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Arizona Power Authority



Page Utility Enterprises

electric and water services for the people . . . by the people



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December 19, 2012

Re: Hoover Post-2017 Reallocation

Dear Mr. Mulholland:

The purpose of this letter is to demonstrate interest in all categories of Hoover power available to the Arizona Power Authority ("APA") for which the City of Page, Coconino County, Arizona ("Page") is qualified. Page is geographically located in the Northern Basin of the Colorado River; yet Page serves customers in both the Upper and Lower Basins. As more fully explained below, Page owns its electric distribution system and is legally empowered and responsible for managing the operations of its electric utility. The expenses of the electric utility are paid from assessed rates and fees. Page's current allocation is from Hoover Schedule B.¹ Page herein respectfully requests an additional allocation on an equitable basis.

Page's 2010 census population was approximately 7,200. In addition to its population, Page's electric resource needs are directly linked to local tourism. Page's service area includes such tourist facilities as Wahweap Marina and Antelope Point Marina on Lake Powell, and Lee's Ferry and Marble Canyon in the Glen Canyon National Recreation Area, as well as a small part of the Navajo Reservation. Page's service area thus has a substantial transient tourist population, which is estimated at two million visitors per year within Page's electric service area. This creates a need for power resources that will assure that this vibrant community is able to serve an increasing load well into the future. Nevertheless, like many rural Arizona communities, Page struggles with the problem of isolation. Access to hydropower energy is crucial to maintaining Page's power resources and, accordingly, its economic viability.

¹ <http://2017.powerauthority.org/wp-content/uploads/2012/11/Customer-Allocation-2012-TABLE-3.pdf>

HISTORICAL BACKGROUND

Page began its existence as a Bureau of Reclamation Government Camp in 1957, housing the construction workers and their families who were building Glen Canyon Dam. In 1958, approximately 24 square miles of Navajo Reservation land were exchanged for a larger tract in Utah, and the Government Camp then moved across the Colorado River to the town site, which was named Page in honor of the Bureau of Reclamation Commissioner, John C. Page. From 1958 until 1975, Page was a federal municipality or “enclave,” similar to the manner in which Boulder City, Nevada, was established during the construction of Hoover Dam. Page became an Arizona municipal corporation in 1975.

In 1974, in order to assist Page in becoming an economically viable municipality for the families who maintain the Glen Canyon Dam, as well as the employees of the National Park Service and their families, Congress granted a supply of Colorado River Storage Project (“CRSP”) power in the amount of 6.4 megawatts. At the time of the congressional CRSP allocation in 1974, this resource was expected to be sufficient for Page’s anticipated growth. Clearly, Congress did not anticipate how much Page would grow over time, including both population growth and the fact that Page has flourished as a tourist destination for those visiting Lake Powell. Considering both Page’s growth and its isolated location, it is undeniable that the 6.4-megawatt CRSP allocation is no longer adequate.

From the early 1960’s until 1986, Arizona Public Service Company (“APS”) was the retail electric service provider for Page. In the early 1970’s, a confederation of utilities began constructing the Navajo Generating Station (“NGS”) approximately five miles outside of Page. Almost overnight, Page’s population quadrupled and, consequently, its demand for power and energy dramatically increased. Page’s current peak load is 29 MW. Although NGS is within a few miles of Page, there is no interconnection between NGS and Page; accordingly, Page receives no energy from NGS.

APS continued to serve Page until 1985, when the citizens of Page authorized the City to condemn the APS facilities in and around the municipal boundaries. Various legal rulings prevented Page from taking possession of the system until May 1986.

Since 1986, Page has owned and operated its own electric distribution system and has served its customers, which are located both within and without the Page municipal boundaries and (as noted above) are in both the Upper and Lower Basins. Page currently operates its municipal electric system through its agent, the Page Utility Enterprises, which is a division of the city government. Page’s electric rates are the same for customers located within and without the municipal boundaries. By ordinance, the utility does not transfer any surplus electric funds to the city general fund. Therefore, the electric utility rates are set to cover the cost of the electrical utility, not to subsidize other city services.

In the early 1990’s, the Federal government ordered an Economic Impact Statement regarding the flows out of Glen Canyon Dam and ordered numerous studies to gauge the effect of the flows on the health of the Colorado River. The effect of this process on Page has been an effective eight percent (8%) reduction of its CRSP allocation due to judicial rulings that reduced

the flow of water through the dam (and thus the power output), with the result that the dam power plant cannot accommodate peaking demand.

In addition to its CRSP allocation, Page relies on the power market for roughly 60% of its energy needs. In 2006, in an effort to obtain an additional power resource, Page applied for 1-MW of Parker Davis capacity, which at the time was under a reallocation process. Page's application was denied. While no reason was given for the denial, Page suspects it was because Page was considered an Upper Basin entity, even though Page serves certain customers in the Lower Basin.

REQUEST FOR CONSIDERATION

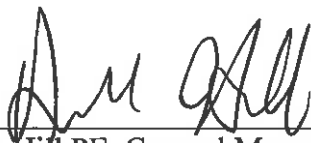
Page is a vibrant community; nevertheless, it struggles with the problems of isolation common to rural Arizona communities. Access to hydropower energy is crucial to maintain Page's economic viability. Therefore, Page respectfully urges and supports a fair and equitable allocation of Hoover A and B.

As a municipal corporation existing under the Constitution and laws of the State of Arizona, Page is a qualified applicant for Hoover A and B power under the general eligibility criteria. Page respectfully contends that equitable allocation criteria be established with other qualified Hoover-APA recipients. We believe the APA must consider all circumstances and considerations that justify changing Hoover A and B allocations. For historic reasons, not the least of which is that Page was an original Federal enclave with a Congressional CRSP power right that has now been diluted as a result of water flow reductions through Glen Canyon Dam, Page deserves special consideration and an allocation of one megawatt of Hoover power.

Finally, Page requests that all relevant notices pertaining to the Hoover allocation process be sent to my attention.

Very kind regards,

PAGE UTILITY ENTERPRISES

By  _____
Bryan Hill PE, General Manager

Cc: Page Utility Board

Cc: Page City Council