



Page Electric Utility

electric power service for the people . . . by the people



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January 21, 2005

Mr. J. Tyler Carlson
Regional Manager
Western Area Power Administration
Post Office Box 6457
Phoenix, Arizona 85005-6457

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Re: Parker-Davis Power and Energy – Comments and Supplement to Request and Application for Allocation of One (1) Megawatt of P-DP Power

Dear Mr. Carlson:

The City of Page, Arizona began life as a "Government Camp" in 1957 housing the construction workers and their families who were building Glen Canyon Dam. In 1958, approximately 24 square miles of Navajo Reservation land were exchanged for a larger tract in Utah, and the Government Camp then moved across the river to the town site now known as Page, Arizona in honor of the Bureau of Reclamation Commissioner, John C. Page. From 1958 until 1975, Page was a Federal municipality or "enclave" similar to the manner in which Boulder City, Nevada was established when Hoover Dam was built.

In order to assist Page in remaining economically viable as a pocket of civilization for those families who maintain the Dam and work at the National Park Service, the Federal government granted a power supply in the amount of 6.4 megawatts of Colorado River Storage Project ("CRSP") power. This was the allocation of power and energy which the United States believed was appropriate and a minimum to assist the community grow in the future. The United States also granted Page the right to resale of its CRSP allocation. In the early 1960's, Arizona Public Service Company ("APS") became the retail electric service provider for the Town of Page. As a result, Page flourished as a power-generating tourist destination for those visiting Lake Powell. Given the Town's remote and isolated location, without the 6.4 megawatt allocation, the Town would have withered away to nothing more than a man-camp for workers maintaining the Dam. The margins help Page provide critical health, safety and welfare infrastructure for the citizens of Page.

In the early 1970's a confederation of utilities began constructing the Navajo Generating Station ("NGS") approximately five (5) miles outside of Page. Almost overnight, the Town quadrupled its population and vastly increased its demand for power and energy.

In 1975, as the NGS neared completion, the residents of Page voted to incorporate as a city under the laws of the State of Arizona. APS continued to serve the City of Page throughout this period of time.

However, in the early 1980's, the citizens of Page became very concerned about the exorbitant rates being charged by APS for power, margins from which were not invested in the Page infrastructure. Their displeasure culminated in a voter-authorized acquisition of the APS facilities in and around the City of Page in 1985. Various legal rulings prevented the Town from actually taking possession of the system until May of 1986. It was during this period of time that 20-year contract applications for Parker-Davis Project Power were first allowed by the Western Area Power Administration ("WAPA"). However, because Page Electric Utility was not actually an entity until May of 1986, the City was prohibited from applying for a share of the initial Parker-Davis Project power.

In addition, for reasons still unknown and unexplained, the City of Page is listed in the Northern Basin States Control Area even though it is geographically located in the State of Arizona which is a Southern Basin State. Reference to drainage basins should not be considered in the marketing of P-DP so long as an entity is located in Arizona. The criteria should be amended to clearly include Page. While this geographic anomaly would not normally be cause for concern, in 1987-1988, following a series of successful lawsuits, Western "reallocated" the Page 6.4 megawatt allocation which had traditionally been reserved for Page. Western arbitrarily stripped it of seven percent (7%) of its CRSP power allocation acting under the mistaken belief that Page was located in a Northern Basin State. Page was robbed of a birth right. This inequity was allowed to stand merely because of the artificial distinction that presumably placed Page within the borders of the State of Utah. In actuality, Page is a Lower Basin State and should not have been affected by analysis applied to the Upper Basin States.

Adding insult to injury, in the early 1990's, the Federal government ordered an Economic Impact Statement regarding the flows out of Glen Canyon Dam and ordered numerous studies be done to gauge the effect of the flows on the health of the Colorado River. This series of rulings by the Court held up not only the signing of the contracts for CRSP power, but also cost the City of Page another eight percent (8%) of its CRSP allocation. Although the City of Page had signed its CRSP contracts early, the Judge's rulings regarding the operation of the Dam caused an eight percent (8%) reduction in the amount of the CRSP power Page would normally have received since the amount of water flowing through the turbines at the Dam would be reduced and the Dam operators would not be allowed to ramp up or down as necessary to accommodate peaking demand. Again, Page as a federal enclave with a federally determined birth right of 6.4 megawatts should not have been impacted.

The City of Page is a vibrant community; nevertheless, it struggles with the problems of isolation common to rural Arizona communities. Accessibility to hydropower energy is crucial to maintain the economic viability of an isolated rural community such as Page.

In the marketing of the Parker-Davis Project power, Page is or should be within the marketing area prescribed by WAPA. The allocation of Parker-Davis Project power is within the discretion of the Administrator of Western. The factual discrimination and extent of injury to Page from the loss of fifteen percent (15%) of its CRSP power is without question.

Therefore, on the principles and grounds of fundamental fairness, Page urges the restoration of its birth right by an allocation of at least one (1) megawatt of the Federal resource as it may be completed in the Parker-Davis Project marketing process.

The City of Page, Arizona today operates its municipal electric system through its agent, the Page Electric Utility Authority (PEU). PEU is the agent and part of the City of Page, Arizona, (Page/City). Page today is an entity existing under the laws and the Constitution of the State of Arizona. It believes it is a qualified applicant for Parker Davis Power because it comes under the general eligibility criteria in Paragraph II of General Eligibility Criteria set forth in the Federal Register concerning the Post 2008 marketing of the Parker-Davis Project resource pool and the marketing area for P-DP should reflect Page as being within the marketing area.

The City believes that Western must reserve the right to take into account special circumstances and unique considerations that may justify consideration of an allocation of P-DP to other classes of qualified applicants than the first class. For historic reasons, not the least of which is that Page was an original Federal enclave, Page is deserving of special consideration and an allocation of a megawatt of Parker Davis power.

The City generally agrees with the criteria set forth in under Paragraph III – General Allocation Criteria in the Federal Register publication.

The City disagrees with any interpretation in Paragraph III(D) concluding the City of Page, Arizona is outside the Parker-Davis marketing area. Page in prior years was excluded based on some type of drainage basin philosophy which ignored Page's federal enclave status (a status similar to Boulder City, Nevada as an example of an enclave with a power birth right). That philosophy has resulted in Page losing 15% of its a 6.4 megawatt CRSP birthright Federal allocation, an allocation originally determined by the United States to be that amount of power and energy necessary for the successful establishment of the community of Page. In subsequent years, the United States has inequitably and wrongly reneged on that original allocation, to the economic detriment of the citizens of Page. Page should be considered an eligible applicant at the least under Paragraph III(C)(2) of the marketing criteria if not for other reasons under Paragraph III(C)(1). Page should be allocated a megawatt of power and energy from Parker Davis to help restore the original Federal birthright determination of the power and energy required to establish the community of Page in one of the most remote and economically depressed areas of the state of Arizona and the southwest.

Concerning Paragraph IV General Contract Principles, except for the following, the City believes those are acceptable.

a. Payment in Advance: It should be clearly stated in the Contract that any payment in advance will be payment of the monthly power bills no more than two (2) months in advance, and will not be a blank check for Western to require additional payments.

b. General Power Contract Provisions: Concerning the GPCPs and standard provisions in the sales contracts, particularly the concept of Section 12 in the proposed Parker-Davis Contract, those provisions should be worded so that no power and energy be taken away or reduced without sufficient notice to the contractor, opportunity to comment and participate in a discussion, and has an opportunity to cure any defects and to exhaust any appeals before losing any power resource under contract.

Very truly yours,

PAGE ELECTRIC UTILITY AUTHORITY

By 
Bryan Hill, General Manager