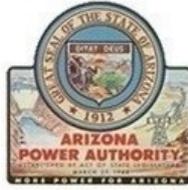


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*This is a transcription of the introductory comments made by the consultants, as well as the questions, responses and comments made by the attendees of this Workshop. The transcription was made from a recording that is not 100% audible, but is a best efforts transcription which is as accurate as possible.*

## ARIZONA POWER AUTHORITY APA CONSULTANTS' WORKSHOP HELD ON APRIL 7, 2014

- PRESENT:** Stephen M. Brophy, Chairman  
Joe A. Albo, Vice Chairman  
Dalton H. Cole, Commissioner  
Russell L. Jones, Commissioner  
Richard S. Walden, Commissioner
- STAFF:** Michael Gazda, Interim Acting Executive Director  
Susan Angulo, Executive Secretary  
Doug Fant, General Counsel  
Marcia Kennedy, Financial Administrator/Human Resource Director  
Gary Kern, Sr. Administrative Manager  
Robert Nieto, IT Specialist  
Linda Sullivan, Senior Rates Analyst
- CONSULTANTS:** Brittany Lewis-Roberts, Somach Simmons & Dunn **(BLR)**  
Mike Powell, UC Synergetic, LLP **(MP)**  
Stuart Somach, Somach Simmons & Dunn **(SS)**
- OTHER:** Philip Bashaw, GCSECA  
Dave Bateman, Cortaro-Marana Irrigation District  
Michael Block, Metropolitan Domestic Water Improvement Dist., AZ  
Michael Curtis, A.M.P.U.A.  
Dick Darnall, Utility Resource Services, Inc.  
Alan Dulaney, City of Peoria  
David Fitzgerald, Schiff Hardin  
Ed Gerak, Buckeye Water C&DD  
Bryan Hill, Page Electric Utility

Jay Johnson, C.A.W.C.D.  
 R. DeWayne Justice, Electrical District No. 7  
 Lauren King, Triadvocates  
 Dawn Lee, C.A.W.C.D.  
 Richard Lehman, Salt River Project  
 Sam Lofland, Ryley Carlock & Applewhite  
 Susan Lozier, Wellton-Mohawk I&DD  
 Ron Lunt, C.A.W.C.D.  
 Robert Lynch, I.E.D.A.  
 Evelyn Magnusson, Consultant  
 Tom Martin, Electrical District No. 2  
 Kirsten McClure, K. R. Saline & Associates  
 Ron McEachern, Electrical District No. 4 and 5  
 Mark McGinnis, Electrical District No. 2  
 Douglas Milligan, Salt River Project  
 Jason Moyes, Moyes Sellers & Hendricks  
 Jay Moyes, Moyes Sellers & Hendricks  
 Wade Noble, Wellton-Mohawk I&DD  
 Paul O'Dair, Navapache Electric Cooperative  
 Paul Orme, Electrical Districts Nos. 3, 4 and 5  
 Bill Petty, Roosevelt WCD  
 Debra Roby, Jennings Strouss  
 Ken Saline, K. R. Saline & Associates  
 J.P. Scremin, Roosevelt WCD  
 Mike Simonton, Western Area Power Administration  
 Riley Snow, Law Office of Riley Snow  
 William Stacy, Electrical District No. 3  
 Elizabeth Story, Guest  
 Jim Sweeney, Maricopa Water District  
 Sheryl Sweeney, Ryley, Carlock & Applewhite  
 Larry Udall, Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.  
 Terry Urbine, Current Insight  
 Glen Vortherms, Maricopa Water District  
 Chris Ward, Avra Water Cooperative  
 Grant Ward, Electrical District No. 3  
 Jeff Woner, K. R. Saline & Associates

- The Consultants' Workshop began at 9:00 a.m. with opening comments by Commissioner Dalton Cole. He introduced Mike Powell (MP) from UC Synergetic, LLP, Stuart Somach (SS) and Brittany Lewis-Roberts (BLR) from Somach Simmons & Dunn. All APA Commissioners attended today's Workshop as attendees.
- **Stuart Somach (SS):** The purpose of the Consultants' Workshop is simply that this is the very beginning. Brittany Lewis-Roberts and I have been working for a long time to take a look at several legal and policy issues and have been working back and forth with the Commissioners to

get direction and understanding of their thinking on some of the issues. We have also been working with Mike Powell in terms of the more technical aspects of this process.

One of the things that I thought early on was that there was a kind of regulatory process that got imbedded in the regulations that created a kind of round-peg, square-hole situation. My thought was also to try to put off that Formal Process, as done within the regulations, as far off as we could and still meet a reasonable timeline to get the allocation done within the time that is prescribed. The only way to do that would be to take a look at some of the key legal and policy issues, and take a look at some initial ways of allocating the power. Then just get it out to the public for review and comment.

So an informal process was established that will have two parts. The first is this kind of a Workshop. The consultants are taking notes and want to talk about how they plan going forward today. If another Workshop is needed, they will do that.

My intent is to give everyone who wants to talk to the consultants by telephone or meet with customers or interested parties ample time after the workshop. Mike Powell is also available to meet this way. This will help to be better off in terms of getting a Final Proposal that we can start with.

After this initial Workshop(s), I believe that the Commissioners are also planning on having Conferences, not part of the Formal Process, but to try and have some dialog on the issues. Nothing that is being put out at this time is in a final formal that is imbedded in anybody's mind. But we have to start somewhere and we are trying to create the most open, transparent process that we can.

One over-arching conclusion I have reached in looking at all of the issues that were presented to me is that the Commissioners have a lot of discretion in terms of what they do in this process. So, I think it is important to make sure that they exercise their discretion in the most meaningful and knowledgeable way that they can to make certain that on legal (*word inaudible*)... that they are not doing anything that's arbitrary or capricious or unreasonable. That it all makes sense, that it's all imbedded in this kind of record, that all of this will be part of it so that when they come out with their final decisions those are decisions that shouldn't surprise anybody, quite frankly. And they should have been vetted for a very long time.

This presentation contains some key policy and legal issues that we set forth and which are contained in the Public Information and Comment Draft Plan. The idea is to go through and hit some high points and then Mike Powell will go through a presentation on some of the initial proposals that he has looked at and for which we have created spreadsheets. He will describe

how he arrived at those things and what he was thinking. A lot of those spreadsheets speak in terms of broad general concepts as much as anything else.

If you have any questions during the presentations, if you just don't understand what is being discussed, you should probably not wait to the end, but just raise your hand and if I can clarify something that's being said in the slide, I would like to clarify it. We are looking for comments and feedback. And we are looking for it here today and we're looking for it if you want to send in a written comment. Again, if you want to pick up the telephone and give us a call, that would be fine. If you would like us to meet with you one-on-one, that would be fine. All those things are all part of this process. No one should be hesitant to do that.

What I thought we would do is go through these key points first and then if there are any clarifying questions somebody has about anything that we have said, we would like to go ahead and do that. And then more formally, in an informal way, if anybody has any comments, questions, all of that kind of stuff, then we will have plenty of time when we are done with the presentation to just sit and listen.

I did want to say that we will respond to questions. That is not a problem, but we not advocating anything. So, the one thing I don't want to do is go into a long detailed description of some legal analysis, or try to defend anything that we have written down because that is not what this is all about. If I start advocating for something, we will be here for a long Workshop. We do want to hear your comments. If there is a critique or criticism of something that you see, we definitely want to hear that, but don't expect me or Mike Powell to engage in a big back-and-forth about why you are wrong and I am right because I will be more than happy to admit that I am wrong if I am wrong or if I need more information. Believe me, I will come back and ask for that information.

➤ **SLIDE PRESENTATION BY STUART SOMACH AND BRITTANY LEWIS-ROBERTS**

**MICHAEL CURTIS, A.M.P.U.A.:** Point of clarification, in the statute, Districts are first in the shortest ... (stepped to the microphone at this time). Is it correct... are you enumerating among cities, towns and coops? I see you label them one, two and three. I assume you took that out of the statutes so that there is a ranking among cities, towns and coops? Cities are number one, towns are number two and coops are number three, or is that just a convenient thing that you guys did?

**Brittany Lewis-Roberts (BLR):** The latter. It is just a convenience thing. It is not a ranking. There is a clause that applies to cooperatives that does not apply to cities and towns. So we just laid them out as a list to make sure that the clause that applies to cooperatives was not confused

as applying to cities and towns. It is not on the ranking with a separate preference (*word inaudible*).

**Michael Curtis:** I just want make sure that when you do that for visualization, it is to make sure that the limitation, the 17.5 limitation, applies to cooperatives and it doesn't apply to any others.

**Mike Powell (MP):** Some of my numbers are cities and towns and I don't think they mind being first, but some of my numbers are cooperatives and I don't think they care to be ranked third if there is a hierarchy in the way in which you are directing them. But then keep in mind that the districts are number one.

**BLR:** There is no hierarchy. You can see that serving its own members only applies to cooperatives because towns and cities are not a number; then there is a town and then there is incorporated city, and the limit on the amount applies to all three, but no hierarchy.

➤ **SLIDE PRESENTATION BY MIKE POWELL, UC SYNERGETIC**

I will be covering the number crunching. The data that was provided was to allow us to be able to test some of the things that we thought may happen. So that there wasn't this well, this should happen and then trying to move forward from there. We actually needed some data. So the voluntary data sheets that you provided, provided that data base for us. I realize that everybody...as Stuart said we would love to have as accurate data as possible, but the fact that we have data to work with and it is varied data and it is from districts and towns and all sorts of different entities has really helped us to be able to look at some of these things in different and unique ways. I do appreciate everybody supplying us those voluntary sheets.

The first thing is, why methodologies? It goes right back to the statues, but it is basically once the Long-term Power supply is determined to be available, is it sufficient, or do we have more than enough to meet the demand. If the answer is yes, then there is no allocation at all and I'm not sitting up here today. On the other hand, if it is insufficient, we have to go through the allocation process. It is governed or guided by the APA statutes.

Basically, that's what we are doing folks. We wanted to find out if we thought there was going to be enough or not. And the best way to do that was to look at what is available, which for those of you that don't know it is approximately 392 MW of actual capacity, a little over 840,000 MWh of energy. That's the available resources. What all of you, and plus anyone else who might be interested, might have a demand for. And if it is larger, then we will go through this part of it, the early part and hope that we get it right as we go forward and then get to the Formal Process. It is a good process that we all know what we are working with.

Something to point out here for the folks who have been receiving allocations, you are aware of this, some of those who haven't been receiving allocations and would like to, need to probably clarify and understand that the Hoover availability...because you receive 4 MW, let's say, and you get an allocation, it doesn't mean that you're going to get 4MW. It goes back to what is actually available. It's Hydropower and that's the way it works. I figured I should probably get that upfront and help out to make sure that both new entities and the existing entities that they are all kind of working off of the same page.

We asked back in August for you all take some time and put some data together to provide to myself and the staff so that we could build the data base to be able to work with and play with some of the numbers to find out what kind of methodologies we could come up with and things of that nature. Some things that that brought out is that over 605 MW capacity is anticipated to be requested. Over 1 million MWh of energy is anticipated to be requested. Obviously, (inaudible) call, so we go into this allocation process and that is where we are at. It is what we have been doing since we received all of the voluntary sheets.

The voluntary sheets asked for things like your loads, your resources, how you use the power that you receive, or would use the power that you receive. None of the numbers were substantiated. It all came from what you believe to be the best way to supply the numbers given what we were asking for. And I realize there is (inaudible) and ambiguity there and I didn't mean to. I didn't clarify some of the things enough and that is my fault. Believe me when we get into the Formal Process, those sheets will be as crystal clear as can possibly be made.

And not only that but myself, Mike Gazda from the APA, we're always available to answer any of those questions that you have about is this data what you are looking for? That's what we are here for. So don't feel that you shouldn't bug us or what have you. Let us know.

**SHERYL SWEENEY, RYLEY, CARLOCK & APPLEWHITE:** Mike, what kind of documentation are you looking for to substantiate, for example, the load data? What additional information are you going to want?

**MP:** Well, we asked...some general thoughts that we've passed around as consultants and talked with the staff about, however, we would really like to get some feedback from the entities on what they think would substantiate that. That gets back to what we were saying at the beginning, and by the way, I will say it one more time, Sheryl, at the end of this that's the way it works, but no we really would like to hear from you. There are things that obviously you feel substantiate more so than maybe... I'm a consultant; you deal with this on a monthly, daily basis. I deal with it during this process. I'd like to be as open to working with you as I possibly can to

make sure that it is good data and that all these folks would agree that it's substantiated and we're all good to go.

The needed data base that we have we use that to kind of test the nuts, put down all the entities and their loads and so forth. Then we also needed to be able to examine some of the methodologies for the Commissioners out of that data and for them to be able to kind of throw some what ifs at me as I was going along. Just to emphasize, the actual allocations will not be determined until we get into the Formal Process because we're looking at multiple methodologies right now, and of those multiple methodologies, there is no guarantee today as we sit here that any of those that have been presented will be the methodology that will be used going forward. This is open for you guys to add to and then suggest what have you because I've taken what I thought were some fairly good representations of things. I presented those to the Commissioners and they've tweaked and added and given me some of their own ideas and so now we have both of those together. The part we are missing is from the entities themselves and what they would like to see tweaked and see if we can't come up with one that everybody kind of says hey, this will work. We'll see.

Just to let you know you guys did a great job with the voluntary data. All 29 existing customers and 18 new entities provided data and almost every one of the sheets was 100% complete, which I think there were some concerns that maybe we would not get complete data. You guys did a very good job of giving me everything you could. In some case, I know some of the entities don't necessarily know some of the data and I talked with a few of you about that. But we were able to sit down and work with you to be able to figure out what that should have been and help you see how we work through that. Again, I appreciate your efforts and just wanted to say that because I know you guys have many other things to do besides fill out paperwork for folks like me who can't keep track of things on my own.

All this data brought together, and I put in about 70 different ways of slicing this turkey up. I came up with everything...there were no limits is where I started. There were some very crazy...I admit it...things that I to this day am not sure why I did them but they were there. Then what I did was I went through and I...the thing I was looking for was anything that helps any single entity or only a couple entities. It is not an equitable situation for everybody and it's not something that benefits the most. What I did was I pulled those out and took those out. Then I had about 30 somewhat representative, kind of iffy type methodologies left. Then I took out all the ones that were basically giving duplicate results. I had got down to what I thought were the most representative. I am sure one of the questions that you may have would be most representative and what I was trying to say with this is basically, historically this power has been used for agriculture purposes. It's been used for municipal uses. It's been used in making sure that we're providing those types of goods for our people who are (inaudible) as far as food goes and things of that nature. And I tried to kind of stay with that thing as much as I can, even

though we may have urbanized some of the agriculture areas, it's still about the people. Again, this was just my idea of what was representative. That went to the Commission, next it's yours. So that is kind of where we have gone through to this point.

I presented those methodologies to the Commissioners. They provided some feedback on those methods such as why did you do this. Why didn't we did we tweak it that way and so forth. Then I got some really good input from some of the Commissioners about some other ideas to try. It made for a pretty good set of eight spreadsheets that you were all given on the 18<sup>th</sup> of last month.

Now, there are some things that are probably wrong. In fact, I have already had a couple of those things brought to my attention and I appreciate that. But that is part of what we are trying to do here with informal processes; let's get it right before it goes in to the next stage. I'm not defensive about whether it's right or wrong, just tell me what it is and I'll take a look at it and I'll do my best to make sure that it's what we are all looking to try and achieve here.

We have eight spreadsheets at this point; 2A and B, a 3A and B, again, that comes back from some feedback from people and the Commissioners things of that nature. There are different scenarios in there. By no means is this it. Okay, it is not set in stone that it has to be one of these eight. It can be a combination of one of these eight. It can be a number nine, ten eleven that is out there that you've got; a combination of one of yours, one of mine and one of the Commissioners. Whatever, it is still open at this point so it is not a close door. So if you have some ideas, I will come to you, I will talk to you on the phone, I will do whatever I can to make sure that we get what you have to say heard. Just let me know what I can do to help.

I'm going to go in to the spreadsheet and I promise we are not going to go through every single number. I just want you to understand what was done in the spreadsheets that we had at least asked the questions, and if there is any (inaudible) part of them that you're not sure of why I did it the way I did it.

**MIKE POWELL BEGAN HIS SLIDE PRESENTATION.**

**ED GERAK, BUCKEYE WATER C&DD:** In the Public Information and Comment Draft Plan on page 32, in the middle of the paragraph for Alternative 1, it states, "*As a possible modification to Alternative 1, the Commission has also discussed a further reduction of up to an additional 15 percent from existing customers...*" Would that necessitate a 1A and 1B situation or should this be (inaudible) restricted from this public draft comment?

**MP:** That is a great question. I'm going to actually refer back to Stuart and Brittany on that one and have them take a look at it. Could we get back to you maybe at the end of this they'll take a look at while I'm running through everything here?

**Ed Gerak:** Thank you.

**MP:** Would that be okay? Thanks Ed.

**DAVID FITZGERALD, SCHIFF HARDIN:** When you did the entities for Schedule A, was that the existing recipients under Schedule A or was it all potential applicants for Schedule A as well?

**MP:** Well, Schedule A is, of course, preference to the districts so we took all of the districts

**David Fitzgerald:** So if any potential district that would be applying as well.

**MP:** Yes, I believe what we had was one additional district that actually provided some information that we could use in this and that would be...

**David Fitzgerald:** So there is just one district in terms of voluntary submissions that indicated that it was asking for Schedule A Power. Is that correct?

**MP:** That was a district, by their preference, I believe so. And, David, I will verify that and get you a definite answer on that. Maybe not right now, but it might be soon within a week.

**TOM MARTIN, ELECTRICAL DISTRICT NO. 2:** One of the questions that I have in looking at 2A and possibly also applies to 3, you use load data which is megawatts and my understanding is some utilities actually have that measurement and others don't. So for those that didn't, you made some capacity factor or load factor calculation, is that correct? Or did they just apply that data on their own?

**MP:** Well, the answer is that I would have but only after I had talked to the utility to try and find out if they could give me that number instead because I don't want to try and figure that out myself. On the other hand, I believe, and again I've got to go back and look at the data base, but I believe everybody provided me both a capacity number and an energy number that I could work with as far as Schedule A goes. Generally, what we saw on the data sheets, and I don't mean that to sound like it's a definite statement, I need to check, but I believe most if not all did. Specifically, I'm not going to pick on Alan, but the City of Peoria, for example, they deal in megawatt hours, but they don't deal in kilowatt hours, but not kilowatts. So there is a conversion

that we would have to go through and I would sit down and talk with them about that. So if it wasn't there....

**Tom Martin:** Both in (word inaudible) basis, and the basis for my question is there is some consistent methodology in how you calculate the load factor to associate with the energy.

**MP:** Again, with the voluntary forms, it's not going to be as critical, necessarily, as it will be once we get into the formal process because that has to be substantiated. Right now, to give you a correct answer on that I would work with the entity itself and allow them to help me come to the best number that we could use for that because, again, it's voluntary information.

**DEBRA ROBY, JENNINGS STROUSS (Rep for Page, Arizona):** I noticed for Schedule A you do five-year average loads, but not under Schedule B for almost all of these scenarios except one. What is the rationale for not averaging the five-year loads under Schedule B?

**MP:** They are all five-year if it is there. If there is a typo some place, help me...

**Debra Roby:** The existing allocation for Schedule B...so on Schedule A you've got five-year load data and under Schedule B you did the existing allocation plus...

**MP:** The 1% and 5%.

**Debra Roby:** Right.

**MP:** Okay, that's if we're looking at Schedule A because this is the methodology that affects this Schedule A and not Schedule B, so when we go into this 2A spreadsheet, the only effect is in the Schedule A allottees. Okay, so Schedule B would just go with what the HPPA states, which is a 1% increase in capacity and a 5% decrease in the energy. So there is no averaging that takes effect.

**Debra Roby:** On Schedule B?

**MP:** Yes, that's correct.

**BLR:** For methodology 2A.

**Debra Roby:** For methodology 2A.

**BLR:** Yes. For each methodology it will be a little bit different just depending on what they are testing with that methodology. This 1A is the five-year average and B is just the 1% 5%.

**Debra Roby:** So is it possible that there would be an outcome where under Schedule A it is an average of the five-year load data and under Schedule B a different methodology. It's not the average of the five-year load data?

**MP:** Yes, mam. And that's what you see in, for example, in 2A because if you go back here and you look at 2A what we are doing for Schedule A is we're doing this five-year load averaging.

**Debra Roby:** Right.

**MP:** But then when we get into Schedule B, we are leaving things the way they are. So in your particular case, Page is a 1% 5% and not worried about the load information. We're not worried about whether it went up or down. We're just applying the percent.

**Debra Roby:** Understood. And at this point, maybe I saw....I'll give you a heads up that Page did submit a voluntary data form. We need to make some corrections to that.

**MP:** Absolutely

**Debra Roby:** We will be talking with you folks about that.

**MP:** No problem whatsoever. We appreciate that.

**KEN SALINE, K. R. SALINE & ASSOCIATES:** Mike, I mention this to you but on the in lieu water, some of it is 100% agriculture some of the numbers that we provided to you. And so when you then multiply that 100% in water times your AG percentage, you're reducing the equivalent pumping that they would need if they loss that water supply. So I think it is important that we communicate with you accurately on the water data. Under your assumption, when you use the AG percentage that means, for example, I was 20% commercial, it would assume that my water was 20% commercial. But that is not what water we provided because the CAP Commercial Waters are a different legend. So what we gave you is AG water. So anyhow with this formula it de-rates that attribute...

**MP:** You are absolutely correct that it would do that. Can I ask a general question not only of you, Ken, while you're here but to the entities out there that deal with the in lieu issue? Is the water that you receive, is that 100% devoted to AG use? I mean is that....

**Ken Saline:** No.

**MP:** It's not.

**Ken Saline:** It's spread to all the customers.

**MP:** Okay.

**(Inaudible Answer):**

**MP:** So some districts it may be 100% and other districts it may be 50% or whatever that number is. So when we get into this formalized....these data sheets that we're asking you to provide when you apply, should we also have a section of within that in lieu, if we are asking for in lieu, how much of that is used for the different purposes? Will that help clarify? Because I'm thinking from my perspective it would. Because in this case, if it were as Ken is suggesting here if your in lieu usage was 60% AG, then it's the multiplication of the in lieu AG percentage and then also of your load AG percentage and then you add those two together so that it's a third methodology or a third calculation. I should say not methodology. So if we added something like that. I realized that it's getting deeper and requiring you to give more data, but is that something that can be substantiated (inaudible).

**SHERYL SWEENEY:** Yeah, Mike, I think you are probably going to have to ask the applicants to tell you how much of their in lieu water is AG. Some of it....several of the districts it will be 100% agricultural. I have at least another question in my mind if you start to talk about water. What's agriculture? When we've got, for example, several districts that serve urban irrigation, golf courses things like that which normally would be considered irrigation, but is it AG. I don't know.

**MP:** That's a good question.

**Sheryl Sweeney:** Just...let's think about that.

**MP:** I appreciate that. And I think that is something that we will take a look at to see if maybe we can help either A) define it maybe a little bit better or B) at least come up with some guidelines for everybody so that we're all playing off the same field.

**BILL PETTY, ROOSEVELT WCD:** Mike, on the percent AG use, what do you think it was calculated on, Acre feet, kW or kWh?

**MP:** I have...the percent was a supplied number from each of the entities so I have no idea how it was calculated.

**Bill Petty:** Okay, the thought I had recently is that you could all be multiplying that percent times a peak load. That it ought to be based on the distribution of the categories across the peak load day because each category has a different seasonal load chain. For example, AGs don't peak in the summertime when we weak peak. And our (inaudible) of loads can be more constant across the years. So if you use that based on energy, it is going to understate the AG percent on a system peak day. Not sure if everybody can do that. We can, but I think that is something that you ought to consider.

**MP:** Bill will it be possible to get your help. Can I get with you after this meeting and maybe sit down with you and maybe we could help tweak that section of the data sheet for what we're looking for and make sure that we're not trying to apply a blanket to something that doesn't require, necessarily, one way or it won't work one way.

**Bill Petty:** Sure, be happy to.

**MP:** Okay, because I think that is going to be the way we're probably going to have to look at that is maybe use the data base that I have as kind of the test. We'll test it when we get a few people to respond and see what happens when we do that. How does it adjust those numbers. Then we could provide that information to everybody and say this is what we're going to be looking at.

**Bill Petty:** Okay and the other question that I had is a follow up on Sheryl's question. Where do you put mini farms and ranchettes? I mean they are growing pasture, citrus, maybe raising a couple of cattle on and in their minds they are AG, but I would assume you are looking for big AG, but I don't know what you want.

**MP:** Here's another food for thought and I'll throw it back at you guys. They have a rate that you work with them on, is it an AG rate or is it a residential rate, or a commercial rate?

**Bill Petty:** Everybody pays the same rate. They pay the same assessment and they pay the same rate. We spread the benefit to everybody in the community. That's the way we do it.

**MP:** Then again. That's another question that we need to look a little deeper and find out where small farms and ranchettes and things like that do fit.

**Bill Petty:** Okay.

**MP:** Good point. Thank you very much, Bill. I appreciate it.

**BILL PETTY:** Is CAP a multi-county water conservation district?

**BLR:** That would be CAWCD.

**Bill Petty:** That's what I thought. Why are they a first preference for A and not on your sheets?

**BLR:** Well, they qualify as a district under the Schedule A definition.

**Bill Petty:** Okay, but they do not show up on your sheets as A. You carry them as B.

**MP:** They currently receive allocations of B.

**Bill Petty:** Are they going to be able to apply for A then?

**BLR:** They would be eligible for A. I don't know if they (inaudible) methodology for a preference.

**MP:** None of the methodologies have included CAWCD in Schedule A to this point. It doesn't mean we can't. These are spreadsheets to give you an example of what...just like I said they're not the end all. We could easily put CAWCD over there. (Laughter) I'm just saying it could be done given eligibility is what we're talking about. But I haven't done it because they receive Schedule B and that's where they have resided. Quite honestly, never really considered testing it out with putting CAWCD into Schedule A.

**Bill Petty:** Schedule A districts available to get B? I noticed there are districts in both. I know it went back to the Red Book how they got in to Schedule B. Are the existing (inaudible) going to apply for B also in addition to A.

**MP:** That's a good question.

**BLR:** They won't be eligible to apply for B under that 45-17 (inaudible).

**Bill Petty:** Okay, thank you.

**BLR:** Actually to clarify, if you're under Schedule B, you're in Title 45. So Title 45 says districts are eligible under 17-10, but you have to refer back to the definition in Title 45. So you would have to be a district within Title 45's definition.

**Bill Petty:** Okay, is that just electricity use or is it (inaudible) because we deliver water?

**BLR:** I'll probably refer to my (inaudible). So you're looking at 17-023 it means any irrigation district, power district, electrical district, agriculture improvement district or water users association, which is directly engaged in the sale, distribution or delivery of municipal, industrial or irrigation water or in the sale or distribution or use of electrical power or energy. So it would be a district, but they would have to supply both water and power. That's for Title 45.

**Bill Petty:** Okay that's and/or.

**BLR:** Yes. Well, or is (inaudible).

**MP:** Is it an and/or?

**BLR:** It is an or.

**SS:** Or is and/or.

**BLR:** Or is inclusive of and/or. Yeah, you can be a district providing water or a district providing energy or do both.

**Bill Petty:** Okay, if all they provide is irrigation of water. Do we qualify for B?

**BLR:** I think I would consult your attorney. (Laughter) What a district or an entity is eligible for, that might not have been a methodology that Mike thought about. If that's something you would to be seen, you should discuss that with them.

**SS:** Those are the kinds of things that the answer is considers as A and not B. CAWCD considers B and not A. That doesn't mean that one or the other is ineligible for A as well as B. It's just the methodologies we worked from. If you would like to see a different mix and match so to speak, please let us know and we'll take a look at it and figure if that's a good thing to do or why not.

**Bill Petty:** Okay, thank you.

**MP:** For those of you that may remember the RFP, this is the sensitivity analysis portion that we are talking about now where you provide us...provide me something you want me to take a look at, or talk to Stuart about something you're concerned with and he lets you know, whatever. These are an analysis geared toward your input and your thoughts and what you are trying to see what would happen. So don't feel like because I haven't looked at it yet, that it can't be looked at. That's not the case. If I haven't looked at it, it's either because I'm not real smart sometimes and I just overlooked it, or it may have been looked at early on and I discounted it, but I shouldn't have because we all make mistakes. By all means do not be afraid to give me some ideas of what you want to see.

**DEBRA ROBY:** You mentioned that you have...you received information from 18 new entities as part of the voluntary data collection. Are they reflected in these scenarios at all?

**MP:** For the most part, no. There are a couple that are and there is a reason for that because basically the new entities... unless there is a...unless the Commission decides that they want to either expand Schedule A or Schedule B and the new entity fits the guidelines for either one of those, then it's so difficult to kind of say why don't we include them all in A and B. What I decided to do is I used D2 as the catchall for all the new entities. That doesn't mean that's where they're going to wind-up. That does not mean that they do not receive an allocation. They're not reflected in these specific spreadsheets. However, they are reflected in the data notes. All of their information is there and is used in some of the different things that I go through. But they're just not reflected because Schedule A and Schedule B are primarily where we are showing allocation differences. D2 on the other hand, we just looked at it as it's a pool, it's available. There's quite a few reasons for that, but one of them is we want to make sure that Western actually allocates all of its...because if it doesn't, then that's going to fall back on us in some way. So that's one issue that we're kind of looking at. And then the other part is we really don't know how many folks are going to apply. Just because you send in the voluntary information does not necessarily mean that you will actually apply and vice versa. If we haven't received anything from you, it doesn't mean you're not going to reply either. So it's difficult to account for everything. I started off with some help from a lot of different people with around 80 total entities within the state that would be eligible in some way for some part of the Hoover power.

**Debra Roby:** How much...of those 18 entities do you know how much capacity and energy is associated with those 18 new entities?

**MP:** I can't tell you off the top of my head, but I could tell by this evening or tomorrow for sure.

**Debra Roby:** Okay, fine. Thank you.

**MP:** Those of you that questions or have information that you would like me to get you or that we are kind of discussing, make sure we have a chance to exchange cards or whatever because I have some new information that you need to have on how to contact me now and I would like to make sure I have yours as well.

**MICHAEL CURTIS:** On behalf of the districts, are you saying that an irrigation district that is not an existing Power Authority “A” customer is not going to be accepted if it requests Power Authority “A?”

**MP:** No, sir, I am not saying that at all.

**Michael Curtis:** I shouldn't have asked you. I probably ought to have asked Stu because he needs to see if something (inaudible).

**MP:** This is a new entity sent the voluntary information in. They are listed underneath Schedule A. So, if I received a district's information, I put them where I thought that they might fall.

**Michael Curtis:** But they will have to get a...if they are going to be eligible for A they would have to get a Power Purchase Certificate.

**MP:** Yes, sir.

**SS:** Let me add something else in terms of new entities that make up districts or anything else. One of the complicating factors is the fact that D2 is only open to new entities, and so as we have gone through this initial allocation process, we have skewed in that direction in part because of that recognition. And, again, what we are doing here is testing out methodologies and we're looking for feedback on a lot of that stuff. But that is why we see this skewing towards D2 and not the inclusion in A or B is because new entities are uniquely and only, the only ones that are eligible for D2 power.

**DEBRA ROBY:** I can't resist and I have a question on that. The eligibility for D2 being a new entity, I have noticed in the way the logic is applied in the draft plan that you are treating D2 under Schedule A and Schedule B. You've allocated it in accordance with those who are eligible under Schedule A and a couple of others under Schedule B. Have you thought about whether an entity that's currently receiving Schedule B would be eligible as a new entity under Schedule A?

**SS:** It is not a new entity under our analysis of a new entity.

**BLR:** Well, there's a distinction between it, in not an existing customer. So your question goes to a Schedule B entity that is not an existing customer they get Schedule A, then a new allottee under the federal statute.

**Debra Roby:** Correct.

**BLR:** So what I think that is probably what we've been talking about new allottees. And only those entities are eligible for Schedule D. You could mix and match between A and B with existing customers; people who didn't get A could get B and vice versa based on the eligibility definition for the state law. But the new allottees condition applies to Schedule D2, and only those entities are eligible for D2.

**Debra Roby:** So someone...an entity that currently receives Schedule B, is there...if they were to give up Schedule B to receive an allocation under D2A, is that something that would be considered?

**BLR:** I would have to sit down and think on that a little bit more, but if you have B you're not a new allottee under the definition because you have B. So you couldn't give up unless you have B today. You couldn't give up B to become a new allottee. It's really most intended for people who don't have an existing allocation.

**Debra Roby:** Well, I will get into this a little bit more. Page is in a unique situation. It was literally in its infancy in 1986 when the allocations were performed for Schedule B. And it receives the 1 MW allocation and a very small amount of energy out of B and it is hardly enough to be arguing over. It certainly deserves more than that and we're trying to figure out how to best position Page given its unique history and its desperate need for additional Hoover power.

**BLR:** Well, like you said. Please put that in your comment.

**Debra Roby:** Absolutely. Thank you.

**Sheryl Sweeney:** I just wanted to note that in this spreadsheet some of the green numbers, which should be in...

**MP:** Should be red?

**Sheryl Sweeney:** Well, I don't know. They have negative.

**MP:** They probably should be red that is a (inaudible) on the spreadsheet and I will look at that. As a matter of fact, I already started to I just didn't finish it and get it in time. But I appreciate

you (inaudible). Thank you very much. Those are the little things that we've got to get fixed before we get into final copy. You're part of my vetting process and you have better...well, some of you have eyes better than I do.

**BILL PETTY:** As far as analyzing your methods/spreadsheets, did you make a spreadsheet that shows the across all the alternatives on one sheet of paper or a summary that shows the percent of changes.

**MP:** Excellent idea.

**Bill Petty:** Because I've done it and I can see that there is a wide variability on how it affects everybody. I think it would be handy for everybody.

**MP:** I agree with you. Bill, I really anticipate that once we finish this Workshop, I'll check with the Commissioners, but bar any issues that they see I could probably provide that at the next monthly meeting for everybody. That would help. I know that some of you have already done it yourself because I didn't do it and I apologize, but good idea.

**Bill Petty:** I think you ought to do it so that we know it's coming from a consistent source.

**MP:** I agree with you, Bill. I think that's a great idea. I'll get that done and, again, as long as the Commissioners don't have an issue I'll have those ready for you at the next meeting.

**Bill Petty:** Okay, thank you.

**BILL PETTY:** Do I understand that the main criterion here is that people who are losing their CAP will basically get preference for the power? I mean it's a functional manner. I mean you're taking roughly 10%...you give them roughly a 10% increase and taking 9.1% from Maricopa County Districts. Where I'm heading is, obviously, is RWCD is true in lieu water district, and we can lose our CAP water just the same as the Pinal Districts. I guess my question is, is the only reason we're excluded is because we're in Maricopa County?

**MP:** By this, absolutely. That's the only distinction that I have, Bill. Again, this was not trying to....I wasn't trying to say who is an in lieu district, who isn't, who uses more surface water than somebody else. This was just to give everybody an idea that not necessarily this one, but there is a way that these can be kind of redistributed within to potentially offset by maybe going outside of the box of what was done in 1987. That's all it was. It wasn't meant to say that any one district is more likely to need it than any other district. So I used geographical rather than to say a...who had aligned and who uses what. It wasn't meant to cause any confusion to that extent.

It was just simply a matter of okay geographically these guys are right around here, these guys are all further down here. Let's say they're at the tail end of it so they would wind-up drawing it faster and we go up and back that way. That's all it was.

**Bill Petty:** You probably would be more consistent to stay with people connected to the CAP.

**BLR:** Also, that is just a proxy for that consideration, was geography. If you have a different suggestion for a better proxy, then you should submit that.

**MP:** Absolutely. Then that is what this was meant to do, you know, get some of those comments. Okay, geography is not a good way to do it. Who is connected to the CAP? Who is an in lieu district and not an in lieu district. So that is why I would really appreciate being able to sit down with you and get some of your ideas on that.

**Bill Petty:** Sure.

**MP:** I think our premise is not bad. It's just maybe the way it's done. The way I...the fact that I took a geographical location rather than look at some things that are much more important. And that is what I am trying to do.

**Bill Petty:** Well, I don't want to leave with the idea that I'm 100% with this particular spreadsheet, but I think it should be done consistently.

**MP:** I agree with you and that is what I would like to do. So if I could, Bill, I would like to spend some time with you.

**Bill Petty:** It looks like you and I are going to be spending a few days together and just kind of (inaudible) (laughter).

**MP:** I think that is great idea. You've got some excellent ideas.

**Bill Petty:** Okay, thank you.

**MICHAEL CURTIS:** Was this study at the direction of the Commission so that they wouldn't have to make short-term contracts and then on behalf of the State of Arizona in 2030 rather than facing a difficult times perhaps and having to go through this exercise again, have you been directed to come up with a let's solve it all right now. Is that it?

**SS:** No, on the contrary. This was just a first crack. The discussion you're talking about actually did occur and that is why we threw in the question about length of contracts because

another way to tackle this would be to contract for X number of years and then go through another contracting allocation at whatever point in time down the road. The assumption was that AG use of CAP water would be gone. So that is very much in our thinking. That is the kind of feedback we'd like to hear on that question about the length of the contract because it goes right to that issue. But this was merely a recognition of that. This was looking at it in a more traditional fashion of just having a longer term contract out there and what would you do.

**Michael Curtis:** (Words inaudible) knows that we really have I think is the 2030 about CAP. Everything else is kind of a swag attempt to not have to go through on behalf of the state resource to not have to go through the idea of going throughout the state to decide what the Authority ought to do in 2030.

**SS:** Right, but there are other (inaudible). Let me point this out because I'd be interested in getting feedback on it. That's one trigger. Another trigger is really 2026 when the operating plants on the Colorado River, just in terms of water supply, which, of course, translate into generation of power, those happen in 2026. So the question is when you're looking at alternative time periods for contracting, if that is the focus of the discussion, what is the appropriate time period. What things are occurring that make a logical break that might cause you to want to contract for a period of time that allows you re-look at things at some later period of time? And 2030 is one those. I suggest 2026 is another one of those, and there could be others out there and that's the kind of input we would like to get from you all.

**JAY MOYES, MOYES SELLERS & HENDRICKS:** We represent a number of current allottee districts, including two irrigation districts that are located in Maricopa County – Harquahala Valley Power District, two current customers of you all and Tonopah Irrigation District. You're deciding to use a geographic distinction between the counties implies that you think the curtailing or the reduced usage of CAP would occur based on where one is located along the distribution system. But, in fact, what we do know is that the current AG Pool will go away in 2030 and there are reductions, two prior partial reductions between now and then, that those allocation reductions are applied to each of the districts in exactly the same proportions. There will not be a curtailed end of the districts further downstream in Pinal County first and then move up the system. Each of them will lose the same percentage of their current portion of the AG Pool, and by 2030, they will all lose that, assuming that the water supplies proceed as we are expecting them to now. Shortage criteria, if applied, could accelerate that process, but there is virtually nothing that is in, my view, a rational foundation for distinguishing between the two counties. What it appears is you trying to accomplish distinguishing between those districts, in whatever location, who will lose CAP water as a function of the current AG Pool program; or as Bill points out, there are other districts in Maricopa County who participant in the current in lieu program to use CAP water in lieu of pumping groundwater. That's another sub-category distinct from the AG Pool for the 100,000 acre feet program. I would just urge that, whether it

was for lack of information or whatever, that grabbing on to the distinction between the two counties is sort of heading in a direction for which there is no rational basis. There is a basis for dealing with the AG Pool districts versus the other districts. And some of my clients are not CAP and as a function of history that's why they, this is easy to see from your schedule, that is why they are Hoover B contractors currently is because they were unable to participate in CAP water. So when the B power was recaptured for the use of pumping CAP water, there was a partial relinquishment of that to the districts who had no capability to utilize CAP water. We will probably be talking more about that later. For purposes of this county distinction, I think we need to come away from that and go to district by district analysis under the CAP in lieu of water.

**MP:** Jay, thank you very much. I appreciate that.

**PAUL ORME, ELECTRICAL DISTRICTS NOS. 3, 4 AND 5:** Good morning, I'm Paul Orme. I serve as General Counsel to Electrical Districts 3, 4 and 5 in Pinal County, and also General Counsel to Maricopa Standfield and Central Arizona Irrigation Districts, the two largest users of the CAP AG Pool – combined they use about 60% of the CAP AG Pool. We appreciate the sentiment contained in Spreadsheet 5. I tend to agree with Jay that the county designation is not a rational basis to make that change. The AG Pool allottees are really a much more rational basis if you're going to follow that approach. I think, and again, we appreciate what you are trying to achieve here. I think at the end of the day all of my clients will continue to support what you present in your Schedule 1A, which seems to be the most equitable method of allocating Hoover A.

But let me just suggest another way to look at a recapture provision if you were determined to go in the direction, and again, I'm not advocating for that, would be to really follow where the AG loads continue to exist. In our views, Schedule A should be dedicated for an agriculture use and where do those AG loads continue to be after 2030. More importantly, your recognition that CAP agriculture will lose rights to CAP water after 2030, should not in any way, the fact that those rights exist until 2030, should not in any way act as any kind of a deduction or negative in your allocation (word inaudible) because then the availability of a federal water supply for a portion of the time because there are many factors that could make that water unavailable to these districts prior to 2030. Such as the shortage declaration that many of you feel is going to be imminent as early as 2017; such as pricing changes when the new Navajo Generating Station lease kicks-in in 2020 when it is estimated CAP AG water will go up to the additional \$20 an acre foot. So there are many factors that could reduce CAP districts' reliance on CAP water well before 2031 and I just want you to be aware of that.

**MP:** Thank you, Paul. Appreciate it.

**ED GERAK:** This is obviously addressed to mostly on CAP water. I would like to point out that we have an effluent contract that expires in 2030 for getting 40% of our water from, which is roughly 70,000 acre feet. So my interpretation of Spreadsheet 5 is more of a future conditions situation. And if that is the case, I would appreciate looking at expanding it so as just CAP related districts into a multiple...addressing the situation where you're looking at things in whatever date you determine. Thank you.

**MP:** Ed, thank you. I would like to, again, see if when we're done here, get with you and see what we can do about taking this and more of the specifics of which you are commenting about and maybe trying to apply the specific.

**DAVID FITZGERALD:** I just have a question that takes us a few steps back. When you did your five-year average loads, how did you calculate that based on the data sheets?

**MP:** The data sheets...the loads that were provided were totaled and divided by five. That gives me the average for the load.

**David Fitzgerald:** Because I looked at the data sheets and the data sheets ask for a monthly and peak usage.

**MP:** I'm looking at the monthly, your peak, that's your peak within any given year that month, okay. So that's your monthly peak that I'm using, and I understand that I may be....maybe I'm explaining it wrong. We've had some questions. Some folks provided yearly load and some folks provided monthly load and I'm not hitting one individual; just some folks that interpreted it differently. The idea is that you have a number, okay. I used the average of those five numbers that you have, represented your load. And if it's wrong...if I used the wrong number, or if I should have called it a monthly on this or on the spreadsheet, by all means I will be glad to work with you guys to make sure I get it right. But if you have some different data that you would like to supply based on what you're interpreting from here; let's talk to make sure we get the right stuff.

**David Fitzgerald:** The questions that I have in my mind is that if you ask for monthly peak usage, that's not going to give meaningful data to derive a five-year average load. I think that one of the things that we see is that, and as you point out, there is some difficulty here in terms of getting data that is presented in one way and trying to kind of pull it altogether in a meaningful way so that you can actually come up with a uniform conclusion. As I look at this whole process, it reminds of kind of the exercise of selling your house. You think you know what your house is worth, but we don't really actually know what it is worth until you actually put it on the market. We're kind of in the same process here. You can have a sense in terms of everyone is going to come in...who is going to ask for what, but you don't really know until you actually get

all the data that comes in. So I would caution you in terms of looking at these spreadsheets and deriving any kind of final conclusions based on any number of the discrepancies that have already been identified this morning.

**MP:** Thank you, David, I appreciate that.

**JAY JOHNSON, C.A.W.C.D.:** General Counsel for the Central Arizona Project. I just wanted to comment briefly on the different alternatives that would reallocate CAP power and note the use of that power by CAP. It's not necessarily about the amount of the power needed to push that water at any given time. Hoover Power only accounts for about 6% of the power that we use, but it is extremely important to us. As you say, we have 95% is shown in some of the other alternatives and we're not asking for more. Instead we go below that 95% there are serious questions about whether we can operate the Project. That's because we have gone out before, as recently as a couple of years ago, and tried to be able find these ancillary services that are so important. What I mean by ancillary services, once again, is the ramping, for example, when we are turning on pumps and need that energy from NGS. NGS is very slow and to slip a switch or a dimmer switch like Hoover, Hoover provides that very kind of service where we don't shutdown and we don't violate regulations. So we went out in the market to try to find an alternative and it's not there. We submitted an RFP and we got no responses. So a key element here is just basically that, you know, to the extent that we need the power is not necessarily, once again, just a matter of us in 2030 not having so much agriculture. We will still have water to push, but the gross amount of Hoover power is not really the issue. It's more the use of that power and the fact that it's, at this point, (inaudible) to us. Thank you.

**MP:** Thank you, Jay. Appreciate that.

**RON LUNT, C.A.W.C.D.:** I was a little confused by Spreadsheet 6 because in the wording there you say a 10% energy reduction just under the Schedule B or under Schedule B capacity. It actually ends up about 27% cut for CAWCD. I was confused why those two numbers weren't matching.

**MP:** You know in all honesty, Ron, it may be a cut and paste factor issue on my part. Can I take a look at and get back to you?

**Ron Lunt:** Yeah, this 27% is a lot different.

**MP:** Yes, sir. What I wanted to do was I wanted to take a percentage that SRP was reduced by and make that the same. That was my intent. That is what I ran the numbers off of. So I will take a look at and make sure that I get the correct wording in there. I apologize for that.

**Ron Lunt:** I didn't look at SRP (inaudible) it is 27% below I just (inaudible)

**MP:** I'll take a look at it and make sure that's what I got.

#### **DATA REQUIREMENTS:**

- Data supplied for the Formal Process needs to be substantiated.
- It needs to be from you as the entity or from your legal representative.
- We need your input on what kind of substantiation you would like to use, i.e., power bills, water bills, whatever it is that you believe we should be using, please let us know. Because if we don't get some input on that and we have to arbitrarily pick something and we pick the wrong thing, that's not what we're trying to do. We want to do this for the best of everybody.

#### **10 MINUTE BREAK**

#### **GENERAL COMMENTS:**

**SS:** I just want to just reiterate something the purpose of this part of the Workshop is to hear from you. The general reason why I'm trying to stay as quiet as I have while Brittany was responding on stuff was because I don't want to start becoming an advocate, otherwise, we would be here for, as I said, three or four days. And quite frankly, we really do want to hear what you have to say. And so other than asking you perhaps if I don't understand what you're saying, asking you to clarify something, I don't want you to expect us to respond by explaining or arguing with you about a difference of opinion. Really, this is just a listen, we will ask questions if we just don't get what you're saying, but what we would like to do then is sit down and process. It can be across the board anything that is in the Draft Plan, any of the spreadsheets that you've seen, any of the explanations you've heard today, any and everything. What we will do first is go by the....we've got three people that wrote down that they had comments. We'll go through that list first and then we will just open it up to whoever else has comments. The first is Paul Orme.

**PAUL ORME**: Thank you members of the Commission and staff. My name is Paul Orme. I serve as General Counsel to existing Hoover A contractors EDs 3, 4, and 5 of Pinal County. My remarks today are only really limited to what I've been directed to say by the Electrical District #4 Board. The other two clients have not provided me any specific direction at this point. We are very grateful for the amount of time the Commission has put in to this process. It seems to be very thoughtful process and we know it's taken quite a bit of time and effort on their part. With respect to the Draft Plan, we found it to be very comprehensive, very well recent. We do have some comments that I think will be given ultimately through the Irrigation Electrical District Association that our, some small (inaudible) with respect to the conclusions in the Plan, but I won't raise those today.

A couple of key points, ED 4 continues to support the concept imbedded in Schedule 1A where the existing contractors all retain, all receive new contracts with the 1% increase in capacity and the 5% decrease in energy. That reflects the federal law that, essentially, reflects what we all thought was going to happen when we supported the federal law, and ED 4 continues to support that concept today. We would be very much opposed to the idea of a 15% decrease in energy, which is suggested as a possibility. We would be highly opposed to that concept. We also as I mentioned earlier, have a strong belief that Hoover A should be for agriculture use. We do think that the definition of agriculture use means some additional flushing out as Sheryl Sweeney pointed out. We would argue that entities such as dairies and cotton gins and that type of thing should be included in the definition of AG use.

And finally, ED 4 supports the longest possible contract. They were hopeful for a 50 year contract. If it is something less, they still support the longest possible contract, even though they might be a beneficiary of some kind of recapture program, more importantly they feel the assurance of a long-term contract is more important than any potential re-contracting might that reflect some recapture. Thank you.

**JAY JOHNSON**: Thanks very much. I would like to make a little comment that this process seems to be very thoughtful and conscientious and we appreciate the effort very much. We also at CAP strongly support the alternative shown on 1A as Mr. Orme indicated for his group. These are trying times for (inaudible) for CAP especially in the area of energy with all that is going on with NGS. It is kind of funny for me being here for CAP for now over two years and interesting that after decades of getting Hoover power, and after being a principle source of revenue and having a continuing disclosure obligations with respect to all the bonds, the Uprating Bonds and the Visitor Center Bonds, that we're still discussing the issue of eligibility with respect to CAP. And I just want to express that I understand why it was in this draft and I appreciate the manner in which it was handled. I do agree when you look at the power plans (inaudible) and that is geared toward supporting what CAP does and supplying Hoover power to

accomplish that mission. Furthermore, with respect to that power, the interpretation expressed in the draft with 17-08 not being restrictive of CAP or other entities and having to read in conjunction with 17-10 in Title 45, it is an accurate reading of those provisions.

Just a few more comments with respect to the contract term, we agree with a long-term contract for as long as possible. It provides that certainty. We have interest, of course, with MSCP and its long-term, on-going mission. And then also, of course, with once again the whole bonding commitment going forward long-term. Once again, the requirement that CAP itself provide the continuing disclosure with respect to its financials.

I think that is about all. With respect to Hoover C as for comments, I think for certainties' sake and to get it done, I think it would be appropriate to try to tackle that now rather than delaying it for later. You already heard from me on the issue of some of the alternatives. I would just point out that I kind of opined my last comments to state that the issue with capacity is only exacerbated by impending potential water shortages. I was looking at the numbers and I see that the installed capacity being 2,074 MW, if the water drops in Mead to 1,050, it's down to 1,371 and then down to a 1,000 when we get down close to 1,046 MW in the 950 and now it's 696. So some precipitous drops and definitely jeopardizes, at least, our position at CAP in pumping that water. I point also that as there will be modifications in where water is delivered going forward, and as pointed out as you discuss certain alternatives like alternative 5, there may be, you know the AG Pool is going to decrease. There is going to be potential changes, especially, with respect to Indian water. It could be that there are substantial increases to actual deliveries on the Reservations. So I just want you to consider. Anyway, thank you very much.

**DEBRA ROBY:** Like the others, certainly appreciate the thought that went in to the Draft Plan and certainly not an easy task to allocate scarce resources. We do have a couple of comments with respect to the scenarios that were put forth today. Obviously, the landscape is not ultimately known. The new entities that we're speaking about, there still...we still don't really know how that's going to shakeout. So having to pick a preference from among the scenarios that have been put forth is difficult to do at this point. But one thing that is certain, at least, with respect to Page, Arizona, is that any suggestion that maintaining the status quo going into a Post-2017 process does not serve the public interest with respect Page. At the time of the 1987 allocation, it received only 1MW. Its circumstances are certainly quite different today than they were back in the 1985-1986 range. In fact, Page is one of the youngest municipals in the nation, and it started off as a federal enclave. It has taken very deliberate and progressive measures since becoming a municipal in 1975. In 1975, when it received an initial allocation out of the Colorado River Storage Project, at the time, a six and half MW allocation was viewed by Congress to meet not only the needs then but the anticipated growth of the city. Its load today is 24MWs at least. So clearly that expectation is woefully shy of where we are today. And a 1MW

allocation of Hoover just is not just and reasonable, at least in Page's view. So of the scenarios, certainly would be opposed to any scenario that would carry forward the status quo of a 1MW allocation and a near 1% bump in the capacity and 5% decrease in energy.

There are a couple of other things that are important for Page for the Commission to have an understanding, with respect to the future. It is near the Navajo Generating Station. It's only five miles from the Navajo Generating Station, but it doesn't have any interconnection with NGS and it receives no power from NGS. NGS is very vital to Arizona. Page is home to those who work at the NGS and it's important for Page that it be able to provide municipal services to those who are important to the state of Arizona. And as home to those who work at NGS, those who help build the Hoover Dam and the Glen Canyon Dam, the fact that Page provides municipal services to its citizens is certainly no less important than any other mission within the state. And the allocation that Page receives from Hoover is certainly very important in ensuring that it carries forward its objective of providing the lowest cost power possible providing the vital services to its city.

I mentioned that Page has taken very deliberate steps to ensure that its city and the municipal utilities are carried out in a responsible manner. There are a number of things that it is doing that make it a very attractive contractor for APA, particularly under Schedule B. And that is, it has taken measures to manage its utility as enterprise funds. This means that there is a functional separation from the municipal general fund side and the utility side. And that means that those who are dedicated to working for the utility, their sole responsibility is managing the utility, managing the assets, making sure that there are capital projections made and capital investments made that are made to the utility. The rates that are set for the utility are set to ensure that the cost of the municipal utility are tied to...that the rates are set to what it cost to run that municipal utility. An entity that goes out to pursue bonds, when you're pledging the revenues from those contracts, it's important that you have a revenue string from those contracts. That's important and that's one of the objectives of APA and it was particularly important point that was raised in the Draft Plan, the ability to enter into contracts with an entity that has the ability to collect rates that will help substantiate the bonds.

You heard me ask the question earlier today about Schedule B versus Schedule D. Page, like I said, started off as a municipal enclave, a federal enclave. And in 1985, up until 1985, it was served by Arizona Public Service Company. And in 1985, it took measures to municipalize the system to (word inaudible) facilities. Its participation in the allocation process in 1986, I suppose can said was minimal, at best. At the time, Page took over the utility. There were only four months between the time it actually took possession of the facilities and it signed the APA contract. To state that Page had any meaningful opportunity to participate in the process at the time would be an overstatement that they had any opportunity to do that. That's not to rehash what happened in 1987. It's to really highlight how Page has grown since 1985 and it's really to

highlight how inequitable would be to maintain a status quo with respect to Page. Page deserves a greater allocation and it needs a greater allocation than the 1MW that is reflected in any of these scenarios.

Another reason that Page would like to be considered for D2A is when you look at the amount of energy that is available under Schedule B versus the amount of energy that is available under Schedule A, there is obviously a disparity. So any opportunity for Page to be considered as a D2A entity, currently not receiving Schedule A, is something that we think the Commission should consider. Particularly, when you think about the logic and how the D2A and B are set forth in the Draft Plan.

One final comment that I would like to make is, and again this harps on the number one point, is in please don't forget that Page's needs today are very different than they were in 1985. When you look at the Schedule B allocation currently, there are eight entities that I think are receiving allocations under Schedule B. Only four of those are municipals, and combined the total capacity allocation is about 3 ½ percent of the total allocation available under Schedule B. We certainly hope that going in to the Post-2017 process municipals, the current needs of the municipals, are taken into account. And that you will see that Page's needs are much greater than they were in 1985. And I mentioned earlier, we have reviewed the data sheet that was submitted, the voluntary data sheet, we will be providing an updated data sheet. We will want to be working with you. We think we've seen some discrepancies on there. We will follow up with some written comments as well. Thank you.

**TERRY URBINE, CURRENT INSIGHT:** Thank you. I represent small municipals and irrigation districts not represented here I think you don't know you yet. Toward that, I would like to suggest that the Authority should conduct a public presentation of how the current process works so that we can have an appreciation for how we might be able to visualize some other scenarios that are different than the eight that were presented today. Scenarios that might solve some of the problems that have been presented today, such as the challenge that the CAP canal faces with reducing any of its allocation because of its need not so much for energy, but for the dynamic response capability facility. It's not clear to most of us who I think participated for the last 20 years exactly how the Dam is dispatched today. I think that's knowledge that is appreciated by people who've been participating and the engineers that represent the current customers. But from a financial perspective, it's not clear how the functions of banking and the dispatch function and things of that nature are conducted. We know from previous APA meetings that there is a great deal of value associated with that. So we would like to understand a little bit better how that is done. And if you would take us from generating plant to the well, to the pump, to the gin, and tell us how that power is synchronized. Because I think that when you have a facility with about a 25% annual capacity factor there are a lot of hours when that 392

MWs is not going. And there are hours when people need the power that can be dispatched as well. So that might make certain applications more valuable as a load than others because some things can be interrupted and can be dispatched. So there are possibilities there that we would like to visualize and propose.

I have a question for Mr. Somach. In terms of A and B allocation, if you receive D1 from WAPA, if you get that allocation then you have to relinquish that if you are to receive A or B allocation. Is that your understanding?

**BLR:** I think that is right.

**TERRY URBINE:** And I believe in the Draft Proposal, what I read was the Authority would assume that you don't want to relinquish that, so given the non-synchronous nature of these applications. I think Mike Simonton might be here. Maybe we can get some reading on whether or not we'll be able to propose that allocation so that we cannot bother to apply for A or B or D2. I don't know if that is possible. I don't want to light a fire under WAPA or anything, but I think that their plans are to have a proposal available to us this fall. Is that your understanding? In the summer, okay. I would like to see that.

Another thing that WAPA has considered in their application process is to take account for existing federal power that is received by applicants. There is mention of that in this proposed draft document that we received on the 18<sup>th</sup>. That was considered a component of the Authority's responsibility to take that into account. Now, do you know if that applies to both A and B?

**BLR:** I think that's in the regulation (words inaudible) A and B there is a prime consideration that statutes and (coughing). I will have to sit down (inaudible) to make sure I answer that correctly. I think that is something that the Commissioners would be interested in being considered.

**Terry Urbine:** So, you probably saw the formula that WAPA used for D1. I'm not saying that that would be right for (word inaudible) but I think there are contractors who receive an allocation from Parker Davis and CRSP as well already. I know Page does because it was submitted here that they do. We would think that should be considered especially as new applicants. I would like that to be a factor in the allocation decision.

The last thing then that I would ask, I think this is an interpretation of the law or statute which has to do with the application deadline, which is found on page 12 of the draft document. We've heard a few times that before you go into the official process or the Final Process, whatever term you would call it, before you go in to the code of silence or whatever you guys are calling it,

there is like a 90 day window. But there are three dates there. There's the announcement that there will be power available and that sort of starts the process. Then at the same time an application deadline needs to be declared, which is like the third date on this chain of events. Now, that application deadline doesn't have to be a certain number of days like your first date. That application deadline, however, is a key milestone that triggers the fact that you have run out of time. So, I would like you to consider maybe not making an application deadline, initially, when you do announce the availability of power because that sort of allows this timeline to stretch out (inaudible). I don't want to read chapter and verse, but I was trying to figure out what the window was and is. As the new kid on the block, I've noticed a lot of times things get decided and then I find out afterwards that I missed deadline. I'm watching that deadline closely. But please have a look at that third date, which is the application deadline and whether or not there is a mandatory number of days between the announcement that power is available, which is the kick-off time identified. And then there has to be an application deadline declared, but maybe you could make it contingent on some other things getting done before that date approaches. Because once the application deadline is here, I think then you just have 60 days before it's over. And I realize you want this all to be a fait accompli of everybody (cough inaudible). By then, chances are there will still be more issues that come up.

**SHERYL SWEENEY:** I have a few comments and then a question. First of all, I have noted in Spreadsheet 1 the mention of an additional 15% reduction. And I just want you to know that we're paying attention and we noted that. I don't think that you will have a lot of folks that will be in favor of that.

With respect to the term of the contract, many of the existing customers participated in supporting the federal legislation that got Arizona its allocation and the justification we gave in D.C. for that was that they were willing to voluntarily create a new entrant pool in exchange for certainty. And the customers of the Authority feel the same way, that is, they are willing to step forward and create a new entrant pool voluntarily in exchange for some long-term certainty. I think you will hear that from most of the group.

With respect to new districts, so we're talking about Schedule A type districts, we believe that they ought not be included as part of the broader Schedule A allocation process. Rather, the new entrant pool was created specifically for them and that's where their allocation should come from. We shouldn't have a new entrant pool, plus additional reductions out of the existing Schedule A districts.

I'm reminded since on page (coughing inaudible), but I am reminded based on those comments that essentially any alternative that you pick, other than Spreadsheet 1, makes you pick winners and losers. And that's going to be true with respect to any of these alternatives. There is one of

the alternatives, for example, one of the five-year load averaging alternatives, in that particular alternative Electrical District #7 loses. And that the reason for that is that Electrical District #7 makes management decisions to try to keep their load equal to their federal allocation, so that they are not out in the market buying lots of other resources. Where certain other districts make the decision to expand and so they have what appears to be...they do have greater load and it appears to have greater need. But in that circumstance, is it really appropriate to pick one of the other districts over Electrical District #7 because they make that kind of decision.

And my question, on each of the alternatives except alternative 6, there is a statement in there that says something like we reserve the right to take into account the statutory and regulatory factors. It is in the write-up. Does that mean that we have another; essentially, another iteration where you take the Spreadsheets and then you'll go apply federal resources to them and change them again.

**SS:** No, I mean we're going to have another iteration of Spreadsheets, but I don't know that we were hiding anything that all of a sudden we were going to apply it differently. I think that statement was a revelation of a reality of that as we get more data, better data, substantiated data things might move around on us as opposed to we're (word inaudible) anything back and then all of a sudden then we're going apply. I do think that some of the criteria is discretionary with the Commissioners, and they may decide to evaluate that as we move forward with this preliminary process. But I don't know of anything that we're hiding or holding back that all of sudden UC Synergetic will apply and that will change the dynamics.

**MP:** I would also add to that, Sheryl, that Spreadsheet 6 was a Sunday/Monday before the meeting and so there may be some things that didn't get quite updated all the way. Again,....

**Sheryl Sweeney:** I think it should have had that language in there (laughter). Good point. We just wanted to make sure that if, for example, there was going to be another layer applied that we would have an opportunity to understand and to comment on it.

**SS:** No, the purpose of putting the written part of that on there was just to throw all of that stuff out there now, test it and see if people agree or disagree with that, but we're not holding anything back. We've got a heck of a lot of analysis that goes to support the conclusions that were articulated in the Draft Plan, but we're not holding any fundamental issues or turning point stuff back, it's all there.

**Sheryl Sweeney:** Thanks.

**BLR:** And also after that, the statement the reservation sentence is one thing, but the Draft Plan itself has some of those quality ideas out there. Incorporated into the text rather than the one sentence in the alternative description.

**SS:** The 15% that was pointed out earlier, I mean it was thrown out there. If you read the sentence, it says exactly the reason it was put there. So I mean it was to get those ideas out, get responses, get some dialog going on it.

**BOB LYNCH, COUNSEL TO THE IRRIGATION & ELECTRICAL DISTRICTS ASSOCIATION OF ARIZONA:**

I don't have any comments, but I do have a couple of questions. Today, it's evident from the presentation today that the Spreadsheets are a work in progress. And a number of things have come up that indicate that they will be adjusted, but my understanding is that during this adjustment process that ultimately when the notice of the first meeting, the Formal Process comes out that there will be A Proposal. And that leads me to the conclusion or the question, isn't that the point at which however many Spreadsheets you have been playing with you have to pick one because you have to make A Proposal? Is that the way you read the requirements that....

**SS:** Yeah, that's exactly right. If you just read the regulation, it's the Commission's proposal. And right now, none of these are the Commission's proposals. These are Stuart, Mike and Brittany's proposal for lack of a better (inaudible).

**Bob Lynch:** Then, in the white paper, you've summarized it in the back of the first of the handouts. You specifically identify certain questions to comment on. In today's discussion, I noted, at least, another five or six questions that everyone seems to agree need to be addressed. Such as, what is an AG Load? How do you calculate in lieu water? What is the standard for applying in lieu water analysis if it is not going to be Maricopa County? Is it going to be the CAP AG districts, regardless of where they're located, and their numbers? Would it be fair then to assume that these other questions that have been identified? Can we assume they will be added to your list? Then you are looking for input from those that....

**SS:** Let me put it this way you can assume that there will be additions to that list, but I'm just taking notes here. So, I don't think that you should assume that any specific thing that you may have in mind will automatically be part of that list. I would like to see that in....I would like you to send me a note or give me a call and say you need to add this to the list. I mean we try to do a pretty good job, but I think we will put our notes together after we're done and make sure...most of what you just said while sitting here with big stars next to them saying we've got to go back and look at them. But, I don't want to assume anything. That is why I want to hear from you and I'd like to see through that written comments if you think there are some critical, additional

questions that came up today that really need to be looked at. We should just make sure that you're expressing them you know at some point in the next week or so, so we make sure we get our arms around it.

**Bob Lynch:** Some of the things in your discussion of the white paper, sounded, at least in my hearing, as if they had decided rather than proposed, such as your analysis and status of the Red Book. Are the questions that we can respond to inclusive of whatever is in the white paper?

**SS:** Yes, yes. That is without question we won't qualify (inaudible). Anything that is written that's a draft, if there is disagreement, criticism, additions it's all open.

**Bob Lynch:** Then, finally, it seemed to me that we have two sets of issues and questions. They end up needing to be merged. One is, obviously, legal. You know half the room is full of lawyers. And the other is engineering and analysis of...And sort of getting your arms around all of this leads me to think that somewhere along the line there will be a finite list of things that need to be adjusted in the Spreadsheets and the verbalization of the Spreadsheets. And sort of a set of finite set of legal issues that ultimately the Commission has to address. You've put a bunch of them in your white paper. There are some others that will come up and there are some that you've been asked questions about. I know that you did a considerable amount of legal analysis leading up to wherever you are at today, memos to the Commission and there was some discussion at one time about making those public, which since they weren't leads me to believe that someone had a contrary thought. How do you envision us being able to get down to a finite list of both the engineering and technical issues and the legal issues and let people have their say and sort of...but sort of qualify this thing so that we're sure that we've sort of got everything and that we're not going to get surprised in the middle of the process by some issue nobody being brought up. Where do you see us going next?

**SS:** Well, first of all I think that that's the purpose of these preliminary Workshops is to get things out there and get comments back and try to figure out 1) what issues haven't we looked at that we need to look at, which is part of what you've indicated, 2) figure out where there is disagreement on issues and understand what that disagreement is. 3) do the same thing on the engineering and technical side. Again, there are a lot of issues raised today that will help us refine the Spreadsheets. I think that we're going to have to talk about this. I think that the process we're going to be doing is an iterative process that continues until we...there is a critical mass of comfort that we have, in fact, sifted through those issues. And the only thing that limits us in terms of time is the fact that we got to be done at some point of time, but our thought is that we take the time we have available now to go through those iterations, sift through them, come up with...and I hope that it would be finite as opposed infinite, but we come up with a finite number of issues both policy/legal and engineering. And ultimately those will get presented to the Commission and the Commission will have to decide...that's what I get (words inaudible)

will have to be...to decide the stuff where we've reduced it down to "X" number of issues that need to be resolved. There is still a bit of dispute out there about the right answer. That's what their there for is to provide the right answer. That's why I envision it working as a series of Workshops and Conferences with the Commissioners in conjunction with a lot of informal one-on-one discussion with whoever has comments and issues that they want to talk about to try and start reducing areas of disagreement to some finite manner. Whether we get there or not will be interesting (words inaudible) You know with an issue at some point someone's got to make a decision that we're done. This is it and all that other kind of stuff we got to move forward.

I do want to comment on the legal memorandum and I just wanted to say, of course, a lot of the legal memoranda are attorney/client privilege, but that was not the primary reason for not just putting them out there. The reason primarily was to solicit comment and information from you all and not get hung up in legal advocacy in terms of what may be written down there unless and until we needed to actually resort to that. But I wanted us to focus on the real issues and move forward trying to come up with real solutions and not disagreements. That was part of the thinking right or wrong.

**MICHAEL BLOCK, METROPOLITAN DOMESTIC WATER IMPROVEMENT DIST.**

**TUCSON, AZ:** I have a couple of comments and a question. On page 21 of the guidance, we were amazed to see that the DWIDs were kind of put in there. So that was a little surprising (inaudible). It brought up the questions as far as related to (word inaudible) referring districts, but we didn't know within the other parts of Schedule A, in particular, under cities, towns and cooperatives if we were excluded from that and also from the Schedule D power. So that would be a question we have. Just for a reference, under *A.R.S. 48-909C, county improvement district formed for the purpose of purchasing an existing or constructing a new domestic water delivery system within the district or outside the district shall have the same authority and responsibility as an incorporated city or a town pursuant to Title 45 and Chapters 22 and 28 of this Title.* So our position would be that this should be within Schedule A under cities, towns and cooperatives. We would like to put that into the record.

It is interesting under the definition for a district under 45-1702, water district association is mentioned, but in the legal analysis we saw no reference to that. What it is and what the legislature was trying to incorporate in that regard. So that is another question that we have.

On page 23, under Section 4 Policy and Considerations for Schedule A Power the last sentence, this is a clarification question: "*Accordingly, when allocating Hoover power from Schedule A, the Authority will evaluate other water and power resources available to the applicants, including entitlements to CAP water and contracts for federal power and other projects.*" What was not clear was the reference to entitlements to CAP water, whether it is specifically referring

to that, and our concern was whether you are including M&I sub-contracts. We didn't think what was applicable.

On page 24, regarding Schedule B power, eligible entities, in the second paragraph in the second sentence, "*Such an interpretation ignores A.R.S. Section 45-1710, which empowers municipalities, districts and other public bodies (excluding certain ground water replenishment districts...)*" this we would like see what your definition of a public body is, that's the question there. Thank you.

**JAY MOYES:** The fact that I'm commenting at all today should not be construed in any way to suggest that the clients that I'm representing have reached any particular position or any strategy as it relates to this, but I wanted to express appreciation to the Commissioners, all five of you here, for this long time and for the many, many hours that I know you have devoted to the Executive Sessions that have been held and working in meetings with the counsel and Mike. We do appreciate it. It is no surprise to anyone here that the Hoover power resource is a very valuable resource.

From a historical contexts perspective, the people that I represent comprise five power and electric and irrigation districts and the City of Safford. We're all people who did not, or entities who did not have Hoover power prior to the 1987 contracts. By definition that's pretty easy for you to surmise that the amount of Hoover power that they have compared to the (words inaudible) is small. Nonetheless, the amount that each of them has is very important to their total resources mix because with the exception of the City of Safford, which has a small CRSP allocation, the others do not have any other federal resources. We have as a group prior to the initiation of this informal process expressed consistent support for the concept that was, we believe, conceptually embodied in the federal act, which is conceptually a renewal with a modest but significant reduction from which a new entrant pool would be created. In the case of federal law, it's the 95% 5%. We've spoken loosely about that in terms of 95% renewal.

The fact that this process of necessity, and I reiterate that, I believe that view of necessity must and correctly are considering other options and other approaches does not detract, in my view, from the policy importance of the rationale behind the federal act and behind the concept of honoring and respecting the now nearly 30 year old reliance that has been placed on the existing allocation and use of Hoover power in the multitude and varied varieties of economic reliance (cough inaudible) grown out of the availability of whatever amounts of Hoover power one way or another the customer may have had and how much other resource they may have and what their peculiar water and power resource mix and needs mix might be.

But to the extent that you do open up other alternatives and other options as we have seen and discussed today, there are some points that are of particular importance to my clients because of

their particular historical context. One of those has been mentioned before, I think Mr. Block raised this, but there are at least two places in the Draft Plan that very explicitly refer to the question of other federal resources, and in more than one case, under at cost resources, but it is actually stated as a requirement in one of the rules, 12-14-201K, that the Commission shall consider those other resources. I read, shall consider, to not necessarily mean that after you consider it you decide not to take any action dependent upon what you considered there. But I do note that none of the Spreadsheets that we've seen so far attempts to integrate into the calculus any reference to or reliance or consideration of other federal resources. Nor does the question of load get evaluated in the context of Hoover load or total other resources and supplies as a proportion of total load.

One of the things that I think would help just as a technical note that I thought Ken Saline was going to get up, (words inaudible) he is better qualified to do this, but it would seem that it would help if we could standardize what the technical interpretations are going to be of load. Is it an annual average of 12 monthly peak capacities? Is it the highest annual peak capacity that occurred in the course of a year? It is a mix of energy and capacity? Is it measured at the Hoover resource initial delivery point, or in some mid-transmission system sub-station, or at a distribution sub-station, or at the meter? Each of those results in a different number and I suspect that in the voluntary data that Mike has and has been using there is probably a very wide spectrum of decisions that people made in deciding how do I report my load. To the extent that we're trying to compare, if we are comparing, and I'm not necessarily arguing that we should be comparing, but if we're going to compare, it ought to be apples to apples and not apples to oranges. So it would be helpful, I think, Mike, and maybe Ken and some other people could help you do this, but to the extent to the degree...at the point in time when we are asking for applications and formal final data that we have a standard that we can compare against or how are we would report load. Likewise, it has been mentioned by others how we define agriculture load. Is it commercial agriculture load that's not necessarily just irrigation pumps, or is it just irrigation related pumping, or some other mix of the above.

Those I think fall into some of the things Mr. Lynch was alluding to that probably need to be identified and decided upon so that when we are preparing to respond with data, if the question is going to be load, if the question is going to be AG percentage, that everybody pre-application period is operating with the same definitions as opposed to having us submit our formal data and somehow try to set a standard on that and by definition have you come back a second time for corrections.

So, I very much appreciate the general spirit of let's talk this through, let's work through the details, let's take the time to do it right before the Formal Process is initiated. And I think that will help us avoid some of the things that, otherwise, might have happened if we were to jump

too quickly in to the Formal Process and then one is left with all the formal remedies, if you will, formal questions, formal processes.

Mike is urging me to mention connected horsepower on the pumps as one of the ways, but there are various ways, Mike, that's the whole point is I think you need we all need that some point in this informal process to reach a community, collective definition on some of these points that will have a bearing on how quality the data. And I'm assuming that before we see a final proposal or "the" proposal, we're going to have to take into account that any range of these proposals or new and additional ones could be taken into account so we've got to submit our data and we've got to respond in kind and in the same manner.

I think I'll leave it at that. Again, thank you for the process and I look forward to continued, probably meetings and communications where we can define and advance some of these details so that when the formal applications go in, we're not still arguing about, or finding a need to argue about, definitions and can carry forward coming up with the right data. Thank you.

**PHILLIP BASHAW (GRAND STATE ELECTRIC COOPERATIVE ASSOCIATION):**

We are a statewide association representing six distribution coops in the state of Arizona & G&T. I wanted to thank you for the opportunity to participate in this Workshop today. I think this was a very helpful process. I do have a few observations from the Cooperative perspective and I'll be followed by David Fitzgerald. He is an attorney with Schiff Hardin. He's been working with the electric coops on interviewing some of these documents.

First, at the offset, the cooperatives are particularly interested in this process and the discussion of the guide that the Commission's decisions with respect to the allocation process. I think it was helpful to see the various factors that are outlined in the Spreadsheets and to understand the Commission's thought process with respect to how the allocation will be rolled out.

Moving forward we believe it will be important to understand how the Commission evaluates all of the applications and makes the final decision with respect to the allocations. We believe that an equitable and transparent process that would stand any court challenges is in everybody's best interest as we consider how to allocate this valuable resource.

As the process unfolds, it's been made clear today that there are many competing demands that the APA must address. The concept paper addresses some of those various areas. There is no doubt there's a need to recognize the fundamental investment that the state has made in the water and power plant and moving in a direction that is not entirely disruptive. However, there is an underlining obligation to allocate the power equitably among the eligible entities and promote a widespread use of that power. We believe that this resource should be considered a statewide

resource and that there are cities, towns and coops that drive commerce throughout the state of Arizona that currently do not enjoy the benefit of Hoover power resources.

We hope at the end of the day this process will result in the benefit of new allottees and the uses they represent in areas that have not previously benefitted from this resource and had access to that.

We recognize that there has been some discussion about whether the APA should consider federal resources in the application process. We actually support this inquiry. In fact, we believe the APA has considered applications from and the contributions that current recipients have made in support of the water and power plan of the state. The inquiry of other federal resources is important. For example, the customers that purchase power from Western through the Parker Davis projects also pay an adder on their bills for the repayment of Central Arizona Project. So for example, if you're a farmer served by a cooperative, you're paying an additional amount on your bills in the repayment of the Project that delivers water that's not necessarily available to you in cooperative service area.

In conclusion, we believe that this should be a fair, transparent and equitable process and that new allottees in areas that haven't been served by Hoover power should receive consideration with respect to allocation of its powers.

**DAVID FITZGERALD:** As Phillip noted I have been representing the cooperatives. I am an attorney with experience with power issues. One thing that I have noticed over the past 20 years or so is that the electric industry is not static. Nothing stays the same and I think the APA is wrestling with a situation where they are trying to address desire for the status quo against a background of change and also trying to predict for that change of becoming, and what is in the best interest of the state in terms of allocating this resource. These are decisions that go beyond just the Spreadsheets, the regulations and the laws. These are decisions that actually touch upon the investments that have been made in the state. They touch upon where the future of Arizona is going to be. So as we look at this we encourage the conceptual white paper to move in a direction that gives the APA the greatest flexibility possible so that you could actually consider all applications, consider all entities, and consider the requests in the most thoughtful measure. And that at the outset that you don't bind yourself with any restrictions or limitations or legal interpretations that might otherwise exclude the possibility for a potential outcome that could benefit Arizonans in other parts of the state. I would note that it is...we have looked at the conceptual white paper and noticed that there is an interpretation saying that only one applicant can submit an application. I would suggest that you revisit that. I don't think the regulations should be read as so strict. I think you might find that there is some creativities or possibilities available if you allow applicants to join on an application. You might find that there are scheduling possibilities available.

We also are looking quite carefully at the subdivision of Schedule D. We've looked at the factual background. We've looked at the contracts. We've looked at the law and we don't think that it invites an equal subdivision. In fact, we see that you have greater flexibility in terms of the allocation in Schedule D if you allocate it under Title 45. Now, prior interest in this is obviously pretty clear. If you allocate Schedule D under Title 30, the cooperatives are going to be shutout. I think that this is inconsistent with what Congress intended in terms of setting up D as a separate Schedule. But we also look at what has been put forth and recognize that there is a distinction between a recipient of Title A and Title B, and also a recipient of Title D power. We recognize that the decision is interpreted by you, Stu, is that if an entity is receiving Title B power, it cannot receive Title D power. We recognize that if the cooperatives would receive an allocation under Title D, it perhaps couldn't get an allocation under Title B. This is a question that concerns us in terms of the timing because if, for example, we find that decisions have been made and Schedule D pool is pretty much precluded from the Western perspective because of a preference for Indian Tribes, and then the APA executing preference to allocate all of the type D power under Title 30, the cooperatives are effectively shutout. They should have the opportunity to then apply for power under Schedule B. I think that they would also apply under Schedule A, but we know how the preference would apply there and to the low probability. But what we are asking for is the maximum flexibility possible so that when you submit an application then under Title...and you ask for Schedule B or Schedule D power, you're not automatically disqualified by asking for both.

But these are things that need to be worked through. And we greatly and sincerely appreciate the effort that has gone into this process by the Commission and its consultants. We were some of the first entities that asked for the appointment of technical consultants to start to look at these issues, and the process that we've seen today and the transparency and the willingness of the Commissioners to meet with us because we are not their typical constituents, has been truly appreciate. So we look forward to this process going forward and more of these discussions so that we can come to an outset and a process that's going to allow for the APA to have the greatest flexibility and to the widest vision possible for looking at how to allocate this resource in the future. Thank you.

**SS:** This is actually just a request and not to preclude discussions on these issues in the future, but if you have any written analysis on Schedule D, I just want to let you know that we would really like to take a look at that. You know Schedule D is new and, as a consequence, you know whatever we decide is...you know we're kind of creating new ground here and I want to make sure that we've got our arms around it. So if you got an analysis that would be different than the conclusions, particularly that we reached in the Draft Plan, and consists of the fact that I'm not advocating for anything, I want to see that kind of an analysis. I would really welcome that.

That's not to preclude our sitting down and talking about it also, but if there is something that we could really dig into I would love to see that.

**David Fitzgerald:** Yeah, and we intend to get that. I don't want to kind of walk through kind of the detailed analysis and make everyone suffer through that since the blood sugar is starting to run low for everyone around here. But we have kind of walked through it and the position that we've reached is one that we believe is legally defensible, and one that if the Commission said we're going to allocate everything under Title 45 that it would withstand a legal challenge. And we think that is very important because it's...we see that is a process that needs to have a pretty much bulletproof stamp of approval once it goes through so that entities that might be tempted to say wait a minute I didn't get as much power as I wanted, I'm now going to take a legal challenge against the APA, they're going to be dissuaded from doing such because for entities that did get an allocation I think they are going to want the assurance that that allocation is going to be there. And I think for those entities that don't get an allocation they are also going to want to understand the rationale behind that. But, Stu, I will provide you with kind of a more, rather than detailed analysis, of that, but we can talk about it as well. Thank you.

**KEN SALINE:** I wanted to provide some comments on just your overall process. Thank you very much for doing this. I think it if very important that all of these issues get out, that people are talking about them, and that all of the people's perspectives are heard and presented in this process. I think it's... we're all probably pretty hopeful that there will be a lot of power from the WAPA allocation coming to Arizona. That would certainly make it a lot easier in your process if everybody got met out of the Western D1 process.

When you look at resource issues, I just want to provide a little heads up. That when we start looking at resources, Mike, there is a lot of issues in resources as you look at loads. It's real easy to look today when we've done some spreadsheets before where you look at someone's contract rate of deliveries and it looks like they have excess. But if you really look at the trend of what is going on in CRSP, the 300 MW that has been lost due to the Glen Canyon Dam Act and you look at what's actually available, the resource available from these resources is a lot less than (word inaudible) needs.

If you look at what is being scheduled today versus what is available in contract, you will find that someone is actually short, where by contract it might look like they have a little bit of excess. So the resource issues have a lot of issues within them.

Another thing, earlier today you mentioned the Resource Exchange Program. I want to remind everyone that the Resource Exchange Program really deals with some of these issues of reallocation that you've been talking about and I think it also has a big impact on the term of your agreement. Historically, in the past, you would get your allocation of Hoover and you get

to schedule and it would get lost in the utility world. It would be inadvertent or would get captured somehow on a bank, and the Resource Exchange Pool was really developed over time with the Authority, more formalized by the Authority. But it has captured a lot of the things that you see here, including boxes and red boxes today.

If you have a production kind of program on property reduction, or if you've had, let's just say a lot rainfall on the river, which hasn't happened for quite a while out here, but it has happened historically, that Resource Exchange Program has been absolutely critical to the Authority's customers to move the resource from someone who might have a temporary surplus to someone who has a need and make sure that resources are always moving around.

I think that the Resources Exchange Program has taken a lot of pressure off of the old Authority's issues of looking at who has surplus year-to-year and, in fact, allows you to look a lot longer in knowing those resources do get balanced out, they all get used, and they get moved from the person who has excess to the person who needs it more.

Those programs and then I guess the last comment is equity. I think when you look at equitable there are a lot of different ways to look at that. Of course, one of the perceptions that a lot of your customers have is in this contract period they've paid for the uprating of the Hoover. And a lot of them had to have a lot of energy removed initially from the Hoover A to make Hoover B. So you have a lot of difficult issues made in the 70s and 80s through the Navajo Marketing Plan up to the Authority's entitlement. But since then, you've had MSCP, you have the CAP plan, you have a lot of contributions, including the repayment of the bonds, which will be repaid in post-2017.

I believe one of the uses of the word equitable is that some of the people that helped pay for these resources, paid for the capital cost and would get to use them in the future when they are cheaper. Thank you.

**MIKE SIMONTON (WESTERN AREA POWER ADMINISTRATION "WAPA"):**

I have no comments. I am not...I'm probably the only entity in here that is not seeking an allocation from you (Laughter). But I do have a couple of questions for the folks. Some of which might have already been covered earlier and I apologize (words inaudible) when we were going through the spreadsheets. It sounded like I think we did have if, I also apologize, I wasn't able to make it to the last APA Commission meeting, I've been able to skim the Draft Plan here. Some of the questions may be answered if I was to give more time to that and I hope to do that shortly. But if Western was to allocate power under D1 to an entity, I think I heard that that would relinquish their ability to receive an allocation of D2 from APA, is that correct?

**BLR:** No. Theoretically, you can get D1 and D2. I don't know if you could practically do that with the way of how the timing is going, but getting D1 you're still an eligible new allottee. It's what's getting Schedule A and Schedule B that destroys your new allottee status.

**Mike Simonton:** Okay. That may be something that you want to look further into. I'm not so sure that others would share that opinion. And again, I'm just skimming some of these...and some of these may be in here. So it sounds like you would not, the response I'm hearing is that you would not exclude... if I was to allocate somebody under D1, they would still receive D consideration under APA's process? And I think I heard that...at least in some of the spreadsheets, assuming that that D1 allottee was an irrigation district, that is somebody that could still be consumed into potentially Schedules A and B in allocations, regardless of how Western allocated that D1 power. Is that correct? (Inaudible response by someone.) If I allocate to a new irrigation district, somebody that is not one of current existing customers, that irrigation district could now have a D1 allocation and possibly receive some of the A, under the spreadsheets, again, these are all hypothetical in nature, but as they're assigned right now. It appears to me like that new irrigation district could receive some D1 and possibly some A or B.

**BLR:** No, you can receive D1 and D2. You can't receive D1 and A. And you can't receive D2 and B. Sorry, you can't receive D1 and A and you can't receive D1 and B. Ds go together. (words inaudible). I'm not a mathematician but this sounds like a lot of (inaudible).

**Mike Simonton:** I think I also would like to have some further discussion possibly offline regarding page 28 and our... probably are consistent definition of timing on D1 and what Western would do as a result of APA's process. I think Western has clarified that our understanding of new allottee is somebody currently receiving. I don't know that we retroactively go back and change our final allocation. We anticipate having our final allocations by December of this year. If in the event that one of those allottees was to acquire Schedule A through APA, we don't envision, at least kind of what we've thought about right now and discussed as of now, was that we would not look back and say, well you were a new allottee when we allocated it, but then the APA came back with their process and you get some A and now you're not a new allottee and we need to recapture that allocation that we just made to back in December 2014. So, I don't know that's how that reads in here on page 28.

**SS:** Rather than thinking through these questions, I think there are great questions. I don't know that we have to automatically be consistent, either. But I think it would behoove us to have a conversation, at least to understand how you are viewing some of these issues. Particularly, where we think were interpreted in this Draft Plan differently than you.

**Mike Simonton:** Your association and our folks we can expect anyone's questions from everybody in this room, and for a lot of those I will just defer them to you if's specific about

your process. But if it is something about what is Western going to do as result of your process, my responses may differ from what you've got in here telling them (words inaudible). Anyway, I appreciate it. Thank you.

**SS:** Are there anymore comments? Okay, so what I want to do is before we adjourn is indicate that the question about whether we will have another Workshop, whether we'll have a Conference, continue the Workshop, whether we just have Conferences, we haven't decided. So part of what I want to suggest is over the next few weeks we definitely want to get input, written input, from those who have it that want to supply it.

I also want to, again, invite you to call or ask for one-on-one meetings because we are more than happy to do that. I don't know, is our contact information on the webpage. Let's make sure our contact information in on there that way there's no question and, quite frankly, if you just want to email and ask us to give you a call to schedule a meeting, we're willing to do that. I would like to try to not let this drag on though.

I presume we'll have some discussion with the Commissioners and get some direction from them, but I would like to jump on these issues while it's fresh and I'll review mine from this presentation and have as much follow up as we can and as much as you would like. So, a quick email saying you would like to set something up that will allow us to kind of figure out how we probably want to do that and go about it. Now, I will suggest that calling Brittany in terms of our side of this, or emailing her is a lot more, will be a lot quicker in terms of getting responses than emailing or calling me. I just have a suggestion that she can always run me down, but I won't even be back in my office until Saturday sometime. She is always going to be available to you, that's what I'm saying, suggesting so that you shouldn't feel that we're not being responsive.

Any other general questions anybody might have? Okay, well I really appreciate all of you coming. I learned a lot. Thank you.

Adjourned at 12:56 p.m.