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IN THE UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
PHOENIX, ARIZONA OFFICE

PARKER-DAVIS PROJECT - POST-2008 RESOURCE POOL
PROPOSED PROCEDURES AND CALL FOR APPLICATIONS
PUBLIC COMMENT FORUM

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona
December 1, 2004
1:00 o'clock p.m.

REPORTED BY: CHRISTINE JOHNSON, RPR
Certified Court Reporter #50383

PREPARED FOR:
WESTERN AREA POWER ADMINISTRATION

BRUSH & TERRELL
Court Reporters
23331 N. 90th Drive
Peoria, Arizona 85323
(623) 506-8046

1 Be it remembered that heretofore on December 1,
2 2004, commencing at 1:00 p.m., at the offices of the WESTERN
3 AREA POWER ADMINISTRATION, Phoenix, Arizona, the following
4 proceedings were had, to wit:

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7	OPENING REMARKS	Page
8	BY MR. DOUGLAS N. HARNESS	3

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13 COMMENTS

14	BY MR. ROBERT S. LYNCH	6
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15	BY MR. DENNIS WELLS	8
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16	BY MS. AMY MIGNELLA	11
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17	BY MR. JIM NOBLE	12
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18	BY MR. JACK LONG	15
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19	BY MR. MICHAEL CURTIS	17
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1 MR. HARNESS: Let's go on the record, please.
2 Good afternoon, Everybody. Welcome to today's Public
3 Comment Forum. I'm Doug Harness. I'm an attorney with
4 Western Area Power Administration out of our Lakewood,
5 Colorado office and I'll be today's moderator.

6 The purpose of this Public Comment Forum is to
7 give interested parties the opportunity to make oral
8 presentations and/or to submit written comments for the
9 record on the procedures proposed by Western for allocating
10 the Parker-Davis Project post-2008 resource pool. The
11 resource pool was created when Western decided to apply the
12 Energy Planning and Management Program Power Marketing
13 Initiative or PMI to the Parker-Davis Project as publicized
14 in the Federal Register Notice of May 5th, 2003.

15 The resource pool consists of approximately
16 17 megawatts of summer season capacity and 13 megawatts of
17 winter season capacity, based on current estimates for
18 Parker-Davis hydroelectric resource availability for
19 allocation to eligible contractors for 20 years beginning
20 October 1, 2008.

21 As part of this Public process, Western is also
22 formally requesting applications from qualified entities
23 wishing to purchase power from the resource pool.

24 In addition to today's Forum and the one that
25 we're holding tomorrow in Ontario, California, written

1 comments may be submitted at any time during the comment
2 period that ends December 30th, 2004. These comments should
3 be sent to Mr. J. Tyler Carlson, Regional Manager of
4 Western's Desert Southwest Customer Service Region at post
5 office box 6457, Phoenix, Arizona 85005-6457. Comments may
6 also be faxed to area code (602)352-2490 or by e-mail to
7 "post2008PDP," as in Parker-Davis Project, "@wapa.gov." All
8 written comments received by Western will be posted on
9 Western's web site at the end of the comment period.

10 A verbatim transcript of today's Forum is being
11 prepared by our court reporter. Everything said today,
12 together with all exhibits, will be part of the official
13 record. Copies of today's transcript will be available to
14 anyone who wants a copy upon payment of the required fee to
15 the court reporter. And you can discuss with her afterwards
16 if you'd like to arrange to get a copy in that fashion.

17 Copies of the transcript and the exhibits will
18 also be available for review here in the Desert Southwest
19 Customer Service Regional Office.

20 All comments made today should be relevant to the
21 proposed procedures. As the moderator, I reserve the right
22 to disallow any comment that is not relevant to the subject
23 matter of today's Forum. Any relevant materials to be
24 introduced in the record should be given to the court
25 reporter and she'll assign it an exhibit number.

1 After the close of the Public Comment period,
2 Western representatives will review all the information,
3 comments and exhibits that have been received with regard to
4 the proposal. Western will then announce a decision in the
5 Federal Register. Comments made during this Public process
6 will be discussed in this announcement.

7 We have a sign-up sheet here for those who wish to
8 make comments, and we'll start with that, and then afterward
9 we'll open up the floor who would be interested in making
10 any comments.

11 Before you make your comments, if you would
12 please -- and feel free to come to the microphone if you
13 want or if you prefer to maybe stand where you are, that
14 would be fine -- but please identify yourself and the
15 organization that you represent, and if you would please
16 spell your name for the convenience of the court reporter.

17 Finally, please keep in mind that Western has no
18 presentation today and will not be answering questions. The
19 sole purpose of this Forum is to take your comments.

20 So with that, we will begin with the speaker list
21 and I see that Mr. Lynch is first.

22 MR. LYNCH: I'm Bob Lynch. I'm an attorney here
23 in Phoenix, Arizona. I, as you know, represent the
24 Irrigation and Electrical Districts Association of Arizona.
25 I also represent the City of Needles, which is a

1 Parker-Davis contractor. I'm here to provide some general
2 comments on the Federal Register Notice announcing of this
3 supplemental allocation, and I will be submitting written
4 comments by the December 30th deadline.

5 Maybe I'll try to -- I'll just try to do these in
6 the order they appear in the Federal Register.

7 Paragraph 3H says that any power allocated will be
8 returned to Western if it is not picked up or not
9 contracted. 10CFR section 905.32(e)(1) -- that's (e)(1) --
10 provides otherwise and is very specific and mandatory with
11 regard to what happens to reserve pool power that isn't
12 picked up.

13 So I think in the final notice that that should be
14 corrected. I don't anticipate there will be any such
15 animal, but I think that the regulations should be followed
16 and the statement should be corrected.

17 In paragraph 4F, the Federal Register Notice says
18 that new contractors will be required to pay for power in
19 advance. I don't think that Western has the authority to
20 require advance funding. I think it can accept advance
21 funding out of the Contributive Funds Act, and I will lay
22 out the legal issues for my position in my written comments.

23 Paragraph 4G talks about making payments to
24 existing contractors for investments that are unamortized
25 for the relines at Davis and Parker primarily. At the

1 Public Information Forum, there were some comments about how
2 that would be calculated.

3 Obviously, the investments that are being made now
4 that the existing contractors are funding have to be taken
5 into account. I think it would probably be helpful if
6 Western and some of the engineers that represent the
7 contractors sat down and tried to work out some details of
8 that before this gets locked in some final provision in
9 order to avoid problems in the future.

10 There is a deadline stated in the Federal Register
11 Notice for having transmission arrangements. It's six
12 months in advance of beginning to take power in October 1,
13 2008. I think it's April 1.

14 There is a deadline of sorts that says you have
15 six months to accept a contract offer after it is made,
16 whenever that occurs, sometime before the power is
17 available.

18 There is no deadline stated in the regulations for
19 complying with the requirement to be a preference entity
20 under section 9C, and I would suggest to you that given the
21 experience we had with CRSP and a lot of folks who are not
22 used to this process or the law or the regulations, that the
23 requirement to be a preference entity not be a deadline that
24 ends with the end of the comment period, but that it ends at
25 an appropriate time that allows Western to offer contracts.

1 And that when Western gets to the point where it
2 is ready to offer contracts, it obviously has to know who
3 the qualified applicants are, but it should allow people to
4 examine what the requirements are and the opportunities for
5 becoming a qualified applicant, if they are not already
6 under their preference law.

7 Western has offered in the Federal Register Notice
8 to help people with transmission arrangements, and I think
9 this is another area where it could help people understand
10 better what being a preference entity means and how to
11 qualify under section 9C, and I think that would be a
12 helpful service.

13 Those are my oral comments and thank you for the
14 opportunity to present them. And as I said, I'll be filing
15 written comments by the deadline, and I'd be happy to answer
16 any questions, but you're not going to have any questions,
17 are you?

18 MR. HARNESS: I have none, but thanks for
19 offering. And somebody stole your seat while you got up. I
20 said somebody stole your seat while you got up. It's a
21 tough crowd here.

22 Okay. Next we have Dennis Wells.

23 MR. WELLS: Yes. My name is Dennis Wells. I'm
24 the City Manager for the City of Williams, Northern Arizona.
25 City of Williams is, in reality, a small town that is

1 30 miles west of Flagstaff. Some 3,000 residents reside in
2 Williams.

3 Williams currently has no allocation of preference
4 power. The City of Williams believes the proposed
5 allocation procedures are reasonable and should not be
6 modified in this process.

7 The City of Williams also believes that its unique
8 circumstances warrant an allocation of preference power from
9 the Parker-Davis pool. We are a qualified applicant within
10 the P-DP area and the City of Williams currently has no
11 contract with Western for Federal power.

12 Williams has wholly-owned its electric utilities
13 since 1992 and is responsible for all low growth and
14 distribution within the City of Williams.

15 I'd like to discuss our situation very briefly
16 here this afternoon. Williams relies -- has relied,
17 throughout its history, upon surface water. That's one
18 reason the town is still 3,000 residents.

19 A few years ago, in the middle of this drought
20 that we are all experiencing, Williams embarked upon a
21 deep-well drilling program in 1998.

22 The City -- the 3,000 residents of Williams have
23 spent some \$10 million since 1998 in drilling very deep
24 municipal water wells into what is known as the Red Wall
25 Aquifer. Any of you that have visited the Grand Canyon, the

1 Red Wall is the band of rock just above the undergorge in
2 the Grand Canyon. So we're drilling to a depth of between
3 3,500 and 3,800 feet down into the crust of the earth to get
4 into this aquifer.

5 And my point being is that we now have two
6 producing water wells, which is a very fortunate thing for
7 the community, but we have pretty much spent much or not --
8 not really much -- pretty much all of our
9 infrastructure-type money, our enterprise money, in the last
10 number of years on deep water wells, some \$10 million. That
11 equates to about \$3,300 for every man, woman and child in
12 the community.

13 So it's been a huge commitment for the community.
14 And now that we have these wonderful water wells, which are
15 producing very good water -- thank you -- but we have
16 another problem. The water wells are not only expensive to
17 drill, but we found they're very expensive to produce from
18 that depth. Each water well takes about \$10,000 worth of
19 electrical energy to lift the water to the surface in any
20 given month of the year.

21 So with two producing water wells, we're using a
22 lot of power to lift that water, and that's one of the main
23 points I would like to make; that an allocation of P-DP
24 power would be a very beneficial thing for the City of
25 Williams to have because of these extremely deep wells that

1 we have. And really from our perspective, from the mayor
2 and city council's perspective, it's truly a matter of the
3 health, safety and welfare for the community in that it
4 would give us the capability of addressing some of the
5 related infrastructure needs that we have, a new water
6 filtration plant, a new waste water plant that is needed
7 here in about a year and a half when our permit expires and
8 then paving all our city streets.

9 So it's very important to us that we are part of
10 this process. We do appreciate the opportunity to be here
11 this afternoon and to compete for this pool power. And
12 thank you very much.

13 MR. HARNESS: Thank you, Mr. Wells.

14 Next is Amy.

15 MS. MIGNELLA: Good afternoon. Thank you for the
16 opportunity to comment today on the Parker-Davis Project
17 allocation process.

18 I represent the White Mountain Apache Tribe, but
19 I've also been asked to comment today on behalf of other
20 tribes in Arizona that would have been spoken about by
21 Leonard Gold who can't be here this afternoon.

22 And the gist of our comment is just that the
23 tribes request some type of extension, maybe a very short
24 one from the December 30th application deadline so that we
25 can correctly compile the required data for the

1 applications.

2 Tribes have -- many tribes have asked for the data
3 from their utility providers, but unfortunately many have
4 not received it yet, and those that have already, have to go
5 back and make adjustments to what was provided so that it
6 actually is consistent with what you all are requiring us to
7 submit, and that's going to take a little bit of time.

8 And given the holiday interruptions with staff
9 absences and whatnot at the utilities, we don't expect that
10 rushing it potentially at this point in the year is going to
11 be very successful.

12 So -- so we're just respectfully requesting maybe
13 a 30-day extension to the end of January. Thank you.
14 Excuse me, Amy Mignella, M-i-g-n-e-l-l-a.

15 MR. HARNESS: Thank you. Those were the only
16 names on our list. As I indicated though, we'll open the
17 floor to anybody who would like to make a comment. So floor
18 is open.

19 MR. NOBLE: Good afternoon. My name is Jim Noble.
20 I am an attorney with the law firm of Ryley, Carlock &
21 Applewhite. I'm here to make comments on behalf of five
22 irrigation electrical districts here in the Phoenix area.

23 Let's see if I can get the list: Maricopa
24 Municipal Water District Number One, Buckeye Water
25 Conservation and Drainage District, Roosevelt Irrigation

1 District, Electrical District Number Seven and Ocotillo
2 Water Conservation District. That's all five.

3 First, I just had a few comments. The first one
4 regarding the general allocation -- I'm sorry, the general
5 eligibility criteria that are provided in the Federal
6 Register Notice.

7 The criteria are differently worded depending on
8 whether or not the entity wishes to purchase power for its
9 own use or whether the entity wishes to purchase power for
10 resale to consumers.

11 The main difference being that those that wish to
12 purchase power for resale have to have what's called
13 "utility status," and this comes from the Code of Federal
14 Regulations, EPAMP guidelines.

15 Utility status is defined here as the following:
16 The applicant has responsibility to meet load growth, has a
17 distribution system and is ready, willing and able to
18 purchase Federal power from Western on a wholesale basis for
19 resale to retail customers.

20 There are a few ambiguities with this definition
21 that we would like to address. The first one is the
22 requirement that the application -- the applicant has
23 responsibility to meet load growth.

24 The Notice doesn't explain what this means or how
25 it would be satisfied and neither does the Code of Federal

1 Regulations that this comes from.

2 We would submit that irrigation and electrical
3 districts in Arizona would meet this requirement because
4 they are municipal corporations that have a primary
5 governmental purpose of providing water and electricity for
6 irrigation to their customers within their service area.

7 In some cases, they may not be the only entities
8 that provide power within their service area, but because
9 this is such a vital part of their purpose for existing, we
10 feel that they should meet this requirement.

11 The second ambiguous part of this definition of
12 utility status is a requirement that the entity, quote, "Has
13 a distribution system."

14 I only want to point out with regard to this
15 requirement that this does not state that the entity must
16 own a distribution system.

17 If you look at other parts of the eligibility
18 criteria, the requirement is worded a little bit
19 differently. For instance, just above the definition of
20 utility status, it states that the entity, quote, "Must have
21 the necessary arrangements for transmission and/or
22 distribution service in place."

23 I think this is a better worded way to state this
24 requirement in that there may be situations where an entity
25 wants to contract with a third party to provide distribution

1 service and receive power in that way.

2 So those are my only two comments with regard to
3 eligibility criteria. I have one final comment regarding
4 the general contract principles, which are under item four
5 in the Federal Register Notice.

6 Item G states that, "To the extent existing
7 contractors' allocations are reduced to create the resource
8 pool, new contractors will be required to reimburse existing
9 contractors for undepreciated replacement advances."

10 Mr. Lynch addressed this a little bit earlier and
11 I would echo his comments and recommend that Western provide
12 more detailed information about the amounts that would be
13 required under this, as well as the payment methods in such
14 a manner that -- that the entities can provide meaningful
15 feedback on this prior to the time that the contract forms
16 are finalized.

17 Those are all my comments. I will be submitting
18 them in writing, as well, by the submission deadline. And
19 thank you very much.

20 MR. HARNESS: Thank you, Mr. Noble. Did you get
21 his spelling?

22 MR. NOBLE: N-o-b-l-e.

23 MR. HARNESS: Thank you. Anybody else?

24 MR. LONG: My name is Jack Long. That's, L-o-n-g,
25 real simple one. I'm the manager of the Hohokam Irrigation

1 and Drainage District down in the Casa
2 Grande/Florence/Coolidge/Eloy area.

3 Hohokam is an irrigation drainage district and as
4 such is a municipal corporation and political subdivision of
5 the State of Arizona as all other irrigation districts are.

6 But we began our venture into the retail
7 electrical sales arena back in 1997. We have been serving
8 commercial, residential and industrial customers since that
9 time.

10 As most of you probably already know, Casa
11 Grande/Coolidge area is experiencing an explosion in
12 residential growth. Our customer base, we expect, is going
13 to be probably doubled within the next two years and our
14 demand, as well.

15 Currently, we do not have a preference power
16 contract, but I want to publicly thank Western Area Power
17 Administration's local staff for assisting us in
18 understanding the issues and providing us with the
19 information that we need to make a decision.

20 We will be submitting our application for a
21 hydropower for Parker-Davis allocation by the deadline. We
22 haven't gotten that completely put together yet, but we will
23 have it.

24 And, once again, I want to thank the local staff
25 for helping us to understand it; giving us the information

1 we need to be able to submit that application, as well as
2 understand the issues associated with this whole process.

3 We have no problem with the way that they've
4 handled it so far. We have no problem with the way that
5 they've held these public meetings.

6 I think that it's excellent that we've all had an
7 opportunity to speak and to express our opinions and as
8 varied as they are, but that's really kind of the end of my
9 comments. Thank you.

10 MR. HARNESS: Thank you, Mr. Long. I assume,
11 Mr. Curtis, you're coming to make a comment.

12 MR. CURTIS: My name is Michael Curtis,
13 C-u-r-t-i-s, and I just want to make sure that someplace in
14 the written record it's evidenced that we have -- the people
15 I work with have abandoned, forsworn and walked away from
16 any claim of 15 megawatts from the Imperial Irrigation
17 District or -- of the Nevada people, and that we have
18 absolutely no interest in that and believe that the process
19 is now proceeding in a very fair and adequate manner.

20 Make sure Frank Barberra and everybody gets that.

21 MR. HARNESS: Thank you, Mr. Curtis. I think.
22 Does anybody else have any comments they wish to make?

23 (Pause.)

24 MR. HARNESS: Well, seeing that nobody is
25 indicating they do, we'd like to thank you all for coming

1 today and attending our Forum.

2 We'd also ask if you haven't already done so that
3 you sign the -- that you sign the attendance list that is
4 outside on the table so that we have an accurate accounting
5 of who attended today.

6 We'd also remind you that written comments are due
7 on December the 30th. So please keep that date in mind.

8 So, again, we appreciate your attendance and
9 participation. And we'll finish up and close the record.
10 Thank you.

11 (Whereupon, the proceedings terminated at 1:32
12 p.m.)

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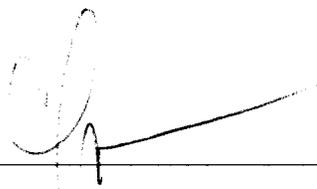
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I, CHRISTINE JOHNSON, having been first duly sworn and appointed as Official Court Reporter herein, do hereby certify that the foregoing pages numbered from 2 to 16, inclusive, constitute a full, true and accurate transcript of all the proceedings had in the above matter, all done to the best of my skill and ability.

DATED this 10th day of November, 2004.



CERTIFIED COURT REPORTER # 50383