

July 15, 2016

VIA EMAIL

Mr. Robert Johnson
Interim Executive Director
Arizona Power Authority
1810 West Adams Street
Phoenix, AZ 85007-2697

RE: DRAFT REALLOCATION POLICY

Dear Interim Executive Director Johnson:

On behalf of several of the cooperatives that have been allocated Schedule D power from both the Arizona Power Authority (APA) and the Western Area Power Administration (WAPA), we have reviewed the draft reallocation policy alternatives that the APA released on July 1, 2016. Below we have suggested a clarifying edit to ensure that the reallocation policy is not intended to alter or change allocation decisions made by the APA in 2015.

As set forth in the each of the Alternatives, the reallocation of Schedule D-1 power will be made pursuant to the Final Marketing Criteria published by the WAPA on December 30, 2013 in Federal Register Vol. 78, No. 250 on page 79436. We agree with the APA's proposed treatment of Schedule D-1 power and do not suggest any modifications to the language that addresses reallocation of Schedule D-1 power set forth in each of the Alternatives.

With regard to the APA's proposal for the reallocation of Schedule D-2 power, we recognize that the APA desires to cap the allocations of Schedule D-2 power at 1,000 kW. This intent is clear in the first sentence of Subsection 3 of each Alternative. The second sentence of this subsection leaves open to interpretation whether the 1,000 kW shall cover Schedule D-2 and Schedule D-1 power or solely Schedule D-2 power. Accordingly we recommend revising the second sentence of subsection 3 in each of the Alternatives to read as follows:

Such distribution will be on a pro-rata basis according to the capacity allocated to the allottee in the Post-2017 Marketing Plan; provided, that, the distribution shall not cause the allottee to exceed its normalized five-year average peak demand, as outlined in Appendix A to the Post-2017 Marketing Plan, or receive more than 1,000 kW total of Schedule D-2 Power.

In the absence of this added language, the question arises whether the APA must reduce the allocations of Schedule D-2 power for entities that have received a total of Schedule D power in

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excess of 1,000 kW. We do not believe this to be the APA's intent as the policy is directed at reallocations in the event that a selected allottee has decided not to accept an allocation of Schedule D-2 power. For the sake of complete clarity, the edit outlined above is intended to eliminate any ambiguity regarding the operation of this subsection.

We appreciate your leadership and efforts on behalf of the Schedule D customers. Please do not hesitate to contact us if there are any questions regarding our recommended edit.

Sincerely,



Patrick F. Ledger
Executive VP & Chief Executive Officer