

COMMITTEE ON ENERGY, ENVIRONMENT AND NATURAL RESOURCES

Report of Regular Meeting
Monday, March 14, 2016
House Hearing Room 1 -- 2:00 p.m.

Convened 3:21 p.m.
Recessed
Reconvened
Adjourned 7:36 p.m.

Members Present

Mrs. Barton
Mrs. Carter
Mr. Clark
Mr. Finchem
Mr. Kopec
Mr. Leach
Mr. Saldate
Mr. Bowers, Vice-Chairman
Mr. Pratt, Chairman

Members Absent

Agenda

Original Agenda – Attachment 1

Request to Speak

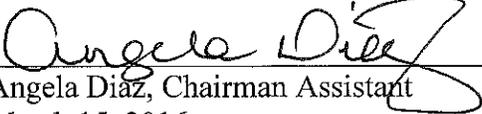
Report – Attachment 2

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
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Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments</u> <u>(Summaries,</u> <u>Amendments,</u> <u>Attendance)</u>
SCM2016	DP	6-3-0-0	3, 4
SB1060	DPA S/E Committee Attendance	7-2-0-0	5, 6, 7, 8, 9, 10, 11, 12 13


Angela Diaz, Chairman Assistant
March 15, 2016

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

REVISED - 03/10/16

REVISED - 03/10/16

REVISED - 03/10/16

Convened: 3:21 pm

Adjourned: 7:36 pm

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON ENERGY, ENVIRONMENT AND NATURAL RESOURCES

DATE Monday, March 14, 2016

ROOM HHR 1

TIME 2:00 P.M.

Members:

Mrs. Barton
Mrs. Carter
Mr. Clark

Mr. Finchem
Mr. Kopec
Mr. Leach

Mr. Saldate
Mr. Bowers, Vice-Chairman
Mr. Pratt, Chairman

Bills

Short Title

Strike Everything Title

- ② *SB1060 DPASE Arizona power authority; continuation
(Yee)
7-2-0-0 EENR held 0-0-0-0-0, RULES
S/E: power authority; contracts; continuation
- ① SCM1016 DP rulemaking; electric generating units; opposition
(Griffin)
6-3-0-0 EENR, RULES
- * On previous agenda

ORDER OF BILLS TO BE SET BY THE CHAIRMAN

AD
3/8/16
3/10/16

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

Information Registered on the Request to Speak System

*House Energy, Environment and Natural Resources
(3/14/2016)*

SB1060, Arizona power authority; continuation

Testified in support:

Douglas V. Fant Fant, representing self

Support:

Robert Shuler, ROOSEVELT WATER CONSERVATION DIST, WELLTON-MOHAWK IRRIGATION & DRAINAGE DISTRICT; Chris Udall, AGRIBUSINESS & WATER COUNCIL OF ARIZONA, INC.; Jay Moyes, ED8; McMullen Valley Water Conservation & Drainage District, + 4 City Of Safford; Aguila Irr. District; Tonopah Irr. District; Harquahala Valley Power District Similar Ag Districts; Nick Simonetta, ELECTRICAL DISTRICT NO 4; Wendy Briggs, Electrical District 7 & MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE; Steven Eddy, TUCSON ELECTRIC POWER COMPANY; Robert Lynch, IRRIGATION AND ELECTRICAL DIST ASSN; Philip Bashaw, GRAND CANYON STATE ELECTRIC COOP ASSN; Mark Clark, representing self; Joe Sigg, Director of Government Relations, Arizona Farm Bureau; James Sweeney, representing self; Patrick Ledger, representing self; Douglas Cole, ELECTRICAL DISTRICT NO 2; sheryl sweeney, representing self; Jason Baran, SR. Govt Relations Rep, SALT RIVER PROJECT (SRP); Sheryl Sweeney, representing self; Paul Orme, representing self; ron mceachern, representing self; Jim Downing, representing self; Kelly Urbine, representing self; Chad Guzman, AZ PUBLIC SERVICE COMPANY (APS); Jeffrey Woner, representing self; Bridget Manock, Central Arizona Project; Dennis Delaney, representing self; R. D. Justice, representing self; Dalton Cole, representing self; Barbara Meaney, Arizona Power Authority; Fred Barnett, representing self; John Kai , representing self

Neutral:

Courtney McKinstry, AZ ATTORNEY GENERAL'S OFFICE; Don Isaacson, CENTRAL ARIZONA WATER CONSERVATION DISTRICT

Oppose:

Chris Udall, AGRIBUSINESS & WATER COUNCIL OF ARIZONA, INC.; Cheyenne Walsh, CENTRAL ARIZONA WATER CONSERVATION DISTRICT; Shane Leonard, representing self; Russell Rea, representing self; Jeff Sandquist, TUCSON ELECTRIC POWER COMPANY

All Comments:

Robert Shuler, ROOSEVELT WATER CONSERVATION DIST, WELLTON-MOHAWK IRRIGATION & DRAINAGE DISTRICT: Oppose the Leach Strike Everything; Chris Udall, AGRIBUSINESS & WATER COUNCIL OF ARIZONA, INC.: We strongly support the continuation of the Az. Power Authority to 2024.; Jay Moyes, ED8; McMullen Valley Water Conservation & Drainage District, + 4 City Of Safford; Aguila Irr. District; Tonopah Irr. District; Harquahala Valley Power District Similar Ag Districts: Support original bill passed by Senate. STRONGLY OPPOSE STRIKER AMENDMENT FILED 3-10. Amendment would have drastic adverse consequences to Arizona's share of Hoover power currently in mid-contracting with Federal agencies, with imminent deadlines.; Chris Udall, AGRIBUSINESS &

WATER COUNCIL OF ARIZONA, INC.: We support the original SB1060 and not the striker. Please oppose the striker. Thank you. Chris Udall; Nick Simonetta, ELECTRICAL DISTRICT NO 4: ED 4 supports the underlying bill but strenuously opposes the proposed Leach strike everything as a pathway to devastating consequences for AZ Ag and AZ Hoover power allotments; Wendy Briggs, Electrical District 7 & MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE: We support the underlying bill, but oppose the strike everything amendment.; Steven Eddy, TUCSON ELECTRIC POWER COMPANY: TEP supports 1060 but opposes the s/e amendment.; Robert Lynch, IRRIGATION AND ELECTRICAL DIST ASSN: For the original bill, but against the S/E Amendment.; Courtney McKinstry, AZ ATTORNEY GENERAL'S OFFICE: The AG's Office is neutral on the strike everything amendment to SB 1060.; Don Isaacson, CENTRAL ARIZONA WATER CONSERVATION DISTRICT: Changing position to neutral - with amendment.; Philip Bashaw, GRAND CANYON STATE ELECTRIC COOP ASSN: We are opposed to the Leach S/E Amendment.; Joe Sigg, Arizona Farm Bureau: Support SB 1060 - oppose S/E on SB 1060; James Sweeney, Self: I support the original bill but strongly oppose the strike everything amendment.; Patrick Ledger, Self: In support of the underlying APA Continuation but opposed to the Leach S/E Amendment; Douglas Cole, ELECTRICAL DISTRICT NO 2: AGAINST Leach Strike everything amendment. Support underlying bill.; sheryl sweeney, Self: for original bill but opposed to the strike everything amendment.; Jason Baran, SALT RIVER PROJECT (SRP): SRP opposes the S/E amendment. SRP supports the continuation of the APA.; Sheryl Sweeney, Self: On behalf of Electrical District 7 and Maricopa Water District - we support the underlying bill but OPPOSE the Leach strike everything amendment; Cheyenne Walsh, CENTRAL ARIZONA WATER CONSERVATION DISTRICT: CAP opposes the Leach strike-everything amendment, even with the amendment. CAP supports the underlying bill.; Paul Orme, Self: For bill and against the amendment; ron mceachern, Self: For the original bill. Against the amendments; Jim Downing, Self: support original bill; oppose Leach amendment; Kelly Urbine, Self: I support the revised amendment to SB1060; Chad Guzman, AZ PUBLIC SERVICE COMPANY (APS): APS supports the underlying continuation bill, but opposes the strike-everything amendment in Rep. Leach's name.; Jeffrey Woner, Self: Support the original bill, against the strike everything amendment; Bridget Manock, Central Arizona Project: CAP supports the underlying bill however has strong concerns with the striker. Even with Section 7 being removed, the 15-year renewal is problematic amongst other issues. We look forward to working with Sen. Yee to resolve these concerns.; Dennis Delaney, Self: Support original bill but against strike everything amendment; Shane Leonard, Self: RWCD is opposed to the proposed amendment to the underlying bill.; Russell Rea, Self: RWCD is opposed the amendment to the underlying bill.; R. D. Justice, Self: Support original bill but violently oppose the strike all amendment; Dalton Cole, Self: Support bill but oppose S/E amendment; Jeff Sandquist, TUCSON ELECTRIC POWER COMPANY: Tucson Electric Power Company is opposed to the strike everything amendment.; Barbara Meaney, Arizona Power Authority: We support the underlying bill but oppose the striker amendment.

SCM1016, rulemaking; electric generating units; opposition

Testified in support:

Philip Bashaw, GRAND CANYON STATE ELECTRIC COOP ASSN

Testified as opposed:

Leonard Clark Clark, representing self

Support:

Jason Baran, SR. Govt Relations Rep, SALT RIVER PROJECT (SRP); Rodney Ross, AZ PUBLIC SERVICE COMPANY (APS); Steven Eddy, TUCSON ELECTRIC POWER COMPANY

Oppose:

Patricia Cady, representing self; Sandy Bahr, Sierra Club - Grand Canyon Chapter; Alisa McMahon, representing self; Peter Bengtson, representing self; Michael Fiflis, representing self

All Comments:

Sandy Bahr, Sierra Club - Grand Canyon Chapter: Please see memo we emailed you. Thank you.; Peter Bengtson, Self: Arizona needs to work to implement the Clean Power Plan in the state to reduce carbon and other emissions. We need to do our part to control global warming.; Leonard Clark Clark, Self: m



HOUSE OF REPRESENTATIVES

SCM1016

rulemaking; electric generating units; opposition
Prime Sponsor: Senator Griffin, LD 14

X Committee on Energy, Environment and Natural Resources

Caucus and COW

House Engrossed

OVERVIEW

SCM 1016 urges Congress to oppose the Environmental Protection Agency's (EPA) implementation of rules on greenhouse gas emissions for existing power plants and to exercise oversight over the EPA.

PROVISIONS

1. Urges Congress to oppose the implementation of rules on greenhouse gas emissions for existing power plants that exceed the EPA's legal authority and exercise oversight over the EPA.
2. Requests the Governor and Attorney General take appropriate actions to uphold the state's responsibility with respect to the Clean Air Act and defend against overreaching regulations.
3. Requests that the Secretary of State transmit copies of the memorial to the President of the United States, the President of the U.S. Senate, the Speaker of the U.S. House of Representatives, each Member of Congress from the state of Arizona, the Administrator of the EPA, the Governor and the Attorney General of Arizona.

ADDITIONAL INFORMATION

The Clean Power Plan (CPP), according to the EPA, will reduce carbon pollution from fossil fueled powered plants by 2030. Under the CPP, states must develop and implement plans that will reduce greenhouse gas emissions from power plants and submit the final plans by September 6, 2018. States must achieve interim emissions performance rates over the period of 2022 to 2029 and final emissions performance rates by 2030.

The CPP will require Arizona to reduce carbon dioxide emissions from existing fossil fuel fired power plants by 34%.

The U.S. Supreme Court issued a stay on the implementation of the EPA's CPP on February 9, 2016.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON ENERGY, ENVIRONMENT AND NATURAL RESOURCES BILL NO. SCM 1016

DATE March 14, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mrs. Barton		✓			
Mrs. Carter		✓			
Mr. Clark			✓		
Mr. Finchem		✓			
Mr. Kopec			✓		
Mr. Leach		✓			
Mr. Saldate			✓		
Mr. Bowers, Vice-Chairman		✓			
Mr. Pratt, Chairman		✓			
		6	3	0	0

APPROVED:



 FRANKLIN M. PRATT, Chairman
 RUSSELL BOWERS, Vice-Chairman



 COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1060

Arizona power authority; continuation

Prime Sponsor: Senator Yee, LD 20

X Committee on Energy, Environment and Natural Resources

Caucus and COW

House Engrossed

OVERVIEW

SB 1060 continues the Arizona Power Authority for eight years until July 1, 2024.

Summary of the Proposed Strike-Everything Amendment to SB 1060

The proposed strike-everything amendment to SB 1060 is an emergency measure that continues the Arizona Power Authority for two years until July 1, 2018; prescribes the duration of power sales contracts; stipulates requirements for the Authority to acquire outside legal counsel; and requires the Authority to initiate a new post-2017 Hoover allocation process.

PROVISIONS

Authority Hearings and Legal Representation

1. Instructs the Office of Administrative Hearings (OAH) to conduct hearings on appeals of proceedings, orders or actions of the Authority.
 - Current rule allows the Authority Commission to conduct administrative hearings acting as an administrative law judge (ALJ) (A.A.C. R12-14-603). Current law allows an agency head, board or commission to conduct an administrative hearing as an ALJ without the services and personnel of OAH (A.R.S. § 41-1092.01(F)).
2. Requires the Authority to obtain legal advice, including advice from the Attorney General, before awarding contracts or conducting rulemaking and comply with all laws in obtaining legal advice.
3. Instructs the Attorney General to serve as the legal advisor and render legal services to the Authority in all matters other than representation before a federal court or agency.
 - Current law allows the Authority to employ legal counsel for representation before a federal agency or court (A.R.S. § 41-192.01).
4. Requires the lead attorney representing the Authority to be licensed in Arizona.
5. Stipulates the requirements for acquiring legal counsel, including issuing a request for proposal, complying with all statutes and rules consistent with the Arizona Procurement Code and awarding the contract. The Authority Commission must award the contract at a public meeting.
 - The Procurement Code is codified by A.R.S. § 2501 et seq.

Power Sales Contracts

6. Specifies, on the effective date of this Act, long-term power sales contracts issued by the Authority are not to exceed 15 years. Contracts may be renewed for additional 5-year periods, not to exceed a total of 50 years.

SB 1060

7. Defines *power sales contract* and *long-term power*.

Hoover Power Allocations

8. As session law, requires the Authority to terminate the current process to allocate post-2017 Hoover power and initiate a new allocation process that is conducted in good faith and consistent with applicable laws.
 - a. The Attorney General is instructed to oversee the new Hoover allocation process.

Continuation

9. Continues, retroactive to July 1, 2016, the Authority for two years until July 1, 2018.
10. Maintains the current stipulations to sunset the Authority or otherwise continue past the sunset date.
11. Contains a purpose statement.
12. Contains an emergency clause.

CURRENT LAW

Authority Sunset

The Authority is scheduled to sunset on July 1, 2016 if there are no outstanding contracts with the federal government, no debts or obligations with financing the cost of the Hoover Power Plant modifications or uprating projects and if the Authority has otherwise provided for paying these debts or obligations (A.R.S. § 41-3016.12). Statute also specifies that the Authority will only remain in existence past the sunset date if any debts or obligations have not been satisfied.

The Senate Commerce and Workforce Development and House Energy, Environment and Natural Resources Committee of Reference met on August 11, 2015 and recommended that the Authority be continued for eight years.

Hoover Power and Post-2017 Allocations

Congress enacted the Hoover Power Plant Act (Public Law 98-381) in 1984 and the allocation of power produced at the dam to three categories, referred to as Schedules A, B and C.

Schedule A contractors include: Metropolitan Water District of Southern California; the cities of Los Angeles, Glendale, Pasadena, and Burbank; Southern California Edison Company; Arizona Power Authority; Colorado River Commission of Nevada; and the city of Boulder City, Nevada.

Schedule B contractors include: the cities of Glendale, Pasadena, Burbank, Anaheim, Azusa, Banning, Colton, Riverside, and Vernon, in California, as well as Arizona and Nevada.

Schedule C allocates any excess power production to California, Arizona and Nevada.

The current power contracts were signed in 1987 and will expire in 2017. The approximate percentage of power delivered to each state is: 23.4 percent to Nevada; 19 percent to Arizona; and 57.6 percent to California.

The Hoover Dam Power Allocation Act of 2011 extended the Hoover power allocations for an additional 50 years (2067) and set aside 5% of electricity for new power allottees, known as Schedule D. The Authority was allocated 11.1% of the Schedule D for allocation to new allottees within the state.

The post-2017 Hoover allocation for Schedules A, B and D are posted on the Authority's website as well as the Final Hoover Power Marketing Plan Post-2017.

Fifty-second Legislature
Second Regular Session

Energy, Environment and Natural Resources
S.B. 1060

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1060

(Reference to the 5-page Leach s/e amendment dated 3/9/16; 4:28 PM)

- 1 Page 5, strike lines 1 through 9
- 2 Renumber to conform
- 3 Amend title to conform

VINCE LEACH

1060LEACH
03/14/2016
08:33 AM
H: TS/rca

Adopted # of Verbals _____
Failed _____ Withdrawn _____
Not Offered _____ Analysts Initials TS

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1060

(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Title 30, chapter 1, article 1, Arizona Revised Statutes,
3 is amended by adding section 30-110, to read:

4 30-110. Appealable agency actions; office of administrative
5 hearings

6 NOTWITHSTANDING SECTION 41-1092.01, SUBSECTION F, THE OFFICE OF
7 ADMINISTRATIVE HEARINGS SHALL CONDUCT ALL ADMINISTRATIVE HEARINGS RELATED TO
8 APPEALABLE AGENCY ACTIONS AS DEFINED IN SECTION 41-1092 THAT RELATE TO
9 PROCEEDINGS, ORDERS OR ACTIONS OF THE AUTHORITY.

10 Sec. 2. Section 30-127, Arizona Revised Statutes, is amended to read:

11 30-127. Uniform transmission voltage rate; wholesale power
12 rates; limitations; terms of contracts and agreements

13 A. The uniform transmission voltage rate shall include proper
14 components of cost for power delivered over the sections of line designated
15 under ~~the provisions of~~ section 30-126 at high voltage transmission levels,
16 and power shall be sold at the uniform transmission voltage rate for
17 transmission voltage delivery at any point on such sections of line. Power
18 may be sold at the low voltage side of substations located on such sections
19 of line at rates covering the uniform transmission voltage rate plus proper
20 added cost components for low voltage delivery, and at locations served by
21 extensions from such sections of line at rates covering the uniform
22 transmission voltage rate plus proper added cost components for delivery over
23 the extensions and related facilities. The authority shall be under no
24 obligation to construct or furnish any substations or other facilities for
25 delivery on the low voltage side or any extensions from the main transmission
26 lines.

Attachment 7

Adopted <input checked="" type="checkbox"/>	# of Verbals _____
Failed _____	Withdrawn _____
Not Offered _____	Analysts Initials <u>TS</u>

1 B. The application of the uniform transmission voltage rate may from
2 time to time MAY be extended to other sections of the main transmission lines
3 and to sections of high voltage transmission lines subsequently constructed
4 when the application of the rate to the other sections of line and
5 subsequently constructed lines will not result in a material increase in the
6 rate, but no increase from this cause shall apply to or affect the rates in
7 existing contracts.

8 C. If electric power is purchased by the authority directly from
9 facilities owned and operated by the United States, an agency ~~thereof~~, OF THE
10 UNITED STATES or other public or private sources, at a cost to the authority
11 not consistent with the uniform transmission voltage rate, the rates for the
12 power to purchasers from the authority shall be based ~~upon~~ ON the cost of
13 power to the authority together with all additional cost components pertinent
14 thereto.

15 D. Wholesale power rates set forth in any power contract for sale of
16 power by the authority shall be limited as to modifications upward to the
17 extent of variations in the cost of power to the authority in ~~its~~ THE
18 AUTHORITY'S power purchase contracts, or variations in the actual costs,
19 including operating costs, to the authority of the facilities ~~which~~ THAT
20 shall be specified in the power contract to be taken into account in
21 determining costs.

22 E. Contracts or agreements for sale by the authority of electric power
23 and energy at wholesale shall recognize all applicable provisions of this
24 chapter and may be executed for ~~such~~ THE period as the authority deems
25 necessary, ~~but if such~~ EXCEPT:

26 1. Contracts or agreements THAT are made for a period exceeding twenty
27 years ~~they shall be made~~ ARE subject to termination ~~upon~~ ON reasonable notice
28 by the authority at any time after the initial twenty year period.

29 2. THE TERM OF A POWER SALES CONTRACT FOR LONG-TERM POWER SHALL COMPLY
30 WITH SECTION 30-131.

31 F. ~~No~~ A revenue bond issued by the authority, or agreement of the
32 authority with respect ~~thereto~~ TO A REVENUE BOND ISSUED BY THE AUTHORITY,
33 shall NOT in any respect impair, modify or change the provisions of any
34 contract of the authority for the sale of electrical energy entered into
35 pursuant to ~~the provisions of~~ this chapter.

36 G. If secondary, dump, off-peak, ~~or~~ emergency energy becomes
37 available to the authority from Colorado river developments, or other public

1 or private sources, it may be purchased and resold by the authority to the
2 extent of transmission facilities available, at rates ~~which~~ THAT will be
3 adequate to cover the costs of delivering ~~such~~ THE energy, and under terms
4 and conditions suited to the uses ~~which~~ THAT may be made of the energy.

5 Sec. 3. Title 30, chapter 1, article 2, Arizona Revised Statutes, is
6 amended by adding sections 30-130 and 30-131, to read:

7 30-130. Legal advice relating to awarding contracts and
8 rulemaking

9 THE AUTHORITY SHALL OBTAIN LEGAL ADVICE, INCLUDING ADVICE FROM THE
10 ATTORNEY GENERAL, AS APPLICABLE, BEFORE AWARDING CONTRACTS OR CONDUCTING
11 RULEMAKING. THE AUTHORITY SHALL COMPLY WITH ALL APPLICABLE LAWS IN OBTAINING
12 LEGAL ADVICE.

13 30-131. Term of power sales contract for long-term power:
14 definitions

15 A. BEGINNING ON THE EFFECTIVE DATE OF THIS SECTION, THE TERM OF ANY
16 POWER SALES CONTRACT FOR LONG-TERM POWER ISSUED BY THE AUTHORITY MAY NOT
17 EXCEED FIFTEEN YEARS, WITH A POSSIBLE RIGHT OF RENEWAL FOR ADDITIONAL
18 FIVE-YEAR PERIODS NOT TO EXCEED A TOTAL OF FIFTY YEARS.

19 B. FOR THE PURPOSES OF THIS SECTION:

20 1. "LONG-TERM POWER" MEANS ANY SUPPLY OF POWER THAT IS AVAILABLE TO
21 THE AUTHORITY FOR A PERIOD OF MORE THAN THREE HUNDRED SIXTY-SIX CONSECUTIVE
22 DAYS AND THAT IS SUBJECT TO THE JURISDICTION OF, AND DISPOSITION BY, THE
23 AUTHORITY, INCLUDING ANY POWER RECAPTURED BY THE AUTHORITY AND ANY POWER
24 TENDERED OR RELINQUISHED BY A QUALIFIED PURCHASER.

25 2. "POWER SALES CONTRACT" MEANS A CONTRACT UNDER WHICH THE AUTHORITY
26 SELLS LONG-TERM POWER.

27 Sec. 4. Section 41-192.01, Arizona Revised Statutes, is amended to
28 read:

29 41-192.01. Authorizing Arizona power authority to employ legal
30 counsel for federal proceedings; qualifications of
31 lead counsel; request for proposals; commission
32 approval

33 A. The Arizona power authority ~~shall also be~~ IS exempt from the
34 ~~provisions of this article to the extent that~~ ~~it~~ THE AUTHORITY may employ
35 legal counsel to represent it before any federal agency and before any
36 federal court and in matters incidental to any proceeding before any such
37 federal agency or court. FOR THE FOLLOWING:

1 Sec. 7. Termination of current post-2017 Hoover power
2 allocation; attorney general oversight; delayed repeal

3 A. The Arizona power authority shall promptly terminate its current
4 process to allocate post-2017 Hoover power and initiate a new process to
5 allocate post-2017 Hoover power that is conducted in good faith and pursuant
6 to applicable law.

7 B. The attorney general shall oversee the new process to allocate
8 post-2017 Hoover power initiated pursuant to subsection A of this section.

9 C. This section is repealed from and after December 31, 2017.

10 Sec. 8. Purpose

11 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
12 the legislature continues the Arizona power authority to bargain for, take
13 and receive electrical or other forms of energy and make these forms of
14 energy available for the benefit of this state.

15 Sec. 9. Retroactivity

16 Sections 5 and 6 of this act are effective retroactively to July 1,
17 2016.

18 Sec. 10. Emergency

19 This act is an emergency measure that is necessary to preserve the
20 public peace, health or safety and is operative immediately as provided by
21 law."

22 Amend title to conform

VINCE LEACH

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SCHEDULE A	Normalized 5-YR Average Peak	2017 Capacity Allocation	% of Load
101 Aguila ID	8,129	2,449	30.1%
102 Avra Valley IDD	1,933	630	32.6%
103 Buckeye WCDD	7,223	2,979	41.2%
105 Chandler Heights Citrus ID	1,060	930	87.7%
106 Cortaro-Marana ID	8,548	6,439	75.3%
107 ED-2	46,795	19,445	41.6%
108 ED-3	189,340	15,896	8.4%
109 ED-4	53,415	19,445	36.4%
110 ED-5	25,447	14,767	58.0%
111 ED-6	28,359	8,358	29.5%
112 ED-7	10,921	10,498	96.1%
113 ED-8	67,472	13,387	19.8%
114 Harquahala Valley	24,061	2,490	10.3%
115 MWD	21,038	8,838	42.0%
116 McMullen WCDD	17,407	3,800	21.8%
117 Ocotillo WCD	2,136	2,115	99.0%
118 Queen Creek IDD	7,522	1,770	23.5%
119 Roosevelt D	18,721	3,219	17.2%
120 RWCD	9,878	6,759	68.4%
121 SRP	6,335,602	38,782	0.6%
122 San Tan ID	1,656	520	31.4%
123 Silverbell	1,380	710	51.4%
124 Tonopah ID	9,331	1,549	16.6%
125 Wellton-Mohawk	11,738	2,910	24.8%
126 Franklin ID	733	303	41.3%
127 Gila Valley ID	2,197	910	41.4%
128 Grover's Hill ID	78	100	128.2%
129 Hohokam ID	7,198	100	1.4%
130 Hyder Valley IWDD	455	100	22.0%
131 Markham IDD	249	100	40.2%
132 Mohave Valley IDD	941	390	41.4%
134 St. David ID	81	81	100.0%
135 Silvercreek ID	266	100	37.6%

SCHEDULE B

101 Aguila IDD	8,129	3,878	47.7%
104 CAWCD	424,974	161,600	38.0%
113 ED-8	67,472	10,917	16.2%
116 McMullen CDD	17,407	5,342	30.7%
201 Page	26,561	1,050	4.0%
202 Safford	19,609	2,101	10.7%
203 Thatcher	5,683	1,060	18.7%
204 Wickenburg	5,171	2,313	44.7%
214 Mesa	68,377	1,497	2.2%
404 Ak-Chin Tribe	4,635	102	2.2%

SCHEDULE D

205 Avondale	4,708	547	11.6%
206 Buckeye	5,773	670	11.6%
208 Flagstaff	1,479	172	11.6%
209 Fredonia	853	100	11.7%
210 Gilbert	16,849	1,000	5.9%
212 Globe	977	113	11.6%
213 Maricopa	1,415	164	11.6%
216 Oro Valley	1,746	203	11.6%
218 Payson	1,486	173	11.6%
222 Sedona	954	111	11.6%
223 Sierra Vista	1,759	204	11.6%
225 Williams	7,105	825	11.6%
226 Yuma	8,576	996	11.6%
302 Duncan Valley EC	6,027	700	11.6%
303 Graham County EC	41,911	1,000	2.4%
304 Mohave EC	197,968	1,000	0.5%
305 Navopache EC	78,442	1,000	1.3%
306 Sulphur Springs Valley EC	202,050	1,000	0.5%
307 Trico EC	176,133	1,000	0.6%
402 Avra Water Co-op	410	100	24.4%
403 Aha Macav	2,862	332	11.6%
405 Hualapai Tribe	3,295	100	3.0%

Amounts At Generation

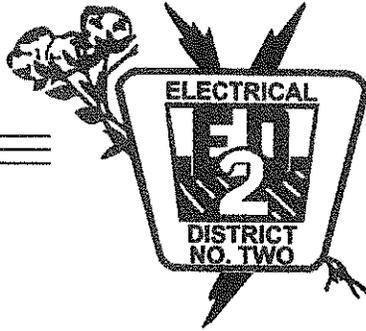
	Existing APA		Existing APA		New		New		New		New		Total Hoover	Other Federal	Total Federal Allocation	5 yr Avg (MW)	
	A Contract Amounts		B Contract Amounts		Schedule A Allocations		Schedule B Allocations		Schedule D2 Allocations		Schedule D1 Allocations						
	kW	KWh	kW	KWh	kW	KWh	kW	KWh	kW	KWh	kW	KWh					
Agulla Irrigation District	2,450	8,389,000	3,840	4,327,000	2,449	7,874,115	3,878	4,113,711	-	-	-	-	6,327		6,327	8,129	78%
Aha Macav Power Service	-	-	-	-	-	-	-	-	332	724,371	-	-	332	1,690	332	4,552	7%
Ak-Chin Tribe	-	-	-	-	-	-	102	108,200	-	-	-	-	102	2,413	102	7,048	1%
Avra Valley Irrigation and Drainage District	630	2,168,000	-	-	630	2,025,599	-	-	-	-	-	-	630		630	1,933	33%
Avra Water Co-op, Inc.	-	-	-	-	-	-	-	-	100	218,184	-	-	100		100	410	24%
Buckeye Water Conservation & Drainage District	2,980	10,201,000	-	-	2,979	9,578,190	-	-	-	-	-	-	2,979		2,979	7,223	41%
Central Arizona Water Conservation District	-	-	161,600	182,235,000	-	-	161,600	171,422,311	-	-	-	-	161,600		161,600	438,972	37%
Chandler Heights Citrus Irrigation District	930	3,164,000	-	-	930	2,990,170	-	-	-	-	-	-	930	211	1,141	1,271	90%
City of Avondale	-	-	-	-	-	-	-	-	547	1,193,468	-	-	547		547	4,708	12%
City of Buckeye	-	-	-	-	-	-	-	-	670	1,461,834	-	-	670		670	5,773	12%
City of Chandler Municipal Utilities Department	-	-	-	-	-	-	-	-	-	-	676	1,475,854	201		201		
City of Flagstaff	-	-	-	-	-	-	-	-	172	375,277	201	438,826	373	201	373	1,680	22%
City of Glendale	-	-	-	-	-	-	-	-	-	-	426	930,050	426		426		
City of Globe	-	-	-	-	-	-	-	-	113	246,548	115	251,070	228		228	1,092	21%
City of Maricopa	-	-	-	-	-	-	-	-	164	357,822	-	-	164	100	164	1,415	12%
City of Mesa	-	-	-	-	-	-	1,497	1,587,990	-	-	-	-	1,497	14,691	1,497	83,068	2%
City of Peoria	-	-	-	-	-	-	-	-	-	-	691	1,508,602	691		691		
City of Phoenix	-	-	-	-	-	-	-	-	-	-	3,000	6,549,646	3,000		3,000		
City of Safford	-	-	2,080	2,345,000	-	-	2,101	2,228,702	-	-	-	-	2,101	630	2,101	20,239	10%
City of Scottsdale	-	-	-	-	-	-	-	-	-	-	2,366	5,165,487	2,366		2,366		
City of Sedona	-	-	-	-	-	-	-	-	111	242,184	-	-	111		111	954	12%
City of Sierra Vista	-	-	-	-	-	-	-	-	204	445,096	-	-	204		204	1,759	12%
City of Tempe Public Works Department	-	-	-	-	-	-	-	-	-	-	241	526,155	241		241		
City of Tucson Water Department	-	-	-	-	-	-	-	-	-	-	1,248	2,724,653	1,248		1,248		

	Existing APA		Existing APA		New		New		New		New		Total Hoover	Other Federal	Total Federal Allocation	5 yr Avg (MW)	
	A Contract Amounts		B Contract Amounts		Schedule A Allocations		Schedule B Allocations		Schedule D2 Allocations		Schedule D1 Allocatoions						
	kW	KWh	kW	KWh	kW	KWh	kW	KWh	kW	KWh	kW	KWh					
City of Williams	-	-	-	-	-	-	-	-	825	1,800,020	-	-	825	1,000	1,825	8,105	23%
City of Yuma	-	-	-	-	-	-	-	-	996	2,173,114	-	-	996	1,000	1,996	9,576	21%
Cortaro-Marana Irrigation District	6,440	22,003,000	-	-	6,439	20,702,909	-	-	-	-	-	-	6,439		6,439	8,548	75%
Duncan Valley Electric Cooperative, Inc.	-	-	-	-	-	-	-	-	700	1,527,289	-	-	700		700	6,027	12%
Electrical District No. 2, of Pinal County	19,450	66,473,000	-	-	19,445	62,520,276	-	-	-	-	-	-	19,445	9,386	28,831	46,795	62%
Electrical District No. 3, Pinal County	15,900	54,351,000	-	-	15,896	51,109,401	-	-	-	-	-	-	15,896	9,591	25,487	189,340	62%
Electrical District No. 4, Pinal County	19,450	66,473,000	-	-	19,445	62,520,276	-	-	-	-	-	-	19,445	2,738	22,183	53,415	42%
Electrical District No. 5, Pinal County	14,770	50,476,000	-	-	14,767	47,479,399	-	-	-	-	-	-	14,767	1,960	16,727	25,447	66%
Electrical District No. 6, Pinal County	8,360	28,579,000	-	-	8,358	26,872,947	-	-	-	-	-	-	8,358	3,975	12,333	28,359	43%
Electrical District No. 7, Maricopa County	10,500	35,902,000	-	-	10,498	33,753,554	-	-	-	-	-	-	10,498	2,466	12,964	10,921	119%
Electrical District No. 8, Maricopa County	13,390	45,749,000	10,810	12,185,000	13,387	43,042,373	10,917	11,580,553	-	-	-	-	24,304		24,304	67,427	36%
Franklin Irrigation District	-	-	-	-	303	974,217	-	-	-	-	-	-	303		303	733	41%
Gila Valley Irrigation District	-	-	-	-	910	2,925,865	-	-	-	-	-	-	910		910	2,197	41%
Graham County Electric Cooperative, Inc.	-	-	-	-	-	-	-	-	1,000	2,181,842	312	681,163	1,312	312	1,624	42,223	4%
Grover's Hill Irrigation District	-	-	-	-	100	321,524	-	-	-	-	-	-	100		100	78	128%
Harquahala Valley Power District	2,490	8,495,000	-	-	2,490	8,005,939	-	-	-	-	-	-	2,490		2,490	24,061	10%
Hohokam Irrigation and Drainage District	-	-	-	-	100	321,524	-	-	-	-	-	-	100	1,000	1,100	7,198	15%
Hualapai Tribe	-	-	-	-	-	-	-	-	100	218,184	-	-	100	758	858	4,053	21%
Hyder Valley Irrigation and Water Delivery District	-	-	-	-	100	321,524	-	-	-	-	-	-	100		100	455	22%
Maricopa County Municipal Water Conservation District	8,840	30,215,000	-	-	8,838	28,416,261	-	-	-	-	-	-	8,838	2,978	11,816	21,083	56%
Markham Irrigation and Water Conservation District	-	-	-	-	100	321,524	-	-	-	-	-	-	100		100	249	53%
McMullen Valley Water Conservation and Drainage District	3,800	12,974,000	5,290	5,970,000	3,800	12,217,899	5,342	5,666,695	-	-	-	-	9,142		9,142	17,407	53%
Metropolitan Domestic Water Improvement District	-	-	-	-	-	-	-	-	-	-	179	390,796	179		179		
Mohave Electric Cooperative, Inc.	-	-	-	-	-	-	-	-	1,000	2,181,842	1,145	2,499,781	2,145	1,145	3,290	193,373	2%

	Existing APA		Existing APA		New		New		New		New		Total Hoover	Other Federal	Total Federal Allocation	5 yr Avg (MW)	
	A Contract Amounts		B Contract Amounts		Schedule A Allocations		Schedule B Allocations		Schedule D2 Allocations		Schedule D1 Allocations						
	kW	KWh	kW	KWh	kW	KWh	kW	KWh	kW	KWh	kW	KWh					
Mohave Valley Irrigation and Drainage District	-	-	-	-	390	1,253,942	-	-	-	-	-	-	390		390	941	41%
Navopache Electric Cooperative, Inc.	-	-	-	-	-	-	-	-	1,000	2,181,842	888	1,938,695	1,888	5,091	6,979	83,533	8%
Northern Arizona Irrigation District Power Pool	-	-	-	-	-	-	-	-	-	-	246	537,071	246		246		
Ocotillo Water Conservation District	2,390	8,175,000	-	-	2,115	6,800,225	-	-	-	-	-	-	2,115	615	2,730	2,751	99%
Page Own System & Operating (Muni)	-	-	1,040	1,173,000	-	-	1,050	1,113,821	-	-	-	-	1,050		1,050	28,854	4%
Queen Creek Irrigation District	1,770	6,043,000	-	-	1,770	5,690,969	-	-	-	-	-	-	1,770	998	2,768	7,522	37%
Roosevelt Irrigation District	3,220	11,020,000	-	-	3,219	10,349,847	-	-	-	-	-	-	3,219	2,772	5,991	18,721	32%
Roosevelt Water Conservation District	6,760	23,106,000	-	-	6,759	21,731,784	-	-	-	-	-	-	6,759	1,250	8,009	9,878	81%
Salt River Project	38,790	132,589,000	-	-	38,782	124,693,307	-	-	-	-	-	-	38,782	86,059	124,841	6,335,602	2%
San Tan Irrigation District	520	1,777,000	-	-	520	1,671,923	-	-	-	-	-	-	520	466	986	1,656	60%
Silverbell Irrigation & Drainage District	710	2,417,000	-	-	710	2,282,818	-	-	-	-	-	-	710		710	1,380	51%
Silvercreek Irrigation District	-	-	-	-	100	321,524	-	-	-	-	-	-	100		100	266	38%
St. David Irrigation District	-	-	-	-	81	260,434	-	-	-	-	-	-	81		81	81	100%
Sulfur Springs Valley Electric Cooperative, Inc.	-	-	-	-	-	-	-	-	1,000	2,181,842	2,731	5,962,361	3,731	2,731	6,462	204,781	3%
Tonopah Irrigation District	1,550	5,297,000	-	-	1,549	4,980,402	-	-	-	-	-	-	1,549		1,549	1,380	112%
Town Of Fredonia	-	-	-	-	-	-	-	-	100	218,184	-	-	100	2,000	1,900	2,853	67%
Town of Gilbert	-	-	-	-	-	-	-	-	1,000	2,181,842	-	-	1,000	1,000	2,000	17,849	11%
Town of Oro Valley	-	-	-	-	-	-	-	-	203	442,914	-	-	203		203	1,746	12%
Town of Payson	-	-	-	-	-	-	-	-	173	377,459	119	259,803	292	119	411	1,605	25%
Town of Thatcher	-	-	1,050	1,185,000	-	-	1,060	1,124,429	-	-	-	-	1,060	1,285	2,345	6,968	34%
Town of Wickenburg	-	-	2,290	2,580,000	-	-	2,313	2,453,588	-	-	-	-	2,313	2,000	4,313	7,171	60%
Trico Electric Cooperative, Inc.	-	-	-	-	-	-	-	-	1,000	2,181,842	3,000	6,549,646	4,000	3,000	7,000	179,133	4%
Wellton-Mohawk Irrigation and Drainage District	2,910	9,953,000	-	-	2,910	9,356,339	-	-	-	-	-	-	2,910	3,440	6,350	14,280	44%
TOTAL	189,000	645,989,000	188,000	212,000,000	190,869	613,689,000	189,860	201,400,000	11,510	25,113,000	17,584	38,389,659					

ELECTRICAL DISTRICT

POST OFFICE BOX 548
COOLIDGE, ARIZONA 85128
www.ed2.com



NUMBER TWO, PINAL COUNTY

PHONE: (520) 723-7741
FAX: (520) 723-5252

March 14, 2016

The Honorable Frank Pratt
Chairman, Committee on Energy, Environment and Natural Resources
Arizona House of Representatives
1700 West Washington Street
Phoenix, AZ 85007

The Honorable Vince Leach
Arizona House of Representatives
1700 West Washington Street
Phoenix, AZ 85007

RE: Opposition to the Strike Everything Amendment to SB 1060

Dear Chairman Pratt and Representative Leach:

I am the General Manager of Electrical District Number Two of Pinal County (District). The District was established in 1923 as a municipal corporation and political subdivision of the State of Arizona and formed primarily to provide its agricultural customers with affordable electric power for irrigation pumping. Our service area includes portions of Casa Grande, Coolidge, Florence and Eloy. Today the District serves approximately 5,000 customers, including irrigation, residential, commercial, and industrial customers.

A significant portion of the District's power resources comes from an allocation of Hoover Power received from the Arizona Power Authority (APA). It has been brought to the District's attention that the House Energy, Environment and Natural Resources Committee will be conducting a hearing on a strike everything amendment to Senate Bill 1060 that would have a major impact on the administrative process of the Arizona Power Authority.

The purpose of this letter is to state the District's strong opposition to the proposed amendment. Of particular concern is the disruptive effect passage of the amendment would have on the Post-2017 allocation of Hoover Power by APA. The District has been engaged in the Post-2017 Hoover Power allocation process since it was first initiated several years ago. The Post-2017 allocations adopted by APA in July 2015 resulted in a six percent reduction from our current allocation. Although we are not happy with the reduction, the District understood the APA's difficult position of trying to allocate a

Chairman Pratt and Representative Leach
March 14, 2016
Page 2

valuable shrinking power resource. The District has recognized that reduction in its future integrated power resource plans. To help offset the reduction in our Hoover power allocation, we just recently made a substantial investment in an alternate power source. The amendment before the committee would essentially throw out the current Post-2017 Hoover Power Allocations adopted in July 2015 and start the process all over again; adding several more years of uncertainty, adding more cost to all APA customers and provide no apparent benefit. It would also interrupt our application process of securing transmission service for our Post-2017 Hoover allocation.

Also of concern is the limiting of contract terms to not more than fifteen years with renewals of only five years. Such limits would most likely be factored into the District's contracts with APA and could have an impact on the District's bond ratings by the rating agencies. Historically rating agencies have viewed long-term hydro-power supply contracts as having a positive influence on a utility's bond rating since they typically provide power at relatively lower cost and longer duration which serves to reduce the volatility of a utility's overall power supply cost. Hoover Power is a significant portion of the District's power resource mix. The District has historically had long-term power contracts covering its base load of at least 25 years.

Furthermore, the District and the other APA customers have incurred substantial time and expense in the allocation process itself over the last several years. Requiring this lengthy process to be repeated every five or fifteen years would result in further burden on the APA customers.

The District asks that you reject the strike everything amendment to Senate Bill 1060. Supporting the amendment would have a major negative impact on the District as well as the majority of APA's customers, both current and new Post-2017 Hoover Power customers. To disrupt the operation of the APA and derail the Post-2017 allocation process is unwarranted and would serve no useful purpose.

If you or your staff need any additional information about the effects such legislation would have on entities like the District, please feel free to contact me at your convenience.

Sincerely,



Ken Robbins
General Manager

My name is Kelly Urbine. I support the amendment to SB1060 that is before you today. I am a small business owner of Current Insight Incorporated, which is an energy consulting business. I became involved with the Arizona Power Authority about 3 years ago as the allocation process for Hoover power was underway. I assisted about 7 Arizona cities with their applications for Hoover power, both with the APA and also with the federal government in their earlier process ending in 2014. I now have clients who received Hoover power from both the federal government and the APA; as you know all of the Arizona non-tribal entities are required to contract through the APA for their Hoover power. That background explains why I have experience with and knowledge of the APA activities. However, I want to make it clear that my remarks here today are only my own observations as an individual and I am speaking only on my own behalf and not on the behalf of my municipal clients or anyone else.

I really have 3 points to make: (1) the allocation process which I believe was fraught with errors, violations of state law, and unfairly favors existing customers at the expense of new applicants; (2) the sole sourcing of many activities of the APA to one private Mesa business; and (3) a few of my own personal experiences with the agency, some of which have directly harmed my business.

- (1) The allocation process: when I began attending APA public meetings about 3 years ago, it was my assumption that the 1987 contracts, which expire in 2017, would end and all applicants would start anew, with every entity receiving equal consideration. That was not the case. From the beginning, the APA made it clear that existing customers would receive nearly the same amounts of energy and capacity as their 1987 contracts. Although everyone, old and new, was required to submit applications for power, I do not believe that the applications were evaluated fully for all applicants. For example, existing customers whose power is supposed to serve only agricultural load did not have to verify that. Also some of the existing customers' service territories have urbanized in the past 30 years, to the extent that some of them have virtually no agricultural load whatsoever, yet they are still received the "agriculture" preference. Some of those entities have not used their Hoover power in years, yet they retain their allocations. They are still allowed to receive value for it through arrangements of layoff/resource exchange, which falls under my next point about sole sourcing activities. The new non-agriculture entities, including the cities I work with were restricted to receiving about 6% of their load covered by Hoover, while some existing customers receive over 100%. To compare cities, Wickenburg gets about 45% of its load covered by federal hydropower. Can the rationale really be that Wickenburg prevails over Sedona or Yuma or Sierra Vista simply because they were first to the trough in 1987?
- (2) Sole sourcing activities: A Mesa business, K.R. Saline & Associates is an engineering firm that represents nearly all the existing customers of the APA. Ken Saline of that business operates the Resource Exchange Program (REP), a mechanism which is basically a giant shell game where Hoover power is moved around among the current customers. Originally this was thought to address the seasonality of agriculture, where irrigation pumps needed to be run during growing seasons and not at all in the off season. However it is now being exploited as an arbitrage scheme, where the Hoover power is being bought and sold among entities to exploit market conditions. The REP was never put out for a bidding process as is usually required for state

agencies. Also, the exchanges are so complex that no one at the APA monitors or audits those activities. The accounting auditors who examine the APA never look into the power exchanges. Next, these customers who Mr. Saline represents formed a joint powers agency called Southwest Public Power Agency in 2014. SPPA entered a long term purchase power agreement with a merchant power plant for 271 mW. Most of these entities are restricted from using merchant power because they are really just retail electric customers who formed virtual districts and entered wholesale FERC power contracts with their utilities. Those contracts are highly favorable to the districts but restrict them to their federal allocations and restrict them from bringing in any other power—all of their remaining load must be served by their host utility. So where is the 271 mW going? Well, enter sole source situation #2 with K.R. Saline & Associates. The APA agreed in early 2015 to purchase “firming” power from SPPA. This also was not put through a bid process. Firming power is defined as power to firm up to your allotted capacity—if the Hoover Dam doesn’t generate 100% of your allotment, the federal government allows you to “firm” the power up to 100%. It would make sense to purchase the firming power from the federal government, which can access wholesale markets nationwide to find the lowest prices. But the APA chose to sole source this activity to SPPA. Now it just seems strange to me that the APA would arrange to buy power for their customers, from those very same customers who have already purchased that same power. But then I remembered seeing Goodfellas and it all made sense. This seems to be similar to money laundering, but instead of money, it’s electrical power. And the APA is being used as the wash plant. Basically the APA has been taken over by its customers who have turned a state agency into a private power marketing business that provides enormous financial benefits to a few entities at the expense of others, namely the public. The harm caused by that activity affects all other utility ratepayers, since the favorable wholesale contract terms given to the virtual districts are subsidized by ratepayers. The problem is compounded if those districts are bringing in merchant power in violation of their contracts. Also, unsuspecting new customers of the APA will be forced to be complicit in this wrongdoing if they attempt to purchase firming power, as is their right. I doubt if any of the cities I work with are interested in abetting this fraudulent activity.

- (3) My personal experiences-- I have had several problems with Mr. McVey, the temporary attorney hired by the APA. On one occasion a few months ago I asked to see the APA’s public file of disclosures of conflicts of interest. Mr. Johnson, the temporary director refused. He said he had to scan the contents and send them to McVey for review. After several hours passed I called a very irritated Mr. McVey who told me I couldn’t just walk in and ask to see the file, and that he needed time to get it ready for viewing. He did give me access the following day, but by then the file had grown from a thin file of perhaps 10 pages to over 100, and he said that he had removed some documents that were confidential. I believe state law requires such a file and all of its contents to be made immediately available to public inquiry.

Also, the APA made rules regarding appeals to its final allocations, but then never published those rules. I checked with the APA and with the Secretary of State’s office, which did not have the rules either. I filed appeals for several of my clients with an attorney. The APA determined that I could not use the attorney I had chosen, and then McVey sent a letter to all of my clients stating that I had violated state law in filing the appeals, a felony. The letter said “cc: Kelly

Urbine” but I never received it. McVey later blamed a staff member for failing to copy me. Naturally his letter created a lot of chaos for me and my clients and harmed my reputation. Later, Mr. McVey was similarly difficult when I asked him what the procedure was to withdraw an appeal. He refused to tell me and insisted that I tell him first who wanted to withdraw. We had a bit of a standoff. Then suddenly the cities and I received a very official legal document from an existing customer’s lawyer (Mr. Lynch’s firm). I believe that was instigated by Mr. McVey. Finally I just sent letters to the APA withdrawing the appeals and the letters were accepted. I did send a letter to McVey requesting that he explain to my clients that he failed to copy me on the letter, and that the APA never published the rules for the appeals. He replied with a letter to me stating that he disagreed and refused to write to the cities.

More recently, the APA has allowed only certain parties access to the APA’s negotiation process with the federal government over the electric service contract. Bob Johnson, the interim executive director of the APA, stated multiple times at public meetings that no one but APA staff would be allowed to attend the negotiation sessions or be otherwise involved. After learning that several of the existing customers’ representatives attended (Sheryl Sweeney, Bob Lynch, Jay Moyes), I asked Mr. Johnson what was going on. He asked to have a meeting, which we did. At that time he said he wasn’t going to let me tell him who he could and couldn’t take to those negotiations, and that he would take people that he felt would be beneficial. Since then he has taken only existing customer lawyers (Sweeney, Lynch, Moyes). Mr. Johnson is largely silent at those meetings, but the customer’s lawyers (mainly Lynch) are quite vocal. The voice of the APA at the contract negotiations seems to be largely the lawyers for the existing customers. The new customers have basically no representation whatsoever. Also, the new customers have had pretty much zero contact with the APA. There has been no outreach to them as far as I know. This is just one recent example of the APA’s exclusive treatment of existing customers to the detriment of new customers.

To summarize, I believe the APA has been overtaken by private interests in violation of many state laws. The APA has hired staff members who are temporary retired individuals, who have little knowledge of its current activities. For example, Mr. Johnson had no idea what the REP is or what SPPA was when I talked to him after he had been in his position for some time. Similarly, although Mr. McVey may have had an illustrative career in juvenile justice, he has utterly no energy industry experience and seems ignorant of administrative law. These staff members are intelligent successful people but I believe they are being kept in the dark about significant APA business. Additionally, there are many other conflicts of interest and other issues that I am aware of but I will let others speak to that. I have confined my remarks to my personal knowledge and experiences with the APA. The APA is the quintessential “good old boys’ club” and relies on keeping its actions hidden from outsiders. The regulators have become too cozy with the regulated, even to the point that crossover exists where a regulator is actually one OF the regulated. This situation is unacceptable and is the very reason why conflict of interest laws exist. I would like to point out that some very egregious instances of malfeasance have occurred under the direct observation and guidance of lawyers—the final allocation itself violated open meeting law and the room was filled with attorneys—including a commissioner, Mr. McVey, Mr.

Somach, and many of the faces in this room here today. If the agency cannot regulate itself, or will not regulate itself, then it absolutely demands outside intervention. I believe this all boils down to money, and greed. Organizations are historically poor at self-regulation when millions of dollars are at stake, particularly where conflicts of interest reside among the regulators. There are a few guests in this room who are interested in shedding some outside light on this agency and its workings. We are here on our own dime. Many of the others here, who seek to maintain the status quo, can afford all this legal advocacy and lobbying effort because they or their clients have been the beneficiaries of decades of inexpensive electrical power. Who can blame them for trying to maintain their lock on the power? They are very close to icing down their dominance over this Hoover resource for the next half century. If this process was done in a fair, open and transparent way, then they should welcome the opportunity to demonstrate that. They should welcome appeals to their process so they could offer evidence of their fairness. They should welcome outside oversight, for surely it would reveal no wrongdoing. But they are resistant to all of the above. You should ask yourselves why? What is the motive? As an Arizona citizen I am deeply disappointed in the APA. This is not how government is supposed to work. I would like to see the APA returned to a state agency which serves the people of Arizona. I would like to see the Hoover resource distributed to its absolute best use. I don't believe that keeping it in the hands of a few who have not been properly evaluated is meeting that goal. This is a very limited and precious resource granted to the state of Arizona. It is incumbent upon us to ensure that its recipients are worthy. This can only be done through a process which investigates fully where the power is going and how it is being used. If left as it is today, we are squandering the resource for the state of Arizona for decades, and our grandchildren or great-grandchildren will be the next generation to make the decisions over Hoover power allocations. Therefore it is quite important that the allocations be done correctly now. Please vote to pass the amendment to SB1060 and request some oversight of the APA before it's too late.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON ENERGY, ENVIRONMENT AND NATURAL RESOURCES BILL NO. SB 1060

DATE March 14, 2016 MOTION: DPA SE

	PASS	AYE	NAY	PRESENT	ABSENT
Mrs. Barton		✓			
Mrs. Carter			✓		
Mr. Clark		✓			
Mr. Finchem		✓			
Mr. Kopec			✓		
Mr. Leach		✓			
Mr. Saldate		✓			
Mr. Bowers, Vice-Chairman		✓			
Mr. Pratt, Chairman		✓			
		7	2	0	0

APPROVED:


 FRANKLIN M. PRATT, Chairman
 RUSSELL BOWERS, Vice-Chairman


 COMMITTEE SECRETARY

ATTACHMENT _____

ARIZONA STATE LEGISLATURE
 Fifty-second Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON ENERGY, ENVIRONMENT AND NATURAL RESOURCES

CHAIRMAN: Franklin M. Pratt VICE-CHAIRMAN: Russell Bowers

DATE	3/14/16	/16	/16	/16	/16
CONVENED	3:21 PM	m	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	7:36 PM				
MEMBERS					
Mrs. Barton	✓				
Mrs. Carter	✓				
Mr. Clark	✓				
Mr. Finchem	✓				
Mr. Kopec	✓				
Mr. Leach	✓				
Mr. Saldate	✓				
Mr. Bowers, Vice-Chairman	✓				
Mr. Pratt, Chairman	✓				

✓ Present -- Absent exc Excused