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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 provide guidance on 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 five years?

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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. In addition, the Commission discussed, but did not take action on, a proposed resolution on the two policy issues at the October 21, 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. Additionally, under the Authority’s regulations, applicants must submit information on their use of power, by category or classification, and the Authority must consider the needs and interests of prospective purchasers and customers of prospective purchasers. These regulations provide the appropriate basis for the Commission to consider agricultural use as one of the many relevant factors in making allocation decisions. As a consequence, an allocation methodology that provides additional special consideration to agricultural uses by allocating power to entities based on a load devoted to agricultural uses (“agricultural load methodology”) is not necessary. Accordingly, the Commission directs its Consultants, as they proceed with their work, to not prepare an agricultural load methodology in the Post-2017 Hoover Power Allocation Process.
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, and for this stated purpose, adjust an applicant’s historical load data for the time period set forth in the application for electric service from prospective purchasers to reflect 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.

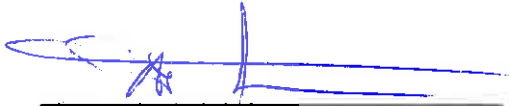
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UNANIMOUSLY ADOPTED by the Arizona Power Authority Commission on this 18th day of November, 2014.



Chairman

Attest:



Secretary