

SENT VIA EMAIL [mike@powerauthority.org](mailto:mike@powerauthority.org)

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 members of Mohave Electric Cooperative, Inc., 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.

Third, with respect to the general approach of 'doing no harm' to the existing contractors with regards to future allocation decisions; the concept may be generally embraced, but there are specifics that this concept cannot apply. The creation of resource pools in any re-marketing, including this particular project effort by Congress, includes the provision that existing Contractors must give up a portion of the existing resource (in this case 5%) to be able to be offered the remainder of the resource for the new contract period. This principle was embraced and used as the foundation for the federal law and is consistent with ALL other federal dam re-marketing. The existing Contractors must give up a portion of the resources, and as such this 'harm' is not only expected, it was also the foundation of the law and principles as it was debated by existing customers and



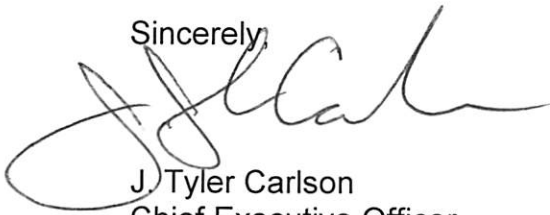
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potential new customers as well. Existing Hoover customers are actually 'harmed' less in this project than the most recent federal re-marketing efforts which typically set aside 7% from existing contractors to form the resource pool.

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,

A handwritten signature in black ink, appearing to read "J. Tyler Carlson". The signature is fluid and cursive, with a large initial "J" and "C".

J. Tyler Carlson  
Chief Executive Officer

