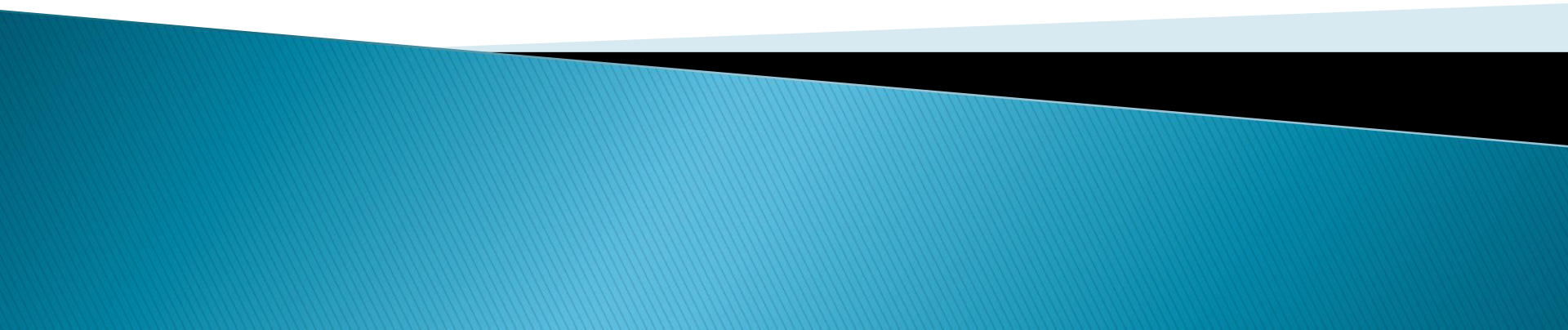



Council Workshop Glendale Hoover Power Allocation and Contracts

August 2, 2016



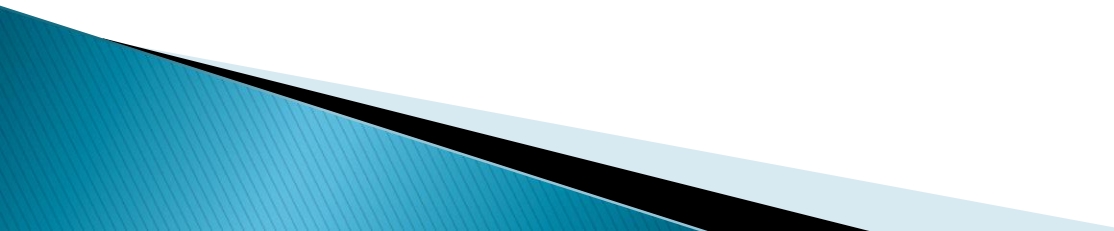
Boulder Canyon Project

- ▶ 1928 Boulder Canyon Project Act – Hoover Dam
 - ▶ Water supplies and power generated from Boulder Canyon Project serve over 20 million people
 - ▶ Preference power allocated to Arizona, California, and Nevada
 - ▶ The Federal Power Act (16 U.S.C. § 12), establishes that federal power will be offered for sale to public, municipal and rural electric customers first and then to profit making utilities, like investor-owned utilities, if available.
- 

Contract Periods

- ▶ 1934 Fifty Year Contract
- ▶ 1984 Marketing for 30 years through 2017
 - Upgraded Hoover generators for Hoover B capacity that supplies primarily CAP needs in Arizona
- ▶ 2011 Hoover Power Allocation Act for 2017
 - Expanded eligible entities to include Tribes and Retail Entities

Power Schedules

- ▶ Schedule A – Original Purchasers
 - ▶ Schedule B – Upgraded Hoover generators for Hoover B capacity that supplies primarily CAP needs in Arizona
 - ▶ Schedule C – Excess Energy (if any)
 - ▶ Schedule D – 2011 Act
 - Expanded eligible entities to include Tribes and Retail Entities
 - Schedule D1 and D2
- 

Contracting Process – Federal and State

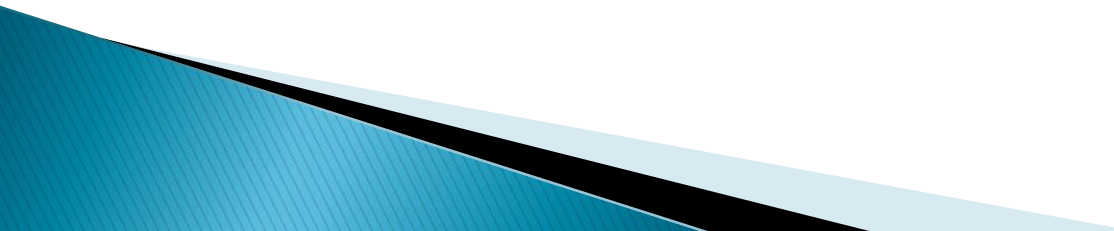
▶ WAPA USBR Federal Process

- Dec 18 2014 – Western Area Power Administration published Final “D1” allocations (69.170 MW).
- All Federal Power to non-tribes will be contracted through APA in Arizona and CRC in Nevada. California entities contract directly with WAPA due to lack of a State Agency.

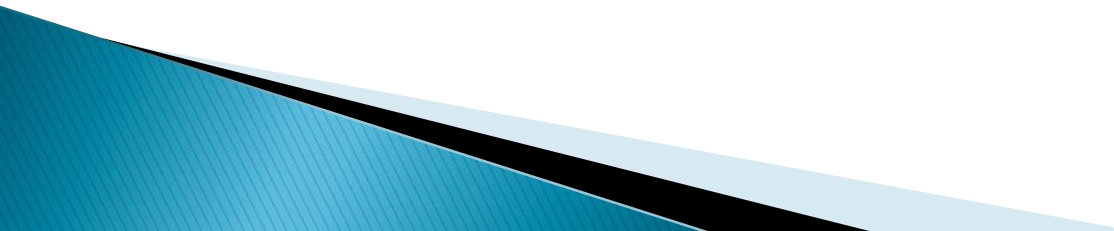
▶ APA State Process

- July 17, 2015 – Arizona Power Authority reallocated Hoover A, Hoover B, and Hoover “D2” allocations. (11.510 MW)

Public Involvement

- ▶ Water Services staff involvement for more than five years
 - ▶ Western Allocation
 - ▶ APA Allocation
 - ▶ K.R. Saline Consultant Contract
- 

Municipal Allocations

- ▶ A number of other municipalities in Arizona also received new allocations
 - ▶ In the Salt River Valley these include Avondale, Buckeye, Chandler, Peoria, Phoenix, Scottsdale, and Tempe.
 - ▶ In FY16 Glendale spent \$9 million for electricity; Water Service facilities accounted for \$3.5 million (39%)
- 

Benefits of Hoover Power

► Benefits

- Access to renewable resource & “green” attributes
- Historically a stable low-cost power resource; provides a hedge against rising host utility retail rates for a portion of the customers power requirements
- Net Savings created via alternative sources and costs of power (eg. host utility bill crediting)

Costs Hoover Power

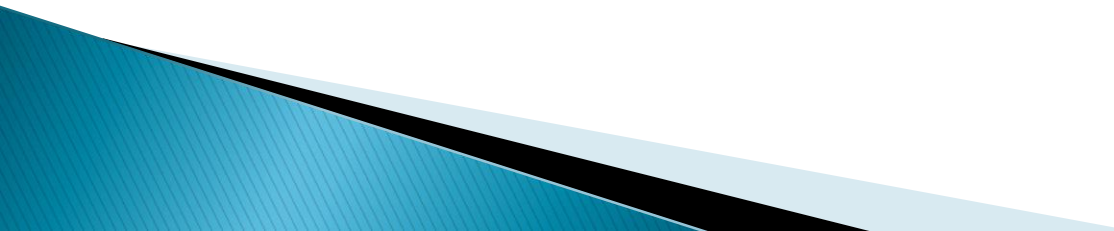
▶ Upfront Costs

- Upfront Costs related to new contracts and reimbursement of pre-2017 investments in the Project.
 - Repayable Capital Advances.
 - Working Capital.
 - Transitional Items.

▶ Annual Operating Costs

- Annual Operating Costs based upon actual costs for USBR to operate facility and for WAPA to market, administrate, and schedule the resource.
 - 70% of the APA rates are comprised of Western/USBR related costs. These costs are reviewed and subject to change annually.
 - APA rates include APA A&G costs.

Benefits – APS / SRP Bill Crediting

- ▶ APS docket filed on February 18, 2016, at the Arizona Corporation Commission to get approved revisions to their “Preference Power Rider”
 - ▶ SRP proposed a Municipal Bill Credit Calculation
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Summary:

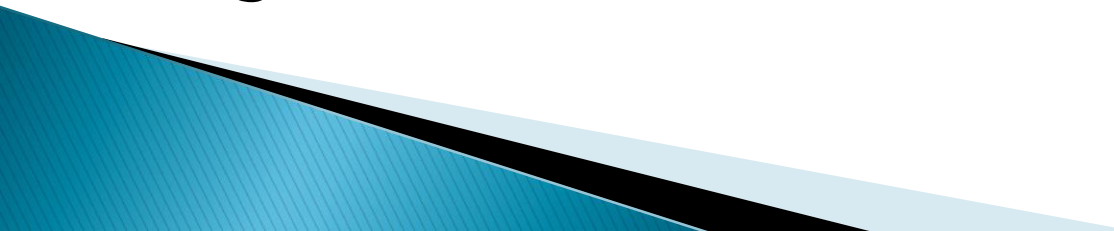
Costs & APS / SRP Bill Crediting

Contract Year	Fiscal Year	Total APA Annual Costs	Retail Credit Options				
			SRP Credit	Net SRP Benefit	APS Credit and Fuel & Purchased Power Credit	Net APS Benefit	
			\$ 0.0530		\$ 0.05018		
					\$ 0.00168		
		Total Payments to APA	Reduced cost in Retail Power Bill				
1	2018	\$ 27,798.00	\$ 37,445.86	\$ 9,647.86	\$ 36,642.08	\$ 8,844.08	
2	2019	\$ 21,861.00	\$ 36,814.32	\$ 14,953.32	\$ 36,024.10	\$ 14,163.10	
3	2020	\$ 22,915.00	\$ 36,509.44	\$ 13,594.44	\$ 35,725.76	\$ 12,810.76	
4	2021	\$ 21,332.00	\$ 35,714.57	\$ 14,382.57	\$ 34,947.96	\$ 13,615.96	
5	2022	\$ 21,444.00	\$ 35,104.81	\$ 13,660.81	\$ 34,351.28	\$ 12,907.28	
6	2023	\$ 21,776.00	\$ 35,692.79	\$ 13,916.79	\$ 34,926.65	\$ 13,150.65	
7	2024	\$ 22,454.00	\$ 34,832.59	\$ 12,378.59	\$ 34,084.91	\$ 11,630.91	
8	2025	\$ 22,444.00	\$ 34,625.71	\$ 12,181.71	\$ 33,882.47	\$ 11,438.47	
9	2026	\$ 22,885.00	\$ 34,582.16	\$ 11,697.16	\$ 33,839.85	\$ 10,954.85	
10	2027	\$ 21,657.00	\$ 34,582.16	\$ 12,925.16	\$ 33,839.85	\$ 12,182.85	
		\$ 226,566.00	\$ 355,904.40	\$ 129,338.40	\$ 348,264.92	\$ 121,698.92	

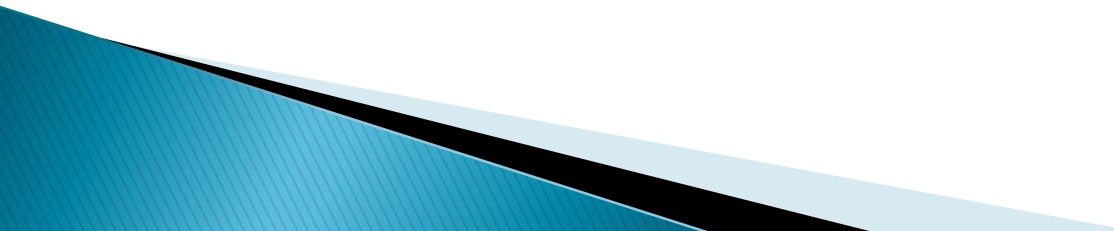
SRP As of July 2016

APS Existing Rates - 2011

Risks of Hoover Power

- ▶ Take or Pay Contract (must pay even if the power is not available)
 - ▶ Availability of Energy (kWh) is affected by water releases
 - ▶ Costs are subject to increase or changes in rates from federal and State agencies: WAPA, USBR, APA
 - ▶ Subject to changes in APS/SRP bill credits/costs/policies
 - ▶ Legislative Risk with federal and state agencies involvement
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Council Direction

- Direction needed regarding intent to sign APA contract
 - Direction needed regarding selection of host provider for bill-crediting arrangement
 - Staff recommendation is to enter into a contract with the APA for Hoover power
 - Staff recommendation is to contract with SRP for bill-crediting
 - APA and SRP contracts would be two separate agenda items on September 13, 2016 voting meeting
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Questions

