

**ELECTRICAL DISTRICT NO. 4 AND ELECTRICAL DISTRICT NUMBER FIVE
PINAL COUNTY, ARIZONA
P.O. BOX 605, ELOY, ARIZONA 85131
(520) 466-7336**

April 25, 2014

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

RE: Comments of Electrical Districts Nos. 4 & 5 of Pinal County, Arizona on 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. 4 of Pinal County, Arizona, and Electrical District Number Five of Pinal County, Arizona (the “Districts”), both of whom are long time customers of the Authority as allottees of Hoover Federal A power since 1949.

Introduction:

The Districts combined comprise approximately 206,500 acres of primarily irrigated farmland in the Eloy / Red Rock area. Currently the Districts hold entitlements to 66,473 MWH (ED4) and 50,476 MWH (ED5) of Schedule A Energy, respectively. Most of the irrigable land within the districts receive Central Arizona Project (“CAP”) water from the overlaying Central Arizona Irrigation and Drainage District (“CAIDD”). Under existing contracts this water supply will be reduced in 2017 and again in 2024, and eliminated all together at the end of 2030. The reduction of the CAP water supply to the lands within the Districts 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 Districts.

APA Public Information and Comment Draft Plan:

The Draft Plan presented by APA at the April 7, 2014 workshop was well received by the Districts and enormously helpful in understanding the Post-2017 Allocation Process. The Districts’ anticipate that the Irrigation and Electrical Districts Association (“IEDA”), of which both Districts are members, 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 Districts support 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, 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 15% 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.

Spreadsheet Discussion

The Districts recognize that the six 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.

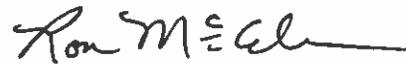
For several years the Districts have expressed support for the Authority to adopt an allocation methodology along the lines of that set forth in Spreadsheet 1 whereby all existing customers receive a one (1) percent increase in capacity and a five (5) percent decrease in energy. This formulation is consistent with the Federal Act as well as the recent allocations of the CRSP resource. In fact, this allocation methodology is essentially what the Districts assumed would be adopted by the Authority when they 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 economic hardships. Spreadsheets based on load factors such as 2A, 2B, 3A, and 3B would be enormously damaging to the Districts, particularly to ED5. Without any anticipated significant reduction in irrigable acres (most of the lands of these Districts are far away from the likely development paths in Maricopa, Pima and Pinal Counties), the load based allocation methodologies result in Schedule A Energy reductions of between 25% – 70% for the Districts. Coupled with the declining supply and ultimate loss of CAP Agricultural Pool Water after 2030, the farm economies in the Districts would be devastated, if not entirely eliminated. This would by no means qualify as an “equable” distribution of Schedule A power in accordance with State law.

The Districts also do not support certain concepts embedded in the Spreadsheets 5 and 6 methodologies to the extent they create winners and losers based on size and county of location. If the Authority chooses not to adopt the Spreadsheet 1 methodology, the Districts believe a discussion of the impact of future development (resulting in reduced 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.

Conclusion:

The Districts appreciate 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,

A handwritten signature in black ink that reads "Ron McEl" followed by a long horizontal flourish.

General Manager
Electrical District Numbers 4 & 5