

October 17, 2014

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

Re: Proposed Process for Schedule D Allocation

Dear Mr. Gazda:

Recently, the consultants hired by the Arizona Power Authority (APA) collected comments on a draft application for Hoover power. I have attached a copy of the comments filed by the Grand Canyon State Electric Cooperative Association (GCSECA) for your reference because it addresses a fundamental concern shared by all of the cooperatives in Arizona, the proposed subdivision of Schedule D power.

The attached letter raised numerous concerns with the proposed subdivision of Schedule D power. However, it did not explicitly point out that using Section 125 of Title 30 to allocate Schedule D power would ***absolutely bar*** the cooperatives from receiving Schedule D power. This is not a question of preference for Districts but an outright prohibition for the cooperatives.

In Section 125 of Title 30, the State legislature created a super-preference for districts *but also* capped the amount of power that the APA can award a cooperative based on the amount of power that a cooperative receives from other projects on the Colorado River. This cap effectively bars the cooperative members of Arizona Electric Power Cooperative, Inc. from being eligible for Schedule D power. This is a point that we have not focused on in prior correspondence with the Commission and one that recently became clear to us as we were substantiating our loads for the Western Area Power Administration Schedule D allocation process. I wanted to make sure you were aware of it.

As we have reviewed the legislative history of the Hoover Power Allocation Act of 2011, we have noted that cooperatives were intended to be eligible for Schedule D power without any restriction. There is no question about this. However, we can find nothing in the Act particularly with regard to Schedule D that limits the amount of power for which the cooperatives may file an application. Yet, the proposals to sub-divide Schedule D power do nothing more than exclude the cooperatives as eligible entities from the full pool of power before a single application is even filed. This is not a result that we believe Congress intended.

Mr. Michael Gazda

October 17, 2014

Page 2

Therefore, on behalf of the electric member ratepayers served by cooperatives in the State, I ask for your help in making sure that the cooperatives are fully eligible for all of the schedule D power. I ask that the APA allocate the Schedule D resource under Title 45.

I appreciate your consideration of our correspondence and remain available to answer any questions that you may have.

Sincerely,

A handwritten signature in blue ink that reads "Patrick F. Ledger". The signature is written in a cursive style with a long horizontal flourish at the end.

Patrick Ledger

Chief Executive Officer

Attachment