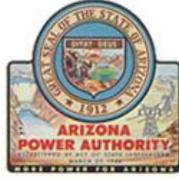


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June 24, 2015

**QUESTIONS POSED TO ARIZONA POWER AUTHORITY  
REGARDING THE PRELIMINARY PROPOSAL  
FOR POST-2017 HOOVER POWER ALLOCATION**

On June 15, 2015, at a public information Conference, the Arizona Power Authority (APA or Authority) released a Preliminary Proposal for Hoover Power Marketing Post-2017 (Preliminary Proposal) pursuant to R12-14-201(A) of the Arizona Administrative Code. At the public information Conference, the Authority indicated that interested parties could submit clarifying questions to the Authority that would assist in the preparation of comments on the Preliminary Proposal. Since releasing the Preliminary Proposal, the Authority has received questions regarding the Preliminary Proposal. In the interest of transparency and for the benefit of all potential allottees, the Authority provides below a summary of the submitted questions and responses. This document does not include responses to questions that were in the nature of comments on the merits of the Preliminary Proposal or how the Authority should adjust or consider applicants' data.

Question 1: A request was made for the Authority to release selected applications submitted by entities in the following general categories: new districts, cities, and cooperatives.

Answer 1: The Authority will post all applications to the Authority website, unless the information in the applications is subject to a statutory exception to disclosure or is otherwise confidential. The Authority will post the applications prior the release of the final proposed allocation.

Question 2: Can you provide worksheets for any adjustments made to the AEPCO proposed allocation based on overlapping service territories with the distribution coops, or based on the other federal resources allocated to AEPCO and/or the distribution coops?

Answer 2: There were no adjustments made to the AEPCO allocation based on overlapping service territories with the distribution cooperatives. The only demand adjustments made for the distribution cooperatives and AEPCO's joint application for jurisdictional reasons were to the distribution cooperatives with service territories in both Arizona and New

Mexico. These adjustments are explained on page 16 of the Preliminary Proposal. For discussion of how federal resources affected AEPCO's allocation, please see answers to Questions #6 and #7.

Question 3: Can the Authority explain the methodology used to allocate the 13,499 kW allocated to new Hoover B entities?

Answer 3: The methodology used to allocate the 13,499 kW to new Hoover B entities is explained on page 31 of the Preliminary Proposal.

Question 4: Is the Northern Arizona University (NAU) a public utility under Title 45?

Answer 4: A "public utility" means any . . . public agency . . . that provides electrical service to the public by means of electric facilities . . ." A.R.S. § 45-1702(7). NAU is a "public agency" and owns and operates its own electrical distribution system to deliver power and energy to campus facilities.

Question 5: Why is no "other" federal power listed for Salt River Project (SRP)?

Answer 5: SRP's federal resources were listed in its application and were considered with the excess federal resources test. SRP did not fail that test. For consistency, SRP's federal resources will be listed in any documentation supporting the final allocation.

Question 6: Were adjustments made to AEPCO's capacity based on the federal resources that the distribution cooperatives receive?

Answer 6: No. AEPCO was treated as a legally distinct entity for purposes of the allocation in the Preliminary Proposal. Therefore, no such adjustments were made to AEPCO's capacity based on the federal resources directly allocated to the distribution cooperatives.

Question 7: Why is there no "other" federal power listed for AEPCO?

Answer 7: The Authority will make the necessary adjustments to reflect AEPCO's federal power resources for the final allocation plan.

Question 8: Why do the columns for "Adjusted 1987" and "Allocated 2017" in the Preliminary Proposal spreadsheets not appear to follow the typical energy allocation formula of taking the individual capacity allocation divided by the total capacity entitlement multiplied by the total energy resource?

Answer 8: The Authority will adjust the energy allocations for the "Allocated 2017" values using a similar formula. Any such adjustments are anticipated to result in only a de minimis change in the final

allocations as compared to the those in the Preliminary Proposal. The “Adjusted 1987” amounts are simply a 1% increase in capacity/5% decrease in energy from the final allocated Red Book amounts in 1987. These are adjustments to 1987 capacity and energy numbers that were already rounded.

Question 9: In the Preliminary Proposal spreadsheets, why don’t the numbers in the load data and allocation columns sum to the totals printed on the pages?

Answer 9: This is due to rounding of the individual numbers. The Authority will address these discrepancies in the final allocation plan. Any such adjustments are anticipated to result in only a de minimis change in the final allocations as compared to those in the Preliminary Proposal.

Question 10: Why does the Preliminary Proposal show Hohokam as having 12 MW of other federal power when it only has 1 MW?

Answer 10: The applicant provided the information included in the Preliminary Proposal. The Authority will confirm the quantity of other federal power available to Hohokam and consider any necessary adjustments to the allocation as part of the final allocation plan.