

IRRIGATION & ELECTRICAL DISTRICTS ASSOCIATION OF ARIZONA

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MEMORANDUM

TO: Mike Gazda

FROM: Robert S. Lynch

DATE: January 29, 2015

SUBJECT: IEDA's Comments re: the APA Timeline for Formal Process to Allocate Post-2017 Hoover Power

The following are the Irrigation & Electrical Districts' Association of Arizona's ("IEDA") comments on the proposed timeline posted by the Arizona Power Authority ("APA" or the "Authority") on January 8, 2015. These comments will also address the issue of how to manage parties in the process of forming new special districts.

Timeline for Formal Process to Allocate Post-2017 Hoover Power

The Authority has presented us with two separate timelines, Option #1 and Option #2. The threshold question with regard to these two options is whether applications will be submitted before the Preliminary Proposal is released or after.

We suggest adopting a hybrid of Option #1, the changes to which are discussed further below. Under this option, the Authority has the advantage of receiving all applications prior to releasing the Preliminary Proposal. This allows the Authority to prepare a Preliminary Proposal based on the data submitted in all applications. This approach creates advantages for both the Authority and the applicants that Option #2 does not. Under Option #2, the applications are submitted after the Preliminary Proposal is released. Applicants will not be totally known nor will interested parties know how the Authority intends to treat all of them. Option #1 is the best timeline for this process.

As we discussed in our prior comments to the Draft Plan, the timetable, the articulation of decisions on legal and policy issues and the successful completion of the appeals rules are all intertwined. IEDA supports an approach whereby the Authority makes a preliminary decision with respect to necessary policy and legal issues prior to initiation of the formal process, with sufficient time to allow comment in reaction to the same. Moreover, IEDA recognizes that additional time will likely be necessary in order for the Authority to finalize its proposed Appeals Rules, currently awaiting a moratorium waiver (exemption) from the Governor before being considered by the Governor's Regulatory Review Council.

Accordingly, we suggest the following changes to Option #1:

- Extend the current end-date (i.e., Notice of Eligibility and Proposed Allocation: June 2, 2015)¹ to June 26, 2015 or a later date to fit the formal process mandates.

AND

- Postpone the current start-date (i.e., Long-term Power is Available: March 9, 2015) until a later date to allow further consideration of legal and policy issues, perhaps to the regular APA Commission meeting on March 17, 2015.

AND

- Extend the time period between the current start-date and the current date for when Applications for Electric Service are due (i.e., April 3, 2015).

The 24 days or more gained by extending the Notice of Eligibility date can be used before the start date or apportioned between the starting date and the application deadline. The Authority could add extra time upfront as well, pushing the Notice of Eligibility Date into July. Additionally, we suggest that the Authority set itself a deadline before the formal process starts by which to announce preliminary decisions on legal and policy issues, say March 9th. Any responses could then be due a week later, March 16th, the day before the APA Commission meeting. The timeline before applications are due could then be set at the meeting after assessing reaction to the Authority's preliminary decision.

These changes afford the extra time necessary for the Authority to make vital decisions and put into place appeals rules, while still complying with the stringent timelines prescribed in the APA Rules and Regulations. We urge you to consider this hybrid of Option #1.

Parties Forming New Special Districts

With regard to parties in the process of forming new special districts, IEDA believes the Authority should adopt an approach that allows these parties to apply for an allocation of post-2017 Hoover power on the condition that the district formation is formally approved by the relevant county board of supervisors on or before the deadline for submission of applications and the subsequent district formation process is completed before the issuance of the Notice of Eligibility. The APA informal process has been underway for over a year. New entrants including new special districts have had adequate time to meet prerequisites.

As we have discussed in earlier comments, new applicants, including districts, should be limited to applying for Hoover D-2 only. Congress, in passing H.R. 470, carved out a pool of Hoover power (D) and clearly intended to limit new applicants to receiving this resource. We believe this is the only fair approach.

These comments supplement our prior comments on the Draft Plan. Thank you for the opportunity to comment on these very important issues.

cc: Doug Fant, General Counsel, Arizona Power Authority
IEDA Presidents/Chairmen and Managers

¹ We recognize that the dates listed in the proposed timeline are example dates provided for illustration purposes only. We merely refer to these dates in order to suggested changes to Option #1 with more clarity.