

**Statement of Richard S. Walden, Board Member
of the Arizona Power Authority
Before the
Subcommittee on Water and Power
Committee on Energy and Natural Resources
United States Senate**

Chairman Stabenow and Members of the Subcommittee, my name is Richard S. Walden. I am a Board Member of the Arizona Power Authority (APA), which is the state agency designated by federal and state law to receive and distribute Arizona's share of Hoover power within the state of Arizona. I have been a Commissioner for 26 years.

The State of Arizona created APA in 1944 to take and receive on behalf of the state, electric power developed from the waters of the mainstream of the Colorado River including Hoover Dam. Arizona's model of creating a state-based authority for distribution of federal preference power is similar to that used by the State of Nevada, in that both manage their Hoover power through a public power entity.

APA currently purchases the Hoover power it receives pursuant to a 30-year contract with the Western Area Power Administration (Western). Western is a power marketing agency of the United States Department of Energy. APA operates on a cost-of-service basis and sells the Hoover power it receives to 30 wholesale, non-profit customers within the state. (See Exhibit RSW-1.) This distribution is governed by strict adherence to the terms of the Boulder Canyon Project Act of 1928, subsequent applicable federal statutes and regulations, including the Hoover Power Plant Act of 1984, as well as Titles 30 and 45 of the Arizona Revised Statutes. As a member of the APA's Commission during the last time we deliberated upon the allocation of Hoover Power in the 1980's, I can personally attest to the fact that APA employed a fair, transparent and forward looking process to negotiate contracts in the best interest of our region, the State of Arizona and the taxpayers of this country.

APA's largest customer is the Central Arizona Water Conservation District (CAWCD) which uses Hoover power to pump Colorado River water to supply 3.2 million consumers, including Native Americans, with water for home consumption, agriculture, and manufacturing in the desert communities of Arizona. CAWCD receives 42.86% of the Hoover power allocated to Arizona. APA also sells power to the Salt River Project, which serves the electric power needs of approximately 964,000 customers in Arizona and uses Hoover power to provide the needs of 152,000 residential, agricultural and industrial water users. The remaining one-half of APA's Hoover power is sold to irrigation districts, electrical districts and municipalities throughout Arizona. This power is absolutely essential to the customers of the APA because it provides efficient electric energy to the people of Arizona. It is important to understand that the people of Arizona have been receiving this power for approximately 65 years; and they have developed an economic infrastructure based on its use. Their livelihood depends on this resource.

As an active and long term Board Member of the APA, I can attest that APA makes every effort to receive, transmit and deliver the Hoover power to its customers in an efficient and cost effective manner. In a normal water year, APA receives 377 megawatts of power and more than one million megawatt hours of energy on behalf of the state. APA has eight full-time employees who carry out their responsibilities on an efficient and expeditious schedule and report, on a monthly basis to the APA Commission, citizens appointed by the Governor. APA ensures that the Hoover power is used in the most efficient manner for load-following and meeting the peak loads of the state of Arizona. This accomplishes two very important goals. First, it provides power to the customers of the APA at a reasonable cost. Secondly, it reduces the use of fossil fuel for electric generation and associated pollution. This is important to understand because by using Hoover power for peaking and load-following purposes, APA minimizes the amount of pollution that would otherwise be emitted into the atmosphere by fossil fuel generating plants.

That is why APA strongly endorses S. 2891, the Hoover Power Allocation Act of 2009. We believe that this forward-looking initiative is fair, reasonable and essential to Arizona, the people of the southwest and conforms to the energy policy of the United States.

What does this bill do?

Hoover power was first allocated by the Bureau of Reclamation pursuant to the Boulder Canyon Project Act of 1928. In 1984, Congress again allocated Hoover power through contracts with state, municipal and utility contractors. These contracts will expire in 2017. The 1984 Hoover Power Plant Act distributed Hoover power to contractors under three different schedules – Schedules A, B, and C.

Under S. 2891, Congress would distribute Hoover power pursuant to Schedules A, B and C ; however, each of the current Hoover contractors would contribute 5% of their Schedules A and B power to a pool that would be distributed under a new Schedule D. Schedule D power would be allocated to federally recognized Indian Tribes and other eligible entities that do not currently purchase Hoover power.

Two-thirds of the Schedule D pool would be allocated through the Western Area Power Administration; the remaining one-third of the Schedule D pool would be distributed in equal shares through the Arizona Power Authority (for new contractors in Arizona), through the Colorado River Commission of Nevada (for new contractors in Nevada), and through Western (for new contractors in California).

We recognize that Native American tribes and regionally based electric cooperatives – who do not now have direct access to Hoover power because they did not seek access to it when the APA's existing customer contracts were established in the 1980's -- have raised concerns with this legislation. The APA has met separately with each group to listen to their concerns, better understand their needs and assure them that the Authority will work with them to use a fair, deliberative and transparent public process to allocate power from the proposed new Schedule D pool should S. 2891 be enacted. We recognize that our role is one that requires a continued commitment to the public trust and we intend to maintain our vigilance with regard to this principle. Arizona Power Authority personnel have made it their mission to conduct

themselves accordingly in this open and fair public process and have repeatedly engaged with all stakeholders to ensure those affected by S. 2891 have had ample opportunity to express their opinions, concerns and views on the proposed reallocation of Hoover Power in the State of Arizona.

Several examples are as follows:

- On March 5, 2010 APA staff met with representatives of the Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative and the Navopache Electric Cooperative.
- Representatives from Arizona Municipal Power Users' Association (AMPUA), which represents the Cooperatives listed above have regularly attended Arizona Power Authority Commission meetings including meetings in January, February, March, April and May of 2009.
- Representatives of the Ak-Chin Indian Community, the Inter Tribal Council of Arizona and the San Carlos Irrigation Project also attended Commission meetings in January and February of 2010 and in July, August, September, November and December of 2009.
- APA staff met with Inter-Tribal Council of Arizona in February and March of this year to specifically address their issues and concerns.
- APA has also extensively corresponded with all interested parties, expressing the Authority's position and requesting that stakeholders make their concerns known.

Additionally, APA worked with the House Committee on Natural Resources and the Native American tribes and regionally based electric cooperatives to address issues raised by those particular stakeholders. Specifically, APA agreed to the following compromise changes to the House bill:

- Allow Western Area Power Administration (WAPA) 36 months instead of 18 to develop criteria and make allocations.
- Allow tribes to contract directly with WAPA instead of through a state agency.
- Remove a provision that gave states first consultation with WAPA regarding allocation criteria.

These amendments were agreed upon in advance by the Hoover principals and show APA's willingness to work with all stakeholders to develop an equitable plan for power distribution.

Why we support the bill?

S. 2891 offers a forward-thinking and visionary approach that enables parties who do not now have direct access to Hoover power in Arizona, Nevada and California to receive significant amounts of that power through the creation of a new Schedule D. This proposed new schedule allocates 5% of the actual capacity (103.7 megawatts annually) and energy from Hoover Dam to new customers in the designated marketing region for Hoover power.

S. 2891 preserves the best of the governance structure which has enabled the people of Arizona, Nevada and California to obtain access to critical power generated on the lower Colorado River resulting in regional economic growth that benefits the overall economy. At the same time, the bill recognizes the changes within the marketplace and allows for the inclusion of new customers to have access to power, through a fair and open process, without devastating those current users whose livelihoods and jobs depend upon access to Hoover power.

Finally, the bill maintains the important regional balance in distributing public power in the southwestern United States. Efforts to dramatically change the terms of reference of this measure could – however well intentioned – severely and adversely affect this balance, injuring consumers and private and public enterprises that depend upon Hoover power to sustain their livelihood and use it to create jobs and economic growth.

We respectfully urge you to pass this legislation expeditiously so that it can be enacted before the end of the 111th Congress. We stand ready to work with you and your colleagues, along with any interested parties, to help expedite S. 2891 timely consideration.