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Sent: Friday, October 24, 2014 11:00 AM

To: Mike Gazda

Cc: Ed Gerak; Donovan Neese; Glen Vortherms; Bill Petty; Jim Sweeney; R. D. Justice; Jeff Woner; Jim Wales; Bill Van Allen; Stuart Somach; Brittany Lewis-Roberts; Doug Fant; Steve Brophy; Jay Moyes; Bob Lynch; Sweeney, Sheryl

Subject: APA Resolution 14-7

Mike~

At the last APA meeting, Resolution 14-7, regarding "Policy Direction to Consultants Regarding the Preliminary Process for the Allocation of Post-2017 Hoover Power," was distributed. We are supportive of what we think is intended by the resolution. I found some of the language in the resolution to be a little unclear, or perhaps just a bit passive. I have marked up the resolution with my suggestions and attach it for your consideration.

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RESOLUTION 14-7

POLICY DIRECTION TO CONSULTANTS REGARDING THE PRELIMINARY PROCESS
FOR THE ALLOCATION OF POST-2017 HOOVER POWER

WHEREAS, the Arizona Power Authority Commission finds that:

- A. The technical and legal consultants (Consultants) for the Arizona Power Authority (Authority) have been engaged in a process of public review and comment on draft allocation methodologies, legal questions affecting the allocation of Hoover Power under state and federal law, and policy issues to be determined by the Commission (hereinafter referred to as the "Preliminary Process").
- B. Following the Preliminary Process, the Authority may declare that a supply of Long-term Power is available and, in that context, will provide public notice that it intends to receive applications for electric service from prospective purchasers pursuant to section R12-14-201(A) of the Arizona Administrative Code (A.A.C.). This declaration will initiate the "Formal Process" and triggers a series of regulatory timelines set forth in A.A.C. section R12-14-201.
- C. The Commission wishes to resolve certain "policy issues," thereby delineating the universe of possible allocation methodologies being considered by the Consultants and interested parties during the Preliminary Process.
- D. On August 28, 2014, the Authority issued a pre-Notice for the Commission meeting scheduled for September 16, 2014. The pre-Notice stated that the Commission will accept comments and may take action with respect to two policy issues:
 1. Should the Authority favor or provide special consideration to agricultural uses of Hoover power in the final allocation plan, or should the final allocation plan be on the basis of total load using the average yearly load for the previous _____ years?
 2. Should the Authority recognize "pumping equivalent" loads, and adjust an applicant's historical load data to reflect monthly peak demands and energy consumption that would have occurred if the applicant were pumping groundwater to meet water demand?
- E. The Commission received written comments on the two policy issues prior to the September 16, 2014 meeting and heard oral comments during the September 16, 2014 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Authority as follows:

1. The Commission has considered the written and oral comments from interested members of the public on the two policy issues identified above, and provides the following preliminary policy directions to the Consultants.
2. Titles 30 and 45 of the Arizona Revised Statutes, which govern the disposition of Hoover Power by the Authority, inherently provide special consideration for agriculture. Particularly, Title 30 contains a “preference” for districts, which by definition, generally includes public entities that provide water and power to agricultural users in the State. In their application, these statutes sufficiently encourage and support irrigation and agricultural uses, and as a consequence, an allocation methodology that provides additional special consideration to agricultural uses is not necessary. Accordingly, the Commission directs its Consultants, as they proceed with their work, to not **utilize** ~~consider~~ an allocation methodology that provides **additional** special consideration to agricultural uses in the Post-2017 Hoover Power Allocation Process. **If the Commission wants to be really direct in its instruction to the consultant, you could even add a sentence like: “Specifically, the Consultant is directed to not utilize the allocation methodologies illustrated by Consultant’s spreadsheets 2B and 3B.”**
3. For the purpose of determining if an applicant for post-2017 Hoover Power has excess permanent Federal power resources, the Commission directs its Consultants to **consider** ~~the use of~~ “pumping equivalent” loads to adjust an applicant’s historical load data to reflect monthly peak demands and energy consumption that would have occurred if the applicant were pumping groundwater to meet water demand.
4. Consistent with the intent of the Preliminary Process, the Commission has not yet initiated the Formal Process or made any final decisions, and the Consultants are still in the process of developing proposed allocation methodologies for the Commission’s consideration.

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