



May 2, 2018

Lisa Atkins
CAWCD Board President
P.O. Box 43020
Phoenix, AZ 85080-3020

RE: Navajo Generating Station

Dear Ms. Atkins:

I serve as the President of Middle River Power, a portfolio company of Avenue Capital responsible for managing its power plant investments. Together, we are evaluating an acquisition of the Navajo Generating Station (“NGS”). Over the past several months, we have worked with SRP and other NGS owners, the U.S. Department of the Interior, the Navajo Nation and Hopi Tribe, and Peabody to develop a viable operating strategy to position NGS to provide competitively priced power beyond 2019.

As a result of the significant diligence conducted to date, including several visits to the plant, active engagement of the plant management team, and our experience and understanding of western markets, we are confident in our ability to create a lower-cost operating paradigm that repositions NGS in the current market environment.

Our dialogue with current NGS owners includes discussion of their ongoing power needs along with potential volumes, structures and pricing of power purchase agreements (“PPA”). In early April, we initiated a dialogue with Ted Cooke and the CAP management team to discuss serving the power needs of CAP in a cost-effective manner. We look forward to continuing that conversation.

Based on the positive results of our analysis, we are immediately advancing discussions with the existing non-federal owners, Tribal leadership and other stakeholders to discuss next steps for a functional transition to new ownership. Based on public comments, we envision the federal government will retain its existing ownership interest in NGS and continue to utilize its share of the power production of the plant to serve the electricity needs of the CAP.

We have followed CAP’s recent solicitation for power in the NGS Replacement Energy RFP process, outlined in the April 5 committee report, and are confident we can provide all of CAP’s power requirements at or below the price cited in the “Lowest Cost” Portfolio.



We respectfully request that the Board of CAWCD postpone the RFP process and allow us to negotiate a PPA term sheet with CAP that we believe will be highly attractive and beneficial to CAP and its ratepayers. We believe we can quickly illustrate the value proposition of NGS under our planned operating scenario and effectively meet all of CAP's power needs.

We will be reaching out to Mr. Cooke in the coming days to advance discussions around a PPA term sheet. We are happy to answer any follow-up questions you may have either in person or via teleconference.

Sincerely,

A handwritten signature in black ink that reads "Mark Kubow".

Mark Kubow
President
Middle River Power



CC: The CAWCD Board

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