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**POST-2017 HOOVER POWER ALLOCATION PROCESS  
CUSTOMER AND INTERESTED PARTIES MEETING  
March 27, 2012 10:00 a.m.  
At Power Authority Office**

### **STAFF:**

Joseph Mulholland, Executive Director  
Susan Angulo, Executive Secretary  
Morris Christenson, Accounting Administrator  
Doug Fant, General Counsel  
Michael Gazda, Deputy Director  
Marcia Kennedy, Financial Administrator  
Evelyn Magnusson, Sr. Utilities Rate Analyst (Telephonically)  
Linda Sullivan, Utilities Rate Specialist

### **ATTENDEES:**

Rhett Billingly, Ryley, Carlock & Applewhite  
Tyler Carlson, Mohave Electric Cooperative  
V. C. Danos, A.M.W.U.A.  
Dick Darnall, Utility Resource Services, Inc.  
Dennis Delaney, K. R. Saline & Associates  
Todd Dillard, Robert S. Lynch & Associates  
Lonnie Frost, Town of Gilbert  
James Hartdegen, Electrical District No. 3/MIDD  
Creden Huber, SSVEC  
Jeff Kros, AMWUA  
Cathy Kuefler, Avra Water Co-Op  
Doug Kupel, City of Phoenix  
Patrick Ledger, AEPCO  
Ken Lee, Salt River Project  
Richard Lehman, Salt River Project  
Michael Leonard, Roosevelt WCD  
Tom Martin, Electrical District No. 2  
Ron McEachern, Electrical District No. 4 and 5  
John McNeill, C.A.W.C.D.  
Jay Moyes, Moyes Sellers, Ltd.  
Donovan Neese, Roosevelt Irrigation District

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Monte Nevitt, Scythe & Spade Co.  
Melissa Parham, A.M.P.U.A.  
Bill Petty, Roosevelt WCD  
Christian Ramirez, Scythe & Spade Co.  
Ronald Rayner, Electrical District No. 8  
Ken Saline, K. R. Saline & Associates  
Bonnie Seal, Electrical District No. 7  
Pete Serrano, City of Mesa  
Sidney Smith, Cortaro-Marana Irrigation District  
William Stacy, Electrical District No. 3  
Elizabeth Story, Tonopah Irrigation District  
Sheryl Sweeney, Ryley, Carlock & Applewhite  
Bill Taebel, City of Mesa  
Glen Vortherms, Maricopa Water District

The meeting was called to order by Joe Mulholland, Executive Director, who welcomed all attendees. He stated that this meeting is being held in order to obtain ideas and thoughts regarding the Post-2017 Hoover Power Allocation Process from all interested parties.

The Executive Director stated that the APA staff makes no decisions and makes no policy and is not authorized to do so. The APA staff is authorized to work with our customers and interested parties to implement the policy established by the Commission. He went on to state that if you have any technical questions, you may come to the staff. However, if you have legal questions, the staff recommends that all parties obtain legal opinions from their respective attorneys. Doug Fant, the APA's independent counsel, is not allowed to provide legal opinions to anyone except the Commission and he may assist the APA staff with legal advice.

The Executive Director emphasized that these customers and interested parties meetings are an open and a transparent process. He asked for help from the attendees by giving the APA staff their thoughts and ideas. He stated that if anyone writes or emails APA with regard to the Post-2017 Hoover Power Allocation Process, the staff will put that information on our new website for all to review. The new website was created with the intent that it be dedicated to the 2017 Hoover Power Allocation Process.

Slides were presented containing information regarding:

- Arizona Power Authority's organization background and staff.
- Current customers and contract timeframes.
- How the power is transmitted from Hoover Dam to our customers.
- Current federal allocations and a comparison of the Post-2017 allocation.
- The amount of Hoover capacity that will be available Post-2017.
- A list of the APA employees and their email addresses.
- There are two websites that are available to everyone.

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It was noted that [www.powerauthority.org](http://www.powerauthority.org) is the existing website for APA that contains regular Commission Meeting notices, agendas and minutes, etc., and the <http://2017.powerauthority.org> website is dedicated to the Post-2017 Hoover Power Allocation Process.

A flowchart was presented to help explain the regulations that the APA must follow and to encourage ideas, thoughts and data input from the attendees. The Executive Director noted that only two dates on the flowchart are firm dates, one being the date in the upper left-hand corner, which is today's date and the date in bottom left-hand corner which is the effective date of the new contract, October 1, 2017. All other dates on the flowchart, highlighted in yellow, are there to act as a guide for today's meeting when going through the process. They will change as we move forward.

The Executive Director discussed the various steps on the flowchart (see flowchart dated 03/27/12). He stated that the APA is asking for help with the input on the concepts and proposals. Our intention is to be fair and reasonable and to develop procedures to allocate the Hoover power on a transparent basis. He also briefly discussed the new forms that will be developed, such as applications and general contracts, and noted those meetings illustrated on the flowchart that are critical.

Some of the ideas and criteria that the APA may be requesting include:

- Timeframes and criteria for the information gathered which will be the basis for allocating the Hoover power.
- Information related to capacity and energy.
- Capacity and energy broken down in subclasses such as agricultural, residential or pumping loads.

Timeframes for historical data may be critical due to weather, economic factors, and the related customer use of energy. If we go back too far, the data is stale and not relevant. If we use a timeframe that is too recent, the data may be too hard to gather. Some may argue that because of unusual weather and economic conditions these past few years are not representative and do not represent a fair basis for allocating the Hoover power. These are the types of ideas for which we would like input. Currently, the APA's thought is to look for data for the period from January 1, 2007 to December 31, 2011. That data timeframe will be decided shortly by the Commission.

With regard to the flowchart, Val Danos asked for an explanation of the types of comments that would be requested for the Public Comment Conference; would it be preliminary concepts or some idea of how the APA is going to allocate the power, as opposed to a process like the timeline. The Executive Director stated that we hope that by this point in time on the flowchart we would have gathered enough data to prepare suggestions for several different methodologies to allocate the Hoover power. We will present these to the Commission for their review. Staff would like to receive comments on the type of data, data timeframes, as well as methodology.

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Mr. Danos asked if the APA staff will be making a recommendation to the Commission to get a sense of the point in the process where the APA staff will make a recommendation. The Executive Director stated the APA staff would not be making a recommendation. They will present a wide spectrum and range of ideas to the Commission, where customers and new applicants will have input on the details of the whole range of ideas presented. This will be conducted in open meetings so the Commission can ask their questions in public, and the public can have an input on the process. The Commission will give the APA staff direction and guidance. The Executive Director added that this is too important a process for APA staff to make this kind of recommendation. The direction will come from the Commissioners. The APA staff will prepare an analysis of all the customers and all potential customers' suggestions so that the Commission may make its decision.

The Executive Director discussed the possible due dates for receipt of the data. Tom Martin asked if there would be a way to speed up the application process. The Executive Director stated that the delay in this step is due to the expectation that the APA contract with Western Area Power Administration will not be ready until 2015. A discussion was held on ways that the Western contract might be expedited, whether Power Purchase Certificates would or would not be needed, for which type of power (A, B, or D) would a certificate be needed, when a customer could apply/update a Power Purchase Certificate, and if a new applicant would need a Power Purchase Certificate.

The APA is dependent on its contract with Western to be able to put meaningful terms into its contracts with its customers. Western will have to tell APA how much capacity and energy is actually available pursuant to the contract so that APA can allocate all the power to its customers. Sheryl Sweeney asked if there would be a way to work with a draft version of the Western/APA contract in order for the APA to develop its contract with its customers. The Executive Director stated that this has been discussed with Western and they indicated their willingness to work with the APA on this matter.

Elizabeth Story suggested that Tom Martin's question was based on an assumption that the allocations for Schedule A and B users would come back in the same proportion only being reduced by what the legislation requires. She hopes that this ends up being true, but she didn't know if this was settled and she was unsure as to the APA position. The Executive Director responded that he cannot take a position on the matter. He believes that one of the five or six methodologies that the APA will analyze will be based on this assumption. However, it will be up to the Commission to make this final decision.

Tom Martin stated his question was not based on the assumption stated by Ms. Story, but that he feels the customers need to know as quickly as they can what they are going to be allocated so that they can plan appropriately. The Executive Director stated it is the intention of the APA to move this process along as quickly as possible.

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Jay Moyes stated he agrees that Western and the APA should complete their contract first because it would be difficult for the customers to deal with the remainder of the allocation if a portion of the “D-1” power is returned to the states. He asked if some of the periods could be adjusted and shortened in some way. The Executive Director stated that the states and Western have discussed the pros and cons of having a preliminary contract with possible amendments, and this is still being considered.

In summary, the Executive Director stated that the APA wants to work together, cooperatively with all parties, and find a solution that can be supported by all. We need to have open and honest cooperation. The APA intends to see that happen from their side and asks for this cooperation from others so that this allocation may be handled professionally, reasonably, fairly and openly, keeping in mind that the APA Commission will make all decisions about the direction to take throughout this allocation process.

The flowchart will be revised as we continue to go through the allocation process. Please send the APA any suggestions you have on this chart. APA asked for input regarding the data that the APA will be requesting. For example, energy is one basis that may be used, but there are others and we would like to get the customers’ and interested parties’ thoughts on how to handle the disparity in the way we calculate capacity (kilowatts).

The Executive Director gave a brief description of the Hoover resource, how it is used and the different capacity factors associated with A, B and D allocations. The average capacity factor is the amount of capacity you could use 24 hours a day every day of the month and not exhaust the amount of energy available. The capacity factor of Schedule A capacity is 36%. Schedule B has a 12% capacity factor and Schedule D has a 24% capacity factor. You will also hear about Schedule C, but there is no capacity associated with Schedule C. This schedule pertains to the situation when we have a lot of water running down the river and we have excess energy generation.

The APA had thought of buying supplemental energy from the market for Schedule B capacity so it could be used more effectively, but some customers did not want to take this route. However, the APA still has the matter of the A, B and D capacity factors being different. This is an area for which APA would like to receive input and advice from the attendees.

The Executive Director outlined the various documents that the APA has to consider in the allocation process. First, there is an Implementation agreement between the United States of America and all of the Hoover contractors which relates to the use of the Hoover power.

Then there is what is called the “Red Book.” It contains the policy implications for how the power was allocated in 1987. The Red Book is one methodology that will probably be considered for allocating the Hoover power in 2017.

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Doug Fant mentioned the states of Arizona and Nevada have had meetings with Western on how to implement the Western allocation process and commented briefly on the Schedule D-1 allocation process.

Doug Kupel from the City of Phoenix asked if the APA could hold an open meeting for all new potential customers to discuss how the allocation process is going to work and who will be eligible. The Executive Director suggested that each new potential customer contact their attorney and research the laws and see what each customer would have to do to be eligible for Hoover power. The Executive Director stated that neither the APA, nor its independent legal counsel, can give a legal opinion or direction on who would be eligible.

Mr. Kupel then asked if some thought could be given to having an additional meeting for potential new customers to point out the regulations relating to eligibility and outline what the APA expects from the applicants in developing the allocation process. Mr. Kupel believes that the APA is breaking new ground and it may help applicants who haven't been customers before to have an idea of how that process should work. Given that new power will be available there may be interested parties that need to give this some thought and may have some ideas of how this process would work for the new applicants. The Executive Director stated that the APA will take this suggestion under consideration and perhaps have a special open meeting to talk with all potential customers where ideas can be exchanged on this subject

Val Danos stated his concern about obtaining legal advice, submitting an application, and the APA then makes a legal determination that this customer or entity is or is not eligible for power. Doug Fant responded that the Commission wants to control all decisions, including legal interpretations. The Executive Director stated the Commission would be following guidelines and following the laws as openly and closely as they can. He further stated that holding an open meeting where ideas could be exchanged, but not give advice so that existing customers and potential customers could feel more comfortable moving forward is a good suggestion. The APA understands everyone's position in that they do not want to spend a lot of money making an application and preparing data only for the APA to say sorry you were not eligible to start with. Hopefully, we could have an open meeting where essential points could be discussed so that all potential customers could participate. Doug Fant stated that the Commission would be encouraged to make these types of eligibility decisions public ahead of the application process.

Jay Moyes stated that as a follow-up to Doug Fant's recommendation, APA should stay involved in the Western D-1 process. The Authority could probably be very helpful in the development of new customers by keeping them informed of how this process is proceeding. The Executive Director stated that information would be sent to all customers and interested parties.

The Executive Director thanked everyone for attending today's meeting. The meeting adjourned at 11:30 a.m.

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