

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

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E-01773A
Arizona Electric Power Cooperative, Inc.
PO Box 670
Benson, AZ 85602

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

MAY 15 2009

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT
Electric Utilities

FOR YEAR ENDING

12	31	2008
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FOR COMMISSION USE

ANN 01	08
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PROCESSED BY:

5-18-09

SCANNED

COMPANY INFORMATION

Company Name (Business Name) <u>Arizona Electric Power Cooperative, Inc.</u>		
Mailing Address <u>PO Box 670</u> <small>(Street)</small>		
<u>Benson</u> <small>(City)</small>	<u>AZ</u> <small>(State)</small>	<u>85602</u> <small>(Zip)</small>
<u>520-586-3631</u>	<u>520-586-5343</u>	
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>
Email Address _____		
Local Office Mailing Address <u>1000 So. Hwy 80</u> <small>(Street)</small>		
<u>Benson</u> <small>(City)</small>	<u>AZ</u> <small>(State)</small>	<u>85602</u> <small>(Zip)</small>
<u>520-586-3631</u>	<u>520-586-5343</u>	
<small>Local Office Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>
Email Address _____		

MANAGEMENT INFORMATION

Management Contact: <u>Gary Grim</u> <u>Senior Vice President & COO</u> <small>(Name)</small> <small>(Title)</small>			
<u>PO Box 670</u> <small>(Street)</small>	<u>Benson</u> <small>(City)</small>	<u>AZ</u> <small>(State)</small>	<u>85602</u> <small>(Zip)</small>
<u>520-586-6501</u>	<u>520-586-5343</u>		
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>	
Email Address _____			
On Site Manager: <u>Same as above</u> <small>(Name)</small>			
<small>(Street)</small>	<small>(City)</small>	<small>(State)</small>	<small>(Zip)</small>
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>	
Email Address _____			

Statutory Agent: Patrio Lopez, III Rusing & Lopez PLLC
 (Name)

6262 N. Swan Rd. #200 Tucson AZ 85718
 (Street) (City) (State) (Zip)

520-792-4800 520-529-4262
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Attorney: Same as above
 (Name)

(Street) (City) (State) (Zip)

Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address plopez@rusingandlopez.com

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input checked="" type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|--|-----------------------------------|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input checked="" type="checkbox"/> STATEWIDE (Wholesale Sales of Electricity) | | |

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

- Electric**
 - Investor Owned Electric
 - Rural Electric Cooperative
 - Utility Distribution Company
 - Electric Service Provider
 - Transmission Service Provider
 - Meter Service Provider
 - Meter Reading Service Provider
 - Billing and Collection
 - Ancillary Services
 - Generation Provider
 - Aggregator/Broker

Other (Specify) _____

STATISTICAL INFORMATION

Total number of customers	_____
Residential	_____
Commercial	_____
Industrial	_____
Public Street and Highway lighting	_____
Irrigation	_____
Resale	33
Total kilowatt-hours sold	_____ kWh
Residential	_____
Commercial	_____
Industrial	_____
Public Street and Highway lighting	_____
Irrigation	_____
Resale	3,519,177,630
Maximum Peak Load	605.5 _____ MW

COMPANY NAME: _____

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211	OTHER
JANUARY			
FEBRUARY			
MARCH			
APRIL			
MAY			
JUNE			
JULY			
AUGUST			
SEPTEMBER			
OCTOBER			
NOVEMBER			
DECEMBER			
TOTALS →			

OTHER (description):

N/A

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED
MAY 10 2009
NOTARY PUBLIC
DIRECTOR: UMMS

VERIFICATION

STATE OF _____

I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) Cochise
NAME (OWNER OR OFFICIAL) TITLE Donald W. Kimball
COMPANY NAME Arizona Electric Power Cooperative, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2008

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2008 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$) \$ 207,666,044
--

**(THE AMOUNT IN BOX ABOVE
INCLUDES \$ _____
IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Donald W. Kimball

SIGNATURE OF OWNER OR OFFICIAL

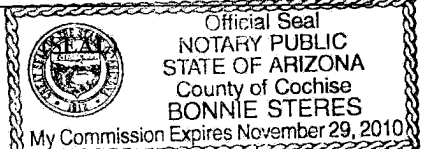
TELEPHONE NUMBER _____

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

29th DAY OF



COUNTY NAME Cochise
MONTH April 29 .20 09

Bonnie Steres

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES **11-29-2010**

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED

MAY 01 2009

PUBLIC UTILITIES
DIRECTOR UTILITIES

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Cochise	
NAME (OWNER OR OFFICIAL) Donald W. Kimball	TITLE Executive V.P. & CEO
COMPANY NAME Arizona Electric Power Coop., Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2008

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2008 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>0</u>

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ _____ IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

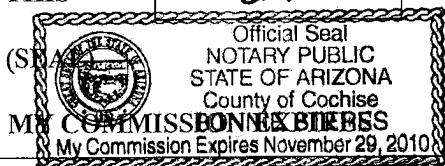
X Donald W. Kimball
SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER _____

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 29th DAY OF



11-29-2010

NOTARY PUBLIC NAME Bonnie Stares	
COUNTY NAME Cochise	
MONTH April	YEAR .20 09

X Bonnie Stares
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2008) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

ARIZONA ELECTRIC POWER COOPERATIVE, INC.
BALANCE SHEETS

ASSETS

	DECEMBER 31,	
	2008	2007
UTILITY PLANT		
Plant in service	\$ 402,042,682	\$ 393,889,048
Construction work in progress	20,108,331	3,128,219
	<hr/>	<hr/>
Total utility plant	422,151,013	397,017,267
Less accumulated depreciation	204,728,929	198,830,152
	<hr/>	<hr/>
Utility plant, net	217,422,084	198,187,115
	<hr/>	<hr/>
INVESTMENTS		
Restricted held to maturity	9,862,193	6,313,693
Unrestricted	7,166,123	7,149,486
	<hr/>	<hr/>
Total investments	17,028,316	13,463,179
	<hr/>	<hr/>
CURRENT ASSETS		
Cash and cash equivalents		
General unrestricted	1,138,577	6,426,466
Restricted	3,871,394	3,776,700
Accounts receivable	20,661,593	21,611,126
Accumulated under-recovered fuel and purchased power costs	7,238,080	5,593,468
Inventories, at average cost		
Coal and natural gas	19,099,253	8,520,622
Materials and supplies	6,919,946	6,307,932
Prepayments and other current assets	978,377	1,166,881
Notes receivable	58,739	86,873
	<hr/>	<hr/>
Total current assets	59,965,959	53,490,068
	<hr/>	<hr/>
DEFERRED DEBITS	9,464,344	6,199,874
	<hr/>	<hr/>
Total assets	<u>\$ 303,880,703</u>	<u>\$ 271,340,236</u>

ARIZONA ELECTRIC POWER COOPERATIVE, INC.
BALANCE SHEETS

MEMBERSHIP CAPITAL AND LIABILITIES

	DECEMBER 31,	
	2008	2007
MEMBERSHIP CAPITAL		
Membership fees	\$ 430	\$ 430
Patronage capital	57,201,869	25,454,747
Unallocated accumulated margins	17,355,770	31,747,122
Total membership capital	74,558,069	57,202,299
LONG-TERM DEBT		
Federal Financing Bank	109,018,862	110,748,768
Cooperative Utility Trust	19,351,712	21,116,169
Solid Waste Disposal Revenue Bonds	14,765,608	15,372,414
Cooperative Finance Corporation	29,300,244	932,281
Rural Utilities Service	107,908	674,423
Capital lease obligation	4,651,289	2,336,012
Total long-term debt	177,195,623	151,180,067
CURRENT LIABILITIES		
Member advances and other investments	18,541,623	17,760,555
Current maturities of capital lease obligation	1,260,950	448,045
Current maturities of long-term debt	6,645,314	16,457,993
Accounts payable	13,307,282	7,230,981
Accrued property and business taxes	2,229,488	2,212,431
Accrued interest	725,295	965,725
Line of credit - Cooperative Finance Corporation	5,400,000	13,943,050
Other	1,097,548	897,665
Total current liabilities	49,207,500	59,916,445
ASSET RETIREMENT OBLIGATIONS	1,654,712	1,439,346
DEFERRED CREDITS	1,264,799	1,602,079
Total membership capital and liabilities	\$ 303,880,703	\$ 271,340,236

ARIZONA ELECTRIC POWER COOPERATIVE, INC.
STATEMENTS OF REVENUES AND EXPENSES AND UNALLOCATED ACCUMULATED MARGINS

	YEAR ENDED DECEMBER 31,	
	2008	2007
OPERATING REVENUES		
Sales of electric energy		
Members		
Class A - Firm	\$ 123,646,648	\$ 138,437,318
Class A - Non Firm	-	177,397
Class B	42,938,769	6,675,767
Class C	-	33,716,073
Class D	1,593,208	2,717,522
Under-recovery of fuel and purchase power costs	38,638,375	24,672,520
Nonmembers	8,402,255	5,400,208
Other, net	728,133	981,112
Total operating revenues	<u>215,947,388</u>	<u>212,777,917</u>
OPERATING EXPENSES		
Power generation		
Fuel	69,854,969	68,096,074
Operation	10,581,716	10,023,850
Maintenance	15,322,190	16,244,572
Purchased power and interchange	52,328,850	41,230,238
Administration and general	10,843,391	9,674,147
Depreciation, amortization and accretion	8,054,263	7,900,636
Transmission	18,526,791	25,955,050
Property and other taxes	2,934,495	3,340,972
Reduction in asset retirement obligation estimate	-	(1,210,453)
Total operating expenses	<u>188,446,665</u>	<u>181,255,086</u>
OPERATING MARGIN	27,500,723	31,522,831
Interest and interest related expenses, net	(11,393,082)	(12,978,824)
Other income, net	1,248,129	2,005,528
NET MARGIN	17,355,770	20,549,535
UNALLOCATED ACCUMULATED MARGINS,		
beginning of year	31,747,122	18,849,096
PATRONAGE CAPITAL ALLOCATION	<u>(31,747,122)</u>	<u>(7,651,509)</u>
UNALLOCATED ACCUMULATED MARGINS, end of year	<u><u>\$ 17,355,770</u></u>	<u><u>\$ 31,747,122</u></u>

ARIZONA ELECTRIC POWER COOPERATIVE, INC.
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margin	\$ 17,355,770	\$ 20,549,535
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation and amortization	8,054,263	7,811,346
Amortization of deferred charges	77,989	84,480
Amortization of other deferred credits	(337,280)	(337,280)
Patronage capital allocations	(101,528)	(179,791)
Accretion of asset retirement obligations	95,185	89,290
Settlement of asset retirement obligations	-	(1,210,453)
Changes in assets and liabilities		
Restricted cash and cash equivalents	(94,694)	(496,618)
Accounts and notes receivable	977,667	(4,093,929)
Accumulated under-recovered fuel and purchased power costs	(1,644,612)	5,474,080
Inventories	(11,190,645)	(2,460,815)
Prepayments and other current assets	188,504	(185,721)
Deferred debits	(3,342,459)	1,111,405
Accounts payable	6,076,301	(2,254,135)
Accrued interest	(240,430)	(2,223,937)
Accrued overhaul	-	4,353,314
Accrued property and business taxes and other	216,940	499,836
Net cash from operating activities	<u>16,090,971</u>	<u>26,530,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures, net	(23,919,051)	(4,865,794)
Purchases and redemptions of investments, net	(3,463,609)	2,246,457
Net cash from investing activities	<u>(27,382,660)</u>	<u>(2,619,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Membership fees	-	100
Member advances and other investments, net	781,068	7,031,039
Proceeds from long-term debt	30,386,500	-
Line of credit activity, net	(8,543,050)	(5,056,950)
Payments on long-term debt and capital lease obligation	(16,620,718)	(27,637,469)
Net cash from financing activities	<u>6,003,800</u>	<u>(25,663,280)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(5,287,889)	(1,752,010)
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,426,466</u>	<u>8,178,476</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,138,577</u>	<u>\$ 6,426,466</u>

ARIZONA ELECTRIC POWER COOPERATIVE, INC.
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	<u>2008</u>	<u>2007</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest, net of amount capitalized	<u>\$ 11,555,523</u>	<u>\$ 15,118,281</u>
Noncash investing activities		
Liabilities incurred for asset retirement obligations	<u>\$ 120,181</u>	<u>\$ 112,742</u>
Assets acquired under a capital lease	<u>\$ 3,250,000</u>	<u>\$ 502,173</u>
