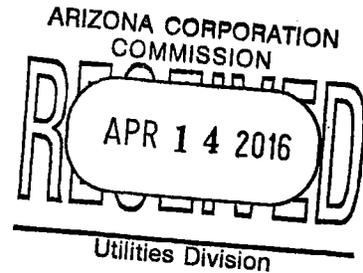


ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

E-01750A

Mohave Electric Cooperative, Inc.
PO Box 1045
Bullhead City, AZ 86430-1045



Please click here if pre-printed Company name on this form is not your current Company name or dba name is not included.

Please list current Company name including dba here:

ANNUAL REPORT
Electric

FOR YEAR ENDING

| | | |
|----|----|------|
| 12 | 31 | 2015 |
|----|----|------|

FOR COMMISSION USE

| | |
|--------|----|
| ANN 01 | 15 |
|--------|----|

4-22-16

COMPANY INFORMATION

| | | | |
|--|---|--|--------------|
| Company Name (Business Name) <u>MOHAVE ELECTRIC COOPERATIVE, INCORPORATED</u> | | | |
| Mailing Address <u>PO BOX 1045</u> | | | |
| | (Street) | | |
| <u>BULLHEAD CITY</u> | | <u>AZ</u> | <u>86430</u> |
| (City) | | (State) | (Zip) |
| <u>(928) 763-4115</u> | <u>(928) 763-3315</u> | <u>N/A</u> | |
| Telephone No. (Include Area Code) | Fax No. (Include Area Code) | Cell No. (Include Area Code) | |
| Email Address <u>mohaveelectric.com</u> | | | |
| Local Office Mailing Address <u>1999 ARENA DRIVE</u> | | | |
| | (Street) | | |
| <u>BULLHEAD CITY</u> | | <u>AZ</u> | <u>86442</u> |
| (City) | | (State) | (Zip) |
| <u>(928) 763-4115</u> | <u>(928) 763-4115</u> | | |
| Local Customer Service Phone No. (Include Area Code) | (1-800 or other long distance Customer Service Phone No.) | | |
| Email Address <u>mohaveelectric.com</u> | | Website address <u>mohaveelectric.com</u> | |

MANAGEMENT INFORMATION

| | | | |
|---|-----------------------------|------------------------------|--------------|
| <input type="checkbox"/> Regulatory Contact: | | | |
| <input checked="" type="checkbox"/> Management Contact: <u>PAULA GRIFFES</u> <u>ADMINISTRATIVE ASSISTANT</u> | | | |
| | (Name) | | (Title) |
| <u>1999 ARENA DRIVE</u> | <u>BULLHEAD CITY</u> | <u>AZ</u> | <u>86442</u> |
| (Street) | (City) | (State) | (Zip) |
| <u>(928) 763-4115</u> | <u>(928) 763-3315</u> | <u>N/A</u> | |
| Telephone No. (Include Area Code) | Fax No. (Include Area Code) | Cell No. (Include Area Code) | |
| Email Address <u>pgriffes@mohaveelectric.com</u> | | | |
| On Site Manager: <u>J. Tyler Carlson</u> <u>CEO</u> | | | |
| | (Name) | | |
| <u>1999 ARENA DRIVE</u> | <u>BULLHEAD CITY</u> | <u>AZ</u> | <u>86442</u> |
| (Street) | (City) | (State) | (Zip) |
| <u>(928) 763-4115</u> | <u>(928) 763 3315</u> | <u>N/A</u> | |
| Telephone No. (Include Area Code) | Fax No. (Include Area Code) | Cell No. (Include Area Code) | |
| Email Address <u>tcarlson@mohaveelectric.com</u> | | | |

Statutory Agent: HLG CORPORATE SERVICES, LLC
(Name)

2398 E CAMELBACK ROAD, SUITE 1020, PHOENIX, AZ 85016
(Street) (City) (State) (Zip)

(602) 852-5500 (602) 852-5499 N/A
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Attorney: HOOL COURY LAW, PLC
(Name)

2398 E CAMELBACK ROAD, SUITE 1020, PHOENIX, AZ 85016
(Street) (City) (State) (Zip)

(602) 852-5500 (602) 852-5499 N/A
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address habdul@hoolcourylaw.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 checked="" 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 checked="" type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input checked="" type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

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

Retail Information

| | Number of Arizona Customers | Number of kWh Sold in Arizona |
|------------------------------------|-----------------------------|-------------------------------|
| Residential | 36,040 | 376,057,969 |
| Commercial | 4,092 | 210,082,971 |
| Industrial | 4 | 66,482,360 |
| Public Street and Highway Lighting | 16 | 439,536 |
| Irrigation | 16 | 4,080,807 |
| Total Retail | 40,168 | 657,143,643 |

Wholesale Information

| | Number of Customers | Number of kWh Sold |
|--|---------------------|--------------------|
| Resale | 1 | 67,033,822 |
| Short-term Sales (durations of less than one year) | | |
| Total Wholesale | 1 | 67,033,822 |

Total MWh Sold 724,177 MWh

Maximum Peak Load 191,526 MW

COMPANY NAME: _____

UTILITY SHUTOFFS / DISCONNECTS

| MONTH | Termination without Notice R14-2-211.B | Termination with Notice R14-2-211 | OTHER |
|-----------------|---|--|--------------|
| JANUARY | | 488 | |
| FEBRUARY | | 330 | |
| MARCH | | 490 | |
| APRIL | | 502 | |
| MAY | | 491 | |
| JUNE | | 806 | |
| JULY | | 834 | |
| AUGUST | | 976 | |
| SEPTEMBER | | 926 | |
| OCTOBER | | 734 | |
| NOVEMBER | | 541 | |
| DECEMBER | | 771 | |
| TOTALS → | | 7,889 | |

OTHER (description):

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

ARIZONA CORPORATION
COMMISSION

RECEIVED
APR 14 2016

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

| |
|---|
| COUNTY OF (COUNTY NAME) MOHAVE |
| NAME (OWNER OR OFFICIAL) TITLE ARDEN LAUXMAN |
| COMPANY NAME MOHAVE ELECTRIC COOPERATIVE, INC. |

Utilities Division

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

FOR THE YEAR ENDING

| | | |
|-------|-----|------|
| MONTH | DAY | YEAR |
| 12 | 31 | 2015 |

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 2015 WAS:

| |
|--|
| Arizona Intrastate Gross Operating Revenues Only (\$) \$ 73,980,922 |
|--|

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 4,508,767
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)**



SIGNATURE OF OWNER OR OFFICIAL

(928) 763-4115

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS _____ DAY OF



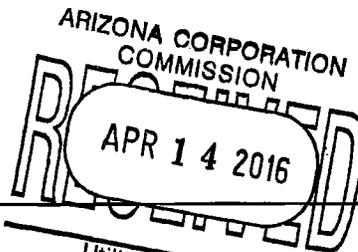
| | |
|-----------------------|--------------|
| COUNTY NAME MOHAVE | |
| MONTH APRIL | YEAR 2016 |



SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 5-18-2018

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



STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

| | |
|---|--------------|
| COUNTY OF (COUNTY NAME) MOHAVE | |
| NAME (OWNER OR OFFICIAL) ARDEN LAUXMAN | TITLE CFO |
| COMPANY NAME MOHAVE ELECTRIC COOPERATIVE, INC. | |

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

FOR THE YEAR ENDING

| | | |
|-------|-----|------|
| MONTH | DAY | YEAR |
| 12 | 31 | 2015 |

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 2015 WAS:

| |
|--|
| ARIZONA INTRASTATE GROSS OPERATING REVENUES \$ 73,980,922 |
|--|

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 4,508,767 IN SALES TAXES BILLED, OR COLLECTED

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

Arden Lauxman

SIGNATURE OF OWNER OR OFFICIAL

(928) 763-4115

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 13th DAY OF
(SEAL)

MY COMMISSION EXPIRES
5-18-2018

| | |
|---------------------------------------|---------------|
| NOTARY PUBLIC NAME DIANA L PEARSON | |
| COUNTY NAME MOHAVE | |
| MONTH APRIL | YEAR .2016 |

Diana L. Pearson

SIGNATURE OF NOTARY PUBLIC

OFFICIAL SEAL
DIANA L. PEARSON
Notary Public - State of Arizona
MOHAVE COUNTY
My Comm. Expires May 18, 2018

FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2015) 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.**

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 15 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

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION
AZ0022

PERIOD ENDED December, 2015

BORROWER NAME
Mohave Electric Cooperative, Incorporated

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 D of this report.

John Carlson

3/29/2016

DATE

PART A. STATEMENT OF OPERATIONS

| ITEM | YEAR-TO-DATE | | | THIS MONTH (d) |
|---|-------------------|-------------------|-------------------|-------------------|
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | |
| 1. Operating Revenue and Patronage Capital | 75,820,573 | 69,472,155 | 79,534,334 | 5,347,141 |
| 2. Power Production Expense | | | | |
| 3. Cost of Purchased Power | 58,388,617 | 51,499,488 | 61,918,395 | 4,133,962 |
| 4. Transmission Expense | 161,941 | 193,687 | 161,395 | 18,250 |
| 5. Regional Market Expense | | | | |
| 6. Distribution Expense - Operation | 3,748,151 | 3,225,871 | 3,751,145 | 436,803 |
| 7. Distribution Expense - Maintenance | 1,164,379 | 1,242,763 | 1,220,704 | 124,735 |
| 8. Customer Accounts Expense | 2,048,073 | 2,033,975 | 2,060,814 | 65,581 |
| 9. Customer Service and Informational Expense | 159,769 | 73,651 | 150,172 | 11,188 |
| 10. Sales Expense | 110,689 | 111,732 | 114,346 | 14,058 |
| 11. Administrative and General Expense | 4,257,241 | 4,062,609 | 4,380,341 | 394,910 |
| 12. Total Operation & Maintenance Expense (2 thru 11) | 70,038,860 | 62,443,776 | 73,757,312 | 5,199,487 |
| 13. Depreciation and Amortization Expense | 2,547,388 | 2,892,785 | 2,574,553 | 314,374 |
| 14. Tax Expense - Property & Gross Receipts | | | | |
| 15. Tax Expense - Other | | | | |
| 16. Interest on Long-Term Debt | 1,942,503 | 1,842,308 | 1,833,642 | 159,021 |
| 17. Interest Charged to Construction - Credit | | | | |
| 18. Interest Expense - Other | 3,970 | 7,809 | 8,167 | 640 |
| 19. Other Deductions | 12,555 | 3,401 | 7,250 | 206 |
| 20. Total Cost of Electric Service (12 thru 19) | 74,545,276 | 67,190,079 | 78,180,924 | 5,673,728 |
| 21. Patronage Capital & Operating Margins (1 minus 20) | 1,275,297 | 2,282,076 | 1,353,410 | (326,587) |
| 22. Non Operating Margins - Interest | 461,951 | 611,443 | 440,056 | 75,333 |
| 23. Allowance for Funds Used During Construction | | | | |
| 24. Income (Loss) from Equity Investments | 3,992 | (3,992) | 6,000 | |
| 25. Non Operating Margins - Other | 438,885 | 79,512 | | (450) |
| 26. Generation and Transmission Capital Credits | 4,247,897 | 2,727,471 | 3,212,699 | 170,679 |
| 27. Other Capital Credits and Patronage Dividends | 228,542 | 209,514 | 169,000 | (21,950) |
| 28. Extraordinary Items | | | | |
| 29. Patronage Capital or Margins (21 thru 28) | 6,656,564 | 5,906,024 | 5,181,165 | (102,975) |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | | BORROWER DESIGNATION AZ0022 | | |
|--|------------------|------------------|--|------------------|------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | | PERIOD ENDED December, 2015 | | |
| INSTRUCTIONS - See help in the online application. | | | | | |
| PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT | | | | | |
| ITEM | YEAR-TO-DATE | | ITEM | YEAR-TO-DATE | |
| | LAST YEAR (a) | THIS YEAR (b) | | LAST YEAR (a) | THIS YEAR (b) |
| 1. New Services Connected | 196 | 324 | 5. Miles Transmission | 111.94 | 111.94 |
| 2. Services Retired | 89 | 145 | 6. Miles Distribution - Overhead | 1,055.74 | 1,061.74 |
| 3. Total Services in Place | 43,830 | 44,009 | 7. Miles Distribution - Underground | 353.55 | 355.29 |
| 4. Idle Services (Exclude Seasonals) | 4,069 | 3,841 | 8. Total Miles Energized (5 + 6 + 7) | 1,521.23 | 1,528.97 |
| PART C. BALANCE SHEET | | | | | |
| ASSETS AND OTHER DEBITS | | | LIABILITIES AND OTHER CREDITS | | |
| 1. Total Utility Plant in Service | 96,058,547 | | 30. Memberships | 167,530 | |
| 2. Construction Work in Progress | 18,552,041 | | 31. Patronage Capital | 80,726,064 | |
| 3. Total Utility Plant (1 + 2) | 114,610,588 | | 32. Operating Margins - Prior Years | 0 | |
| 4. Accum. Provision for Depreciation and Amort. | 41,425,881 | | 33. Operating Margins - Current Year | 5,323,359 | |
| 5. Net Utility Plant (3 - 4) | 73,184,707 | | 34. Non-Operating Margins | 582,665 | |
| 6. Non-Utility Property (Net) | 0 | | 35. Other Margins and Equities | 4,980,141 | |
| 7. Investments in Subsidiary Companies | 0 | | 36. Total Margins & Equities (30 thru 35) | 91,779,759 | |
| 8. Invest. in Assoc. Org. - Patronage Capital | 43,765,000 | | 37. Long-Term Debt - RUS (Net) | 2,738,531 | |
| 9. Invest. in Assoc. Org. - Other - General Funds | 2,439,363 | | 38. Long-Term Debt - FFB - RUS Guaranteed | 29,886,534 | |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | 755,485 | | 39. Long-Term Debt - Other - RUS Guaranteed | 0 | |
| 11. Investments in Economic Development Projects | 0 | | 40. Long-Term Debt Other (Net) | 9,056,172 | |
| 12. Other Investments | 10,921,714 | | 41. Long-Term Debt - RUS - Econ. Devel. (Net) | 0 | |
| 13. Special Funds | 0 | | 42. Payments - Unapplied | 2,215,747 | |
| 14. Total Other Property & Investments (6 thru 13) | 57,881,562 | | 43. Total Long-Term Debt (37 thru 41 - 42) | 39,465,490 | |
| 15. Cash - General Funds | 4,478,688 | | 44. Obligations Under Capital Leases - Noncurrent | 0 | |
| 16. Cash - Construction Funds - Trustee | 0 | | 45. Accumulated Operating Provisions and Asset Retirement Obligations | 0 | |
| 17. Special Deposits | 0 | | 46. Total Other Noncurrent Liabilities (44 + 45) | 0 | |
| 18. Temporary Investments | 4,313,320 | | 47. Notes Payable | 0 | |
| 19. Notes Receivable (Net) | 613,070 | | 48. Accounts Payable | 4,480,859 | |
| 20. Accounts Receivable - Sales of Energy (Net) | 2,876,431 | | 49. Consumers Deposits | 3,217,281 | |
| 21. Accounts Receivable - Other (Net) | 137,378 | | 50. Current Maturities Long-Term Debt | 1,871,917 | |
| 22. Renewable Energy Credits | 0 | | 51. Current Maturities Long-Term Debt - Economic Development | 0 | |
| 23. Materials and Supplies - Electric & Other | 2,158,322 | | 52. Current Maturities Capital Leases | 0 | |
| 24. Prepayments | 8,482,705 | | 53. Other Current and Accrued Liabilities | 9,434,550 | |
| 25. Other Current and Accrued Assets | 80,440 | | 54. Total Current & Accrued Liabilities (47 thru 53) | 19,004,607 | |
| 26. Total Current and Accrued Assets (15 thru 25) | 23,140,354 | | 55. Regulatory Liabilities | 0 | |
| 27. Regulatory Assets | 0 | | 56. Other Deferred Credits | 7,459,257 | |
| 28. Other Deferred Debits | 3,502,490 | | 57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56) | 157,709,113 | |
| 29. Total Assets and Other Debits (5+14+26 thru 28) | 157,709,113 | | | | |

| | |
|--|---|
| <p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p> | <p>BORROWER DESIGNATION AZ0022</p> |
| <p>INSTRUCTIONS - See help in the online application.</p> | <p>PERIOD ENDED December, 2015</p> |
| <p>PART D. NOTES TO FINANCIAL STATEMENTS</p> | |
| | |

| | |
|--|---|
| <p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p> | <p>BORROWER DESIGNATION AZ0022</p> |
| <p>INSTRUCTIONS - See help in the online application.</p> | <p>PERIOD ENDED December, 2015</p> |
| <p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p> | |
| Empty space for notes | |

| | |
|--|--------------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | BORROWER DESIGNATION AZ0022 |
| | PERIOD ENDED December, 2015 |

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

| PLANT ITEM | BALANCE BEGINNING OF YEAR (a) | ADDITIONS (b) | RETIREMENTS (c) | ADJUSTMENTS AND TRANSFERS (d) | BALANCE END OF YEAR (e) |
|--|-------------------------------------|------------------|--------------------|-------------------------------------|-------------------------------|
| 1. Distribution Plant | 68,763,316 | 6,265,931 | 130,608 | (256,955) | 74,641,684 |
| 2. General Plant | 4,444,203 | 1,047,107 | 238,387 | 0 | 5,252,923 |
| 3. Headquarters Plant | 4,426,545 | 33,054 | 0 | 0 | 4,459,599 |
| 4. Intangibles | 579 | 0 | 0 | 0 | 579 |
| 5. Transmission Plant | 11,110,365 | 447,171 | 96,333 | 0 | 11,461,203 |
| 6. Regional Transmission and Market Operation Plant | | 0 | 0 | 0 | 0 |
| 7. All Other Utility Plant | 242,558 | 0 | 0 | | 242,558 |
| 8. Total Utility Plant in Service (1 thru 7) | 88,987,566 | 7,793,263 | 465,328 | (256,955) | 96,058,546 |
| 9. Construction Work in Progress | 20,981,466 | (2,429,425) | | | 18,552,041 |
| 10. Total Utility Plant (8 + 9) | 109,969,032 | 5,363,838 | 465,328 | (256,955) | 114,610,587 |

PART F. MATERIALS AND SUPPLIES

| ITEM | BALANCE BEGINNING OF YEAR (a) | PURCHASED (b) | SALVAGED (c) | USED (NET) (d) | SOLD (e) | ADJUSTMENT (f) | BALANCE END OF YEAR (g) |
|-------------|-------------------------------------|------------------|-----------------|-------------------|-------------|-------------------|-------------------------------|
| 1. Electric | 2,399,973 | 749,851 | 0 | 964,068 | 0 | (27,434) | 2,158,322 |
| 2. Other | 0 | 882,980 | 0 | 882,980 | 0 | 0 | 0 |

PART G. SERVICE INTERRUPTIONS

| ITEM | AVERAGE MINUTES PER CONSUMER BY CAUSE | | | | TOTAL (e) |
|----------------------|---------------------------------------|--------------------|----------------|------------------|--------------|
| | POWER SUPPLIER (a) | MAJOR EVENT (b) | PLANNED (c) | ALL OTHER (d) | |
| 1. Present Year | 5.660 | 222.230 | 3.440 | 66.770 | 298.100 |
| 2. Five-Year Average | 14.300 | 99.230 | 3.380 | 63.540 | 180.450 |

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

| | | | |
|---|---------|--------------------------|-----------|
| 1. Number of Full Time Employees | 77 | 4. Payroll - Expensed | 4,359,722 |
| 2. Employee - Hours Worked - Regular Time | 162,004 | 5. Payroll - Capitalized | 377,255 |
| 3. Employee - Hours Worked - Overtime | 5,883 | 6. Payroll - Other | 83,161 |

PART I. PATRONAGE CAPITAL

| ITEM | DESCRIPTION | THIS YEAR (a) | CUMULATIVE (b) |
|------------------------------------|--|------------------|-------------------|
| 1. Capital Credits - Distributions | a. General Retirements | 1,167,817 | 7,590,523 |
| | b. Special Retirements | 187,977 | 4,894,555 |
| | c. Total Retirements (a + b) | 1,355,794 | 12,485,078 |
| 2. Capital Credits - Received | a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power | 0 | |
| | b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System | 0 | |
| | c. Total Cash Received (a + b) | 0 | |

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

| | | | |
|----------------------------|-----------|-----------------------------------|------------|
| 1. Amount Due Over 60 Days | \$ 23,539 | 2. Amount Written Off During Year | \$ 143,110 |
|----------------------------|-----------|-----------------------------------|------------|

ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM

| | | | |
|---------------------------------------|----|-----------------------------------|----|
| 1. Anticipated Loan Delinquency % | | 4. Anticipated Loan Default % | |
| 2. Actual Loan Delinquency % | | 5. Actual Loan Default % | |
| 3. Total Loan Delinquency Dollars YTD | \$ | 6. Total Loan Default Dollars YTD | \$ |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | | | | BORROWER DESIGNATION | | | | |
|--|--|---------------|-------------------------------|---------------------|--------------------------------|------------|--------------------------|---|---|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | | | | AZ0022 | | | | |
| INSTRUCTIONS - See help in the online application | | | | | PERIOD ENDED December, 2015 | | | | |
| PART K. kWh PURCHASED AND TOTAL COST | | | | | | | | | |
| No | ITEM | SUPPLIER CODE | RENEWABLE ENERGY PROGRAM NAME | RENEWABLE FUEL TYPE | kWh PURCHASED | TOTAL COST | AVERAGE COST (Cents/kWh) | INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT | INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| 1 | Arizona Electric Pwr Coop, Inc (AZ0028) | 796 | | | 751,761,349 | 45,065,416 | 5.99 | (2,916,429) | 25,832,866 |
| 2 | Western Area Power Admin | 27000 | | | | 590,597 | 0.00 | | 590,597 |
| 3 | Exelon Energy Company | 8775 | | | 7,206,480 | 229,496 | 3.18 | | 0 |
| 4 | Southwest Transmission Cooperative, Inc. | 800383 | | | | 5,613,979 | 0.00 | | 5,613,979 |
| | Total | | | | 758,967,829 | 51,499,488 | 6.79 | (2,916,429) | 32,037,442 |

| | | |
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| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | BORROWER DESIGNATION AZ0022 |
| INSTRUCTIONS - See help in the online application | | PERIOD ENDED December, 2015 |
| PART K. kWh PURCHASED AND TOTAL COST | | |
| No | Comments | |
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | BORROWER DESIGNATION AZ0022 | |
|--|-----------------------|--------------------------------|-------------------------|
| INSTRUCTIONS - See help in the online application. | | PERIOD ENDED December, 2015 | |
| PART L. LONG-TERM LEASES | | | |
| No | NAME OF LESSOR (a) | TYPE OF PROPERTY (b) | RENTAL THIS YEAR (c) |
| TOTAL | | | |

| | | | |
|--|---------------------------------------|---|--|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | BORROWER DESIGNATION AZ0022 | |
| INSTRUCTIONS - See help in the online application. | | PERIOD ENDED December, 2015 | |
| PART M. ANNUAL MEETING AND BOARD DATA | | | |
| 1. Date of Last Annual Meeting 6/12/2015 | 2. Total Number of Members 32,873 | 3. Number of Members Present at Meeting 132 | 4. Was Quorum Present? Y |
| 5. Number of Members Voting by Proxy or Mail 0 | 6. Total Number of Board Members 9 | 7. Total Amount of Fees and Expenses for Board Members \$ 243,755 | 8. Does Manager Have Written Contract? Y |

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | BORROWER DESIGNATION AZ0022 | | | |
|---|---|------------------------------------|---------------------------------------|--|------------------------------------|
| INSTRUCTIONS - See help in the online application. | | PERIOD ENDED December, 2015 | | | |
| PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS | | | | | |
| 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) | 2,738,531 | 153,317 | 182,176 | 335,493 |
| 2 | National Rural Utilities Cooperative Finance Corporation | 3,181,428 | 296,402 | 437,079 | 733,481 |
| 3 | CoBank, ACB | 5,874,744 | 247,321 | 894,899 | 1,142,220 |
| 4 | Federal Financing Bank | 29,886,535 | 1,082,852 | 738,799 | 1,821,651 |
| 5 | RUS - Economic Development Loans | | | | |
| 6 | Payments Unapplied | 2,215,747 | | | |
| 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 | | | | |
| | TOTAL | 39,465,491 | 1,779,892 | 2,252,953 | 4,032,845 |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION AZ0022 | | |
|---|----------------------------------|--------------------------------|--|------------------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | PERIOD ENDED December, 2015 | | |
| INSTRUCTIONS - See help in the online application. | | | | |
| PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY | | | | |
| CLASSIFICATION | CONSUMER SALES & REVENUE DATA | DECEMBER (a) | AVERAGE NO. CONSUMERS SERVED (b) | TOTAL YEAR TO DATE (c) |
| 1. Residential Sales (excluding seasonal) | a. No. Consumers Served | 36,040 | 35,781 | |
| | b. kWh Sold | | | 376,057,969 |
| | c. Revenue | | | 40,365,621 |
| 2. Residential Sales - Seasonal | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 3. Irrigation Sales | a. No. Consumers Served | 16 | 15 | |
| | b. kWh Sold | | | 4,080,807 |
| | c. Revenue | | | 429,578 |
| 4. Comm. and Ind. 1000 KVA or Less | a. No. Consumers Served | 4,092 | 4,070 | |
| | b. kWh Sold | | | 210,082,971 |
| | c. Revenue | | | 20,294,964 |
| 5. Comm. and Ind. Over 1000 KVA | a. No. Consumers Served | 4 | 4 | |
| | b. kWh Sold | | | 66,482,360 |
| | c. Revenue | | | 5,102,476 |
| 6. Public Street & Highway Lighting | a. No. Consumers Served | 16 | 16 | |
| | b. kWh Sold | | | 439,536 |
| | c. Revenue | | | 43,888 |
| 7. Other Sales to Public Authorities | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 8. Sales for Resale - RUS Borrowers | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 9. Sales for Resale - Other | a. No. Consumers Served | 1 | 1 | |
| | b. kWh Sold | | | 67,033,822 |
| | c. Revenue | | | 2,364,825 |
| 10. Total No. of Consumers (lines 1a thru 9a) | | 40,169 | 39,887 | |
| 11. Total kWh Sold (lines 1b thru 9b) | | | | 724,177,465 |
| 12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c) | | | | 68,601,352 |
| 13. Transmission Revenue | | | | |
| 14. Other Electric Revenue | | | | 870,801 |
| 15. kWh - Own Use | | | | 820,896 |
| 16. Total kWh Purchased | | | | 758,967,829 |
| 17. Total kWh Generated | | | | |
| 18. Cost of Purchases and Generation | | | | 51,693,175 |
| 19. Interchange - kWh - Net | | | | |
| 20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/> | | | | 191,526 |

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| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | BORROWER DESIGNATION AZ0022 |
| | PERIOD ENDED December, 2015 |

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

| CLASSIFICATION | ADDED THIS YEAR | | | TOTAL TO DATE | | |
|---|-------------------------|------------------------|--------------------------------|-------------------------|------------------------|--------------------------------|
| | No. of Consumers (a) | Amount Invested (b) | Estimated MMBTU Savings (c) | No. of Consumers (d) | Amount Invested (e) | Estimated MMBTU Savings (f) |
| 1. Residential Sales (excluding seasonal) | 6,544 | 85,680 | 2,139 | 10,721 | 130,281 | 2,568 |
| 2. Residential Sales - Seasonal | | | | | | |
| 3. Irrigation Sales | | | | | | |
| 4. Comm. and Ind. 1000 KVA or Less | | | | | | |
| 5. Comm. and Ind. Over 1000 KVA | | | | | | |
| 6. Public Street and Highway Lighting | | | | | | |
| 7. Other Sales to Public Authorities | | | | | | |
| 8. Sales for Resale - RUS Borrowers | | | | | | |
| 9. Sales for Resale - Other | | | | | | |
| 10. Total | 6,544 | 85,680 | 2,139 | 10,721 | 130,281 | 2,568 |

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

| | |
|--|--------------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | BORROWER DESIGNATION AZ0022 |
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | PERIOD ENDED December, 2015 |

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 C. 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.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

| No | DESCRIPTION (a) | INCLUDED (\$) (b) | EXCLUDED (\$) (c) | INCOME OR LOSS (\$) (d) | RURAL DEVELOPMENT (e) |
|----------|--|-------------------------|-------------------------|-------------------------------|-----------------------------|
| 2 | Investments in Associated Organizations | | | | |
| | AEPCO-Membership | 5 | | | |
| | Arizona Electric Power Cooperative-Patronage | | 35,523,796 | 2,727,471 | |
| | CoBank-Membership | 1,000 | | | |
| | CoBank-Patronage | | 179,637 | 96,046 | |
| | Cooperative Response Center-Investment | 20,000 | | | |
| | Cooperative Response Center-Membership | 2,500 | | | |
| | ERMCO-Membership | 100 | | | |
| | ERMCO-Patronage | 66,600 | | 9,810 | |
| | Federated Rural Insurance-Patronage | | 165,436 | 46,570 | |
| | Grand Canyon State-Equity Contribution | 162,343 | | | |
| | Grand Canyon State-Membership | 100 | | | |
| | Mohave Federal Credit Union-Membership | 5 | | | |
| | NISC-Membership | 100 | | | |
| | NISC-Patronage | 86,411 | | 28,564 | |
| | NRECA-Membership | 10 | | | |
| | NRTC-Membership | 1,000 | | | |
| | NRTC-Patronage | | 242,434 | 92 | |
| | NRUCFC-CTC/LTC | | 755,485 | | |
| | NRUCFC-Medium Term Note | | 250,000 | | |
| | NRUCFC-Member Cap Securities | | 2,000,000 | | |
| | NRUCFC-Membership | 1,000 | | | |
| | NRUCFC-Patronage | | 429,540 | 27,156 | |
| | Sierra SW-Membership | 100 | | | |
| | Southwest Transco-Membership | 100 | | | |
| | Southwest Transco-Patronage | | 7,070,650 | 771,621 | |
| | WUE-Patronage | 1,494 | | 2,012 | |
| | Totals | 342,868 | 46,616,978 | 3,709,342 | |
| 4 | Other Investments | | | | |
| | Edward Jones-Bonds & Mutual Funds | 1,611,523 | 250,000 | | |
| | Horizon Community Bank-CDs | | 200,536 | | |
| | Mohave Federal Credit Union-CD | 3,718 | 250,000 | | |
| | Mutual of Omaha-CDs | 73,917 | 250,000 | | |
| | Mutual of Omaha-Stocks & Bonds | 4,018,615 | 250,000 | | |
| | Principal Financial Services | 3,763,404 | 250,000 | | |
| | Totals | 9,471,177 | 1,450,536 | | |
| 6 | Cash - General | | | | |
| | BBVA Compass | | 209,725 | | |
| | Mutual of Omaha | | 4,264,587 | | |
| | Working Funds | | 4,375 | | |
| | Totals | | 4,478,687 | | |
| 8 | Temporary Investments | | | | |
| | BBVA Compass | 2,249,999 | 250,000 | | |
| | Edward Jones Investments | 230,477 | 250,000 | | |
| | Horizon Community Bank | | 233,398 | | |
| | Mohave Federal Credit Union-Savings | | 50 | | |
| | Mutual of Omaha | 805,019 | 250,000 | | |
| | Principal Financial Services | | 44,377 | | |
| | Totals | 3,285,495 | 1,027,825 | | |
| 9 | Accounts and Notes Receivable - NET | | | | |

| | |
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| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | BORROWER DESIGNATION AZ0022 PERIOD ENDED December, 2015 |
|--|--|

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 C. 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.

| PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss) | | | | |
|---|--------------------------------------|-------------------|-------------------|------------------|
| | Accounts Receivable-Other | 137,378 | | |
| | Notes Receivable | 613,070 | | |
| | Totals | 750,448 | | |
| 11 | TOTAL INVESTMENTS (1 thru 10) | 13,849,988 | 53,574,026 | 3,709,342 |

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| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | BORROWER DESIGNATION AZ0022 |
| | PERIOD ENDED December, 2015 |

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 C. 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.

PART Q. SECTION II. LOAN GUARANTEES

| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT (\$) (c) | LOAN BALANCE (\$) (d) | RURAL DEVELOPMENT (e) |
|----|---------------------------------------|----------------------|--------------------------------|-----------------------------|-----------------------------|
| | TOTAL | | | | |
| | TOTAL (Included Loan Guarantees Only) | | | | |

| | |
|--|--------------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | BORROWER DESIGNATION AZ0022 |
| | PERIOD ENDED December, 2015 |

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 C. 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 III. RATIO

| | |
|--|---------|
| RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report] | 12.08 % |
|--|---------|

SECTION IV. LOANS

| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT (\$) (c) | LOAN BALANCE (\$) (d) | RURAL DEVELOPMENT (e) |
|----|-------------------------------------|----------------------|--------------------------------|-----------------------------|-----------------------------|
| 1 | Employees, Officers, Directors | 10/15/2024 | 206,055 | 111,531 | |
| 2 | Energy Resources Conservation Loans | | | | |
| | TOTAL | | 206,055 | 111,531 | |