

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
GRAHAM COUNTY UTILITIES, INC.  
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Pima, Arizona 85543**

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*Serving the Beautiful Gila Valley  
In Southeastern Arizona*

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July 29, 2014

VIA EMAIL

Mr. Michael Gazda  
Executive Director  
Arizona Power Authority  
1810 W. Adams St  
Phoenix, AZ 85007-2679

Re: Arizona Power Authority Issue Papers

Mr. Gazda:

After reviewing the most recent Issue paper prepared by the consultant hired by the Arizona Power Authority (APA), we remain concerned about the upcoming allocation process for the Hoover power post 2017. On behalf of almost 7,000 members of Graham County Electric Cooperative, Inc. (GCEC) who may be affected by the process that the APA adopts going forward, I am submitting the following for consideration by the consultant and the Commissioners.

First, the process needs to follow applicable state and federal law with consistency. The APA has pledged to conduct an open and transparent process. If some provisions of state law are honored while others are ignored, the APA's promise of a fair process cannot be fulfilled. All laws and regulations must be applied and followed to ensure due process.

Second, the APA should avoid adopting positions that complicate the application process and appear to protect existing beneficiaries. If the APA concludes at the outset that a new entrant cannot receive any power made available under Schedules A or B, it appears that we already have a foregone conclusion that existing contractors will receive prior allocations without any consideration of applications that have the potential to ensure a more widespread use of the Hoover resource.

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Third, if the APA adopts a general approach of “doing no harm” to existing contractors with regard to future allocation decisions, such principle should apply to the Cooperatives as well. As it appears that the White/Issue Paper will steer the majority of the resource made available under Schedule D to new districts, the APA should also recognize that an allocation to a new district in a cooperative service territory has the potential of adversely affecting the member/customers of that cooperative. In particular, if the APA is going to take away load served by a cooperative, the Commissioners should take such steps to ensure that the rest of the affected cooperative’s member/customers are not shouldering an increased cost burden by virtue of the APA’s actions.

Fundamentally, we see opportunities for the APA to conduct an allocation process that does not disrupt the power supply for existing customers and makes available new resources for many new power customers in Arizona. However, if the recommended process is sufficiently complicated and raises issues that will require further adjudication to determine the appropriate course of action, the opportunity for the Cooperatives to apply for the Schedule D power will be diminished. We hope that the APA shifts the current approach and encourages its consultant to emphasize a process that will minimize potential legal challenges and encourage the greatest use of the Hoover resource.

Finally, we understand that Grand Canyon Electric Cooperative Association will be submitting a more detailed discussion for your consideration. We support the points submitted in that letter and appreciate your consideration of our comments above.

Sincerely,



Steve Lines  
General Manager  
GCEC