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DATE: June 8, 2011
TO: APA Customers and Interested Parties
FROM: Joseph W. Mulholland, Executive Director
RE: Post-2017 Hoover Power Allocation Process

The Arizona Power Authority contracts with its customers to sell power and energy generated at Hoover Dam expire on September 30, 2017. Although that is more than six years in the future, we are beginning the process to determine how this power should be allocated to the existing customers and new applicants when the current contracts expire in 2017.

The purpose of this letter is to ask for your thoughts, ideas and direction regarding the allocation of this power to applicants for the post-2017 era. This is not a simple question. The existing Hoover power allocations are subdivided into Schedule A and Schedule B. Schedule A power has significantly more energy associated with it than does the Schedule B. One of the questions we will consider is whether to continue the Schedule A and Schedule B distinctions, or whether to blend these into one resource that is the same for all customers.

Hoover power is a very valuable resource to the people of Arizona. Traditionally, hydropower of this nature has been used to supply the needs of the agricultural community. When we allocate the hydropower for post-2017, should the allocation be based on just the agricultural load of the applicants, or should it be based on the total load requirements of the applicants or some other basis?

The amount of Hoover power and energy available is limited by contract with the Federal government and by the water levels in Lake Mead and the Colorado River. Should the Power Authority enter into contracts to buy additional power and energy to supplement Hoover and make this supplemental resource available for all applicants in 2017?

Hoover power is a valuable natural resource that Arizona uses to meet the demands of the Power Authority customers and to meet the changing loads of the state. This resource could be expanded for other uses, such as integrating solar power. What are your thoughts and suggestions regarding the use of Hoover power?

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Thank you for your consideration. These questions are critically important in determining the best use of this very valuable resource in the State of Arizona. Your personal opinion on these subjects is vital to the Power Authority. Please let us know what you and your board members think. It is the responsibility of the Arizona Power Authority Commission to conduct an open and transparent process, where we consider all logical alternatives and decide on a fair and reasonable allocation methodology. We need your help to successfully achieve this goal.