



**ELECTRICAL DISTRICT NO. 3 OF PINAL COUNTY
ADMINISTRATION OFFICE**

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April 23, 2014

Michael Gazda
Acting Executive Director
Arizona Power Authority
mike@powerauthority.org

RE: Comments of Electrical District No. 3 of Pinal County, Arizona of the Public Information and Draft Plan Pertaining to the Post – 2017 Hoover Power Allocation Process (“Draft Plan”)

Dear Mr. Gazda:

These comments are submitted on behalf of Electrical District No. 3 of Pinal County, Arizona (“the District”), a longtime customer of the Authority as an allottee of Hoover A power since 1952.

The District comprises approximately 80,000 acres of primarily irrigated farmland in the Maricopa – Stanfield area. Currently the District holds entitlements to 54,351 MWH of Schedule A Energy. Most of the irrigable land within the District receives Central Arizona Project (“CAP”) water from the overlaying Maricopa – Stanfield Irrigation and Drainage District (“MSIDD”). Under existing contracts this water supply will be reduced in 2017 and again in 2024, and eliminated altogether at the end of 2030. The reduction of the CAP water supply to the lands within the District could be drastically accelerated should there be “Declarations of Shortage” on the Lower Colorado River by the Secretary of Interior prior to 2030. For these reasons and many others, retention of Schedule A Hoover Power by the District Post – 2017 is critically important to the farming communities served by the District.

The Draft Plan presented by APA at the April 17, 2014 workshop was well received by the District and enormously helpful in understanding the Post – 2017 Allocation Process. The District anticipates that the Irrigation and Electrical Districts Association (“IEDA”), of which the District is a member, will at some point present written comments on certain legal points set forth in the Draft Plan. As to certain issues raised by the Authority on which comments were encouraged, the District supports the following positions:

1. Post – 2017 contracts should have terms for as long as reasonably feasible including up to fifty (50) years;
2. Schedule A Hoover Allocations should be based on “agricultural loads” which should include service to dairies, gins, feed yards, ethanol plants, etc. as well as irrigation pumps;

3. "Load normalization", to the extent it is relevant to the Authority's deliberations, should recognize that certain CAP water supplies are less likely to be available to non-Indian agricultural water users after 2030 than other types of CAP and surface water supplies which are currently provided "in lieu" of groundwater pumping under State Law;
4. Substantial reductions (such as the fifteen (15) percent example in the Draft Plan) to existing customer allocations are inconsistent with the public policy embodied in the Federal 2011 Act, particularly, when the agricultural related loads of these customers have not been reduced and future reliance on the Hoover resource will be increased.

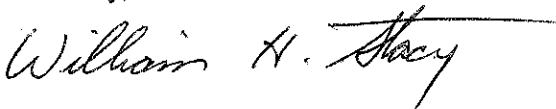
The District recognizes that the six (6) Spreadsheet options presented with the Draft Plan were for illustration purposes only and are not to be considered the only alternative allocation methodologies. Nevertheless, they raise numerous important issues.

For several years the District has expressed support for the Authority to adopt an allocation methodology along the lines of that set forth in Spreadsheet 1 whereby all existing customers receive a one (1) percent increase in capacity and a five (5) percent decrease in energy. This formulation is consistent with the Federal Act as well as the recent allocations of the CRSP resource. In fact, this allocation methodology is essentially what the District assumed would be adopted by the Authority when it supported the 2011 Federal legislation at the urging of APA. While this assumption may have been in error, the fundamental fairness of a Spreadsheet 1 allocation is obvious. It creates no significant resource displacements and resulting owner hardships.

The District understands the philosophy behind the other allocation methodologies, none of which are particularly harmful to the District; although it seems to create winners and losers which is a concern. If the Authority chooses not to adopt the Spreadsheet 1 methodology, the District believes a discussion of the impact of future agricultural loads, the loss of other Federal resources such as CAP Agricultural Pool Water, and the availability of other Federal Resources, should all be part of the discussion and final allocation methodology.

The District appreciates the opportunity to provide these comments with the understanding that there will be further opportunities to react to the comments of others and various proposals from the Commission during the course of the informal process.

Sincerely,



William H. Stacy
General Manager