



City of Williams

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City Manager
Brandon Buchanan



October 3, 2012

Arizona Power Authority
Attn: Joe Mulholland
1810 W. Adams St
Phoenix, AZ 85007-2679

RE: Letter in Lieu of Hoover Allocation Presentation

Dear Chairman Hudson and Commissioners,

My name is Brandon Buchanan and I am the City Manager for the City of Williams ("Williams"). Because of our limited City staff at this time, I will be unable to make a personal appearance to respond to Joe Mulholland's September 12, 2012 request for presentations for the Allocation of Hoover Power and hope that you will accept this letter in lieu of that presentation.

Williams believes that its unique circumstances move it to the top of the list of entities entitled to receive an allocation of the Hoover post-2017 resource pool. Located in northern Arizona, Williams was founded in 1880 and eventually incorporated in 1901. Williams has a long history of reliance upon surface water supplies; as a result the community has suffered through many drought cycles and currently finds itself in the midst of what may be the most severe drought yet. In the Williams area, water is pumped from extremely deep water wells which penetrate the Redwall aquifer. The top of the Redwall aquifer can range in depth between 3,200 feet to 3,800 feet below the surface in the Williams area. Not only are wells drilled to this depth very expensive (costs average 1-2 million dollars per well) but simply producing water from this depth consumes a great deal of electrical energy. Williams uses electrically driven pumps which cost on average \$16,000 per well per month to operate. The power received from the Hoover post-2017 resource pool would be used to offset these very expensive power costs.

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Williams is ready, willing, and able to receive and distribute Hoover power. Williams purchased its electric distribution system in October 1992 and has been operating it since. Williams is the sole entity responsible for all load growth within Williams and currently serves 3,000 residential, commercial and municipal electric customers. In 2012 our peak demand was 7.2 MW and our annual energy requirements are 38,877 MWh. Williams is a wholesale customer of Arizona Public Service Company ("APS") under a long term power supply agreement, which contemplates the incorporation and delivery of preference power, and will arrange for firm transmission service from APS for the delivery of the Hoover power.

In 2006, Williams participated in the remarketing of Parker Davis power and ultimately received an allocation of 1MW and 5,144 MWh. Williams believes that that allocation process was fair and equitable to existing and new allottees and should serve as a model for the reallocation of Hoover power.

An allocation of Hoover power would dramatically improve our small community's financial and energy picture. Applying the power to deep well requirements alone can dramatically reduce our energy cost overhead. Incorporating the financial benefit of the power in meeting the energy needs of the community also can have a very large positive impact on the financial health and viability of the end-users in our community.

We believe Williams deserves an allocation of Hoover power. Our established infrastructure and financial needs, due to our ongoing "water emergency", make the timing of the Hoover post-2017 allocation particularly opportune. This resource is vital to our future as a community, and we stand ready to cooperate in whatever manner needed to bring about an allocation of the Hoover resource.

Please do not hesitate to contact myself or Jeffrey Woner of K.R. Saline & Associates if you require any additional information.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brandon Buchanan', with a stylized flourish extending to the right.

Brandon Buchanan
City Manager
City of Williams