

POST-2017 CUSTOMER MEETING
February 16, 2012 10:00 a.m.
At Power Authority Office

Attendees: Joe Mulholland, APA
Evelyn Magnusson, APA
Mike Gazda, APA
Doug Fant, APA
Marcia Kennedy, APA
Linda Sullivan, APA
Steve Brophy, APA Commission
Michael Curtis, A.M.P.U.A.
Dennis Delaney, K.R. Saline & Assoc.
Ed Gerak, Buckeye Water C&DD
Elston Grubaugh, Wellton-Mohawk &DD
Tom Jones, GCSECA
R. DeWayne Justice, E.D. #7
David Kincaid, City of Safford
Richard Lehman, SRP
Robert Lynch, I.E.D.A.
Tom Martin, E.D. #3
Ron McEachern, ED #4 & #5
John McNeill, C.A.W.C.D.
Wade Noble, Wellton-Mohawk I&DD
Ken Saline, K.R. Saline & Assoc.
Bonnie Seal, E.D. #7
William Stacy, E.D. #3
Elizabeth Story, Tonopah
Jim Sweeney, Maricopa Water District
Sheryl Sweeney, Ryley, Carlock & Applewhite
Jeff Woner, K.R. Saline & Assoc.

The meeting was conducted by Joe Mulholland who welcomed all who attended. The purpose of the meeting was to get the thoughts and ideas of the attendees. He opened with a general outline of what the APA's regulations are. The Authority has certain regulations that apply, especially in the allocation process. The Green Book contains a copy of those regulations. This was not a part of the formal allocation process, but an informal preliminary meeting for the Authority to gather information. That is the process that precedes the official process.

Doug Fant stated that this was a standard public meeting, subject to the open meeting laws. The formal process will not commence until the Authority declares power supplies are available.

Looking at the Process Flowchart (Handout), there was a discussion regarding the Preliminary Steps shown in the top left hand block. There are preliminary steps the Authority can take before the official process begins which will help develop the allocation process. The Authority will be collecting load data for five years, like from 2007 to 2011 or so, to get a substantial data base. Data from 2008 to 2012 may be used if that is the most current available when the request is made. More meetings will be held for developing the preliminary concepts for allocation, developing an application and developing proposed contracts. This is just preliminary information to give the Commission enough information to determine the allocation criteria. But there are specific regulations the Authority must follow. 12-14-201(A) is pertinent, but "(J)" is the one that states the Authority shall allocate equitably in the same preference class based upon needs and type of use. Having a meaningful data base will enable the Authority to follow that rule.

The Authority have to allocate A, B, and D capacity and associated energy. As the federal law states, the capacity factor for "A" capacity = 36.7%, for "B" capacity = 12.1% and for "D" capacity = 24.9%. During the public meeting process, the Authority will work out exactly how it will be allocated.

Tom Martin stated that it's fine to collect information, but if you use capacity for allocation, then that upsets the apple cart. Michael Curtis said collecting data through 2011 is important, because if you cut it off too early, that would not be good. Get the most recent data you can.

During this preliminary stage, the Authority will get an application form available for everyone's review. The Authority will develop preliminary contracts for the sale of Hoover power Post-2017. What the Authority would like to do is put together concepts and ideas for a contract, which will be similar to the existing contract and have meetings on the contracts and work through this. All prospective customers would be included.

The Authority will have "D" power to allocate. D-1 will be allocated directly by Western which is 69MW. D-2 is the 11MW, which will be allocated to new customers. D-1 allocated by Western to Arizona entities other than Tribes will come through the APA and be contracted that way. There is a possibility that all of the 69 MW might not be allocated. At the end of the three-year time period, as set in the legislation, then that would be reallocated to current contractors. There may have to be contract amendments if this occurs.

Still to be determined are what restrictions or stipulations Western might put on the D-1 that comes to Arizona and whether that could be treated the same as the rest of the APA Hoover resource. The federal law requires the new contractors to pay a portion of the MSCP expenses and to sign the Implementation Agreement that is already in place. How these requirements are met at the federal level and the state level will have an impact on the Authority allocations.

The Authority revised its regulations in 1993, and then again in 2003. Other than that, the process will be similar to the last allocation process. The Green Book is the law as it applies to APA and Red Book was prepared by staff in 1984-1985 for the allocation of Hoover power through 2017. When the official process is begun at Western, it is anticipated to take three years for contract from Western to be finished. The Authority wants to have our contracts ready to go

by that time. (The Green Book and the Red Book can be found on the Authority website <http://2017.powerauthority.org/>)

The Official Process begins when the Notice of availability of long-term power is published with the date and time of the Public Information Conference and the due date for the applications. After this point in the process, there will be time constraints the Authority will have to adhere to for other public meetings and decisions. The Authority wants to have as much information and data as possible to help prepare for the decisions the Commissioners will be required to make before the Official Process commences. During the Public Information Conference preliminary concepts for the allocation will be given. These meetings will be attended by the Commission, but there will not be any action taken. The data requested in the application will be used for the allocation to each entity. There will be additional public meetings held for questions and comments during the Official Process.

Bob Lynch stated that a lot of work must get done before you start the formal process. The preliminary process is set up, because when you start formal processes you have to stay on track. The Authority process should stay in the black box as long as possible. During this allocation process, everyone will have to meet more often, because there isn't as much time as there was for the 1987 Allocation.

There were some questions from the attendees regarding Power Purchase Certificates and who would be required to have one. Does the current Power Purchase Certificate carry over with the current customers? Do the current customers need to apply for a new one? Do all new customers need one? These questions will be discussed in additional public meetings. Pages 4 and 5 of the Green Book reference the eleven points that should be in the Power Purchase Certificate. At this time, the Authority will require all "A" power customers to get a PPC.

The Implementation Agreement addresses the provisions for prepayment of capital advances that were made to Hoover. Because of the provision in the law, the "D" customers will have to pay back those advances still on the books and the current customers will get a rebate. These assessments will be made during the first five years of the new contract. This won't give the Authority much back but how that procedure will actually be implemented still has to be determined.

At the Commission meeting next Tuesday (February 21), the Authority will talk about the Red Book and its effectiveness. There are parts of the Red Book that could apply in the allocation for 2017 and could be used for reference, but there is a new federal law and the Authority cannot be bound by the Red Book to the old law. There was strong opposition to disavowing the Red Book. It was suggested that the Authority tell them each part that would be changed and let those at the public meetings determine its validity. This will be discussed further at future meetings.

11:55 Meeting concluded.