

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

E-01787A

Navopache Electric Cooperative, Inc.
1878 W. White Mountain Blvd.
Lakeside, AZ 85929

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:

RECEIVED

APR 04 2018

ARIZONA CORP COMMISSION
UTILITIES DIVISION – DIRECTOR'S OFFICE

ANNUAL REPORT
Electric

FOR YEAR ENDING

12	31	2017
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FOR COMMISSION USE

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4-5-18

COMPANY INFORMATION

Company Name (Business Name) <u>Navopache Electric Cooperative, Inc</u>			
Mailing Address <u>1878 W. White Mountain Blvd.</u>			
<u>Lakeside</u>	(Street)	<u>AZ</u>	<u>85929</u>
(City)		(State)	(Zip)
<u>928-368-5118</u>	<u>928-368-6038</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address <u>ggouker@navopache.org</u>			
Local Office Mailing Address <u>1878 W. White Mountain Blvd.</u>			
<u>Lakeside</u>	(Street)	<u>AZ</u>	<u>85929</u>
(City)		(State)	(Zip)
<u>928-368-5118</u>	<u>800-543-6324</u>		
Local Customer Service Phone No. (Include Area Code)	(1-800 or other long distance Customer Service Phone No.)		
Email Address _____		Website address <u>www.navopache.org</u>	

MANAGEMENT INFORMATION

<input checked="" type="checkbox"/> Regulatory Contact:			
<input checked="" type="checkbox"/> Management Contact: <u>Gayle Gouker</u> <u>Manager of Financial Services</u>			
	(Name)	(Title)	
<u>1878 W. White Mountain Blvd.</u>	<u>Lakeside</u>	<u>AZ</u>	<u>85929</u>
(Street)	(City)	(State)	(Zip)
<u>928-368-5118</u>	<u>928-368-6038</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address <u>ggouker@navopache.org</u>			
On Site Manager: <u>Charles R. Moore</u>			
	(Name)		
<u>1878 W. White Mountain Blvd.</u>	<u>Lakeside</u>	<u>AZ</u>	<u>85929</u>
(Street)	(City)	(State)	(Zip)
<u>928-368-5118</u>	<u>928-368-6038</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address <u>cmoore@navopache.org</u>			

Statutory Agent: Elizabeth Neal

(Name)

1878 W. White Mountain Blvd.

Lakeside

AZ

85929

(Street)

(City)

(State)

(Zip)

928-368-5118

928-368-6038

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Attorney: Raymond Heyman, Snell & Wilmer

(Name)

One Arizona Center, 400 E Van Buren, Suite 1900

Phoenix

AZ

85004

(Street)

(City)

(State)

(Zip)

602-382-6000

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

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 checked="" type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input checked="" type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input checked="" type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input checked="" 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 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	35,613	221,877,437
Commercial	3,409	122,315,650
Industrial	17	23,445,168
Public Street and Highway Lighting	110	974,313
Irrigation	158	9,847,054
Total Retail	39,307	378,459,622

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale		
Short-term Sales (durations of less than one year)		
Total Wholesale	0	0

Total MWh Sold 378,460 MWh

Maximum Peak Load 80 MW

COMPANY NAME:

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211.C	OTHER
JANUARY		540	
FEBRUARY		343	
MARCH		288	
APRIL		219	
MAY		288	
JUNE		359	
JULY		214	
AUGUST		282	
SEPTEMBER		239	
OCTOBER		251	
NOVEMBER		354	
DECEMBER		158	
TOTALS →		3,535	

OTHER (description):

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED
APR 04 2018
ARIZONA CORP COMMISSION
UTILITIES DIVISION - DIRECTOR'S OFFICE

VERIFICATION

STATE OF Arizona

COUNTY OF (COUNTY NAME)	<u>Navajo</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Gayle Gouker, Manager of Financial Services</u>
COMPANY NAME	<u>Navopache Electric Cooperative, Inc.</u>

I, THE UNDERSIGNED
OF THE

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2017

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 2017 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ <u>50,147,347</u>

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 3,383,908
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
928-368-5118
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

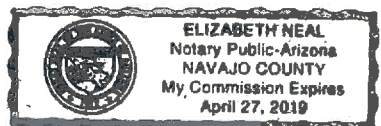
THIS 27th DAY OF

(SEAL)

COUNTY NAME		<u>Navajo</u>
MONTH	YEAR	<u>March</u> <u>2018</u>


SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES April 27, 2019



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

STATE OF ARIZONA

COUNTY OF (COUNTY NAME)	NA
NAME (OWNER OR OFFICIAL)	TITLE
COMPANY NAME	

I, THE UNDERSIGNED
OF THE

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2017

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 2017 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>NA</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.**

SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

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

THIS DAY OF

(SEAL)

MY COMMISSION EXPIRES

NOTARY PUBLIC NAME	
COUNTY NAME	
MONTH	.20__

SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2017) 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.**

NEC

Income Statement

12/31/2017

Various Reports for YE Compliance

Description	YTD System	AZ
1. Operating Revenue and Patronage Capital	49,090,278	47,732,906
2. Power Production Expense	-	-
3. Cost of Purchased Power	23,290,714	22,669,023
4. Transmission Expense	180,474	165,552
5. Regional Market Expense	-	-
6. Distribution Expense - Operation	3,823,847	3,507,696
7. Distribution Expense - Maintenance	2,582,515	2,368,996
8. Customer Accounts Expense	2,130,978	2,049,280
9. Customer Service and Informational Expense	161,579	155,385
10. Sales Expense	-	-
11. Administrative and General Expense	5,809,161	5,586,448
12. Total Operation & Maintenance Expense (2 thru 11)	37,979,267	36,502,378
13. Depreciation & Amortization Expense	17,694,884	17,369,002
14. Tax Expense - Property & Gross Receipts	-	-
15. Tax Expense - Other	9,268	9,012
16. Interest on Long-Term Debt	2,691,205	2,543,575
17. Interest Charged to Construction - Credit	-	-
18. Interest Expense - Other	74,095	73,070
19. Other Deductions	6,123	5,888
20. Total Cost of Electric Service (12 thru 19)	58,454,842	56,502,924
21. Patronage Capital & Operating Margins (1 minus 20)	(9,364,564)	(8,770,018)
22. Non Operating Margins - Interest	97,936	95,228
23. Allowance for Funds Used During Construction	-	-
24. Income (Loss) from Equity Investments	-	-
25. Non Operating Margins - Other	(25,304)	(24,604)
26. Generation and Transmission Capital Credits	-	-
27. Other Capital Credits and Patronage Dividends	207,746	199,781
28. Extraordinary Items	-	-
29. Patronage Capital or Margins (21 thru 28)	(9,084,186)	(8,499,613)
Operating - Margin	(9,156,818)	(8,570,237)
Non Operating - Margin	72,632	70,624
Times Interest Earned Ratio - Net	(2.38)	(2.34)

NEC
Balance Sheet
12/31/2017

Description	YTD System	AZ Estimate
ASSETS AND OTHER DEBITS		
1. Total Utility Plant in Service	167,770,375	158,567,077
2. Construction Work in Progress	5,861,467	5,473,735
3. Total Utility Plant (1 + 2)	173,631,843	164,040,812
4. Accum. Provision for Depreciation and Amort.	65,139,430	61,684,071
5. Net Utility Plant (3 - 4)	108,492,412	102,356,741
6. Non-Utility Property (Net)	-	-
7. Invest. in Subsidiary Companies	-	-
8. Invest. in Assoc. Org. - Patronage Capital	1,317,140	1,244,886
9. Invest. in Assoc. Org. - Other - General Funds	185,588	175,407
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	1,301,868	1,230,452
11. Invest. in Economic Development Projects	-	-
12. Other Investments	6,355	6,355
13. Special Funds	-	-
14. Total Other Property & Investments (6 thru 13)	2,810,951	2,657,101
15. Cash - General Funds	2,318,650	2,280,173
16. Cash - Construction Funds - Trustee	5	5
17. Special Deposits	710,360	710,360
18. Temporary Investments	5,153	4,870
19. Notes Receivable (Net)	4,097	3,941
20. Accounts Receivable - Sales of Energy (Net)	3,053,921	3,011,693
21. Accounts Receivable - Other (Net)	169,544	169,544
22. Renewable Energy Credits	-	-
23. Material and Supplies - Electric & Other	4,829,201	4,723,628
24. Prepayments	515,404	487,130
25. Other Current and Accrued Assets	285,044	261,477
26. Total Current and Accrued Assets (15 thru 25)	11,891,378	11,652,822
27. Regulatory Assets	-	-
28. Other Deferred Debits	382,928	372,706
29. Total Assets and Other Debits (5 + 14 + 26 thru 28)	123,577,669	117,039,370
LIABILITIES AND OTHER CREDITS		
30. Memberships	168,830	160,995
31. Patronage Capital	29,224,483	27,194,767
32. Operating Margins - Prior Years	(12,819,566)	(12,232,985)
33. Operating Margins - Current Year	(9,156,818)	(9,158,826)
34. Non-Operating Margins	271,708	271,708
35. Other Margins and Equities	1,900,306	1,827,452
36. Total Margins & Equities (30 thru 35)	18,745,761	17,221,937
37. Long-Term Debt - RUS (Net)	26,111,866	24,679,460
38. Long-Term Debt - FFB - RUS Guaranteed	54,422,323	51,436,904
39. Long-Term Debt - Other - RUS Guaranteed	-	-
40. Long-Term Debt - Other (Net)	8,326,851	8,326,851
41. Long-Term Debt - RUS Econ. Devel. (Net)	-	-
42. Payments - Unapplied	-	-
43. Total Long-Term Debt (37 thru 41 - 42)	88,861,041	84,443,216
44. Obligations Under Capital Leases - Noncurrent	-	-
45. Accumulated Operating Provisions	1,353,336	1,282,108
46. Total Other Noncurrent Liabilities (44 + 45)	1,353,336	1,282,108
47. Notes Payable	2,000,000	2,000,000
48. Accounts Payable	4,207,601	4,095,289
49. Consumers Deposits	1,316,689	1,266,209
50. Current Maturities Long-Term Debt	3,762,000	3,555,630
51. Current Maturities Long-Term Debt - Econ. Devel.	-	-
52. Current Maturities Capital Leases	-	-
53. Other Current and Accrued Liabilities	1,237,605	1,189,553
54. Total Current & Accrued Liabilities (47 thru 53)	12,523,894	12,106,681
55. Regulatory Liabilities	-	-
56. Other Deferred Credits	2,093,637	1,985,429
57. Total Liab. & Other Credits (36+43+46+54 thru 56)	123,577,669	117,039,370

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 AZ0013

PERIOD ENDED December, 2017

BORROWER NAME Navopache Electric 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 D of this report.

Charles Moore

3/7/2018

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	48,266,524	49,090,278	50,651,375	4,318,264
2. Power Production Expense				
3. Cost of Purchased Power	23,897,753	23,290,714	24,813,339	2,203,205
4. Transmission Expense	202,419	180,474	188,424	11,795
5. Regional Market Expense				
6. Distribution Expense - Operation	3,779,584	3,823,847	3,817,039	337,096
7. Distribution Expense - Maintenance	1,998,526	2,582,515	2,487,596	226,133
8. Customer Accounts Expense	2,192,798	2,130,978	2,343,523	170,481
9. Customer Service and Informational Expense	228,578	161,579	161,983	16,936
10. Sales Expense	0	0	0	0
11. Administrative and General Expense	6,168,159	5,809,160	5,778,966	451,492
12. Total Operation & Maintenance Expense (2 thru 11)	38,467,817	37,979,267	39,590,870	3,417,138
13. Depreciation and Amortization Expense	5,382,303	17,694,884	16,275,086	12,200,999
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	(2,354)	9,268	3,104	1,488
16. Interest on Long-Term Debt	2,270,012	2,691,205	3,108,362	246,438
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	62,256	74,095	63,322	6,357
19. Other Deductions	6,922	6,123	11,953	316
20. Total Cost of Electric Service (12 thru 19)	46,186,956	58,454,842	59,052,697	15,872,736
21. Patronage Capital & Operating Margins (1 minus 20)	2,079,568	(9,364,564)	(8,401,322)	(11,554,472)
22. Non Operating Margins - Interest	183,529	97,936	88,126	4,916
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	15,547	(25,304)	16,100	(8,097)
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	222,053	207,746	200,564	28,396
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	2,500,697	(9,084,186)	(8,096,532)	(11,529,257)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION

AZ0013

PERIOD ENDED

December, 2017

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	316	398	5. Miles Transmission	280.08	263.69
2. Services Retired	189	201	6. Miles Distribution – Overhead	2,637.96	2,632.09
3. Total Services in Place	43,945	44,142	7. Miles Distribution - Underground	624.53	627.23
4. Idle Services (Exclude Seasonals)	3,393	3,199	8. Total Miles Energized (5 + 6 + 7)	3,542.57	3,523.01

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	167,770,375	30. Memberships	168,830
2. Construction Work in Progress	5,861,467	31. Patronage Capital	29,224,483
3. Total Utility Plant (1 + 2)	173,631,842	32. Operating Margins - Prior Years	(3,662,748)
4. Accum. Provision for Depreciation and Amort.	65,139,430	33. Operating Margins - Current Year	(9,156,818)
5. Net Utility Plant (3 - 4)	108,492,412	34. Non-Operating Margins	271,708
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	1,900,306
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	18,745,761
8. Invest. in Assoc. Org. - Patronage Capital	1,317,140	37. Long-Term Debt - RUS (Net)	26,111,866
9. Invest. in Assoc. Org. - Other - General Funds	185,588	38. Long-Term Debt - FFB - RUS Guaranteed	54,422,323
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	1,301,868	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	8,326,851
12. Other Investments	6,355	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	0	42. Payments – Unapplied	0
14. Total Other Property & Investments (6 thru 13)	2,810,951	43. Total Long-Term Debt (37 thru 41 - 42)	88,861,040
15. Cash - General Funds	2,318,650	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	5	45. Accumulated Operating Provisions and Asset Retirement Obligations	1,353,336
17. Special Deposits	710,360	46. Total Other Noncurrent Liabilities (44 + 45)	1,353,336
18. Temporary Investments	5,153	47. Notes Payable	2,000,000
19. Notes Receivable (Net)	4,097	48. Accounts Payable	4,207,601
20. Accounts Receivable - Sales of Energy (Net)	3,053,921	49. Consumers Deposits	1,316,689
21. Accounts Receivable - Other (Net)	169,544	50. Current Maturities Long-Term Debt	3,762,000
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	4,829,200	52. Current Maturities Capital Leases	0
24. Prepayments	515,404	53. Other Current and Accrued Liabilities	1,237,605
25. Other Current and Accrued Assets	285,044	54. Total Current & Accrued Liabilities (47 thru 53)	12,523,895
26. Total Current and Accrued Assets (15 thru 25)	11,891,378	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	2,093,637
28. Other Deferred Debits	382,928	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	123,577,669
29. Total Assets and Other Debits (5+14+26 thru 28)	123,577,669		

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p style="text-align: center;">FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION</p> <p style="text-align: center;">AZ0013</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED</p> <p style="text-align: center;">December, 2017</p>
<p>PART D. NOTES TO FINANCIAL STATEMENTS</p>	
<p>During 2017, NEC replaced its entire AMI metering system, due to unreasonable meter failure rates with the existing system & extensive costs required for remediation. A replacement system was proposed to, and approved by, NEC's Board, in January 2016. At project completion in December 2017, the net book value of the removed system was \$11.7 million, resulting in \$11.7 million of additional depreciation expense, and a net loss of \$9.1 million.</p>	

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PART D. CERTIFICATION LOAN DEFAULT NOTES	

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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	123,566,881	13,235,781	17,487,951	(668,289)	118,646,422
2. General Plant	14,386,711	6,622,452	124,251		20,884,912
3. Headquarters Plant	11,679,610	380,308			12,059,918
4. Intangibles	228,075				228,075
5. Transmission Plant	12,013,971	2,262,311	2,988	668,289	14,941,583
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	1,009,465				1,009,465
8. Total Utility Plant in Service (1 thru 7)	162,884,713	22,500,852	17,615,190	0	167,770,375
9. Construction Work in Progress	7,978,501	(2,117,033)			5,861,468
10. Total Utility Plant (8 + 9)	170,863,214	20,383,819	17,615,190	0	173,631,843

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	4,920,884	2,007,989	74,183	2,318,440		60,837	4,745,453
2. Other	190,619	18,120	0		124,799	(192)	83,748

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	0.000	0.000	2.600	252.300	254.900
2. Five-Year Average	0.000	20.480	1.680	186.960	209.120

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	95	4. Payroll - Expensed	4,917,067
2. Employee - Hours Worked - Regular Time	202,580	5. Payroll - Capitalized	1,546,859
3. Employee - Hours Worked - Overtime	11,213	6. Payroll - Other	1,566,574

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	0	2,654,881
	b. Special Retirements	208,863	3,069,313
	c. Total Retirements (a + b)	208,863	5,724,194
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	5,153	
	c. Total Cash Received (a + b)	5,153	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 19,900	2. Amount Written Off During Year	\$ 52,930
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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	\$

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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	Western Area Power Admin	27000			28,149,354	878,455	3.12		
2	Public Service Company of NM	15473			87,600,000	4,467,600	5.10		
3	Arizona Electric Pwr Coop, Inc (AZ0028)	796			6,767,000	239,141	3.53		
4	Arizona Power Authority	798			709,000	34,661	4.89		
5	Tucson Electric Power Company	24211			294,212,646	17,670,856	6.01		
	Total				417,438,000	23,290,713	5.58		

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PART K. kWh PURCHASED AND TOTAL COST

No	Comments
1	
2	
3	
4	
5	TEP total cost includes transmission & balancing authority costs; exclusive of these costs, the average cost per kWh = 4.92

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PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Arizona State Land	land, rights of way, easements	16,235
2	Lon Mangum	land	6,030
	TOTAL		22,265

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PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting <i>9/9/2017</i>	2. Total Number of Members 33,799	3. Number of Members Present at Meeting 172	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 2,490	6. Total Number of Board Members 8	7. Total Amount of Fees and Expenses for Board Members \$ 291,764	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

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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)	26,111,866	899,740	1,361,480	2,261,220
2	National Rural Utilities Cooperative Finance Corporation	8,326,851	304,987	799,734	1,104,721
3	CoBank, ACB				
4	Federal Financing Bank	54,422,323	1,535,172	2,084,915	3,620,087
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				
	TOTAL	88,861,040	2,739,899	4,246,129	6,986,028

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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	36,976	36,951	
	b. kWh Sold			228,455,061
	c. Revenue			31,007,458
2. Residential Sales - Seasonal	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
3. Irrigation Sales	a. No. Consumers Served	159	150	
	b. kWh Sold			10,528,632
	c. Revenue			1,255,997
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	3,607	3,635	
	b. kWh Sold			122,427,118
	c. Revenue			13,985,799
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	17	13	
	b. kWh Sold			26,190,288
	c. Revenue			1,940,033
6. Public Street & Highway Lighting	a. No. Consumers Served	116	124	
	b. kWh Sold			948,226
	c. Revenue			119,229
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			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		40,875	40,873	
11. Total kWh Sold (lines 1b thru 9b)				388,549,325
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				48,308,516
13. Transmission Revenue				
14. Other Electric Revenue				781,762
15. kWh - Own Use				1,789,664
16. Total kWh Purchased				417,438,000
17. Total kWh Generated				0
18. Cost of Purchases and Generation				23,471,188
19. Interchange - kWh - Net				0
20. Peak - Sum All kW Input (Metered) Non-coincident <input type="checkbox"/> Coincident <input checked="" type="checkbox"/>				80,000

UNITED STATES DEPARTMENT OF AGRICULTURE
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**FINANCIAL AND OPERATING REPORT
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AZ0013

PERIOD ENDED
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INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers <i>(a)</i>	Amount Invested <i>(b)</i>	Estimated MMBTU Savings <i>(c)</i>	No. of Consumers <i>(d)</i>	Amount Invested <i>(e)</i>	Estimated MMBTU Savings <i>(f)</i>
1. Residential Sales (excluding seasonal)	0					
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	0					

RUS Financial and Operating Report Electric Distribution

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION AZ0013
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2017

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				
	ERMCO Membership	100			
	GCSECA building	85,388			
	GCSECA membership	100			
	CFC Member Capital Securities		100,000	5,000	
	CFC Patronage capital		324,946	10,306	
	ERMCO Patronage capital	161,339		22,895	
	NISC Patronage capital	216,553		58,090	
	Touchstone Patronage Capital	366			
	AECI Patronage capital	1,200			
	Federated Patronage capital	372,051		53,016	
	Western United Patronage capital	200,043		54,557	
	Western United Dividend Certificate	40,641		8,882	
	CFC Capital Term Certificates		1,301,868	57,361	
	Totals	1,077,781	1,726,814	270,107	
4	Other Investments				
	Weatherization Loans	6,355		348	
	Totals	6,355		348	
6	Cash - General				
	NEC cash	2,068,655	250,000		
	Totals	2,068,655	250,000		
7	Special Deposits				
	AZ Corp Commission REST	710,360			
	Totals	710,360			
8	Temporary Investments				
	Temporary Investments		5,153		
	Totals		5,153		
9	Accounts and Notes Receivable - NET				
	NEC Notes & Accounts Receivable	173,640			
	Totals	173,640			
11	TOTAL INVESTMENTS (1 thru 10)	4,036,791	1,981,967	270,455	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION AZ0013 PERIOD ENDED December, 2017
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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 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 AZ0013
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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]	2.32 %
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SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors	12/15/2019	8,045	4,097	
2	Energy Resources Conservation Loans				
	TOTAL		8,045	4,097	