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APR 28 2014

Arizona Power Authority

April 25, 2014

Mr. Mike Gazda
Interim Acting Executive Director
Arizona Power Authority
1810 W. Adams St.
Phoenix, Az 85007

Re: Response to the Arizona Power Authority's (APA) Request for Comments Regarding the Post-2017 Allocation of Hoover Power on Behalf of the Town of Fredonia.

Dear Mr. Mike Gazda:

Utility Resource Services, Inc. (URS) is providing responses to the above referenced matter on behalf of the Town of Fredonia (Fredonia). According to the APA's consultant the only scenario under which Fredonia would receive any Hoover Power (Schedule D) is Spreadsheet 4, Schedule B and possibly Schedule D2/A and D2/B. Fredonia believes that both Hoover B and D can be allocated to new districts and towns that will provide an economic incentive to the utilization of the Hoover resources.

The APA's consultant, at this point, has not taken into consideration the seasonal load patterns of the various Hoover customers. For the most part, the vast majority of APA customers are summer peaking entities. Fredonia, on the other hand, is a winter peaking utility that will offer the ability of APA to diversify its loads on a seasonal basis, i.e. summer versus winter. The APA currently allows its customers through the Resource Exchange Program to exchange both capacity and energy on a month to month basis. Fredonia believes Hoover B and D could be allocated to those entities that are winter peaking utilities and thus promote economic efficiency in the utilization of the Hoover resources. If Fredonia were allocated some Hoover B or D more power could be allocated to them in the winter months and less in the summer months, thus providing a diversity factor that benefits all of the APA customers. There has been no mention in any of the information provided so far that SRP will want to continue to be the bank for APA customers in future years. The APA needs to get a confirmation from SRP as to whether they intend to renew its contract after September 20, 2017. Accordingly, there may be a need for the APA to attempt to match the loads to resources in lieu of relying upon the SRP bank.

Allocating power to existing and future customers based upon seasonal load patterns is a common practice among operating utilities and APA should consider doing the same. This matching of loads to resources creates economic efficiency and utilization of the Hoover resource, especially if SRP does not agree to bank excess energy. They do not bank capacity so any capacity that goes unused by APA in any given month is lost. This is not economically sound.



Utility Resource Services

Accordingly, Fredonia believes the APA should give consideration to allocating B and D power to new entities that will provide the APA with the ability to maximize the utilization of all Hoover power. Fredonia appreciates the opportunity to provide these comments and look forward to meaningful discussion in the future.

Respectfully submitted
On Behalf of the Town
Of Fredonia

A handwritten signature in black ink, appearing to read 'Richard Darnall', is written over the typed name.

Richard Darnall
Utility Resource Services, Inc.