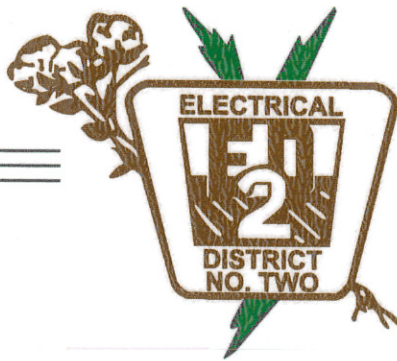


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April 28, 2014

Mr. Michael Gazda
Interim Acting Executive Director
Arizona Power Authority

Re: ED2 Comments on Hoover Post-2017 Draft Allocation Process

Dear Mike:

We appreciate the efforts the Authority has taken to develop strategies to fairly allocate Hoover power in the post-2017 contract period and the opportunity to provide comments thereto.

By way of background, Electrical District No. 2 ("District") was the first electrical district to be created in Arizona and is one of the original customers of the Arizona Power Authority since it was first formed and became Arizona's distributor of Hoover power. The District's primary role is to provide power to the agricultural industry which is still a key component of the economy of Pinal County. The ability to pump water at affordable rates is vital to the viability of the agricultural community. As such, the availability of Hoover "A" power is essential to maintaining affordable electric rates for irrigation pumping.

As you are aware, many of our irrigation customers receive Central Arizona Project ("CAP") water through the Hohokam Irrigation and Drainage District which lies entirely within the District's geographic boundaries. Due to the forthcoming reductions in the availability of CAP water and, ultimately, the complete withdrawal of CAP water for agriculture, we can expect increasing amounts of irrigation pumping load as time goes on.

Referring to the Draft Plan presented at the April 17, 2014 workshop, we believe that the allocation model illustrated in Spreadsheet 1 represents the fairest way to allocate Hoover "A" power in the post-2017 contracting period. This preserves the existing Hoover "A" customer allocations as adjusted for a one percent increase in capacity and a five percent reduction in energy. Similarly, we believe that the term of the post-2017 contracts offered by the Authority should match the 50 year term of the federal legislation of 2011 regarding reallocation of Hoover power.

If the Authority is determined to develop an alternative to the allocation philosophy based on renewal of existing contracts with the adjustments discussed above, it should consider basing the methodology on agricultural load, since this comports with the original state legislation that provides priority to irrigation and electrical districts whose primary statutory function is to promote agriculture.

Very Truly Yours,

Thomas S. Martin
General Manager