

April 27, 2014

Mr. Michael Gazda
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Arizona Power Authority

Comments on the document "Public Information and Comment Draft Plan, Hoover Power Allocation Post-2017" (Draft Plan).

1) Thank you to the Authority and consultants for navigating the federal and state laws and providing the Draft Plan which clarifies the post 2017 process.

2) On page 12 of the Draft Plan, we learn the timeline for the formal process. Once the formal process begins there is little time for comment and course correction. When the formal process begins, the Authority must set an application deadline. All other deadlines key off of the application deadline, however the time between the start of formal process and the application deadline is not set by statute. The application deadline may be set any time after the start of the formal process, leaving ample time for discussion and corrections.

3) On page 29, paragraph 2, line 2 "by the Authority"; should this say "by Western?"

4) All other comments are governed by two overarching principles the Authority has identified on page 22: "*.. in an equitable manner so as to render the greatest public service and at levels calculated to encourage the widest practical use..*"

And again on page 23: "*the Authority would like to provide this benefit, to the extent possible, to geographic areas of the State and entities that do not receive similar benefits from other at-cost resources.*"

- a) Term length of contracts should be 10 years.
- b) The minimum allocation should be 100kW
- c) Part C energy should be marketed by the Authority with the objective of maximizing revenue to offset operations costs of the Authority. The Authority should seek to market Part C energy to a wider wholesale market than existing and future contractors.
- d) CAWCD (CAP) allocation should be preserved at 1987 levels.
- e) New applicants and all existing contractors except CAWCD should receive allocations equally in proportion to need and subject to preference clauses of ARS titles 30 and 45 and subject to the following equity principles:
 - i) All applicants within a preference category receive at least 100 kW allocation.
 - ii) No contractor will receive more than their 1987 allocation.
- f) After A, B, and D2 resources are allocated based on need and preference provisions, the applicants' allocations will be reduced by any other federal resources such as CRSP, Parker-Davis, and D1 allocations. This take - back amount can then be reallocated to other applicants.
- g) All applicants, regardless of preference category or post 2017 allocation, will be allowed to participate in the resource exchange pool. This should be accomplished by establishing contingency contracts with the Authority that allow all eligible Arizona applicants to participate equally with existing contractors, and new 2017 contractors who receive an allocation of Part A, B, or D2 power.

We are proposing a more complex allocation scheme than any of the 8 worksheets shared by the consultant on April 7, 2014. However, none of those worksheets approximate the principles of equable and widest practical use. Also, we are not trammled today by the technical limitations faced by the Authority in 1984; there was no internet then, and the cost of computers, data storage and communications were higher in 1984. You have the luxury today to be more sophisticated, responsive and transparent in this process. The use of computer simulation will allow the Authority to demonstrate an objective allocation mechanism based on policy principles and statutes. An effort should be made to share this software with all applicants so that the allocation mechanism is understood by all and can be reproduced.

Widespread use will only be satisfied by a reduction of the allocation to current contractors and limitations to individual contract size. Resistance to changes in the status quo (1987 allocation) cannot be based on any public policy principle or item from Arizona statutes, and therefore must be deriving its animus from a lack of perspective. For the period from 1987 to 2017, the Authority will deliver approximately 25,739,670 megawatt-hours of energy to its current contractors. From our perspective this is not a scarce resource to be fought over for survival, but a public asset worth not less than \$640,000,000 which should be shared equitably by as many Arizonans as possible including current contractors.

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