



## Proposed Hoover Power Purchase

September 12, 2016

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## Agenda

- Background
- Risks
- Benefits
- Questions
- Recommendation

## Meeting Purpose

- Understand the costs/benefits of the Hoover Power Contract in order for Council to make a contract decision.

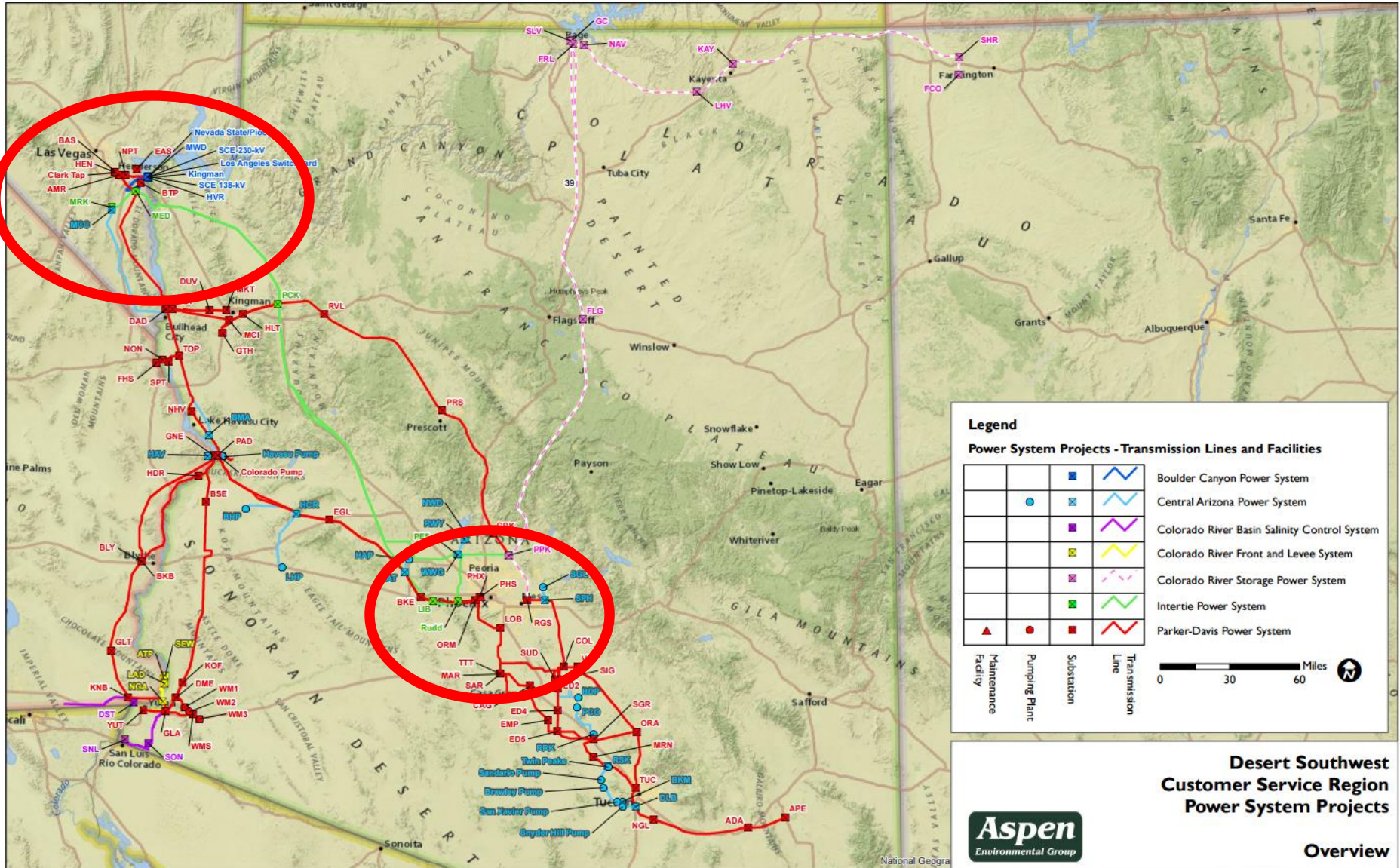


## Background

- 1939 Boulder Canyon Project Act – Hoover Dam
- Allocated to Arizona, California, and Nevada
- Water supplies and power generated from Boulder Canyon Project serve over 20 million people
- 1984 Marketing for 30 years through 2017

## Background Continued

- 2011 Hoover Power Allocation Act for 2017.
  - Expanded eligible entities to include Tribes and Retail Entities.
  - 2,074MW, 50 years, Take or Pay Agreements.
- Staff submitted an application and was awarded the opportunity to purchase a small amount of power directly from the APA. Applications have been open only twice in the past 75 years.
- In April 15' Council approved expending a small sum on procuring special legal and financial assistance.
- Savings are estimated at \$125,000 over the first 10 years of the contract.





Current Scenario

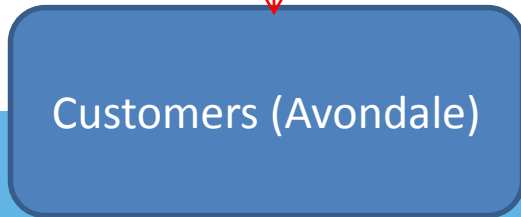
Power



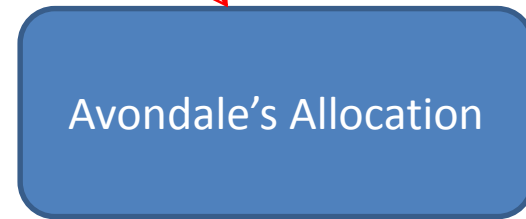
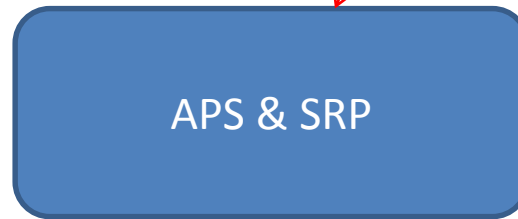
Sells Power



Resells Power



Future Scenario (547 kW or 1,193,468 kWh)



## Risks

- 50 year take or pay contract (must pay even if the power is not available)
- No right to terminate.
- Provision for a 3% annual APA imposed rate increase, if adopted by APA.
- In the event of a customer default, the APA can terminate and resell the contract, but the original customer remains obligated (unless there is some form of private indemnification).



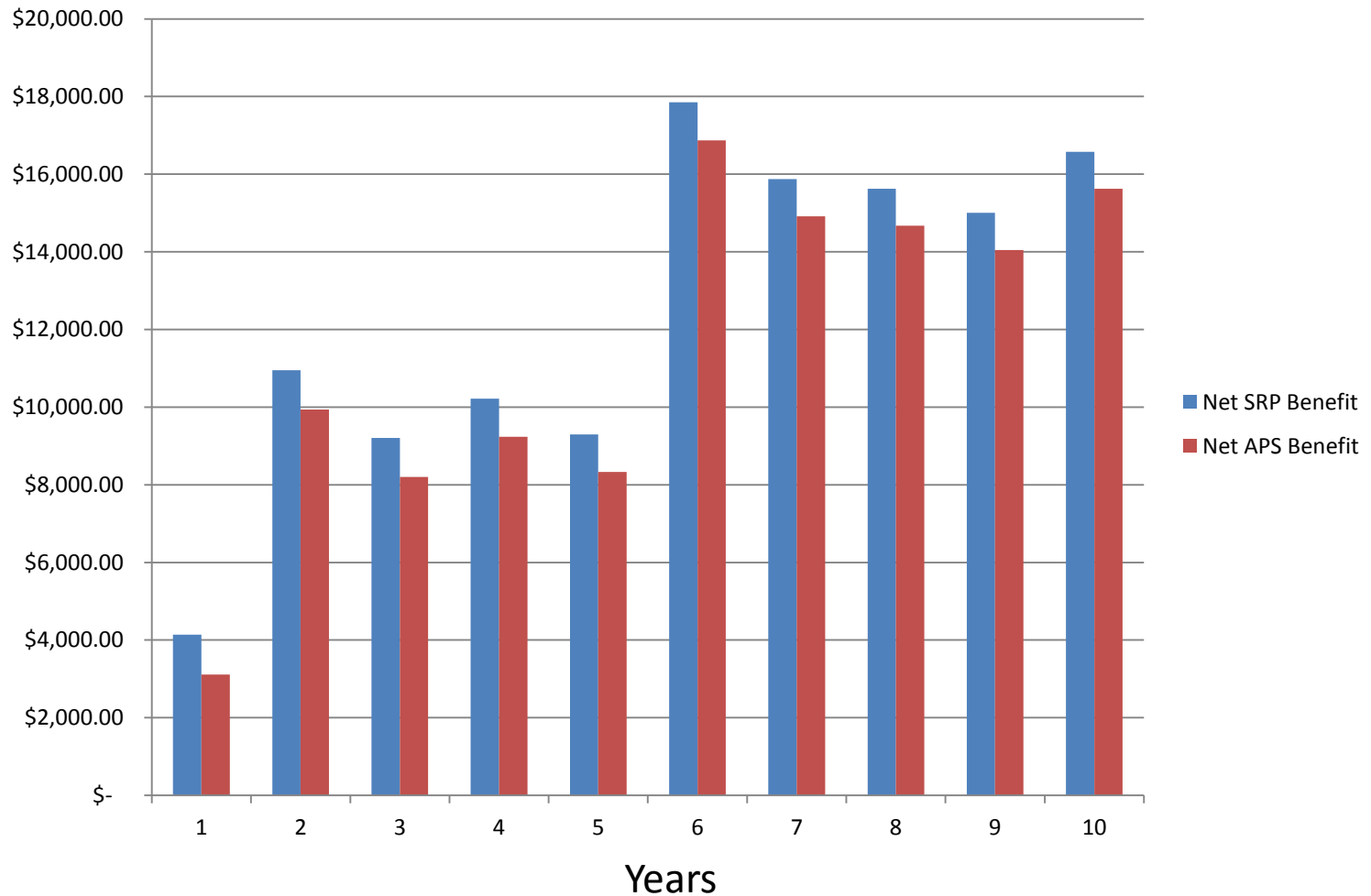
## Risks Continued

- Historically a very flexible and low cost resource with ability to generate at the most expensive hours
- Availability of Energy (kWh) is affected by water releases
  - Availability determined by water elevation of Lake Mead, generator availability, drought policy & planning, coordinated operations with Lake Powell and downstream water requirements and releases.
  - Inflow to Lake Powell has been below average in 13 of the past 16 water years (2000-2015)
  - Currently Hoover Energy is about 70% of normal/allocation

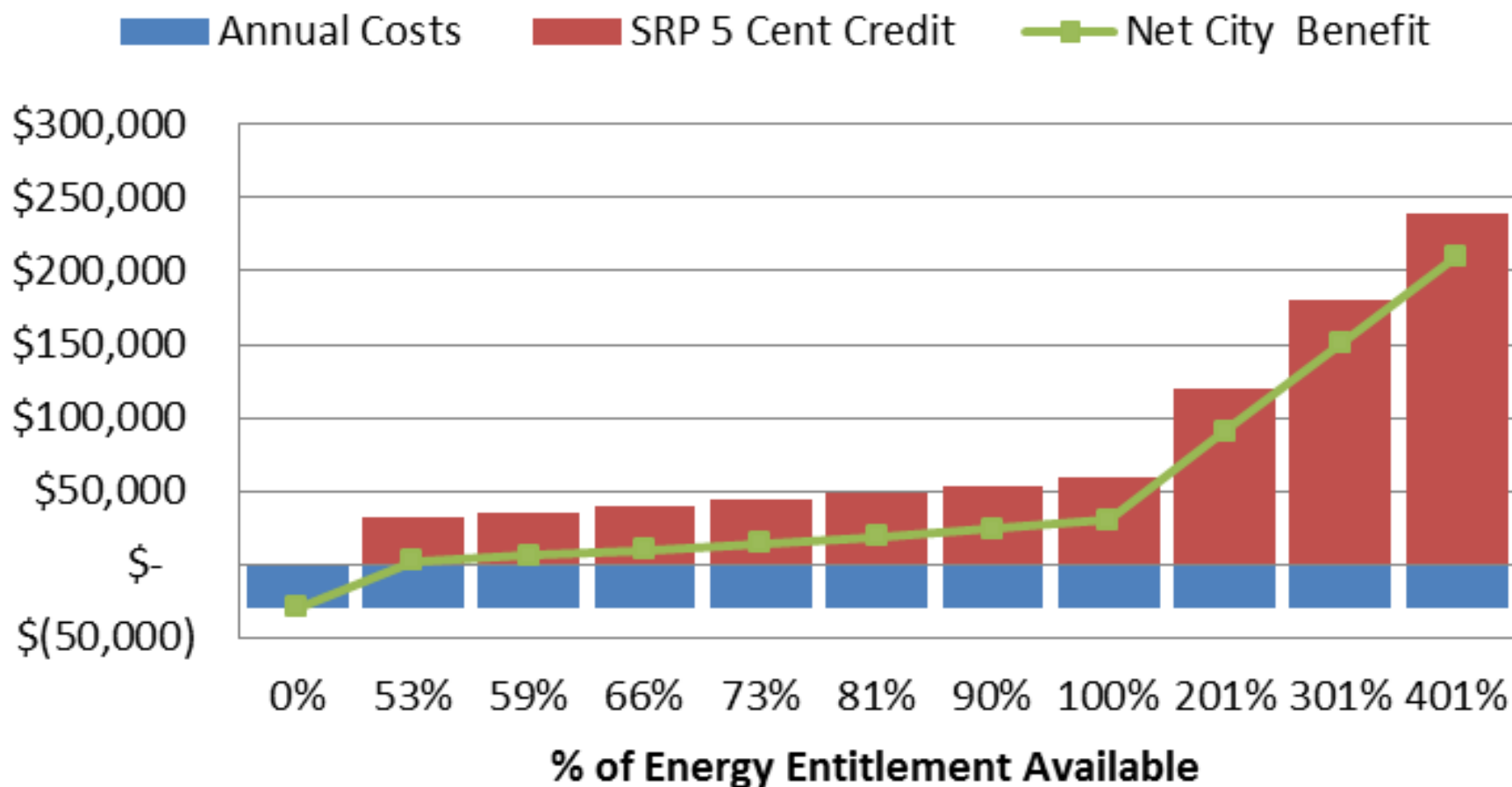
## Benefits – APS / SRP Bill Crediting

- APS filed Docket #[E-01345A-16-0056](#) on February 18, 2016, at the Arizona Corporation Commission to get approved revisions to their “Preference Power Rider”
  - Tiered preference power credit based on the size of the customers entitlement.
  - Different Summer/Winter Rates
  - Credit can range from \$0.042 to \$0.067 per kWh of delivered APA power
- SRP proposed a Municipal Bill Credit Calculation
  - Credit is equal to 94.6% of generation related costs + Fuel and Purchased Power components of applicable rate tariff, adjusted for losses and an administrative fee.
  - Hourly savings estimated to range from \$0.033 to \$0.109 per kWh of delivered APA power

## Net Benefit



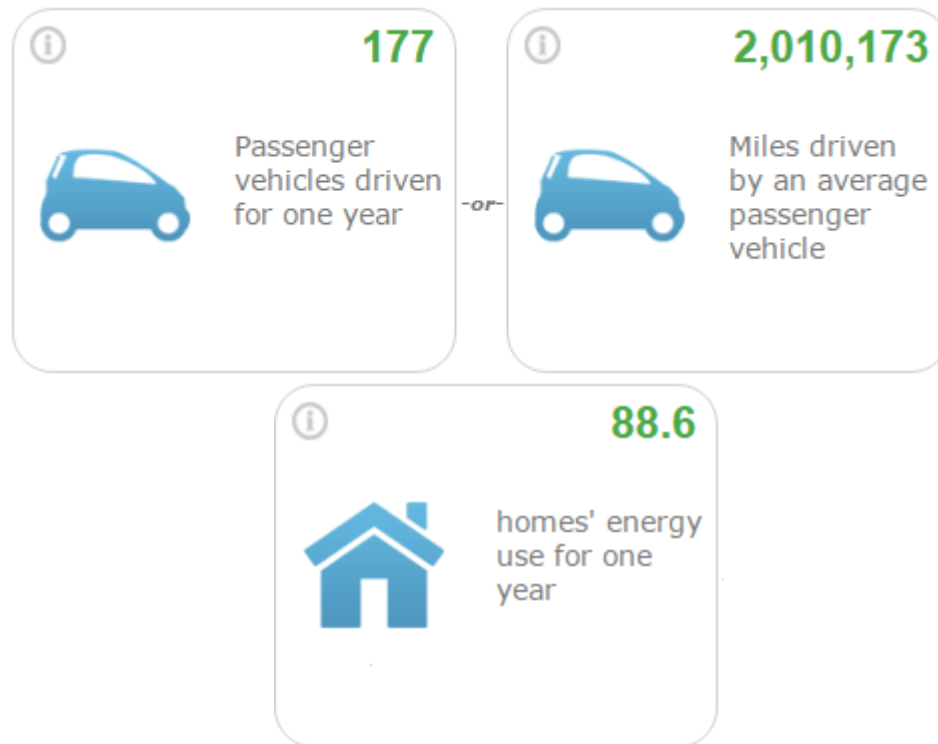
## Hoover Benefits



## Environmental Benefits

1,193,468 kWh Equivalencies

- Expanding our renewable portfolio by...



## Recommendations

- Staff is recommending adoption of the resolution allowing approval of the contract.
  - The following cities are planning on accepting the contract.
    - Phoenix
    - Peoria
    - Glendale
    - Chandler
    - Tempe
    - Scottsdale

## Questions

