



Jennings, Strouss & Salmon, PLC
Attorneys at Law

1350 I Street, NW - Suite 810
Washington, D.C. 20005-3305
Telephone: 202.292.4738
www.jsslaw.com

Debra Roby

Direct Dial: 202.464.0539

Direct Fax: 202.292.4743

droby@jsslaw.com

Admitted only in Washington, DC

August 8, 2014

Mike Gazda
Executive Director
Arizona Power Authority
1810 W. Adams Street
Phoenix, AZ 85007-2679

Re: Hoover Post-2017 Reallocation
Additional Comments

Dear Mr. Gazda:

Page Utility Enterprises ("PUE"), on behalf of itself and the City of Page ("Page"), appreciates the continuing time and effort devoted to addressing the difficult questions associated with the post-2017 Hoover re-allocation process. Page offers the following comments in response to the June 24, 2014 "Issues Paper" for the Arizona Power Authority's ("Authority") consideration.

1. Allocations should take into consideration current needs and recent data.

Section XIV of the Issues Paper states that, "[t]here is no statutory language in the 2011 Act that binds the Authority's allocation of Schedule A and B power under its jurisdiction with respect to its existing customers." Because of this, the Issues Paper concludes that the Authority has broad discretion in determining allocations to eligible entities. During the June 30, 2014 technical conference, the Authority's consultant stated that the Authority is soliciting comments on the method for allocating Hoover power.

Page appreciates the Authority's request for input concerning how to allocate this resource in an equitable manner. Page's peak demand is approximately 29 MW. Its existing Hoover Schedule B allocation is only 1.04 MW with an associated 1,173 MWh of energy. This allocation is disproportionate when compared to characteristics and allocations of other Hoover Schedule B contractors, some of which also receive substantial allocations of Schedule A power. The 2017 re-allocation process provides an opportunity to remedy this disparity. Page refers the Authority to its April 28, 2014 comments which provide background concerning Page's unique circumstances and its need for an increased allocation of Hoover power. Page reiterates that maintaining a *status quo* allocation of Schedule B power, at least with respect to Page, instead of increasing its allocation of Schedule B power, would perpetuate the

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existing disparity.

2. Hoover is a state resource that should be more broadly allocated across Arizona.

Much of Arizona's allocation of Hoover power is currently distributed to a relatively concentrated geographic area. Page suggests that the Authority evaluate the existing allocations to determine not only how this resource can be distributed to a broader geographic area, but also to determine whether existing allocations are being fully utilized. The existing 1 MW allocation of Hoover Schedule B power that Page receives is utilized to the extent energy is made available. Page has a need for more power and energy. As discussed more fully in Page's April 28, 2014 comments, Page and PUE provide vital services to residents and visitors of the northern part of the state. Increasing Page's Hoover allocation will ensure that distribution of this state resource reaches Arizonans located in a geographically remote area of Arizona.

3. Past payments should not serve as a significant basis for maintaining existing allocations beyond the contract term.

Some commenters have argued that, because payments made under the existing contracts were used by the Authority to help pay for Arizona's share of Hoover facilities, it is only fair that the Authority maintain the existing allocations on a post-2017 basis. Past payments under a contract for a service do not establish an entitlement to future service. Even if the Authority finds this argument persuasive from a policy standpoint, the argument should not dissuade the Authority from allocating a larger share of Hoover power to Page. This argument favors the *status quo* scenario and ignores such other legitimate factors as changes in circumstances (e.g., load growth or loss) that are appropriately considered in order to ensure an equitable distribution and a broad allocation across all of Arizona. Like those who have made this argument, Page serves a vital role in improving the lives of Arizonans, and it deserves a greater allocation of this state resource.

4. Eligibility for Schedule B.

Page remains concerned about the Draft Proposal's recommendation to depart from the Red Book by expanding the eligibility criteria for Schedule B power to those who do not own or operate a utility. Utilities that own and operate physical assets also have the means to collect rates for the distribution of power on terms that serve to protect the Authority's overall interests. Page continues to evaluate the legal analysis provided in the Issues Paper and may comment further on this issue.

Page appreciates the Authority's consideration of these comments.

Sincerely,

/s/

Debra Roby

cc: Bryan Hill, Page Utility Enterprises