be purchased in year 2022 with an optional tonnage quantity of 70,000 tons to be purchased in the year 2022. A new amendment signed in year 2022 includes a quantity of 300,000 tons to be purchased in year 2023 and a quantity of 257,000 tons to be purchased in the year 2024 with an optional tonnage quantity of 43,000 tons to be purchased in the year 2024.

**Coal railcar lease agreements** – To provide for the shipment of the coal supply, the Cooperative entered into lease agreements for the lease of coal railcar trainsets (see Note 15 – Coal railcar trainsets).

**Coal railcar maintenance agreement** – The Cooperative entered into railcar management services agreement, effective January 1, 2013, for the maintenance of the coal railcar trainset leased under the 20-year lease agreement (see Note 15 – Coal railcar trainsets). The term of the original maintenance agreement was extended to December 31, 2025.

**Collective bargaining agreement** – Approximately 33% of the personnel employed by the Cooperative's work force are subject to a collective bargaining agreement. The Cooperative entered into a five-year collective bargaining agreement effective March 1, 2023 through February 28, 2026.

**Letters of credit** – A letter of credit in the amount of \$800,000 was obtained by the Cooperative from CFC for the purpose of providing credit support for a power purchase agreement with Salt River Project Agricultural Improvement and Power District (SRP). The letter of credit was issued to SRP on December 1, 2015, and was renewed during 2023. The agreement will expire on December 31, 2024. The interest rate, if draws were to occur, will be equal to a fixed rate set by CFC, not to exceed the Prevailing Bank Prime Rate, as published in the Money Rates column of *The Wall Street Journal*, plus one percent per annum. As a condition of the letter of credit, the Cooperative is required to remain in compliance with the terms and conditions of the Indenture and Contract (see Note 2 and Note 8).

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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**Lines of credit** – On June 5, 2014, the Cooperative entered into a five-year committed unsecured line of credit agreement with CFC for \$50,000,000. On July 20, 2022, the Cooperative increased the unsecured commitment to \$75,000,000 and extended the agreement to July 2027. The interest rate on advances will be calculated at a rate per annum as may be fixed by CFC from time to time or in the case of a SOFR advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. There was a \$30,000,000 outstanding balance as of December 31, 2022 and a \$33,000,000 balance outstanding as of December 31, 2023. The interest rate on this line of credit notes averaged 6.46% and 5.42% as of December 31, 2023, and 2022, respectively.

On August 21, 2014, the Cooperative entered into a five-year committed unsecured line of credit agreement with CoBank for \$50,000,000. On July 20, 2022, the Cooperative increased the unsecured commitment to \$75,000,000 and extended the agreement to July 2027. The interest rate on advances will be calculated at a Base Rate Option, at a rate per annum equal to the Base Rate plus the Applicable Margin, or in the case of a Term SOFR Option, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. There was a \$29,029,412 outstanding balance as of December 31, 2023, and a \$33,000,000 outstanding balance as of December 31, 2022. The interest rate on this line of credit averaged 6.63% and 5.44% as of December 31, 2023 and 2022, respectively.

**Financing leases** – Financing lease property and the related liabilities are in substance asset purchases. Assets and liabilities under financing leases are recorded at the lesser of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over their related lease terms or their estimated useful lives, whichever is less.

On January 28, 2013, the Cooperative entered into a master lease agreement for the lease of substantially all of the Cooperative's vehicles. Individual lease schedules underlying the master lease agreement are entered into as individual vehicles are delivered. Each lease schedule includes a description of the vehicle, the lease term and the monthly rental and other payments due with respect to the vehicle. The term for each vehicle begins on the date each vehicle is delivered and continues as described in the individual schedule.

**Computer equipment** – The Cooperative entered into master lease agreements for the lease of substantially all the Cooperative's personal computers and peripheral equipment. Individual certificates of acceptance (COAs) underlying the master lease agreements are entered into as groups of computers and equipment are delivered. The terms of the COAs are for up to six years. Rent expense for the lease of the computer equipment was approximately \$419,000 and \$362,000 for the years ended December 31, 2023 and 2022, respectively, and is included in administration and general on the accompanying statements of revenues and expenses and unallocated accumulated margins.

**Copier equipment** – The Cooperative entered into two and three lease agreements for the lease of copier equipment for 2023 and 2022, respectively. The terms of each lease is 60 months. Rent expense for the lease of copier equipment was approximately \$43,437 and \$51,000 for the years ended December 31, 2023 and 2022, respectively and is included in administration and general on the accompanying statements of revenues and expenses and unallocated accumulated margins.

# Arizona Electric Power Cooperative, Inc.

## Notes to Financial Statements

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**Hydrogen bulk storage vessel** – The Cooperative entered into a lease agreement for the lease of a storage vessel to store hydrogen gas. The term of the lease agreement is 60 months and is automatically renewed at the end of each term for 60 months unless either party gives written termination notice at least six (6) months before the expiration of the current term. The current 60 month period expires November 1, 2027. Rent expense for the lease of the storage vessel was approximately \$32,000 for the years ended December 31, 2023 and 2022, respectively.

**Coal railcar trainsets** – The Cooperative entered into lease agreements for the lease of coal railcar trainsets. Lease payments are included as a component of fuel expense. At December 31, 2023, these lease agreements consist of the following:

- A 20-year lease agreement, effective December 17, 2002 was extended effective January 1, 2023. Lease payments under this agreement totaled approximately \$319,000 and \$369,000 in 2023 and 2022. The Cooperative has the option of canceling this agreement effective December 31, 2025 subject to the Cooperative notifying the lessor in writing on or before 30 days prior to the effective date of the termination.

Future minimum financing lease payments and present values of the minimum lease payments are as follows as of December 31, 2023:

Years ending December 31,	2024	\$ 884,627
	2025	714,436
	2026	385,099
	2027	<u>405,479</u>
Total minimum lease payments		2,389,641
Less amount representing interest		<u>49,021</u>
Present value of minimum lease payments		2,340,620
Less current portion		<u>884,627</u>
Total minimum payments, net		<u><u>\$ 1,455,993</u></u>

The following provides the supplemental information related to financing leases for the purpose of the measurement of lease liabilities at December 31:

	<u>2023</u>	<u>2022</u>
Financing cash flows from financing leases	\$ 572,209	\$ 675,197
Weighted average remaining lease term	3.58	20 years
Weighted average discount rate	4.24	0.87%

**Legal** – In the normal course of business, the Cooperative is party to claims and matters of litigation. The ultimate outcome of these matters cannot presently be determined; however, in the opinion of the Management of the Cooperative, the resolution of these matters will not have a material adverse effect on the Cooperative's financial position, results of operations, or liquidity.

## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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#### Note 12 – Patronage Capital

**Patronage capital allocation** – In accordance with the Cooperative's bylaws, the Cooperative is obligated to account, on a patronage basis, to all its Members for all amounts received and receivable from the sale and/or delivery of electric energy and other services in excess of the sum of:

- operating costs and expenses, including interest on debt service, properly chargeable against the sale and/or delivery of electric energy and other services; and,
- amounts required to offset any losses incurred during the current or any prior fiscal years.

All such amounts in excess of operating costs, expenses, and prior losses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Members as capital. The Cooperative is obligated to pay by credits to a capital account for each Member for all such amounts as credits in proportion to the value or quantity of the Cooperative's service used, received, or purchased by each Member during the applicable fiscal year in excess of operating costs and expenses and prior losses.

**Patronage capital retirement** – Per the Indenture, AEPCO may retire patronage capital without further restriction as long as aggregated margins and equity are maintained at a level that is at least 30% of total long-term debt and equities. The retirements for 2023 and 2022 were \$314,713 and \$0, respectively.

#### Note 13 – Employee Benefit Plans

**Managed Time Off (MTO)** – Employees earn paid time-off based on years of service and hours worked in the current period. The maximum accrued MTO for each employee is limited to a predetermined amount as established by policy of the Cooperative's Board of Directors. Any earned MTO not taken by an employee at the time of separation from employment in good standing may be paid in lump-sum as a termination benefit. Each year, employees with MTO exceeding 120 hours may convert up to 80 hours to cash at the employee's current base rate of pay.

**Pension plans** – The Cooperative has a defined benefit pension plan covering substantially all of its employees. Pension benefits are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan). The Cooperative contributes a percentage of salaried and union employees' earnings to the program, as prescribed by NRECA. The Cooperative's policy has been to fund retirement costs annually as they accrue. Withdrawal from the RS Plan may result in the Cooperative having a significant obligation to the program. The Cooperative does not currently intend to withdraw from the plan and accordingly, no provision has been included in the accompanying financial statements.

The NRECA RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.



## Arizona Electric Power Cooperative, Inc.

### Notes to Financial Statements

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The Cooperative's contributions to the RS Plan in 2023 and 2022 represented less than 5 percent of the total contributions made to the plan by all participating employers. Contributions by the Cooperative to this plan approximated \$3,351,000 and \$3,158,000 for the years ended December 31, 2023 and 2022, respectively. Contributions in 2023 reflect a reduction in the contribution billing rate of approximately 25% resulting from the Cooperative's voluntary decision to prepay RS Plan contributions (See RS Plan prepayment).

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2023 and 2022, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The Cooperative offers participation in the 401(k) Pension Plan to non-union employees hired prior to January 1, 2012 and union employees hired prior to January 1, 2019 who meet certain minimum service requirements. This plan has 401(k) salary deferral features. Under this plan, the Cooperative matches a percentage of the employees' contributions to the plan. The Cooperative's contributions to the plan were approximately \$337,000 and \$353,000 for the years ended December 31, 2023 and 2022, respectively.

The Cooperative offers participation in the 401(k) Pension Plan to non-union employees hired after December 31, 2011 and union employees hired after December 31, 2018 who have no prior RS Plan participation history and meet certain minimum service requirements. This plan has 401(k) salary deferral features. Under this plan, the Cooperative matches a percentage of the employees' contributions to the plan. The Cooperative's contributions to the plan were approximately \$402,000 and \$445,000 for the years ended December 31, 2023 and 2022, respectively.

**RS Plan prepayment** – On April 29, 2013, the Cooperative voluntarily prepaid contributions of \$9,600,211 to the NRECA RS Plan. The prepayment amount is the Cooperative's share as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment was the equivalent of approximately 2.5 times the Cooperative's 2013 annual required contribution and will result in an approximate 25% reduction in the Cooperative's required contributions as of January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period. In accordance with the guidance provided by RUS to its borrowers, the Cooperative created a deferred debit and will amortize it over 17.5 years starting January 1, 2013.

**Deferred compensation programs** – The Cooperative offers a program to key employees whereby these employees may elect to set aside a portion of current compensation to be paid out at a later date upon a qualifying event including retirement, termination of employment, death, or disability. As of December 31, 2023 and 2022, there was one participant in the program.

## **Arizona Electric Power Cooperative, Inc.**

### **Notes to Financial Statements**

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Effective March 1, 2016, the Cooperative offers a program (Top Hat Plan) to key employees whereby these employees may elect to set aside a portion of current compensation to be paid out at a later date selected by the employee upon initial participation in the plan or upon a qualifying event including retirement, termination of employment, death, or disability. As of December 31, 2023 and 2022, there was one participant in this program.

Effective January 1, 2016, the Cooperative offers a program (Performance Incentive 457(f) Plan) to a select group of management, key employees, or highly compensated employees within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA), which is intended to be a nonqualified deferred compensation plan maintained in conformity with the requirements of Internal Revenue Code Section 457(f). All amounts deferred under the Plan shall constitute short-term deferrals for the purposes of Code Section 409A. Benefits payable under the Plan shall be payable only if the participant achieves the performance goal or goals outlined in the Plan addendum. As of December 31, 2023 and 2022, there was one participant in this program.

#### **Note 15 – Concentration of Customers and Credit Risk**

Revenue and accounts receivable for the year ended December 31, 2023, included amounts from three customers, whom each individually represented more than 10% of the total operating revenue and accounts receivable. Revenue from these customers collectively represented approximately 85% of total operating revenue for 2023. The amounts owed from these customers collectively represented approximately 40% of the total accounts receivable balance at December 31, 2023.

Revenue and accounts receivable for the year ended December 31, 2022, included amounts from three customers, whom each individually represented more than 10% of the total operating revenue and accounts receivable. Revenue from these customers collectively represented approximately 59% of total operating revenue for 2022. The amounts owed from these customers collectively represented approximately 29% of the total accounts receivable balance at December 31, 2022.

#### **Note 16 – Related-Parties**

The Cooperative is a member of Sierra. Sierra is a member-owned, non-profit Arizona cooperative corporation organized to provide electric power and energy related products and services to its members and other patrons. The Cooperative is represented by two delegates. Each delegate is seated as a director on the Cooperative's Board of Directors and is entitled to one vote on each matter submitted to a vote at a meeting of the directors.

The Cooperative entered into an agreement with Sierra to lease certain real property (Property) to Sierra for the purpose of constructing and operating a 20 megawatt (MW) AC solar photovoltaic generating facility system (Generating Facility), which will be located on a portion of the Property. The term of the agreement is effective October 16, 2017 through December 31, 2045, and shall be automatically renewed as long as the Generating Facility remains in commercial operation. The Cooperative recorded solar site rental income from Sierra totaling approximately \$10,000 and \$0 for the years ended December 31, 2023 and 2022, respectively.

## **Arizona Electric Power Cooperative, Inc.**

### **Notes to Financial Statements**

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The Cooperative entered into an agreement with Sierra to finance construction of solar photovoltaic distributed generation facilities with two promissory notes (see Note 6). The combined notes receivable was \$1,074,502 and \$1,145,542 as of December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Cooperative has recorded approximately \$360,000 accounts payable to Sierra and there were approximately \$501,000 accounts receivable from Sierra. As of December 31, 2022, the Cooperative has recorded approximately \$354,000 accounts payable to Sierra and there were approximately \$382,000 accounts receivable from Sierra. The net receivable or payable are included in the accompanying balance sheets as accounts receivable or payable.

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Arizona Electric Power Cooperative, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, of Arizona Electric Power Cooperative, Inc. (the "Cooperative") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Arizona Electric Power Cooperative, Inc. basic financial statements, and have issued our report thereon dated March 29, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arizona Electric Power Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Arizona Electric Power Cooperative, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Arizona Electric Power Cooperative, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon  
March 29, 2024



