



Grand Canyon State Electric  
Cooperative Association, Inc.

Your Touchstone Energy® Cooperatives 

October 3, 2014

VIA EMAIL

Mr. Mike Gazda  
Acting Executive Director  
Arizona Power Authority  
1810 West Adams Street  
Phoenix, Arizona 85007

RE: Draft Application for Hoover Allocations

Dear Mr. Gazda:

On behalf of the Grand Canyon State Electric Cooperative Association (“GCSECA”), I am submitting comments on the draft application that the consultants to the Arizona Power Authority (“APA”) have recently released. We appreciate the opportunity to provide written comments to supplement our oral presentation earlier this week.

As noted by Philip Bashaw at the consultant’s workshop earlier this week, the cooperatives in Arizona continue to have concerns that the APA will sub-divide the power made available under Schedule D of the Hoover Power Allocation Act (“HPAA”) in such a manner as to preclude the Cooperatives from receiving any benefit of this new resource to be administered by the APA. Indeed, the draft application explicitly asks whether an applicant is requesting “D2/A” or “D2/B” power. The implication of this distinction with regard to Schedule D power is that a portion of the power will be allocated under Title 30 while a portion will be allocated under Title 45.

We have previously documented for the APA that the subdivision of Schedule D power as suggested by the application lacks legal foundation, contravenes the intent of Congress, and unduly discriminates against Arizonans who were intended to benefit under the HPAA. Congress intended for the cooperatives to be fully eligible for the Schedule D power which requires an adjustment to the proposed application in order to honor the intent of Congress.

We have explained in prior correspondence that the APA should, if not must, rely on Title 45 to allocate the power made available under Schedule D. The facts supporting this approach are clear and straightforward:

- 1) Schedule D is a new power pool created by a new act of Congress;
- 2) Congress did not specify that a particular class of eligible customers should be afforded preferential treatment in the allocation process for Schedule D power;
- 3) Congress did not dictate that either the APA or Colorado River Commission of Nevada should parse the Schedule D resource to award more energy to a recipient of Schedule D power than another;
- 4) Title 45 provides the legal mechanism to allocate all power that does not relate to the original capacity of the Hoover project; and
- 5) The power made available under Schedule D did not exist prior to the uprating of the Hoover project 45 and thus cannot be considered a resource to be allocated under Title 30.

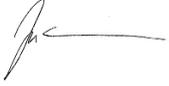
Nonetheless, advocates for the longstanding beneficiaries of the Hoover project have continued to advance an argument that would not only remove half of the capacity from the cooperatives but inexplicitly reserve three quarters of the energy for a preferred class of customer. Adopting such an approach would be discriminatory, illegal and deny many potential applicants the opportunity to compete for Schedule D power on a fair and equal basis. The energy made available under Schedule D must be shared on an equal and proportional basis to the available capacity. Moreover, all potential beneficiaries of Schedule D power in Arizona should have an equal and fair opportunity in the application process. This is a requirement Congress explicitly set forth in House Report 112-159.

We remain concerned that there have been representations that the proposed subdivision or failure to subdivide Schedule D will spur litigation. Litigation does not serve the interests of those who are seeking a Schedule D allocation. In particular, it has been observed that if the APA fails to allocate Schedule D, pursuant to the HPAA, the available power is returned to the Schedule A and B contractors. This would be a losing proposition for Arizona because a portion of the power dedicated to the APA would be sent to California and Nevada.

Over the past year, we have offered few critiques of the allocation process and resisted the temptation to try and steer particular outcomes from allocation process. As we have repeatedly noted, we seek an allocation process that is fair and transparent and provides an equal chance to receive eligible power supplies. We ask that the draft application be revised to eliminate the distinction between D2/A and D2/B. All eligible applicants should simply apply for Schedule D power without making a distinction.

We thank you again for your consideration of our comments and remain available to answer any questions that you may have.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Wallace', with a horizontal line extending to the right.

John Wallace  
Chief Executive Officer