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OCT 20 1999

ARIZONA CORPORATION COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF  
SALT RIVER PROJECT, OR THEIR ASSIGNEE (S),  
IN CONFORMANCE WITH THE REQUIREMENTS  
THE ARIZONA REVISED STATUTES 40-360.03 AND  
40-360.06 FOR A CERTIFICATE OF ENVIRONMENTAL  
COMPATIBILITY AUTHORIZING THE CONSTRUCTION  
OF NATURAL GAS-FIRED, COMBINED CYCLE  
GENERATING FACILITIES AND ASSOCIATED  
INTRAPLANT TRANSMISSION LINES, SWITCHYARD  
IN GILBERT, ARIZONA LOCATED NEAR AND WEST OF  
THE INTERSECTION OF VAL VISTA  
DRIVE AND WARNER ROAD

INTERVENOR CATHY  
LOPEZ, INITIAL LIST OF  
WITNESSES AND EXHIBITS

Arizona Corporation Commission  
**DOCKETED**

**CASE NO. 105**  
**DOCKET NUMBER** OCT 20 2000  
**L00000B-00-0105**

DOCKETED BY *JM*

Intervenor Cathy Lopez submits her Initial List of Witnesses and Exhibits as follows:

**WITNESSES**

1. Cathy Lopez
2. Phil Long
3. Kathie Lee – SRP
4. Dick Hayslip – SRP
5. Any Witness listed by SRP
6. Any Witness listed by any other intervenor

This list is intended as an initial list and may be supplemented based upon testimony given during the hearing or hearings in these proceedings. Intervenor reserves the right to supplement this list if and when additional information becomes available through the course of discovery, testimony or cross-examination of any witness.

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## EXHIBITS

1. Response to SRP's Data Request To Intervenor Cathy Lopez dated September 5, 2000; Attempt To Resolve Discovery Issues With Applicant dated September 14, 2000; September 26, 2000 letter from Kelly Barr to Cathy Lopez including attached response thereto; 09/27/00 and 09/28/00 email between Cathy Lopez and Kelly Barr; October 6, 2000 letter from Kelly Barr to Cathy Lopez including responses thereto  
**\*Provided herewith**
2. Response To SRP's Second Data Request to Intervenor Cathy Lopez and Second Data Request To Applicant SRP including all attachments thereto dated October 17, 2000  
**\*Provided herewith**
3. September 28, 2000 letter from Kelly Barr to Mr. And Mrs. Parrault  
**\*Will need to supplement, as copies are not ready at this time.**
4. Corporate Inquiry from the Arizona Corporation Commission regarding New West Energy from their public access system  
**\*Will need to supplement, as copies are not ready at this time**
5. New West Energy public web site information  
**\*Will need to supplement, as copies are not ready at this time**
6. April 1998 – The Energy File web site information pertaining to New West Energy  
**\*Will need to supplement, as copies are not ready at this time**
7. Two Articles regarding New West Energy  
**\* Will need to supplement, as copies are not ready at this time**
8. California Energy Commission web site information relating to proposed power facilities
  - **Will need to supplement, as copies are not ready at this time**

9. Air Quality Regulations and Planning related to the Santan Freeway from the public web site  
**\* Will need to supplement, as copies are not ready at this time**
10. Article on Arizona Corporation Commission Staff Statement of Position on Retail Electric Competition from the public web site  
**\* Will need to supplement, as copies are not ready at this time**
11. Intergovernmental Agreement between the Town of Gilbert and the Salt River Project  
**\* Reference is made to this item and is not provided herewith as this item was produced by SRP in their CEC Application.**
12. A.R.S. 9-240 – General powers of common council  
**\* Will need to supplement, as copies are not ready at this time.**
13. Town of Gilbert's Zones (District Classifications) – Town of Gilbert Records  
**\*This item was previously produced with Notice of Filing Exhibits dated September 21, 2000.**
14. Town of Gilbert's Ordinance Number 395 dated 9/11/84 – Town of Gilbert Records  
**\* Will need to supplement, as copies are not ready at this time**
15. Town of Gilbert Minutes dated October 13, 1992 – Town of Gilbert Records  
**\* Will need to supplement, as copies are not ready at this time**
16. Town of Gilbert Council Communications dated 3/30/99; 12/14/99; 4/25/00; 4/25/00; Regular Council Meeting of June 6, 2000; Regular Council Meeting of June 20, 2000; Regular Council Meeting of July 25, 2000 –Town of Gilbert Records  
  - **Will need to supplement, as copies are not ready at this time**

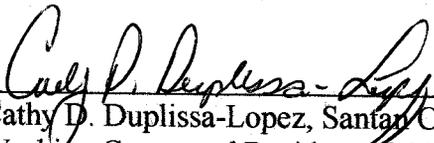
17. April 7, 2000 letter from Lauren Weinstein at EPG to George Pettit – Town of Gilbert Records  
**\* Will need to supplement, as copies are not ready at this time**
18. July 22, 1999 presentation materials from SRP to the Town of Gilbert including Desert Center Energy Project Fact sheets and Initial Project Participants (Dynegy, Inc. and NRG, Inc.) - Town of Gilbert Records  
**\* Will need to supplement, as copies are not ready at this time**
19. Copy of SRP check payable to the Gilbert Unified School District, Town of Gilbert and Maricopa County Districts/Agencies For: In-Lieu tax payment, Santan Expansion - Town of Gilbert Records  
**\* Will need to supplement, as copies are not ready at this time**
20. Community Working Group Materials  
**\* Will need to supplement, as copies are not ready at this time**
21. Gilbert Independent News Articles entitled “SRP did not object”  
**\* Will need to supplement, as copies are not ready at this time**
22. Selected testimony before the Arizona Corporation Commission, Special Open Meeting of the Arizona Power Plant and Transmission Line Committee dated 1/26/00, including one attachment entitled Map of Ten year Transmission Plan  
**\* Will need to supplement, as copies are not ready at this time**
23. SRP’s Santan Media Plan June-July 2000 advertising costs including copies of selected public awareness information brochures – SRP Records  
**\* Will need to supplement, as copies are not ready at this time**

24. Air Quality Information from Dian Deevy via email, EPA and the American Lung Association public web site information  
**\* Will need to supplement, as copies are not ready at this time**
25. Communications from SRP to the Maricopa County Environmental Services Department  
**\* Will need to supplement, as copies are not ready at this time**
26. Article from the Gilbert Independent dated October 11 – 17, 2000 entitled “Look Around”  
**\* Will need to supplement, as copies are not ready at this time**
27. Salt River Project’s 2000 Annual Report – SRP Records  
**\* Will need to supplement, as copies are not ready at this time**
28. Minutes from the Power Committee from 1991-2000 (SRP) –SRP Records  
**\*Provided herewith**
29. Minutes from the Board of Directors 1991-2000 (SRP)  
**These items will be supplemented, as Intervenor has not yet had an opportunity to review these minutes to determine if these will be offered as exhibits.**
30. Letter from Dr. Danforth regarding Intervenor Cathy Lopez’ son.  
**This item will be supplemented when a copy is received.**
31. All documents requested by SRP but not produced.  
**These items will be supplemented, as Intervenor has not yet had an opportunity to review these documents to determine if these will be offered as exhibits.**
32. All documents filed on 9/21/00 by Intervenor Cathy Lopez entitled Notice of Filing Exhibits.  
**\*Copies are not provided herewith as these items have been previously produced.**
33. All exhibits listed by SRP
34. All exhibits previously submitted and entered into record during the 9/14/00 hearing

35. All records filed and/or received in this matter by the Arizona Corporation Commission
36. All exhibits listed by any other intervenor
37. All Hearing Board Exhibits used for presentation purposes during these proceedings
38. All documents produced by any parties' Data Request and Responses thereto.

This list is intended as an initial list and may be supplemented based upon testimony given during the hearing or hearings in these proceedings. Intervenor reserves the right to supplement this list if and when additional information becomes available through the course of discovery, testimony or cross-examination of any witness.

RESPECTFULLY SUBMITTED this 20<sup>th</sup> day of October, 2000.

  
Cathy D. Duplissa-Lopez, Santa Community  
Working Group and Resident of Gilbert, Arizona

Original and 25 filed this 20<sup>th</sup> day of  
October, 2000:

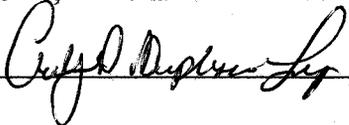
Arizona Corporation Commission  
Docket Control  
1200 West Washington  
Phoenix, Arizona 85007

With copies delivered this same date to:

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Phoenix, Arizona 85004-3902

By  \_\_\_\_\_

MINUTES  
POWER COMMITTEE

April 19, 1991

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Friday, April 19, 1991 in the Board Conference Room at the Project Administration Building.

Members present: Directors Arnett, Ash, Dobson, Hurley, Marshall, Rudd and Sharp.

Absent: None

Others present: President Lassen; Vice President Schrader; Directors Brooks and Neely; Councilman Lydic; Salt River Valley Water Users' Association Governor Diller; staff members: Mmes. Oldenkamp and Whisler, and Messrs. Areghini, Barnard, Bonsall, Crittenden, Elder, O'Neal, Perkins, Peterson, Silverman, Smith, and Trangsrud.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Wednesday, April 17, 1991, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Whisler to proceed.

Authorization to Execute Short-Term  
Firm Transmission Agreements

Ms. Whisler stated that, under the Western Systems Power Pool Agreement (WSPP), the District has been able to negotiate and execute agreements for short-term bulk power transactions without having to seek Board approval for each individual agreement.

She explained that WSPP was an experiment approved by the Federal Energy Regulatory Commission (FERC) and includes 40 other members. The WSPP members have petitioned FERC to make the experiment a permanent arrangement; however, to date, the petition has not been acted upon. In the interim, staff is seeking authorization to maintain the flexibility it has under the WSPP concerning bulk power market opportunities.

Ms. Whisler stated that the authorization being sought' empowers the President, Vice President, General Manager or Associate General Manager of Financial, Information and Planning Services to execute short-term (meaning one year or less) firm transmission service agreements on behalf of the District. She

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stated that such agreements would be entered into only if economically advantageous and concluded by requesting approval.

On a motion duly made by Director Hurley, seconded by Director Marshall and carried, the Power Committee agreed to recommend Board approval, as presented.

Byron Lewis of Jennings, Strouss and Salmon entered the meeting.

Central Arizona Project (CAP) Municipal and Industrial Water Allocation for Power Plant Use

Mr. Trangsrud, using overhead transparencies, reviewed the history of the allocation of CAP water for municipal and industrial (M&I) use in power plants which, in 1983, was set at 43,218 acre feet annually, with Arizona Public Service Company (APS) and the District sharing the allocation 50-50.

He stated there is no immediate need for the District's CAP M&I allocation, since no additional power plants are being contemplated until the year 2005; however, there may be a need for such water if existing power plants are expanded or if NC removal at Valley plants is required. Opportunities will also be explored for direct or indirect groundwater recharge, drought contingencies, or possible interim use for Indian water settlements.

Mr. Trangsrud reviewed the cost to the District for the CAP water based on 21,609 acre feet for the years prior to 1993, 1993 to 2024, and the year 2024 and thereafter.

Continuing, he reported that staff is concerned about two unresolved issues affecting a CAP M&I contract with the Central Arizona Water Conservation District (CAWCD). One issue involves a one-time "makeup charge" to CAWCD for "in lieu" ad valorem taxes prior to 1987 (when the District was first authorized to pay such "in lieu" taxes), amounting to \$1.6 million plus interest. The second involves the payment of in-lieu taxes, estimated to be approximately \$270,000 per year for a 1,000 megawatt plant, on property outside CAWCD's three-county area of Maricopa, Pima and Pinal.

Mr. Trangsrud discussed CAWCD's position concerning the two issues, as well as the District's position. He stated it is management's intention to link the CAP M&I contract to the District's offer to purchase additional Navajo Generating Station surplus power and energy from the United States and CAWCD.

He concluded by stating this presentation was informational only and represents the District's negotiating stance with the CAWCD. Any further developments will be brought back to the Committee.

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Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Culshaw entered the meeting.

#### East Anderson Receiving Station Site

Mr. Peterson stated that the purpose of his presentation was to update the Committee concerning the acquisition of a 230/69 kv receiving station site, tentatively called East Anderson. Using overhead transparencies, he reviewed two potential sites located in the vicinity of 32nd to 40th Streets, north of Baseline Road.

Mr. Peterson reported that the actual need for the station would most likely occur in the year 2001; however, there is potential for a requirement as early as 1997. Staff is actively investigating the purchase of land now because undeveloped land is currently available; owners are willing to discuss the sale of land; and the Valley is experiencing a "down" real estate market.

Continuing, he stated that site number one, located near 40<sup>th</sup> Street and Baseline Road, is a property being held by the Resolution Trust Corporation (RTC); however, it is in escrow to a California buyer. Contacts with the California buyer indicate he is open to discussing a sale of property to the District.

The second site, located near 32nd Street and Baseline Road, is held by the Heard Estate, and the estate representative is interested in discussing a sale to the District.

Mr. Peterson stated the funds available to purchase either site are in the fiscal year 1991 budget. However, if the property were to close escrow in late 1991, as anticipated, the funds would require a budget variance.

He concluded by discussing the public process that staff would use to communicate with the various entities involved, including neighborhood, city, county and state officials. It is anticipated that a deed transfer could occur as early as September, 1991.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Executive Session

On a motion duly made by Director Ash, seconded by Director Dobson and carried, Chairman Arnett called for an Executive Session at 10:15 a.m. to discuss matters authorized under the provisions of A.R.S. 38-431.03 A.4 and A.7.

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The meeting reconvened into Open Session at 12:00 Noon with the same members and others present.

There being no further business, the meeting adjourned at 12:05 p.m.

William K. O'Neal  
Secretary

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MINUTES  
POWER COMMITTEE

June 24, 1991

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Monday, June 24, 1991 in the Board Conference Room at the Project Administration Building.

Members present: Directors Arnett, Ash, Dobson, Hurley, Marshall and Sharp.

Absent: Director Rudd.

Others present: President Lassen; Vice President Schrader; staff members: Mmes. Alfano and James, and Messrs. Areghini, Barnard, Beeson, Brickley, Crittenden, O'Neal, Perkins, Rappoport, Roberts, Silverman, Smith, Sullivan, Trangsrud and Underhill; and Byron Lewis of Jennings, Strouss and Salmon.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Thursday, June 20, 1991, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Brickley to proceed.

Amendment No. 1 to Navajo Generating  
Station Operating Agreement

Mr. Brickley, using 9verhead transparencies, reviewed a request for approval to execute Amendment No. 1 to the Navajo Generating Station (NGS) Operating Agreement, which will provide the District with more operating flexibility as the plant's Operating Agent and reduce the number of items going to the Navajo Project Coordinating Committee.

He stated that the \$100,000 limitation in the NGS Operating Agreement has not been changed since 1977 and is equivalent in present worth dollars to approximately \$225,000. As a result, more capital improvement items must go to the Navajo Project Coordinating Committee for approval than were originally intended. Other major projects in which the District is a participant have faced the same situation, such as Mohave and Four Corners Generating Stations, both of which have increased their respective committee approval authorities.

Mr. Brickley concluded by requesting approval of Amendment No. 1 to the NGS Operating Agreement, which increases the NGS Engineering and Operating Committee's level of expenditure

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authority from \$100,000 to \$300,000 for capital improvements not previously included in the NGS annual capital improvements budget; and authorizes the Navajo Project Coordinating Committee to revise the NGS Engineering and Operating Committee's approval authority for unbudgeted capital improvements.

On a motion duly made by Director Marshall, seconded by Director Hurley and carried, the Power Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Executive Session

On a motion duly made by Director Marshall, seconded by Director Hurley and carried, Chairman Arnett called for an Executive Session at 9:40 a.m. to discuss matters authorized under the provisions of A.R.S. 38-431.03 A.4.

The meeting reconvened into Open Session at 10:00 a.m. with the same members and others present. Also present were Director Burton, Council Chairman Kempton, and Mr. Bonsall.

Messrs. Beeson, Brickley, Lewis and Silverman left the meeting. Contract for Long Term Sale of Navajo Surplus Power

Mr. Trangsrud, using overhead transparencies, reviewed a request for approval to execute a Contract for Long-Term Sale of Navajo Surplus Power among Western Area Power Administration (WAPA), the Bureau of Reclamation (USBR), Central Arizona Water Conservation District (CAWCD), and the District. The contract provides that WAPA will sell and deliver to the District 150 megawatts (MW) of Navajo Surplus capacity and energy, in addition to the current contract for 200 MW.

Mr. Trangsrud described the characteristics of the Navajo Surplus Power Sales Contract, including capacity and energy, term, and pricing schemes. He described the District's obligation to pay the capacity charge, notwithstanding unavailability of energy, and treatment of the capacity charge on the books of the District. The additional Navajo Surplus is considered a peaking resource of 150 MW which calculates to a 9% annual capacity factor, or 26% capacity factor over peak summer season. The available energy is fully dispatchable with 14 hours advance notice and can be scheduled at any time, summer or winter.

Mr. Trangsrud recapped the economic analysis presented to the Power Committee on February 25, 1991, including the Committee's recommendation that staff pursue a deferred payment option as well as a second delivery point. He stated that staff has been unable to obtain a second delivery point at McCullough

Switchyard, but was successful in negotiating a favorable deferred payment schedule.

Mr. Trangsrud reviewed the key reasons for purchasing the Navajo Surplus, including a deferred payment option to begin at \$5.15 per kW-month and escalate to \$13.25 per kW-month (assuming a CAWCD bond interest rate of 6.7%). He concluded by recommending approval of the Navajo Surplus Power Sales Contract and authorization for the appropriate District officers and management to execute and deliver the contract and required opinions, certificates, documents, and reports.

Mr. Sullivan continued with a report on management's discussions with the CAWCD concerning the District's municipal and industrial (M&I) allocation of Central Arizona Project (CAP) water, and the tax issue of (1) whether the District must pay "back taxes" to CAWCD for the period prior to 1986 and (2) whether the District must pay taxes on property outside the three-county boundary if a future power plant is sited outside the area. He stated that, regardless of the outcome of the M&I allocation discussions, the purchase of an additional 150 MW of Navajo Surplus stands on its own, and he endorsed approval.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Power Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Rappoport, Roberts and Sullivan left the meeting.

#### Power Sale to San Carlos Irrigation Project

Mr. Trangsrud, using overhead transparencies, reviewed a request for approval to execute a contract between the District and San Carlos Irrigation Project (SCIP) whereby the District will sell power and energy to SCIP for five years.

He discussed the background of the relationship between the District and SCIP, stating that the District has been selling power to SCIP under long-term contracts since 1976. The Amended Power Sales Agreement will provide a continuation of the current power sale to SCIP and increase the District's obligation to serve from 10 MW to 13 MW. The District has already included the 10 MW commitment on its loads and resources forecast in order to meet SCIP's commitment.

Mr. Trangsrud stated that SCIP is contemplating divesting itself of the electric system; therefore, the recommended term of the contract is five years, from July 1991 through March 1996, with termination provisions on three years' notice. The short-term

contract will allow the District to drop its 10 MW commitment from its long-term resources plan.

He continued with a review of the terms and conditions of the contract, including demand charges. He stated that energy charges are established at the District's E-39 rate, less the 5% discount for high voltage delivery. In addition, management has eliminated the ratchet on the capacity charges above 6 MW.

Mr. Trangsrud concluded by recommending that the District approve the Amended Power Sales Agreement with San Carlos Irrigation Project, in accordance with the terms and conditions presented.

On a motion duly made by Director Hurley, seconded by Director Ash and carried, the Power Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. James and Mr. Trangsrud left the meeting.

#### Craig Station - Trapper Mine Royalties

Mr. Barnard, using overhead transparencies, reviewed a request for approval to execute an agreement with Trapper Mining, Inc. (Trapper) and the Craig Station participants which indemnifies Trapper against deferred minimum payment obligations under a Royalty Agreement for 2016 and subsequent years. He identified each of the participants and their ownership percentages in the Craig units, as well as key provisions of the Craig Station Fuel Agreement under which Trapper provides approximately 50% of the coal requirements of Units 1 and 2.

Mr. Barnard reviewed the background of the Craig Station Fuel Agreement, originally executed in 1973 by Utah International, Inc. (Utah) and the Craig Station participants. In 1982, Utah formed Trapper Mining, Inc. to become owner and operator of Trapper Mine. Utah then sold Trapper to the participants. One of the many documents generated during this process was a Royalty Agreement between Trapper and Utah, under which Trapper is required to pay royalties to General Electric Holdings, Inc. for coal sold from Trapper Mine.

Mr. Barnard reviewed, in detail, the royalty calculations for each ton of coal sold during a calendar year, up to the time it has satisfied a Minimum Payment Obligation based on one of three tonnage factors. Trapper may elect to use the factor which produces the lowest tonnage for determining the Minimum Payment Obligation.

By electing to use reduced tonnages to calculate the Minimum Payment Obligations for years 1985 through 1988, Trapper has

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deferred paying royalties on approximately 1,250,000 tons of coal until at least the year 2016. Since the Craig Station Fuel Agreement expires in 2014, Trapper is concerned that it might be held responsible for these payments with no coal sales to cover them. As a result, Trapper has asked the Craig Station participants to execute an agreement indemnifying Trapper against the amount of deferred Minimum Payment Obligation for 2016 and subsequent years.

Since the participants receive the benefit from the deferred obligations, management recommends that the President or Vice President and Secretary or Assistant Secretary be authorized to execute an agreement with Trapper Mining, Inc. and the other Craig Station participants which indemnifies Trapper Mining, Inc. against the deferred Minimum Payment Obligations under the Royalty Agreement for 2016 and subsequent years.

On a motion duly made by Director Marshall, seconded by Director Sharp and carried, the Power Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Operating Results for Fiscal Year 1991

Mr. Underhill, using overhead transparencies, reviewed the Districts power production expenses for fiscal year 1990-91. He compared actual versus budgeted production results for the following resources: coal, nuclear, falling water, Valley generation, and purchase and interchange.

Mr. Underhill continued with a review of system load requirements and capacity factors for each of the various types of generation, and concluded with a three-year comparison of production expenses from fiscal year 1989-90 through fiscal year 1991-92.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business, the meeting adjourned at 11:00 am.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

July 16, 1991

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Tuesday, July 16, 1991 in the Board Conference Room at the Project Administration Building.

Members present: Directors Arnett, T. Hurley, Marshall and Sharp.

Absent: Directors Ash, Dobson and Rudd.

Others present: Vice President Schrader; Directors Brooks, Burton, Johnson, Pendergast Jr., Rogers and Williams Jr.; Salt River Valley Water Users' Association (Association) Governors Diller and R. Hurley; staff members: Messrs. Ayers, Hawkins, McNamara, O'Neal, Perkins, Peterson, Rappoport, Rojas, Russell and Silverman; and John Weldon of Jennings, Strouss and Salmon.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Friday, July 12, 1991, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Peterson to proceed.

East Anderson Site Acquisition

Mr. Peterson briefly reviewed the location of proposed sites for the East Anderson Substation (proximity of 40th Street and the Western Canal) and management's public involvement process, as presented at the April 19, 1991, Power Committee meeting. He reported that, since the Committee meeting, the East Anderson Site Acquisition Task Force has proceeded with an extensive mailing campaign as well as five open houses and various other meetings with neighbors in the proposed areas.

To date, the District has garnered little support for locating the substation at either of the two preferred sites and, in fact, has encountered some organized dissent. It appears no one disagrees with the need for a substation, but no one wants it in their neighborhood. The feeling is that it should be located in other "so-called" industrial/commercial development areas.

Mr. Peterson stated the site preferred by the opposition would require approximately two miles of transmission lines, estimated to increase the cost from 40% to over 100% of the station costs located along the 230kV line. Two additional sites are being

evaluated in the same general vicinity, south of the canal. The additional sites would also maintain close proximity to the present 230kV corridor along the canal.

Mr. Peterson concluded by stating that staff is close to concluding the public process and is still committed to locations in close proximity of the existing 230kV corridor. Therefore, it is likely that a decision to locate in the proposed area will not be well received.

Director Dobson entered the meeting during the above presentation.

Executive Session

On a motion duly made by Director Marshall, seconded by Director T. Hurley and carried, Chairman Arnett called for an Executive Session at 9:50 a.m. to discuss matters authorized under the provisions of A.R.S. 38-431.03 A.4.

The meeting reconvened into Open Session at 11:10 a.m. with the same members and others present.

There being no further business, the meeting adjourned at 11:15 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

August 15, 1991

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, August 15, 1991 in the Board Conference Room at the Project Administration Building.

Members present: Directors Arnett, Dobson, Marshall, Rudd and Sharp.

Absent: Directors Ash and Hurley.

Others present: Vice President Schrader; Directors Burton and Williams Jr.; Salt River Valley Water Users' Association (Association) Governor Diller; staff members: Ms. Alfano and Messrs. Areghini, Bonsall, Conly, Crittenden, Hulet, Krebs, Lowe, O'Neal, Silverman, Smith, Stanton and Underhill.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, August 13, 1991, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Areghini to proceed.

Engineering Department Manpower

Mr. Areghini stated the purpose of his presentation was to review the historical and projected engineering staffing levels for fiscal years (FY) 1989 through 1996. He cautioned that the historical figures related to the former Corporate Engineering group and did not align perfectly with the new organization which is in place.

Using overhead transparencies, Mr. Areghini reviewed the budgeted workload for FY 1988-89, representing approximately \$311 million, through the projected workload for FY 1995-96, approximating \$197 million. He compared each year's budgeted workload, by category, including generation, transmission and distribution, water, projected generation, and operation and maintenance.

Mr. Areghini continued with a comparison of budgeted dollars for adjusted workloads, including 100% of the participating projects managed by the District which include, among others, such major facilities as the Mead-Phoenix transmission line and the Navajo Generating Station retrofit to conform to proposed federal visibility standards. As a result, he stated the budgeted

workload will increase each year from 1991 to 1995, peaking at \$415 million and decreasing to \$338 million in FY 1995-96.

Mr. Areghini reviewed the full-time equivalent employees required to do the budgeted work for each of the years, demonstrating that the 1988-89 employee count was 766, falling to 510 in 1995-96. The full-time equivalents were further broken down by permanent/table of organization personnel, overtime equivalents, and contract workers; as well as specific personnel categories, such as manager/supervisor, engineer, technician/drafter, administrative support, and other professionals.

Mr. Areghini concluded with a comparison of engineering manpower within the designated categories, stating the manpower trend is downward. However, he cautioned that the planning process adapts itself to the Valley's changing economic conditions and, therefore, is not static. Management hopes that staffing will be such that the permanent full-time employees will be able to perform the baseline work, with any increase in manpower needs supplied by contract work.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Krebs left the meeting.

#### Power Cost Comparison

Mr. Smith stated the purpose of his presentation was to review the concepts used in establishing the capacity and energy pricing for District wholesale purchases and sales, and to respond to specific questions regarding the recent contract with Western Area Power Administration and Central Arizona Water Conservation District (Navajo Surplus); sale of energy to the City of Vernon, California (Vernon); and the economic factors considered in making transaction recommendations.

Using overhead transparencies, Mr. Smith reported that the pricing concepts are separated into two modes--planning and operating. The planning mode would be addressed first.

He stated that total cost considerations are foremost in the minds of the planners as they address the resources necessary to meet the District's forecasted loads plus reserves. Cost considerations are broken down into fixed and variable costs. Fixed costs are primarily capital and fixed O&M, or demand charges on purchases. Variable costs are fuel and variable O&M, or energy charges on purchases.

Mr. Smith illustrated how planners estimate the need for different types of future resources as anticipated to meet loads plus reserve. Within the planning mode, analysts determine not only what the base load will be, but also the intermediate and

peaking requirements plus reserve. The planner carefully reviews these resource characteristics, as follows:

Base Load - Traditionally high capital/low energy cost and includes such units as Palo Verde Nuclear Generating Station, Navajo Generating Station, and system purchases from AEPCO and TEP.

Intermediate Load - Moderate capital and energy costs, which include the combined cycle units at Santan Generating Station.

Peak Load - Low capital/high energy cost such as gas turbines and the 1989 San Diego Gas & Electric Co. summer purchase.

He emphasized that the planner's goal is to minimize total resource costs and establish electric rates that cover such costs.

Mr. Smith continued by addressing the question of why Navajo Surplus, at a rate of 90 mills per kilowatt-hour (kWH), is economically attractive. He stated that 90 mills/kWH was quoted as an approximate cost, and the actual total cost, including demand and energy charges, is 113.9 mills/kWH. Although this figure is higher than previously quoted, it is still attractive at 113.9 mills/kWH when compared to gas turbines, the next best alternative, with costs approximating 160 mills/kWH.

Mr. Smith also addressed the excess capacity that comes on line periodically and how it is priced.

He summarized his comments on the planning mode by stating that decisions are made on a total cost basis; decisions result in short-term excess capacity at all intervals (annual, seasonal and hourly); and total costs are passed on to all firm customers in the form of electric rates.

Mr. Smith shifted the discussion to the operating mode and reviewed how the cost considerations fit into the decision-making criteria. He stated the objectives of the operating mode are:

1. Meet retail customer needs with the most economical resource based on variable costs.
2. Make short-term wholesale sales that cover incremental variable costs plus markup.
3. Make longer term wholesale sales that cover incremental variable costs and provide contribution to District fixed costs.

Mr. Smith reviewed several charts illustrating how generation resources are typically loaded onto the system in order to meet

peak load requirements, beginning at the base with nuclear and followed by coal, Coronado Generating Station, TEP/AEPCO, Santan, gas-fired steam, hydro, and combustion turbines. Any generation capabilities in excess of firm customer requirements is considered marketable wholesale surplus. As such, the operating considerations have no regard to the fixed costs and decisions are made on the objective of covering fuel costs and variable O&M costs.

Mr. Smith addressed the question of the capacity and energy sale to the Vernon versus AEPCO/TEP purchase costs. The variable cost for AEPCO is 21.1 mills/kWH, and for TEP is 23.6 mills/kWH. Energy revenues derived from the sale to Vernon equal 32 mills/kWH, with the District receiving an additional bonus of \$3.75/kW-month in demand charges, which is considered an excellent profit margin.

In summary, Mr. Smith reiterated that the planning mode emphasizes decisions based on total cost which result in short-term excess capacity, with the total cost passed on to firm customers; whereas decisions from an operating mode are made on a variable cost basis, with excess capacity marketed at a price which covers the variable costs plus an increment for profit, thus helping to cover fixed costs and reduce the need for rate increases to firm customers.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Crittenden and Lowe left the meeting.

#### Horse Mesa Dam - Lower Access Road Stabilization

Mr. Stanton stated the purpose of his presentation was to update the Committee on the Horse Mesa Dam access road stabilization project.

Using overhead transparencies, he reviewed the fact that there are two roads to access Horse Mesa Dam--the upper and lower access roads. Between 1978 and 1983, the lower access road was washed out four times due to releases from Horse Mesa Dam, at a cost to the District of approximately \$5.8 million including reconstruction costs and energy losses.

Mr. Stanton showed several pictures of the area depicting the amount of debris and erosion caused from the water releases. He reported that studies have been completed concerning alternatives to the constant road reconstruction. The least cost alternative is a process using pin piles taken to bedrock and grouted, then filled in on the mountain side. Such a process would protect 500 linear feet of the road where the problems occur, at an estimated cost of \$1.6 million.

Mr. Stanton continued with a review of the contractor selection process, including a list of the firms solicited and their technical rankings. He discussed the reasons that Nicholson Construction Co. was selected to perform the work, including 15 years' experience, expert knowledge in grouting and use of the pin-pile process, previous experience at Stewart Mountain Dam, and experience in the evaluation process of Phase I.

Mr. Stanton stated the schedule calls for final design and environmental compliance to be completed this month, with construction complete by the end of November, 1991.

He concluded by reviewing the benefits expected from the project, which include reducing the six-year financial plan by \$5.4 million, limiting exposure during Roosevelt Dam construction, and providing the least cost alternative.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business, the meeting adjourned at 11:30 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

October 17, 1991

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, October 17, 1991 in the Board Conference Room at the Project Administration Building.

Members present: Directors Arnett, T. Hurley, Marshall, Rudd and Sharp.

Absent: Directors Ash and Dobson.

Others present: President Lassen; Vice President Schrader; Director Rogers; Salt River Valley Water Users' Association (Association) Governors Diller and R. Hurley; staff members: Mmes. Alfano and Wilson; Messrs. Areghini, Bonsall, Crittenden, Hickey, Lowe, McGinnis, Mendoza, Murphy, O'Neal, Silverman and Smith.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, October 15, 1991, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Areghini to proceed.

Partnership - Pad Mounted Distribution Capacitor Bank Equipment

Mr. Areghini stated that, in attempts to reduce costs and increase quality, management is recommending a new concept called "partnering," which is a unique way to purchase equipment from a single source provider over an indefinite period of time. He requested Mr. Mendoza to continue the presentation.

Mr. Mendoza reported that management has selected pad-mounted distribution capacitor bank equipment, both residential and for substations, as its initial trial product for the concept of partnering, and showed photographs of the types of capacitors that would be involved.

He stated that partnering is somewhat different from the traditional concept of purchasing equipment, wherein bids are requested and the vendor with the best price and acceptable quality is awarded the bid. In partnering, management is looking for the best quality at an acceptable price.

The pad-mounted distribution capacitor bank product was selected for the trial program because of its limited use and the possibility of productivity enhancements. The intent is to award a three-year contract with a two-year optional extension at a cost of \$1.7 million.

Continuing, Mr. Mendoza reviewed the estimated cost benefits to the District of \$67,300 annually, with reduced inventories of \$51,800 being the main contributor.

He stated that Sunwest Engineering, Malton Equipment, and Scott Engineering responded to a review process with a partnering concept in mind. The three companies were evaluated on such criteria as quality, organization, planning, terms and conditions, design, relationship, and shipping. A review of past costs showed a per unit cost of \$7,166 in 1987 to \$6,170 in 1991. After selecting Scott Engineering, a negotiated price of \$6,898 per unit was established for the "partnership" first year benchmark cost.

Mr. Mendoza reported that the expected cost benefits are \$840 per unit, with three year benefits to the District of \$200,000. The evaluated cost per unit was \$6,058, which over a three-year period equates to \$1,454,000.

He stated that even though there are some concerns, such as dependency on one supplier, price visibility, existing technology, lower quality, and the relationship with other companies, it is management's assessment that the concerns can be managed. He concluded with management's recommendation to enter into a contract with Scott Engineering to provide all the District's pad mounted capacitor equipment needs for three years beginning February 1, 1992, with the option to renew for two additional years.

Director Dobson entered the meeting during the presentation.

On a motion duly made by Director Marshall, seconded by Director Dobson and carried, the Committee agreed to recommend Board approval, as presented.

Messrs. McGinnis, Mendoza and Murphy left the meeting.

Mr. Trangsrud entered the meeting.

#### Falling Water Charge

Mr. Lowe reported that the topic of his presentation was the falling water charge and was information only.

Using overhead transparencies, he reviewed the theory behind the falling water charge, stating it assigns a value to hydroelectric generation utilized by the District, with the assumption that it replaces summer peaking power. The cost for this peaking power is approximated by the average cost of Valley generation and purchased power, less deductions for expenses incurred in operating and maintaining the dams. As a result, the charge is

shown as an expense of electric operations and a source of revenue to water operations of the Salt River Valley Water Users' Association.

Mr. Lowe stated there are three primary methods of evaluating the falling water charge: cost based, market value, and replacement value. He reviewed the pros and cons of each, stating that management uses the replacement value to determine its falling water charge.

Mr. Lowe reviewed the history of the falling water charge, which was initially established at 1.5 mills per kilowatt hour (kwh) by the United States Bureau of Reclamation and was based on market value methodology for nonfirm energy in the Southern California area, less incremental costs. In 1973, the District added pumped storage units to the Salt River system and changed its method of calculating the falling water charge to replacement value, since generation from falling water replaced peaking power from Valley thermal plants. The rate used a two-year average of fuel costs of Valley generating units, less 40% of average hydro O&M costs.

From 1977 to the present, the falling water charge has been included as a part of power support to water. During this period, studies performed by consultants recommended that the falling water charge be refined to include the differences in annual fixed costs between hydroelectric and Valley steam units, purchased power in lieu of Valley generation, and a 15% deduction to simulate an arm's length transaction between the District and Association.

Mr. Lowe reviewed, in detail, the calculations for the falling water charge for fiscal year 1991-92 of 11.88 mills. Since the calculated rate does not exceed the  $\pm 10\%$  deadband, the current falling water charge of 13.1 mills remains in effect and is the rate used for fiscal year 1991-92.

He stated the current methodology is volatile due to annual variances in run-of-river generation and that rate changes lag the cost changes due to the use of historical cost data. He compared the falling water charges from 1980 through 1991, showing the lagging affect of the falling water charge.

Mr. Lowe concluded by stating that Safety of Dam improvements on the Salt River system could impact the effects of falling water in the future, due to the Roosevelt Dam hydroelectric unit outage planned from October 1992 through March 1995. As a result, there will be run-of-river generation impacts, as well as reduced falling water revenues estimated at 14.5%.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

### Williams Air Force Base

Mr. Lowe, using overhead transparencies, reviewed the key terms of the existing contract with Williams Air Force Base (WAFB), which provides federal preference power from the Salt Lake City Area/Integrated Projects (SLCA/IP) and supplemental power generated by the District. The supplemental power is currently billed at the E-35 general service rate.

In the late 1980s, WAFB requested that the District wheel additional preference power from Western Area Power Administration (WAPA). The existing contract did not allow such wheeling and contract negotiations began. During this period, the District began investigating the use of the lower E-39 large general service rate for the WAFB supplemental load rather than lose the load to additional preference power. Historically, WAFB had been restricted from using the E-39 rate because the supplemental usage could not be metered by time-of-day due to commingling with preference power, and E-39 was restricted to full requirement customers.

Mr. Lowe stated that, in the middle of negotiations for a new contract, the District initiated a general rate increase in May 1990. Administrators of WAFB interpreted its procurement regulations in such a way they claimed the District was a non-regulated utility and, therefore, WAFB was not automatically bound to rate increases but, in fact, had to give permission for such. WAFB did not give its permission and, as a result, has a past due balance of \$565,000 through September 30, 1991.

As a result of the District's restructuring and personnel changes at WAFB, negotiations for a new contract were delayed, although District management was pursuing the E-39 billing alternative. Management has since re-initiated negotiations with WAFB and has tentatively reached agreement for a contract with the following key provisions:

1. Bill supplemental loads at the E-39 rate retroactive to May 15, 1990.
2. Increase the wheeling rate for existing preference power retroactive to May 15, 1990 as follows:

\$4.90/kw-month	April through September
\$0.96/kw-month	October through March

In addition, WAFB consents to Board action on the proposed 1992 rate increase, and the District reserves its right to pursue regulatory issues.

On a motion duly made by Director T. Hurley, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval of the WAFB settlement proposal, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Wilson and Messrs. Hickey and Lowe left the meeting.

Mmes. Greenberg, Linderman, James, Speeks and Whisler; and Messrs. Ayers, Barnard, Presmyk and Russell entered the meeting.

Recognition of Key Personnel Assigned to Fence Lake Project and Colorado-Ute Electric Association, Inc. Reorganization

Mr. Bonsall reported that two major projects affecting the District's financial condition and its operating flexibility have been resolved to the District's satisfaction and within the goals established. He stated the accomplishments are mainly attributable to the efforts of the staff working on the projects. He thanked and introduced the following staff members to the Committee:

Marcie Greenberg	Gene Ayers
Leslie James	Bob Barnard
Pat Linderman	Les Presmyk
Catherine Speeks	Mark Russell

Fence Lake Project - Drew Platt Corridor Acquisition

Mr. Barnard reported that the District is close to finalizing the acquisition of the transportation corridor necessary to bring Fence Lake coal from western New Mexico to Coronado Generating Station. The corridor is 43 miles long, and all but two miles in Arizona have been acquired by the District. He briefly reviewed the acquisitions to date and showed a map of the area depicting the transportation corridor.

Mr. Barnard stated the final two miles involves the acquisition of an easement or fee title across the Corrizo Ranch owned by Drew Platt. Management has negotiated an agreement with Mr. Platt that affects a total area of approximately 53.7 acres. The agreement includes settlement of all present and future severance and nuisance damages to the ranching operations; provides for temporary construction easements; and provides consent to transportation easements over a state-leased section.

District cost for the total project is estimated at \$56,050, which includes appraisals, easements, severance damages, and title. Mr. Platt will have an opportunity to review the final construction plans six months prior to bidding, and the District will pay market value for any livestock killed within the easement as a result of District use. Further, the District will maintain a road along the railroad (if built) that will meet County road specifications.

Mr. Barnard concluded by stating the District had budgeted \$75,000 for this program; therefore, he recommended approval of a \$57,000 expenditure and authorization for the President or Vice President and Secretary or Assistant Secretary to execute all necessary documents to purchase or acquire easements for this portion of Corrizo Ranch from Mr. Platt.

On a motion duly made by Director T. Hurley, seconded by Director Dobson and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Fence Lake Project - Mining Contractor

This item was postponed to the next Power Committee meeting.

The following left the meeting: President Lassen; Vice President Schrader; Director Rogers; Mmes. Greenberg, Linderman and Speeks; and Messrs. Ayers, Barnard, Presmyk and Russell.

#### Revised Contracts Relative to Colorado-Ute Electric Association, Inc. (Colorado-Ute) Reorganization

Mr. Smith reported that the reorganization plan for the Colorado-Ute bankruptcy is reaching completion, and the District must file certain amended and restated agreements as a part of that plan.

Using overhead transparencies, he reviewed the plant ownership and operation of Craig Units 1 and 2, and Hayden Units 1 and 2, as they were prior to the bankruptcy and how they will be reformulated, as follows:

## CRAIG UNITS 1 AND 2

<u>FORMER</u>		<u>NEW</u>	
OPERATING AGENT:	Colorado-Ute	Tri-State Generation and Transmission	
Colorado-Ute	29%	Public Service Co. of Colorado (PSCo.)	9.72%
Platte River Power Authority	18%	PacifiCorp	19.28%
Tri-State	24%	Platte River	18.00%
Salt River Project	29%	Tri-State	24.00%
		Salt River Project	29.00%

## HAYDEN UNITS 1 AND 2

<u>FORMER</u>		<u>NEW</u>	
OPERATING AGENT:	Colorado-Ute	PSCo.	
<u>UNIT 1</u>			
Colorado-Ute	100%	PSCo.	75.5%
		PacifiCorp	24.5%
<u>UNIT 2</u>			
Colorado-Ute	50%	PSCo.	37.4%
Salt River Project	50%	PacifiCorp	12.6%
		Salt River Project	50.0%

Mr. Smith stated that when Colorado-Ute entered bankruptcy, the District's primary goal was to assure no erosion of the District's assets in Colorado. In addition to achieving the primary goal, the District succeeded in achieving additional benefits by eliminating the Hayden Unit 2 reversion provision; negotiating a more favorable Colowyo Coal Company coal supply price for Craig Station; and strengthening Operating Agent requirements and removal provisions.

For example, the Colowyo Coal Supply Agreement has been revised downward in price for estimated annual savings of \$1.3 million, with \$12.5 million net present value savings over the term of the contract. In addition, the Hayden Unit 2 reversion provision, which would have transferred Salt River Project's ownership to

Colorado-Ute at the end of the depreciated life of the new unit, has been eliminated with net present value savings of approximately \$100 million.

In summary, Mr. Smith stated that the reorganization plan is expected to be confirmed by year-end 1991 and closed approximately the second quarter 1992. He concluded with management's recommendation to execute any amended and revised agreements relating to the Craig and Hayden Plants with respect to the Colorado-Ute bankruptcy filing, including, but not limited to, authority to amend, as necessary, the Articles of Incorporation of Williams Fork Mining Company to comply with any reorganization stipulations.

On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Sharp, and Association Governors Diller and R. Hurley left the meeting.

#### Board Authorization for Execution of Power Contracts

Ms. James stated that the purpose of her presentation was to request that the Board delegate authority to the President, Vice President, General Manager, or Associate General Manager in charge of the power contracting function to enter into specified types of power contract amendments or agreements. She stated that the contracts involved were of a standard nature, represented low dollar amounts, and usually needed rapid turnaround.

Using overhead transparencies, Ms. James reviewed several areas in which the Board has delegated authority to execute contracts for economy energy agreements, short-term purchases, sales and interchanges of capacity and energy, nonfirm transmission, and short-term firm transmission.

She stated that management is now recommending that the Board delegate authority for planning, development and study agreements (up to \$1 million), lease or use of transmission facilities, and amendments or ancillary agreements to existing contracts which do not exceed \$1 million impact to the District.

On a motion duly made by Director T. Hurley, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as stated. It was further requested that,

periodically, management present reports to the Power Committee which show the results of the newly delegated authority.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Hulet entered the meeting.

Power Coordination Agreement (PCA) between the District and Arizona Public Service Company (APS)

Ms. Whisler, using overhead transparencies, stated that the purpose of her presentation was to review the details of a new Service Schedule R to the PCA, Amendment No. 1 to Service Schedule P and Amendment No. 2 to Service Schedule Q to the PCA between the District and APS.

Ms. Whisler explained that, under Service Schedule R, the District will wheel power for APS over the valley transmission system for delivery at Papago Buttes and Liberty substations, at a rate that covers the District's cost of service. Service Schedule R is a replacement for Service Schedule J, which was terminated because the rate did not recover the District's costs. The amendments to Service Schedules P and Q will make the liability provisions of these two agreements conform to the new liability language in Service Schedule R.

Ms. Whisler concluded by recommending approval of the new Service Schedule R, Amendment No. 1 to Service Schedule P, and Amendment No. 2 to Service Schedule Q, as presented.

On a motion duly made by Director T. Hurley, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Letter of Intent to Purchase Early Production Unit Fuel Cell Power Plant

Mr. Hulet stated that his presentation was an informational item concerning the purchase of a single 2 megawatt early production unit fuel cell power plant.

Using overhead transparencies, Mr. Hulet defined a fuel cell as an electrochemical device that converts the chemical energy of a reaction directly into electrical energy. He stated that Energy Research Corporation's (ERC) molten carbonate early production

unit will provide 2 megawatts of output, be fueled by natural gas, is approximately the size of a tennis court, 10 to 12 feet in height, has extremely low levels of emissions, and is highly efficient.

Mr. Hulet compared the capital costs for the ERC fuel cells, through demonstration, early production and commercial application, against the fossil-fired alternatives as to cost per kilowatt. He emphasized the competitive importance of a fuel cell power plant, stating that expenditures for such a power plant would probably occur in fiscal year 1995-98 at an estimated \$3.1 million per installed unit.

Mr. Hulet summarized management's planned course of action, which includes a Letter of Intent with FCEC, signed by the Associate General Manager of Financial, Information and Planning Services, with the intent to execute a contract to purchase a two megawatt fuel cell, subject to a mutually satisfactory contract and Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business, the Committee adjourned at 12:10 p.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

December 19, 1991

A Special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, December 19, 1991 in the Board Conference Room at the Project Administration Building.

Present at roll call: Directors Arnett, Ash, T. Hurley, Marshall, Rudd and Sharp.

Absent at roll call: Director Dobson

Others present: President Lassen; Vice President Schrader; Director Neely; Salt River Valley Water Users' Association (Association) Governor Diller; staff members: Mmes. Alfano and Morris; Messrs. Areghini, Conly, Harper, Koons, O'Neal, Perkins and Smith; and Lauren Devuyst of Mesa Leadership.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, December 17, 1991, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Harper to proceed.

Aesthetic Funding

Mr. Harper stated that the purpose of his presentation was to review proposed changes to the Electric System Aesthetics Policy, which was approved by the Board in December 1988. Using overhead transparencies, he identified staff members who comprise a financial review team for the aesthetic funding program and reviewed the team's purpose.

As background to the aesthetic funding program, Mr. Harper stated that in December 1988 a policy was established wherein 1% of the District's total operating revenues would be allocated among various cities for aesthetic programs. Any unused allocations would be carried over for future or larger projects, and the District would match the cities' contributions, if funds were available.

In the November 1990 capital budget review, it was determined that the aesthetic funding program would share in proposed budget reductions. An annual reduction of approximately \$2 million was applied, representing 0.8% of total operating revenues. In addition, substation walls and landscaping would be eliminated as operating budget items and included in the aesthetic budget. The matching funds feature would be retained, but it was assumed funds would be unavailable in the near term.

Note: This is an unofficial scanned image of the original document and may contain errors or deletions. It should not be relied upon as being accurate. To verify important information or obtain a certified copy of the original, please contact the Corporate Secretary's Office.

Mr. Harper graphically reviewed the amount of money spent on aesthetic projects completed since 1990, future projects committed for funding, projects pending approval, and future projects estimated through 1998. The review showed carry-over funds reaching approximately \$17 million by budget year 1993.

Based upon budget-cutting recommendations and management's opinion that a carry-over cap is appropriate, as well as the need to expand the program to include funds for aesthetic water projects, Mr. Harper presented management's three-part recommendation, as follows:

1. Fund electric system aesthetics at 0.8% of total operating revenue:
  - Re-establishes formula linked to originally approved factors.
  - Correlates with funding approved in November 1990 capital budget.
  - Keeps funding at a level already understood and accepted by program participants.
2. Set a \$30 million carry-over cap without regard to timeframe:
  - Assures capital requirements within District financial means.
  - Fosters District/participants timely completion of projects.
  - No adverse carry-over effects expected in the foreseeable future.
3. Fund water system aesthetics at 0.1% of total operating revenue and administer participant use in common with existing aesthetic funds:
  - Fosters corporate image void of water/power distinction.
  - Responds proactively to local pressures to urbanize/beautify water delivery system.
  - Avoids water system equivalent of city underground ordinances.

Mr. Harper reported that the estimated financial impact over a six-year period is a reduction of approximately \$2.8 million from the amount currently projected.

After considerable discussion, on a motion duly made by Director Marshall, seconded by Director Ash and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in Secretary's Office and, by reference, are made a part of these minutes.

Mr. Harper left the meeting, and Mr. Slick entered the meeting. Engineering Manpower

Mr. Areghini reminded the Committee that, at its August 15, 1991 meeting, management had presented an estimate of engineering manpower needs through fiscal year 1995-96. Today he would be updating that information in response to questions raised at the August meeting.

It was asked how the District's administrative and general (A&G) overhead rates compare, as a percentage of labor, to other participation plants. Using overhead transparencies, Mr. Areghini reviewed the actual 1989 A&G overhead rates for Mohave, Four Corners, Craig, Hayden, Palo Verde, and Navajo Generating Stations, ranging from a high of 48.25% at Craig and Hayden to a low of 22.6% at Palo Verde. He discussed several reasons for such variance in rates.

Another question raised was how the District's senior engineering labor costs compare to the cost of other architect/engineers. Using overhead transparencies, Mr. Areghini compared the District's direct payroll and load costs with three architect/engineers. In a competing labor market, each was assumed to have a direct payroll cost of \$26.13 per hour; however, the load costs (which include benefits, supporting staff, facilities, etc.) ranged from \$31.36 per hour to \$55.66 per hour, with the District's cost at \$40.21 per hour.

Mr. Areghini reported that the industry considers a factor of two times direct payroll cost to be a good standard, with three times considered expensive. The District's 2.54 times direct payroll cost is not bad, but it could be improved upon.

He concluded by stating that the Engineering Department is currently 13 employees under its forecasted 1991-92 staffing level of 574 (i.e., approved table of organization plus forecasted contract employees).

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Duckworth entered the meeting.

### 1991 Load Forecast and Balanced Strategy

Mr. Koons, using overhead transparencies, reviewed the key trends affecting the District's long-term balanced strategy forecast, including slower population growth in Maricopa County, lower potential growth in the economy, stabilization of electric energy intensity, and a shift from a manufacturing to services. He stated these long-term trends have been factored into the District's estimated peak demand.

Mr. Koons graphically compared the actual growth rate of 3.4% annually, from 1982 to 1992, to the 2.3% projected from 1992 through 2012. When adjusted for demand-side strategies, the growth rate is now expected to be 1.7% annually from 1992 through 2012. Given these projections, it is estimated that the District's peak demand will be over 4,500 megawatts by year 2012, with demand-side factored into the analysis.

Mr. Koons compared the District's ten-year average annual growth rate of 2.5% to that of other regional utilities. Nevada Power had the highest ten-year average at 3.3%, with Pacific Power and Light having the lowest at 1.4%. He stated the system's energy forecast has been moderated on an annual basis from the 4.4% experienced from 1982 through 1991 to the projected 1993 forecast of 2.0% for years 1991 through 2012.

In summary, Mr. Koons reported that management's 1993 load forecast shows slower demand and energy sales growth than in the past, with the District continuing to face above-average peak demand. This variation in peak demand growth requires flexibility in planning, and he requested Mr. Slick to continue the presentation with a review of the District's planning process.

Mr. Bonsall entered the meeting.

Continuing with overhead transparencies, Mr. Slick graphically portrayed how the District's business plan and load forecast are integrated into the balanced strategy planning process which ultimately develops the long-range financial plan. He defined balanced strategy planning as a long-range process which attempts to strike a balance between multiple, competing objectives, such as demand management programs versus supply side options, cost versus system reliability, cost versus environmental responsibility, customer rates versus customer bills, and cost versus risk. He emphasized that balanced strategy is not just a loads and resource table but an evolving process.

Mr. Slick reviewed last year's loads and resources table with a new pictorial representation. He continued with a review of the options for both demand-side and supply-side as considered in this year's balanced strategy update. He stated that, with so

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many competing options, one of the key issues addressed in balanced strategy is what tests to use in decision-making.

Mr. Slick discussed how decision-making techniques have evolved as well as the three decision-making tests the District uses; namely, economic costs in millions of dollars, rate costs per kilowatt-hour, and societal costs in millions of dollars.

He reviewed assumptions made in the District's treatment of sulfur dioxide and assigned values to the baseline allowances that would become limitations for the District after year 2000. Any sulfur dioxide in excess of the limitations would require the District to buy allowances on the open market from entities who had earned credits by not exceeding their limitations. It is management's goal that the District's economic and rate tests bring it under the limitations imposed by law thereby creating allowances that could be sold on the open market.

As to societal costs, Mr. Slick stated this issue is rapidly becoming a high profile one for electric utilities, and it is the first time these costs have been examined in the balanced strategy concept. He reported that societal costs are not limited to environmental considerations and that resource options have differing societal characteristics. In the balanced strategy presented, the District has chosen to treat these costs with the following assumed societal values:

Sulfur Dioxide	\$1,500 per ton
Nitrous Oxide	\$2,000 per ton
Particulates	\$ 100 per ton
Carbon Dioxide	\$ .01 per pound carbon tax

Using these assigned figures, Mr. Slick illustrated the potential impact on dispatching units at Palo Verde, Navajo and Coronado Generating Stations, Santan, and AEPCO purchases, current dispatch price versus the price to be charged assuming the societal costs previously discussed. Over a twenty-year period the amounts could reach \$2-3 billion in today's dollars.

In conclusion, Mr. Slick reviewed the new recommended load forecast for fiscal year 1992-93 through fiscal year 2011, which reveals the District will need approximately 1,700 megawatts of new resource capability to meet future electric customer needs. It is intended that the District will meet these needs using the demand-side as well as supply-side options, and that these goals can be accomplished through the balanced strategy plan which is low cost, flexible, and environmentally responsive.

William K. O'Neal  
Secretary

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1992

MINUTES  
POWER COMMITTEE

February 20, 1992

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, February 20, 1992, in the Board Conference Room at the Project Administration Building.

Members present at roll call: Directors Arnett, Ash, T. Hurley, Marshall, Rudd and Sharp.

Absent at roll call: Director Dobson

Others present: President Lassen; Vice President Schrader; Directors Lydic and Neely; Salt River Valley Water Users' Association (Association) Governor Diller; staff members: Ms. Alfano and Messrs. Areghini, Barnard, Bonsall, Conly, O'Neal, Perkins, Rappoport, Sarkisian and Smith.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, February 18, 1992, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Barnard to proceed.

Fence Lake Project - Request for Preliminary Proposal

Mr. Barnard, using overhead transparencies, briefly reviewed the background of the Fence Lake Project, which will provide a self-owned source of coal capable of meeting the coal supply needs of Coronado Generating Station (CGS) Units 1 and 2.

He reported that, in June 1991, a Request for Preliminary Proposal (RFPP) was mailed to 23 mining contractors. The purpose of the RFPP was to provide a current review of the cost of Fence Lake coal deliveries to CGS and to begin the selection process for a contract miner. RFPP requirements included providing "haul road" construction and mine development costs for both supplemental and large mine tonnages on a "not to exceed" basis.

Mr. Barnard stated that, in July 1991, seven firms responded to the RFPP, and in September 1991, a "short list" consisting of four of the seven was prepared by the Fuels Department. Management is now prepared to proceed with Phase II, which is contract evaluation.

Mr. Barnard reviewed the delivered price per ton as provided under the contract with P&M, current market and spot prices, and those of the four lowest bidders: Green International, North American Coal, Morrison-Knudsen, and Peabody. Those four companies were selected for the "short list."

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Management is now proceeding with further refinement of the mine plan, based on CGS requirements, and final selection of the mine contractor for submission to the Board at a later date.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Kempton entered the meeting during the presentation.

#### Fence Lake Project - Memorandum of Agreement

Using overhead transparencies, Mr. Barnard reviewed the 43-mile railroad corridor necessary to transport coal from the Fence Lake mining area to Coronado Generating Station (CGS). He stated that, in order to further evaluate the coal requirements for CGS Units 1 and 2, and to influence or control market prices, it is necessary to continue the requirements for development of the mine, leading to the finalized mining permit.

One of the requirements is evaluating the ethnohistoric and archaeological sites in the area and determining the necessary mitigation requirements under a variety of federal and state statutes. Therefore, management recommends that the District enter into a Memorandum of Agreement with the Bureau of Land Management for the Fence Lake ethnohistoric and archaeological process.

Management also requests that authorization be given to Darrell Smith, Manager of Resource Planning, and Bob Barnard, Manager of Fuels, to execute and administer the agreement. District costs are estimated to be \$120,000, which has already been budgeted.

On a motion duly made by Director Marshall, seconded by Director T. Hurley and carried, the Committee agreed to recommend Board approval to enter into a Memorandum of Agreement, as requested, at a cost not to exceed \$120,000 over a two-year period.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Burton and Mr. Dobson entered the meeting. Navajo Generating Station - Scrubber Project

Mr. Areghini, using overhead transparencies, reviewed the schedule necessary to implement the Navajo scrubber project under the Environmental Protection Agency (EPA) agreement, beginning with the award of contract for architect-engineer in June 1992, through the third unit in-service date of August 1999.

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He discussed alternative approaches that management considered for the early design phases, which included engineering, procuring and constructing as separate items; contracting for an architect-engineer and construction manager with separate bid packages; or an architect-engineer with a single construction contractor.

It is management's opinion that an architect-engineer with a separate construction manager and bid packages is the best alternative. As such, Mr. Areghini reviewed how the services of an architect-engineer would be phased in, from pre-design activities through start-up support.

In preparing the specifications for an architect-engineer, staff established the following guidelines:

- o Compliance to EPA rule
- o No adverse impacts on plant operations
- o Engineering technical competence
- o Designs that are operable, maintainable, environmentally compatible, and compatible with existing systems
- o Quality construction
- o Reasonable life cycle costs
- o Ability to incorporate allied projects
- o Compatible with owners (participants)

In addition, staff has held interface meetings with eight different architect-engineers and vendors, while conducting on-site tours at various facilities across the country where the vendors and architect-engineers have performed prior work.

Mr. Areghini discussed the selection factors that have been established by the evaluation team, including the firm's capabilities, the team's capabilities, and other general items. As a result, staff has narrowed the list of architect-engineers to three, namely, Sargent Lundy, Stone & Webster, and Fluor Daniel. These firms will be solicited for Requests for Proposals.

He concluded with a schedule of activities to follow in order to have the award for architect-engineer in April 1992.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

William K. O'Neal  
Secretary

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MINUTES  
POWER COMMITTEE

April 16, 1992

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, April 16, 1992, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Ash, Marshall and Sharp.

Absent at roll call: Directors Dobson, T. Hurley and Rudd.

Others present: President Lassen; Vice President Schrader; Director Lydic; Salt River Valley Water Users' Association (Association) Governor Diller; Council Chairman Kempton; staff members: Ms. Alfano and Messrs. Areghini, Barnard, Bonsall, O'Neal, Perkins, Rojas, Silverman, Smith and U'Ren; and Bob Davis of Sargent & Lundy.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, April 14, 1992, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Barnard to proceed.

Fence Lake Work Program - Fiscal Years 1993 and 1994

Mr. Barnard, using overhead transparencies, stated the purpose of his presentation was to request authority to prepare, execute and administer the applications and agreements described in the Fence Lake Work Program for Fiscal Years 1993 and 1994, which include coal exploration, environmental activities, mine design and permitting, surface use agreements, and transportation design and analysis. He stated that separate authority will be requested at a later date for the selection of a mine contractor and the disposition of the unused portions of Hubbell Ranch.

Using aerial maps, Mr. Barnard reviewed the transportation corridor from the Fence Lake Project to Coronado Generating Station (CGS), showing the location of coal reserves in New Mexico that will eventually become part of the first mining plan. He stated the objective of the Fence Lake Program is to provide a self-owned source of coal capable of meeting the coal supply needs of CGS Units 1 and 2 which will minimize the economic impact of coal market fluctuations on the District and its customers.

Mr. Barnard reviewed the projected CGS burn requirements, 1992 through 2010, which are supplied from three different sources; namely, the Pittsburg and Midway (P&M) contract, supplemental and spot purchases. He stated that the Fence Lake Program will allow

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the District to maintain future fuel supply options, minimize expenditures until future needs become more clearly defined, and initiate a mine permitting process, all of which support the goals of economically meeting CGS' coal requirements, controlling the marketplace, and negotiating with P&M in 1996 when their contract allows a price reopener.

In further support of the goals and objectives, the following activities will be performed in fiscal years 1993-94:

- Develop information necessary for decision-making purposes.
- Initiate baseline environmental and permitting activities.
- Complete efforts associated with prior work programs.
- Mine design and reserve evaluation.
- Additional right-of-way use conversion.
- Transportation activities.
- Examine and evaluate the entire Hubbell Ranch for coal reserves.

Mr. Barnard reported that, to date, Fence Lake Program costs have amounted to \$30,098,000, with an additional \$11,594,000 anticipated over the next five years, totaling \$41,692,000. When compared to CGS projected coal requirements of 40 million tons, the cost to be added to each ton of coal is \$1.04 per ton, or \$0.051 per million BTU, which is very attractive.

Mr. Barnard summarized the expenditures anticipated in Fiscal Years 1993 and 1994, as well as the net present value savings through year 2004, assuming a P&M contract and Fence Lake Project through year 2011. He concluded by requesting that he and Darrell Smith be authorized to prepare, execute and administer the necessary applications and agreements described in the Fiscal Years 1993 and 1994 Fence Lake Work Program in the following areas: coal exploration, environmental activities, mine design and permitting, surface use agreements, and coal transportation.

On a motion duly made by Director Marshall, seconded by Director Sharp and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

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Mr. Barnard left the meeting, and Director Burton entered the meeting.

#### Navajo Generating Station (NGS) - Scrubber Project

Mr. Rojas, using overhead transparencies, reviewed the information presented to the Board on April 13, 1992, concerning the architect-engineer selection process for the NGS Scrubber Project, and provided more detail on the final ranking of the three firms solicited for Requests for Proposal (Fluor Daniel, Sargent & Lundy, and Stone & Webster).

Mr. Rojas summarized each firm's ranking in such categories as team qualifications and experience, approach to service, and general characteristics that include responsiveness and executive commitment. He concluded by restating the Board's decision on April 13, 1992, granting management the authority to negotiate an architectural-engineering services contract with Stone & Webster and, upon successful negotiation, to enter into a contract.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Davis, Perkins and U'Ren left the meeting.

Messrs. Hulet, Koons, Lowe and Schwalb entered the meeting.

#### Standard Customer Fees

This item was deferred to a future meeting.

#### Arizona Corporation Commission

Mr. Smith reminded the Committee that they had previously been mailed extensive material relative to the information the District's management team would be presenting to the ACC in May 1992. With that in mind, he stated his presentation would focus on the background of the District's presentations to the ACC and on orders that the ACC has promulgated affecting those it has jurisdiction over.

Using overhead transparencies, he reviewed that the District's presentations to the ACC have always been given voluntarily, the last one occurring in 1988. Topics have included such items as load forecasting, demand-side programs, balanced strategy, and pertinent financial data. The 1992 presentation will cover the same topics and, additionally, address the ACC's resource planning objectives.

Mr. Smith stated that integrated (or "least cost") resource planning has been a hot topic for some

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time now, and in February

1989, the ACC promulgated rules that its jurisdictional members must follow. The District has participated in the same process on a voluntary basis, while maintaining its non-jurisdictional status.

He reviewed the ACC's requirement that resource plans be submitted every three years, the first one beginning in December 1989. The ACC uses "consistency" determination and began hearings in November 1990, in which the District voluntarily participated. In October 1991, the ACC rendered its decision and orders creating two task forces and the timeframes in which to provide their reports; i.e., Societal Cost Task Force (1/1/93) and Adjustable Hookup Fees Task Force (1/1/93), with the results of the task forces due to the ACC by April 1, 1993.

Mr. Smith advised that the District has representatives on both task forces. He concluded by reviewing other ACC orders from its October 1991 decision, which pertain to consistency of load forecasts, technology choices data for peaking and intermediate plants, cost analysis for resources, photovoltaics, specific demand-side management programs, energy efficiency/economic development rates, and competitive bidding.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:30 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

June 25, 1992

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, June 25, 1992, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Ash, T. Hurley and Marshall.

Absent at roll call: Directors Arnett, Dobson, R. Hurley and Rudd.

Others present: President Lassen; Director Lydic; Council Chairman Kempton and Councilman McKinney Jr.; staff members: Mmes. Alfano, Ellis, McVicker and Oldenkamp; and Messrs. Areghini, Barnard, Elder, Harper, Russell, Thomas, Thompson and Underhill.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 2:00 p.m. on Tuesday, June 23, 1992, by Terry Lonon of the Secretary's Office.

In the absence of the Chairman and Vice Chairman of the Power Committee, President Lassen assumed the chair and requested Mr. Underhill to proceed.

Operating Results - Fiscal Year 1991-92

Mr. Underhill, using overhead transparencies, reviewed the District's power production expenses for fiscal year 1991-92. He compared actual versus budgeted production results for the following resources: coal, nuclear, falling water, Valley generation, and purchase and interchange.

Mr. Underhill continued with a review of system load requirements and capacity factors for each of the various types of generation. He concluded with a three-year comparison of production expenses, fiscal years 1990-91 through 1992-93.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

1992-93      Distribution System Workload

Using overhead transparencies, Mr. Harper reviewed the total workload for construction and maintenance of the distribution system. He reported that approximately 30 percent of the workload is performed by contract labor.

Mr. Harper reviewed the work hours, by quarter, for each of the following types of construction: maintenance, new business, nonsystem activities, system activities, and aesthetics.

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He concluded by illustrating the effects of using contract personnel from Sturgeon Electric to supplement the District's staff during the period September 1989 through May 1992.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Harper left the meeting.

#### Standard Customer Service Fees

Mr. Thomas, using overhead transparencies, reviewed a request for proposed changes to the fees charged to standard electric service customers to recover the costs of service not attributable to energy or demand consumption. He stated the fees are assessed directly against the customers who impose the costs on the District, rather than the customer population as a whole.

Mr. Thomas reported that the projected cost recovery in fiscal year 1992-93 from standard customer service fees is approximately \$6,751,000, which is an increase of \$1,360,000. He discussed, in detail, how the service fee calculations are developed and applied to specific situations.

Mr. Thomas continued with a review of the current fees, proposed fees, percentage of change, and projected 1992-93 cost recovery for each of the following: connect/disconnect service fee, disconnect/reconnect service fee, field collection fee, collection letter fee, returned check fee, billing research fee, and customer damaged meter fee.

He also compared the proposed fees for turn on/turn off, disconnect service, field collection, and returned check to those currently imposed by Arizona Public Service Company.

Mr. Thomas concluded by requesting approval of the following standard customer service fees, effective August 3, 1992:

Fee	Current	Proposed
Connect/Disconnect	\$ 16.00	\$ 18.00
Disconnect/Reconnect:		
At Meter	23.00	23.00
At Overhead Service	101.00	124.50
At Underground Service	141.00	157.00
Field Collection Fee	11.00	12.00
Collection Letter	11.00	6.00
Returned Check Fee	14.00	14.00
Billing Research Charge	16.50	18.50

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## Customer Damaged Meter Fee:

Standard kWh Meter	70.00	72.00
EST kWh Meter	265.00	303.00
Standard Demand Meter	265.00	303.00
EST Demand Meter	500.00	585.00

On a motion duly made by Director Marshall, seconded by Director T. Hurley and carried, the Committee agreed to recommend Board approval.

Mr. Perkins entered the meeting during Mr. Thomas' presentation.

Messrs. Thomas and Thompson left the meeting.

#### East Anderson Receiving Station

Mr. Elder, with the assistance of Ms. Ellis and Mr. Russell, discussed the need for a new receiving station in the East Anderson area, which was identified about a year and a half ago. At that time an internal steering committee was formed to further identify the system need and site.

Using aerial photographs, Mr. Elder reviewed the area to be served and the sites under consideration (proximity of 40th Street and the Western Canal), keeping in mind a preference to stay close to the present 230kv corridor along the canal.

Mr. Elder continued with an in-depth review of the public involvement process conducted by staff, including mailings to over 500 neighbors in the area, advising them of the sites under consideration and inviting them to a series of open house meetings. As a result of the neighborhood meetings, a number of alternative sites were proposed by groups in opposition to a receiving station in the East Anderson area.

Mr. Elder stated that all of the sites suggested by the public were investigated, and two properties in the East Anderson area were determined to be the best sites: the Heard Estate and the Kishiyama family properties, notwithstanding local opposition.

Upon closer examination, a draft report to executive management recommended the purchase of the Kishiyama property. However, when contacted, the Kishiyama family was not interested in selling their land.

Mr. Elder stated the steering committee is currently pursuing a land purchase from the Heard Estate for property located north of the Western Canal, west of 32nd Street. In addition, at the request of local groups, the committee is studying the possibility of rebuilding an existing Arizona Public Service Company 230kv line and locating the receiving station at the Cotton Center, near 48th Street and Broadway.

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Executive Session

On a motion duly made by Director Ash, seconded by Director T. Hurley and carried, President Lassen called for an Executive Session at 10:00 a.m. to discuss matters authorized under the provisions of A.R.S. 38-431.03 A.3.

The meeting reconvened into open Session at 11:30 am., with the following members and others present: President Lassen; Directors Ash, T. Hurley, Lydic and Marshall; Councilmen Kempton and McKinney Jr.; Mmes. Alfano and McVicker; Messrs. Areghini, Barnard, Bonsall, O'Neal, Perkins and Rappoport.

There being no further business to come before the Committee, the meeting adjourned at 11:35 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

August 20, 1992

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, August 20, 1992, in the Board Conference Room at the Project Administration Building.

Members present at roll call: Directors Arnett, Dobson and R. Hurley.

Absent at roll call: Directors Ash, T. Hurley, Marshall and Rudd.

Others present: Salt River Valley Water Users' Association Governor Diller; Councilman McKinney Jr.; staff members: Mmes. Alfano and James; and Messrs. Areghini, Barnard, Bonsall, Brickley, O'Neal, Perkins, Sarkisian, Silverman, Smith and Thompson.

Secretary O'Neal stated that, in compliance with A.R.S. 38-431, the meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, August 18, 1992, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and, in the absence of a quorum, requested Mr. Areghini to proceed.

Engineering Manpower

Mr. Areghini reported that reorganization of the Engineering Department has been completed, with several Associate General Managers accepting employees into their group, by function. He stated, however, that today's presentation would encompass the total engineering budgeted workload, as well as the engineering manpower needs of all the groups.

Using overhead transparencies, Mr. Areghini reviewed the budgeted workload for the engineering groups, by work categories, for budget years 1988-89 through 1995-96. In particular, he pointed out that the 1991-92 fiscal year resulted in actual capital expenditures of \$152,600,000 versus a projected budget of \$179,400,000.

He also compared data for the same timeframe for "adjusted" workload, which are areas where the District is responsible for all work as the operating agent. He stated that full workloads

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were included in the figures and involved projects like the Mead Phoenix transmission line and Navajo Scrubber Project.

Using the same time frames, Mr. Areghini discussed the engineering manpower distribution of labor in terms of full-time equivalents. He stated that in 1991-92 the actual full-time equivalents were 574 compared to 591 budgeted. Full-time equivalents required for 1992-93 are now 560 as compared to a previous budget of 584. Full-time equivalents were also broken down by categories, such as table of organization, overtime and contract.

Mr. Areghini concluded with a review of personnel categories comprising the full-time equivalents, as follows: manager/supervisor, engineer, technician/drafter, administrative support, and- other professionals. Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

President Lassen entered the meeting.

Firm Transmission Service Agreement between the  
District and Arizona Power Pooling Association (APPA)

Mr. Brickley, using overhead transparencies, stated that the purpose of his presentation was to review a request to execute a Firm Transmission Service Agreement between the District and APPA. APPA is a non-profit corporation organized by the City of Mesa, Electrical District No. 2 of Pinal County, and Arizona Electrical Power Cooperative to acquire electric power and energy resources and transmission services. The agreement will benefit the City of Mesa, which has requested transmission service from the District's Westwing 230kV Substation to the Rogers 230kv Receiving Station in Mesa.

Mr. Brickley reviewed the terms of the agreement which call for 14 megawatts of transmission capacity, increasing to 20 megawatts by 1995. The contract involves transmission capacity for summer months only, May through September of each year, at a price of \$1.04 per kilowatt-month, and expires September 30, 2000.

He discussed development of the transmission service rate, stating that \$1.04 per kilowatt-month is reflective of the market for firm transmission service during the summer months. The rate is subject to annual adjustments based on the general rate of inflation, and the rate methodology may also be revised after the fifth year.

Mr. Brickley concluded with management's request that the Committee recommend execution of the Firm Transmission Service Agreement between the District and APPA, as presented.

There was no objection to management's request from the Committee members present.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Craig Station (Craig) Fuel Agreement  
Revision No. 1 of Joint Recommendation No. 6

Mr. Barnard, using overhead transparencies, stated that the purpose of his presentation was to review a request to execute Revision No. 1 of Joint Recommendation No. 6 of the Craig Station Fuel Agreement. The revision would provide a continued supply of potable water for use at the Craig Station and Trapper Mine.

Mr. Barnard reviewed the general characteristics of Craig Units 1, 2 and 3, including the participants in each unit. He stated that, when the units began operation in the early 1980s, it was incumbent upon the station to supply the water for mining, which amounted to 400 gallons per minute for dust control and other uses, and 50 gallons per minute of potable water for offices, shops and other facilities. There was no charge to the mine for water delivery.

In April 1986, a Letter Agreement was entered into which provided that Trapper Mining, Inc. would supply the potable water needs of both the mine and the station. The Craig participants reimbursed Trapper for the initial costs of the potable water system and upgrading the system to supply both facilities, for a total of \$54,000, as well as \$12,000 per year for operating expenses. In 1990, Trapper and the Craig participants executed Joint Recommendation No. 6 which extended the provisions of the Letter Agreement through 1994.

Mr. Barnard reported that, in October 1991, Trapper's well collapsed and a new well was installed. Revision No. 1 to Joint Recommendation No. 6 provides that Trapper will continue to supply the potable water needs of the mine and Craig station. The Craig participants will reimburse Trapper for half the cost of installing the new well, approximately \$37,000, and continue the \$12,000 annual charge for operating expenses. The term of the contract will also be extended to July 1, 2014.

Mr. Barnard concluded with management's request that the Committee recommend execution of Revision No. 1 of Joint Recommendation No. 6 of the Craig Station Fuel Agreement, as presented.

There was no objection to management's request from the Committee members present.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mohave Generating Station (Mohave)  
Southwest Gas Transportation Service Agreement

Mr. Barnard, using overhead transparencies, stated that the purpose of his presentation was to request authorization to amend the Southwest Gas Transportation Service Agreement for Mohave.

He reviewed the characteristics and participants of the Mohave station, which includes two coal-fired generating units. He stated that the primary fuel source is coal supplied by Peabody Coal Company. Natural gas is a secondary fuel that is provided by various suppliers and delivered to the station by Southwest Gas Corporation under a 1988 Transportation Service Agreement.

Mr. Barnard stated that the current agreement limits the station to a maximum daily quantity of 17,000 MMBtu, at a price of \$0.59 per MMBtu. The amendment being recommended provides Mohave with the ability to burn up to 50,000 MMBtu of natural gas on a daily basis, at a price of \$0.59 per MMBtu for the first 12,000 and a reduced price of \$0.33 per MMBtu for all deliveries between 12,000 and 50,000 MMBtu.

Mr. Barnard concluded by requesting that the Committee recommend approval of the proposed amendment to the Southwest Gas Transportation Service Agreement for Mohave, as presented.

There was no objection to management's request from the Committee members present.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Rail Car Maintenance Agreement

Mr. Barnard, using overhead transparencies, stated that the purpose of his presentation was to request approval to make arrangements to maintain the coal cars at Coronado Generating Station (Coronado) and to execute the necessary agreements required for such.

By way of background, Mr. Barnard reviewed that the District purchased 206 coal cars between 1978 and 1981 to provide coal deliveries to Coronado and that maintenance on the cars has historically been performed by Atchison, Topeka and Santa Fe Railway Company (Santa Fe). Due to a recent downsizing, Santa Fe has given the District one-year notice that, beginning July 1,

1993, it will no longer perform maintenance and inspection on the District's rail cars.

As a result, Mr. Barnard stated that the Fuels Department has investigated several alternatives and is recommending that a temporary facility be established at Coronado to accommodate the immediate maintenance requirements of the coal cars. In addition, staff has talked with Tucson Electric Power Company (TEP) staff about a joint rail car maintenance program, since their Springerville plant also has rail cars and is in the same general vicinity. Such a pooling of maintenance could save additional money by centralizing parts, labor and facilities.

Continuing, Mr. Barnard reported that staff had visited the facilities of several rail car maintenance providers. Subsequently, potential maintenance contractors were invited to inspect the District's cars and provide an estimate of facilities and work required. Two companies, Transisco and Arizona Rail Car Company, responded.

Mr. Barnard reviewed the two proposals, in detail, including the location of facilities, labor rates, transportation if applicable, term, and parts inventory. He stated that Transisco better meets the needs of the District, since the location could be on-site at Coronado. In addition, their labor rate is lower and no transportation is involved. The term of the contract would be one-year, with extensions, and the District would maintain its own parts inventory.

By way of comparison, Mr. Barnard contrasted the District's 1991 actual rail car maintenance costs of \$256,648 with Transisco's costs, if they had performed the work, of \$183,043.

He concluded by requesting that Darrell Smith and Robert Barnard be authorized to make the necessary arrangements to maintain the coal cars at Coronado and to execute the necessary agreements with Transisco.

There was no objection to management's request from the Committee members present.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:15 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

October 15, 1992

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, October 15, 1992, in the Board Conference Room at the Project Administration Building.

Members present at roll call: Directors Arnett, T. Hurley, Marshall and Rudd.

Absent at roll call: Directors Ash, Dobson and R. Hurley.

Others present: President Lassen; Vice President Schrader; Directors Lydic and Williams Jr.; Salt River Valley Water Users' Association Governor Diller; Councilman McKinney Jr.; staff members Messrs. Emerson, Frere, Harrah, Mendoza, Nuszloch, O'Neal, Smith, Trangsrud, Udall and Zimmerman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, October 13, 1992, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Nuszloch to proceed.

Removal of Electric Savings Time Meter - Donald Rohan

Mr. Nuszloch briefly reported on an incident that occurred on August 10, 1992, at the residence of Mr. Donald Rohan, 4443 West Vogel Avenue, Glendale, Arizona. He stated that a female meter reader was attacked by two large dogs belonging to Mr. Rohan, while attempting to read the Electric Savings Time (EST) meter. The meter reader escaped uninjured but was unable to read the meter.

He demonstrated an EST meter, showing that the meter has to be physically probed and reset as part of the meter reading process. Since the EST meter on Mr. Rohan's property is located in his backyard, it is necessary to be inside the backyard to read it.

Following the incident, Mr. Nuczloch stated that management requested Mr. Rohan take permanent action to assure the safety of the District's field personnel or risk removal of the EST meter. Three options were given to Mr. Rohan including moving the EST meter to a location outside his fence: providing a fenced area for his dogs to make the yard safe for District personnel; or finding another home for his dogs.

All three options were unacceptable to Mr. Rohan, and he subsequently appealed through the Ombudsman's office, General Manager Perkins, and President Lassen. Management's decision was upheld at the Ombudsman and General Manager's levels, and President Lassen agreed to

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give Mr. Rohan an audience at the Power Committee.

Director Dobson, Ms. Weber, and Messrs. Rohan, Silverman and U'Ren entered the meeting.

Ms. Weber introduced Mr. Rohan and asked that he make his presentation.

Mr. Rohan stated he has been a District electric customer for over 12 years and, during that time, only one incident has occurred which involved his dogs. He felt the dogs were exuberant, not vicious, and on the day in question he failed to close his arcadia door, leaving the dogs access to the backyard. He said his dogs are not "outside" dogs. They are usually kept in the house, although he could not guarantee that the same situation might not occur again, accidentally.

Mr. Rohan said he felt his treatment over the incident and the options given to him were inappropriate and unreasonable. He appealed to the Power Committee to change the District's policy such that reasonable threats were not considered the same as unusual threats, and if the EST meter was removed from his property, that the same standard would be applied to all customers who had EST meters and owned dogs.

Considerable discussion ensued, and Chairman Arnett asked Mr. Rohan if he had any suggestions for solving the problem rather than do nothing. Mr. Rohan replied that the policy should apply to all dog owners.

Chairman Arnett then asked Mr. Rohan if he would be willing to incur any reasonable expense in order to keep the situation from happening again. Mr. Rohan responded that he did not feel there was a reason for him to spend any money, since a policy change would alleviate the problem.

Directors Burton and R. Hurley, and Council Chairman Kempton entered the meeting.

President Lassen, Ms. Weber, and Messrs. Nuszloch, Rohan and Udall left the meeting.

Chairman Arnett requested that the remainder of the agenda be addressed, with discussion on the Rohan matter held later in the meeting.

#### New Santan/Kempton 69kV Line

Mr. Emerson stated that the purpose of his presentation was to provide information regarding the public process being used to site the new Santan/Kempton 69kv transmission line, as well as to review the five-year plan for new transmission lines in various locations throughout the District's service territory.

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Using 35mm slides, Mr. Emerson charted the decision-making process used in siting large power lines. In recent years the process has included public forums, municipal notification, and increasing media coverage, which the District gets actively involved in prior to land acquisition and actual construction.

He reviewed three potential corridors under consideration for the 69kV line that will link Santan Receiving Station with Kempton Substation, as follows:

1. Using Consolidated Canal as the main portion.
2. Using Eastern Canal as the main portion.
3. Using the current 230kv corridor.

Mr. Zimmerman continued the presentation, stating that 7,500 customers who might be impacted by the siting decision were mailed a letter informing them of three open houses on the topic to be held October 27, 28 and 31, 1992. In addition, the Gilbert Town Council was apprised of the three corridors contemplated.

Mr. Emerson concluded with a brief description of seven new power line sitings to be made in the next five years, as follows:

- o Miller/Chandler Rebuild
- o Carlotta Mine between Superior and Miami
- o Leisure/Tryon/Venture
- o Baseline/Potter
- o Kyrene/South Chandler/Santan
- o Brandow
- o 64th Street/Pauite Park

Messrs. Rappoport and Sullivan entered the meeting during the presentation.

Messrs. Emerson, Mendoza, U'Ren and Zimmerman left the meeting.

#### Central Arizona Project (CAP) Water Allocation for Power Plant Use

Mr. Smith, using overhead transparencies, reviewed the history of the District's CAP allocation for municipal and industrial use water which, in the District's case, would be water used at generating station sites. He stated that initial allocations were made in 1983, with the District and Arizona Public Service Company (APS) agreeing to a 50/50 split of a total allocation beginning at 55,400 acre feet (AF) per year, declining to 43,212 AF per year. The District's portion would be 27,700 AF per year, declining to 21,609 AF per year.

Mr. Smith reviewed, in detail, a resource allocation study that compared CAP costs with pumping costs for a 30-year period, even though the proposed Central Arizona Water Conservation District

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(CAWCD) contract is for 50 years. Pumping costs were based on Groundwater Replenishment District (GRD) estimated costs and revealed that the CAP costs were significantly higher in the early years and higher over the forecast period in total. On a 30-year present worth value, and excluding pumping costs in both cases, the CAP costs were \$12,674,000 compared to estimated GRD costs of \$3,938,000.

Mr. Smith further stated that, based on existing Valley plants and future resource additions, the District would not require the amount of water in the early years of the contract that would have to be contracted for with the CAP. Since fixed O&M costs for CAP water are on a "take or pay" basis and current District needs are only 3200 AF per year, a significant economic impact results in the early years.

Mr. Smith stated that a decision to contract for CAP water has to be made by December 31, 1992, and he discussed several issues that are uncertain under the contract. Management has asked for an extension of the deadline to allow for any potential Indian water rights settlements that might impact the District's decision. A second chance to contract may occur under certain circumstances.

In conclusion, Mr. Smith stated that the economics do not justify the District contracting for its CAP allocation for power plant use; however, management will continue to seek an extension of the deadline to use the CAP allocation in Indian water rights settlements. If, in the future, management decides it would be advantageous for the District to execute the CAP contract, a recommendation would be brought to the Power Committee and, ultimately, the Board for approval.

Mr. Silverman stated that, if the District chooses not to contract for its CAP allocation, the Board will be apprised of the situation as part of the General Manager's Report at a regular Board meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Rappoport, Sullivan and Trangsrud left the meeting.

#### Mead-Phoenix Project

Mr. Harrah stated that the purpose of his presentation was to update the Committee on the Mead-Phoenix Project (Project). Using overhead transparencies, he reported that, as of August 28, 1992, all agreements authorizing construction of the Project had been approved by the participants, which include:

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City of Anaheim, California  
Arizona Public Service Company (APS)  
City of Azusa, California  
City of Banning, California  
City of Burbank, California  
City of Colton, California  
City of Glendale, California  
City of Los Angeles, California - Department of Water and Power (LADWP)  
M-S-R Public Power Agency  
City of Pasadena, California  
City of Riverside, California  
Salt River Project Agricultural Improvement and Power District  
City of Vernon, California  
Western Area Power Administration (WAPA)

Mr. Harrah described the Project as a 256-mile, 500kv AC transmission line, from Westwing Substation to Mead and Marketplace Substations in Southern Nevada. Initially, the line will be an alternate current system capable of transforming 1,300 MW but could be updated to 2,200 MW as a DC system.

He reported that all permits and licenses are in place to begin construction. The District is the Construction Manager for the Project, with overall responsibility for engineering design, procurement, construction, startup and operation. Responsibility for other portions of the Project have been assigned, as follows:

- o APS - Westwing 500kV Interconnection
- o WAPA - Mead Substation 500kV Yard and 230kV Interconnection
- o LADWP - Marketplace Substation

Mr. Harrah stated the estimated total Project cost is \$330 million, with the District's share being \$63 million. The design and procurement stages are expected to extend through December 1993, with Project construction completed by December 1995.

He reviewed several pieces of equipment that are considered major procurement items, such as the phase-shifting transformers; shunt reactors; transmission line towers, conductor and insulators; transmission line construction; and substation construction.

He stated that WAPA has responsibility for obtaining the transmission line right-of-way, which

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includes approximately 250 private parcels, of which 84 have already been acquired.

Mr. Harrah concluded with a review of the selection process for construction contractors. He stated that competitive bids will

be requested from pre-qualified contractors for the substation and transmission line. Bids for line construction will be based on three alternatives: construct south 130 miles, construct north 130 miles, construct the entire line.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Frere and Harrah left the meeting, and President Lassen re-entered the meeting.

#### Removal of Electric Savings Time (EST) Meter - Donald Rohan

Chairman Arnett requested that the Committee return its attention to the first item on the agenda, which was the incident involving a District meter reader and Mr. Rohan's dogs. He briefly reviewed the alternatives presented to Mr. Rohan and his refusal to comply with any of them. Management has, therefore, scheduled the removal of Mr. Rohan's EST meter and installation of a standard meter that can be read with binoculars from an adjacent property.

Considerable discussion ensued among Committee members and the other Board members present. Finally, on a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Power Committee upheld the current EST policy and management's decision to remove Mr. Rohan's EST meter, absent his compliance with any of staff's recommendations to ensure the safety of District personnel.

Since the decision was made to uphold current policy, no policy changes will be taken to the Board for consideration.

There being no further business to come before the Committee, the meeting adjourned at 11:30 a.m.

William K. O'Neal  
Secretary

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MINUTES  
POWER COMMITTEE

December 17, 1992

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, December 17, 1992, in the Board Conference Room at the Project Administration Building.

Members present at roll call: Directors Arnett, Ash, R. Hurley, Marshall and Rudd.

Absent at roll call: Directors Dobson and T. Hurley.

Others present: President Lassen; Vice President Schrader; Directors Burton and Neely; Councilman McKinney Jr.; staff members Mmes. Alfano and James, and Messrs. Areghini, Frere, Harrah, Kuk, Mendoza, O'Neal, Slick and Smith.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, December 15, 1992, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Ayers to proceed.

Mohave Generating Station - Water Supply Contract

Mr. Ayers, using overhead transparencies, briefly reviewed the background of the Mohave Generating Station (Mohave) and its participants, including the District's 10% interest. He stated that, when built, the plant had a life expectancy, for contractual purposes, to year 2006; however, it is now estimated the plant life will extend to year 2026. As a result/ there is a need to negotiate a new water supply agreement, since the current agreement expires in 2006 and will not be extended.

Mr. Ayers reported that Mohave uses approximately 18,000 acre feet (AF) of water per year, at an 80% capacity factor, from the following sources: 15,000 AF from the Colorado River, 2,000 AF from the coal slurry pipeline, and 1,000 AF from aquifer cleanup. The parties to the current water supply contract are Southern California Edison (SCE), as operating agent, and the Colorado River Commission of Nevada. The contract allows the plant to use up to 23,000 AF of water per year at approximately \$1.05 per AF.

Mr. Ayers stated that, on behalf of the participants, SCE has negotiated a new water supply contract with a consortium of the following water purveyors in Clark County, Nevada: Big Bend Water District, City of Boulder City, City of Henderson, Las Vegas Water District, and City of North Las Vegas. The new contract will extend through July 1, 2026, and provide 19,000 AF of water per year, less coal slurry and aquifer cleanup water.

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The new agreement will provide for water at a cost of \$1.25 per AF through July 1, 2006; and from July 2, 2006 through July 1, 2026, water will be priced as follows:

Fixed Cost - \$1,000, 000+ per year

Power and Energy - \$2,848,000 + per year

Total - \$3,848,000+ per year (\$240 per AF), or about 4/10 of a mill per kilowatt-hour at 70% capacity.

In comparison, the cost of water to Peabody Coal Company (for Mohave and Navajo Generating Stations coal mining purposes) is \$340 per AF for the first 2,800 AF per year and \$640 per AF over 2,800 AF. With annual use of about 4,000 AF, the average cost is \$430 per AF.

Mr. Ayers reported that the consortium's water sources after year 2006 will be Colorado River water, underground storage, effluent, and surplus Colorado River water.

In conclusion, he requested authorization for the District to terminate (or authorize SCE to terminate) the existing Water User Contract for Mohave Generating Station and execute (or authorize SCE to execute) the new water supply contract negotiated by SCE, under the terms and conditions presented.

On a motion duly made by Director R. Hurley, seconded by Director Marshall and carried, the Power Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Rappoport entered the meeting during the above presentation, and Director Burton entered following the presentation.

Ms. James and Messrs. Ayers and Kuk left the meeting.

#### Mead-Phoenix Project

Mr. Harrah, using overhead transparencies, reviewed the bid process for three packages of equipment considered to be major procurement items for the Mead-Phoenix Project (Project); namely, the 525kV phase-shifting transformers, 525kv shunt reactors, and 525kV power circuit breakers.

Concerning the 525kV phase-shifting transformers, Mr. Harrah reported that proposals were

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requested and received from ASEA Brown Boveri, Elm, and Siemens. He reviewed, in detail, the particulars of each company's bid, stating that Elm, with a

purchase order amount of \$16,500,000, was the lowest evaluated bidder.

Mr. Harrah concluded by stating that award of the contract for 525kv phase-shifting transformers went to Elm, with an approval amount of \$18,000,000, including an allowance for contingencies.

Continuing with the 525kV shunt reactors, Mr. Harrah reported that proposals were requested from ASEA Brown Boveri, Elm, Mitsubishi Electric Corp., and Siemens, with responses received from three of the four companies (Mitsubishi withdrew). He reviewed the particulars of the bids, stating that ASEA Brown Boveri, with a purchase order amount of \$6,900,000, was the lowest evaluated bidder.

Mr. Harrah concluded by stating that award of the contract for the 525kv shunt reactors went to ASEA Brown Boveri, at an approval amount of \$7,600,000, which allows for contingencies.

Finally, Mr. Harrah reported that proposals on the 525kv power circuit breakers were requested and received from ASEA Brown Boveri, GE Hitachi, and Mitsubishi Electric Power Products. He reviewed the responses of each proposal, stating that GE Hitachi, with a purchase order amount of \$1,123,000, was the lowest evaluated bidder.

Mr. Harrah concluded by stating that award of the contract for the 525kv power circuit breakers went to GE Hitachi, at an approval amount of \$1,250,000, which allows for contingencies.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. U'Ren entered the meeting, and Messrs. Areghini, Frere, Harrah and Mendoza left the meeting.

#### 1992 Load and Resources Table

Mr. Slick, using overhead transparencies, reviewed a pictorial of last year's load forecast for years 1993 through 2012, as well as a similar pictorial for the 1992 long-range forecast for years 1994 through 2013. He indicated that minor differences in the plan involve the timing of several resources due to changes in the load and demand-side management forecasts.

Mr. Slick stated that the new forecast does not change the sequence of major sources of power to the District which, over the short-term, include Navajo Surplus, a change in reserve criterion, and cancellation of the Territorial and Contingent Power Coordination Agreement with Arizona

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Public Service Company.

This year's pictorial also highlighted six years of the Financial Plan.

Mr. Slick reviewed the short-term concerns that could affect the plan, such as availability of Navajo Surplus next summer, impact of the City of Mesa's contract negotiations, and the installed reserve criterion. The major long-term concerns include the Tucson Electric Power Company/Arizona Electric Power Cooperative contract terminations, Navajo Surplus termination, and assumptions about the life of our generating sources.

Mr. Slick reported that one of the action items identified by management for further study is the potential for local power plant upgrades. In discussing this item, he emphasized the importance of the Environmental Protection Agency's (EPA) definitions involving the amount of pollutants emitted and any changes in the method of operation of the source. It is the consensus of staff that it would be difficult for the District to upgrade local power sources within the Phoenix Metropolitan non-attainment area and, therefore, local power plant upgrades are not included in the long-range plan.

Continuing, Mr. Slick reported on a second action item on siting of gas-fired generating facilities outside the non-attainment area, which is generally considered to be the immediate Phoenix Metropolitan area. He stated that a gas-fired plant site is possible in the far West Valley and at another site on the Hassayampa Plain near Wickenburg. Important factors to be considered are the availability of water, the proximity of existing gas lines, and the proximity of existing transmission corridors.

Mr. Slick concluded with discussion of a third action item involving review of the Palo Verde Nuclear Generating Station (Palo Verde) Recapture Agreement. He stated that the recapture cost components include \$590.6 million of the original installed cost, \$83 million of capital improvements, and \$24.4 million of working capital, for a total of \$698 million. It is the conclusion of staff that, since the majority of Palo Verde recapture costs are associated with the original installed cost, the District's Palo Verde recapture cost estimate is no more volatile than cost estimates for other resource options in the long-range plan.

There being no further business to come before the Committee, the meeting adjourned at 10:50 a.m.

William K. O'Neal

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1993

MINUTES  
POWER COMMITTEE

April 22, 1993

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, April 22, 1993, in the Board Conference Room at the Project Administration Building.

Members present at roll call: Directors Arnett, Ash, R. Hurley and Marshall.

Absent at roll call: Directors Dobson, T. Hurley and Rudd.

Others present: President Lassen; Director Burton; Salt River Valley Water Users' Association Governor Diller; Councilman McKinney Jr.; staff members Mmes. Alfano, James and Whisler; Messrs. Areghini, Barnard, Harrah, O'Neal, Rappoport, Rojas, Smith and Thompson; and James Edgerley of Williams Fork Company.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 3:00 p.m. on Tuesday, April 20, 1993, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Harrah to proceed.

Mead-Phoenix Project - Contract Awards

Mr. Harrah, using overhead transparencies, reviewed the bids received in response to Requests for Proposals to supply the 500kV transmission towers for the Mead-Phoenix Project. The bidders included suppliers for both tangent and angle towers.

Mr. Harrah reported that the lowest evaluated bidder for the tangent towers was Sul Americana De Engenharia, S.A. (SADE), with a bid price of \$10 million and total approval amount of \$11,500,000, with allowance for contingencies. He stated the lowest evaluated bidder for the angle towers was Thomas & Betts Lehigh, with a bid price of \$2,900,000 and total approval amount of \$3,300,000, allowing for contingencies.

Director Rudd entered the meeting.

Mr. Harrah continued by reviewing the background of a previously awarded contract to supply the Mead-Phoenix 500kv power circuit breakers (PCBs). He stated that competitive bids were evaluated in December 1992 and a contract awarded to GE-Hitachi, HVB, Inc. (HVB), the lowest evaluated bidder. Subsequent to the award, the two lowest bidders, HVB and ASEA Brown-Boveri (ABB) were asked if the PCB they quoted could withstand new transient recovery voltages (TRVs) that were identified in studies performed after the breakers were awarded. HVB responded that their breaker could not meet the new TRV requirements, and ABB responded that

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their breaker could. ABB later confirmed their claim by testing one of their breaker interruptors.

The contract to HVB for the PCBs was cancelled, at no cost, and the purchase order was awarded to ABB, the then-lowest evaluated bidder, at a price of \$1,123,000 and total award amount of \$1,250,000, allowing for contingencies.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Dobson entered the meeting during the presentation.

Mr. Harrah left the meeting.

Power Sale Agreement between the District and City of Mesa

Mr. Whisler stated that the purpose of her presentations was to review a request for Board approval of a Power Sale Agreement between the District and the City of Mesa (the "City").

Using overhead transparencies, she discussed key elements of the existing Power Sale Agreement between the District and the City, which expires on June 30, 1993, and has a contract demand of 34 megawatts (MW) at the E-39 Rate with a high voltage rider. It is a "take or pay" contract.

Ms. Whisler explained that, in recognizing the competitive nature of the power business, the City sent out Requests for Proposals (RFP) to several electric utilities for their long-term and peaking service. She stated the District is currently in a short-term excess capacity situation which coincides with the City's peaking capacity needs, for summer and winter capacity over three time periods, between the years 1993 and 2005. Following negotiations, the District was selected as the successful bidder for the City's peaking capacity needs.

Ms. Whisler reviewed the details of the new agreement with the City, wherein the District will provide 15MW of summer excess capacity and 10MW of winter excess capacity, for an initial term beginning July 1993 through April 1997. The minimum monthly capacity factor will be established at 15%. Capacity charges will be established at \$3.00 per kilwatt-month, with 5% escalation each year, and an energy charge of 46 mills/Kilowatt-hour, escalating 2% each year. The minimum total net revenue to the District will be \$3.1 million.

Continuing, Ms. Whisler stated the contract will also address subsequent periods, wherein the District can decide yes or no to continuing service, and quote load factor prices and prices to capture capital costs at least two years and four months prior to contract expiration. The City can then elect to accept the load factor and price within two years prior to contract expiration or elect to end the contract.

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Ms. Whisler concluded by discussing the key considerations involved in making the sales decision, including the return on short-term excess capacity, competition, history of the District's relationship with the City, financial protection and the flexibility afforded the District.

She reiterated her request that the Power Committee recommend Board approval of the Power Sale Agreement with the City of Mesa, in accordance with the terms presented.

On a motion duly made by Director Marshall, seconded by Director R. Hurley and carried, the Committee agreed to recommend Board approval, as requested.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Silverman entered the meeting during the presentation.

Mmes. James and Whisler left the meeting.

#### Craig Generation Station Fuel Supply – Trapper Mine

Mr. Edgerley, President and Chief Executive Officer of Williams Fork Company and Subsidiaries, holding company for Trapper Mine, stated he would be reviewing the mine operations and 1992 statistics for Trapper Mine, of which the District is 29% owner.

Using overhead transparencies, Mr. Edgerley reviewed the other companies who have ownership, fuel deliveries and sales contracts, Board members of Williams Fork Company and Subsidiaries, the organization and staffing levels for Trapper Mine, financial results from 1983 through 1992 including consolidated balance sheets, and profit/loss statements. He reported that staffing levels have been reduced over time, from 1983 to 1992, and the current staff is 193 employees.

Reviewing a plan of the mine life from 1990 through 2014, Mr. Edgerley reported that Trapper Mine will be dealing with declining deliveries which will make cost containment even more difficult. He showed 35mm slides of the mine area and the processes used in mining.

He concluded by announcing his retirement in July 1993, stating that a committee is actively searching for his replacement, both within and without the organization.

Mmes. Greenberg and Mcvicker, and Mr. Presmyk entered the meeting.

### Fence Lake Project - Mining Contractor

Mr. Barnard stated that the purpose of his presentation was to review several recommendations relative to the Fence Lake Project, including a recommendation for a contract miner.

Using overhead transparencies, Mr. Barnard reviewed a map of the Fence Lake area, showing the coal leases owned by the District and the particular areas which, in all likelihood, will be mined first. He discussed the history of the Fence Lake Project, beginning in 1982 when the District acquired the New Mexico coal leases, through October 1992 when the District received the final bids for a contract miner.

He continued by reviewing the goals of the bidding process, including the acquisition of cost data for the Fence Lake coal, information to assist in the Pittsburg & Midway Coal Mining Company - Coronado Generating Station Units 1 and 2 coal contract renegotiations, and information for selecting a contract miner. He stated that, in June 1991, Requests for Proposals (RFPs) were sent to 23 firms, with 7 responding and 4 making the District's short list. In February 1992, the second phase of the bidding began, resulting in today's recommendation for a contract miner.

Mr. Barnard reviewed the details of the RFPs, including a request that bidders develop coal reserve models, four different mine plans, and pricing for four mine plans; analyze and propose haulage methods; and propose basic contract parameters. He stated that, in evaluating the price, staff looked at all four scenarios; levelized the BTUs of each bid; adjusted each bid for taxes, depletion, royalties and archeology; and developed ratios used to consider differences in the geological models. In addition, the evaluating criteria was weighted, with price given the highest value at 35% and flexibility the lowest at 5%.

Mr. Barnard continued with a comparison of levelized BTUs for each of the four cases for North American Coal Company (NAC), Morrison-Knudsen, Green International, and Peabody Coal Company. NAC was determined to be the lowest evaluated bidder, with Morrison-Knudsen the second lowest.

Mr. Barnard reported that bidders were also requested to submit quotes on a two-year consulting contract, not to exceed \$300,000, with the District having the right to cancel at any time. Contract scope would include developing mine plan specifics, recommendations for any additional drilling that might be needed, and assisting the District with the permitting process.

He stated the next step involves the development of a mine plan for the permit application package, specific definition of the terms and conditions of the coal supply agreement, and a Fence Lake feasibility study. The study would begin next month and be

ready for Power Committee and Board presentations later this year or early next year.

Mr. Barnard concluded by requesting that the Power Committee recommend Board selection of North American Coal Company as the mining contractor for the Fence Lake Project and that North American Coal Company develop a mine plan for the permit application process, as well as assist as needed in providing data for the Fence Lake feasibility study. At the same time, staff will proceed to prepare a draft coal supply agreement.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Silverman left the meeting during the presentation.

#### Fence Lake Project - State of New Mexico Coal Leases

Mr. Barnard, using overhead transparencies, reviewed a request for authorization to execute the necessary documents to transfer three New Mexico coal leases from Ark Land Company, a subsidiary of Arch Minerals, to the District.

Using an overhead map of the area involved, he reviewed the location of the leases and their importance to the District. He reported that the District would receive 218,000 tons of surface mineable reserves and 6 million tons of underground reserves, plus reserve information from 30 additional drill holes previously performed by Ark Land. The initial transfer price would be \$12,000, including over-riding royalties to Ark Land of 2.5% on surface mined coal and 1.5% on underground mined coal. The initial transfer price would be recoverable through royalties.

Mr. Barnard concluded by requesting that the Committee recommend Board authorization for the Manager of Resource Planning or Manager of Fuels to execute the necessary documents to transfer three New Mexico coal leases from Ark Land Company to the District, as presented.

On a motion duly made by Director R. Hurley, seconded by Director Dobson and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Pittsburg & Midway Coal Mining Company  
(P&M) - Coal Supply Agreements

Using overhead transparencies, Mr. Barnard reviewed the background of the coal supply agreements with P&M for Coronado Generating Station (CGS). He stated that, since 1991, staff has been negotiating with P&M to lower the cost of coal for CGS. At its July 13, 1992 meeting, the Board directed legal counsel and staff to negotiate new P&M coal supply agreements, along the guidelines presented in Executive Session, with the final agreements to be brought to the Board for approval. He reported that staff and P&M have finally reached agreement "in principle" and two contracts are being drafted that together will save the District approximately \$43 million over the life of the agreements.

Mr. Barnard continued by reviewing the CGS burn projections, 1993 through 2009, and the sources of coal needed to meet those projections. He compared the delivered fuel price per ton and dollars per MBTU of the major players in the coal market at CGS, indicating that P&M's base contract price was high at \$50.20 per ton, while the supplemental coal price was low at \$23.20 per ton.

Mr. Barnard discussed key elements of the restructured primary and supplemental P&M contracts for such items as tonnage, price reopeners, and terms. He stated the restructured agreements would provide for 1.4 million tons of coal per year at a primary contract price of \$50.13 per ton with a sliding scale discount, depending on the amount of supplemental tonnage used.

The restructured agreement would provide for four price reduction reopeners, driven by a market basket of coal contracts and capped at a maximum of 13%, 16.5%, 15.75% and 12.25%. The criteria for the market basket is defined in the agreement. The first reopener would occur in January 1998, with others occurring in September 1999, January 2001, and January 2004. It is expected that the price reopeners will bring the P&M cost of coal to "market price."

The remainder of the terms and conditions are similar to the current agreement, with the exception of escalation provisions and the term, which was extended two years past the term of the existing agreement.

Mr. Barnard continued by reviewing the supplemental agreement, which has a term of five years, effective January 1, 1993, and is a full-requirements contract for any coal needed above the 1.4 million tons in the Amended and Restated Agreement. The coal price is \$16.58 per ton, which is equivalent to a spot coal price. The agreement includes a one-time market reopener in January 1995.

He discussed the pros and cons of the restructured agreements, as outlined, including the options available for additional coal not yet contracted for, but needed after July 1998.

Mr. Barnard concluded by stating that the proposed agreements would give the District more flexibility, produce the earliest dollar savings, and leave more options for requirements past July 1998; therefore, he recommended that the President or Vice President and Secretary or Assistant secretary be authorized to execute the new coal supply agreements with P&M, as presented.

On a motion duly made by Director Marshall, seconded by Director Ash and caned, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Mmes. Greenberg and Mcvicker, and Messrs. Barnard, Presmyk and Smith left the meeting.

Ms. Temme and Messrs. Lusko, Rojas and Thomas entered the meeting.

#### Project Help

Mr. Thompson briefly reviewed the key elements of recently-enacted state legislation that allows electric utilities to contribute voluntarily, on a mills-per-kilowatt-hour basis, to a state-administered fund to assist low-income families in paying their utility bills. He stated that, since participation in the program is voluntary, and because of the magnitude of the voluntary contributions and concerns that the funds are totally state-administered, it was decided to decline participation in the program.

However, in response to legitimate concerns for low-income families and the declining dollars available to agencies responding to their pleas for help, Mr. Thompson announced that the District has chosen to develop its own assistance program. Approximately 9% of the District's customers are in the low-income category.

Mr. Thompson reviewed that a task force was developed to address this issue, with objectives of lowering electric bills through conservation and education; visibility in the community; and cost effectiveness. He stated that, after investigating the root causes of high electric bills, two key conclusions were drawn:

1) low-income homes were energy-inefficient; and 2), there was a lack of understanding by the user of the relationship between energy usage and the cost to operate appliances.

Mr. Thompson explained that staff chose not to address the problem through discount electric rates because the wrong targets are usually affected and discount electric rates are not a realistic long-term solution. Instead, the Project Help program intends to feature long-term solutions by emphasizing conservation and education.

The program is intended as a two-year pilot project that will use the natural flow of customers referred to the District from existing energy assistance organizations. As part of the program, the District intends to install 90 PowerStat meters that will allow customers to pay in advance for varying amounts of power.

Mr. Thompson showed a video which explained the use and effect of a Powerstat meter.

He concluded by stating that \$1.2 million has been allocated over a two-year period for the pilot program, including \$500,000 which the District will contribute to the ongoing SHARE program.

Mr. Rappoport entered the meeting during the presentation. Directors Dobson and R. Hurley left the meeting during the presentation.

#### Navajo Scrubber Project

This item was deferred to a future meeting.

There being no further business to come before the Committee, the meeting adjourned at 11:55 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

June 23, 1993

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Wednesday, June 23, 1993, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Dobson, Marshall, and Rudd.

Absent at roll call: Directors Ash, R. Hurley, and T. Hurley.

Others present: President Lassen; Vice President Schrader; Director Burton; Salt River Valley Water Users' Association Governor Diller; staff members: Mmes. Baker and Smith, and Messrs. Bonsall, Duckworth, Egan, Hayslip, Hoffman, Hulet, Langford, Martin, O'Neal, Perkins, Silverman, Sullivan, Thompson, U'Ren, Wilkening, and Witherspoon.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 Project Drive, Tempe, Arizona, at 3:00 p.m. on Monday, June 21, 1993, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Hayslip to proceed.

Sulfur Dioxide Emission Allowances

Mr. Hayslip stated the purpose of today's presentation was to provide background information on the federal Clean Air Act Amendments of 1990 (the "Act") as they relate to emission allowances. He asked Mr. Witherspoon to continue the presentation.

Mr. Witherspoon, using overhead transparencies, reviewed certain amendments to the Act which provide for acid rain reductions and the creation of market-based system of emission allowances which can be bought, sold, traded or banked, similar to other assets of a company. Some of the provisions will involve future Board actions. He reviewed, in particular, Title IV of the Act, which lists the acid rain goals, as follows:

1. 10 million ton reduction in sulfur dioxide emissions from 1980 levels:
2. 2 million ton reduction in nitrogen dioxide emissions from 1980 levels:
3. Annual cap on sulfur dioxide emissions of 8.9 million tons after year 2000.

Mr. Witherspoon reported that the nitrogen dioxide implementation prescribes emission limits for specific boiler types whereas the sulfur dioxide implementation uses the market-based approach of

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allowances coupled with permits. Phase I of the sulfur dioxide implementation targets 110 plants that need to be in compliance by January 1, 1995. Phase II, beginning January 1, 2000, brings all other utility plants in the Continental United States into the program.

Mr. Witherspoon continued by stating that an allowance is an authorization allocated to an affected unit by the Environmental Protection Agency (EPA) to emit, during or after a specific calendar year, one ton of sulfur dioxide. Sulfur dioxide emission allowances represent a new asset in a new commodity market where trades may take place similar to other commodities such as gold, silver, and grains.

He stated there are 28 different versions of the formula used to calculate allocations. It is estimated that the District, based on ownership share, will have a final allocation (incorporating all of the District's applicable generating units) of 45,058 allowances, while projected annual sulfur dioxide emissions for the same units after year 2000 are 28,024. He reviewed the projected number of excess allowances for the District, for years 2000 to 2012, using the base case and maximum excess sales.

Mr. Witherspoon explained the EPA's system of allowance deductions, with deducted allowances going into various reserves for redistribution. Allowances deducted fall into three categories: special allowance reserve, conservation and renewable energy reserve, and repowering.

Mr. Witherspoon reviewed the District's allowance deductions, based on ownership share, for all the units affected on the District's system. He explained the criteria for conservation and renewable energy reserve, stating that one allowance is awarded for every 500 megawatt-hours saved.

Mr. Witherspoon reported that an EPA auction of allowances from the special allowance reserve was held on March 29, 1993, wherein 50,010 allowances were sold for Phase I, with utilities receiving an average price of \$156 per allowance. In addition, 100,000 advance allowances were sold for Phase II, with utilities receiving an average price of \$136 per allowance. Thus, the District is anticipated to receive about \$66,000 from the auction.

Mr. Witherspoon stated that, at some point, the District must name a designated representative who will have statutory, contractual, regulatory, and fiduciary responsibility as it applies to buying, selling, and transferring allowances. Management is currently evaluating who that representative should be prior to requesting Board approval.

In conclusion, Mr. Witherspoon stated that staff is still looking at other considerations, including taxes, bond implications, litigation on regulations, public relations, and potential implications of actions by Navajo Nation. However, the allowances represent a tangible asset which, at some point, will require Board authorization for disposition or sale and Board certification associated with future allowance reserve applications.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash, R. Hurley and T. Hurley, and Mr. Rappoport entered the meeting during the presentation.

Messrs. Hayslip and Witherspoon left the meeting.

#### Generating Resource Transactions

Mr. Bonsall stated that the District's mission statement commits the District to being the lowest-cost provider of quality power and energy in its region. In keeping with this goal, staff is constantly reviewing its position in relation to other utilities in the area and nationwide.

Using overhead transparencies, Mr. Bonsall compared the District's total expenses per kilowatt-hour sold and production expenses per kilowatt-hour generated and purchased against approximately thirty other utilities, including local and national entities. He stated that, relative to total expenses per kilowatt-hour sold, the District is close to the midway point of other utilities, whereas the District compares more favorably to production expenses per kilowatt-hour.

Mr. Bonsall reviewed the types of measures used to judge the District's standing, stating that management is constantly reviewing its options in order to improve the District's standing. He requested Mr. Sullivan to continue the presentation with a particular option being considered.

Mr. Sullivan, using overhead transparencies, briefly reviewed the District's long-range plan through fiscal year 2013. He reported that staff is currently working on opportunities involving interaction with the Central Arizona Water Conservation District (CAWCD), which might free-up some of the District's assets for sale and allow long-term contract sales.

Mr. Sullivan stated that staff is currently pursuing a proposal with the CAWCD to combine its Central Arizona Project (CAP) loads and resources with the District's, and determine whether there is

any market interest and value for the sale of District generating assets.

He reviewed, in detail, the CAP power uses as projected during shortage years, normal years, and surplus years covering the period 1994 through 2004. The District currently has access to 350 megawatts of excess CAP power but only 266 gigawatt-hours of energy. The CAP has available an additional 1,800 gigawatt-hours of excess energy and up to 394 megawatts of capacity. If the District were able to integrate the CAP excess capacity and energy into its system, schedule the CAP's energy requirements and use the excess for District purposes, a tremendous profit potential would exist.

Mr. Sullivan reviewed the loads and resources profile for the CAP, reporting that a mix with the District's profile would be advantageous. As a result, the District has proposed the following to the CAWCD:

1. The District would integrate CAWCD resources and loads into the District's system.
2. The District would deliver the CAP energy requirements from its system, with CAWCD paying Navajo Generating Station costs.
3. Resources above the CAP requirements would be available to the District for use at its cost.
4. The District would pay CAWCD \$16 million per year for integrating with CAP resources and loads.

Mr. Sullivan stated the District would receive the following benefits from such a transaction:

1. \$240 million over 17 years.
2. Possibility of deferring or eliminating some resources from the District's long-term plans.
3. Substantially diversifying the District's load.
4. Enhanced ability to market capacity and energy.

He stated the CAWCD would also benefit, as follows:

1. \$16 million per year to help reduce CAWCD's deficit.
2. Another \$3.3 million per year in savings with the District's payment of Hoover B resource.
3. A more reliable source of pumping CAWCD's requirements.

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Mr. Sullivan reviewed the financial situation of CAWCD and the potential impacts of adding CAWCD's loads to the District's loads and resources chart. He stated that, if such an agreement was entered into, the District might be able to sell some generating assets, make long-term system sales, and make short-term sales down to the sixteen percent reserve level.

Mr. Sullivan discussed the uncertainties of such an integration, including load growth, future resource costs, and future gas prices. The uncertainties provide a complex set of scenarios with 81 possible outcomes.

To illustrate, Mr. Sullivan reviewed the favorable and unfavorable conclusions of an asset sale and long-term contract. He stated the major unknown is the market price for the District's assets or long-term sales due to unsettled conditions in the region, including the Colorado-Ute bankruptcy, El Paso Electric Company bankruptcy, other distressed utilities, and regional market differences.

However, Mr. Sullivan stated that staff has solicited interest by telephone contacts relative to interest in a sale of Craig/Hayden Generating Station assets. Of course, the District reserves its ability to reject all proposals and all proposals are subject to Board approval.

In conclusion, Mr. Sullivan reported that staff continues to pursue combining the CAP loads and resources with the District, to negotiate terms and prices with CAWCD and others, and to determine if there is any market interest and value in long-term sales or sale of District assets, including the development of requests for proposals, distributing to interested parties, and responding to the proposals.

Following discussion, it was the consensus of the Committee members present that staff continue to pursue all avenues, as discussed.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Vice President Schrader and Messrs. Duckworth and U'Ren left the meeting.

#### Solar Business Opportunities

Mr. Hoffman stated his presentation would focus on possible solar business opportunities for the District. Using overhead transparencies, he responded to the question "Why solar?" by stating that:

1. Certain air and water quality and regulatory trends are leaning toward solar.
2. Customers want solar, and the District wants to be involved.
3. Solar provides an alternative to solving certain specific problems.
4. If solar will work anywhere, it will work in Arizona.

To illustrate, he showed a map of the United States depicting available global solar radiation, with Arizona being ideally suited in an area that provides the most daily solar radiation.

Mr. Hoffman continued with a graph showing the cost-effectiveness photovoltaics, wherein those applications using a few watts justify high prices, whereas prices must be lower to justify the use of photovoltaics for bulk power. He stated these units are still relatively high cost and not cost-effective for bulk power at the present time.

Mr. Hoffman showed two examples of the District's effective use of photovoltaics, one being a unit that monitors stream flows at Arizona Falls and another being a remote radio communication unit which relays data to the Association's dispatch center at Fort McDowell.

He briefly reported on the efforts of other utilities around the country, such as Idaho Power Company, Texas Utilities Electric, Southern California Edison, and the Sacramento Municipal Utility District.

Mr. Hoffman stated the District has been actively engaged in discussions with two photovoltaic companies, identified as Company A and Company B, who are interested in building photovoltaic manufacturing facilities in Arizona. He discussed the economic development impacts of each and explained how the District got involved with Companies A and B.

Mr. Hoffman stated the District has requested a response from each of the companies relative to specific elements of a proposal, including:

1. The purchase of photovoltaic systems by the District.
2. Financial participation in the business.
3. A joint research program.

The purchase of photovoltaic systems would include 6 megawatts, cumulative over ten years, with the quantity increasing over time

and the price declining over time. In addition, the District would seek a government cost-share.

The financial participation would require the District to earn a rate of return commensurate with the risk. Interest in the company would be aligned toward success of the business, with cash flows balanced over time. The District's participation could also be in the form of land and buildings.

The joint research program would involve cost-share research projects of mutual interest, personnel exchanges between companies, and improved understanding and broadening of perspective of each.

Mr. Hoffman concluded by stating that any future actions would involve responses from the manufacturers, the selection of one for negotiation, agreement in principle, and the implementation of documents, with the Board having final approval.

During the presentation, President Lassen left the meeting and Vice President Schrader entered the meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director T. Hurley and Messrs. Bonsall, Hoffman, Hulet and Sullivan left the meeting.

Mr. Lusko entered the meeting.

#### Rate of Interest Paid for Customer Electric Deposits

Ms. Smith briefly reviewed the interest rate paid by the District on monies deposited by customers for electric service. She stated that deposits bearing 8% interest were instituted in 1930. The interest rate was lowered to 6% in 1936 and has continued to be 6% to this date. As a result, management is recommending that the rate be modified to more closely match the financial rates that are generally being charged.

Using overhead transparencies, Ms. Smith showed that interest expense earned from deposits has increased from \$1,525,400 in 1990/91 to \$2,031,700 in 1992/93. She stated that if a rate of 2.92% had been applied in 1992/93, which would more closely reflect current market conditions; the District would have saved approximately \$1 million in interest expense to its customers.

Therefore, management is recommending that the District establish a new interest rate on deposits which is based on a three-month average (August, September, October) of lending rates paid on certificates of deposit by the Valley's main banks. The rate

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would become effective on January 1, 1994, with all deposits prior to that date being paid at the present rate of 6%.

In addition, management recommends that the interest rate be reviewed each year with the same criteria, and that no change be made unless the calculations exceed a deadband of 1 1/2 of 1%.

On a motion duly made by Director Rudd, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. Baker and Smith, and Messrs. Egan, Langford and Thompson left the meeting.

#### Navajo Generating Station - Scrubber Project

Mr. Lusko, using overhead transparencies, summarized the major milestones in the Navajo Scrubber Project (the "Project") schedule, beginning with award of the architectural/engineering contract in 1992 through the third unit in-service date in late 1999.

He reported that the process for flue gas desulfurization (FGD) would be a wet scrubber process with limestone-forced oxidation. He described the selection process and logic for settling on a wet scrubber process.

Mr. Lusko continued with a review of anticipated 1993 work activities, including four major phases with many minor phases within each. He stated the next major milestone involves selection of a vendor for the FGD. Twelve vendors were solicited initially; ten responded to inquiries; five are on the short list. He briefly reviewed the criteria used in evaluating the short list, stating that final selection and award of the contract are expected in late 1993.

Mr. Lusko concluded with a review of construction management services firms that made the final bid list for construction management support of the Project. He stated the short list is currently being evaluated, which includes Bechtel Corporation, Gilbert Commonwealth, J.A. Jones Construction, MK-Ferguson, Sargent & Lundy, and Stone & Webster Engineering Corp. Award of the contract is expected in August 1993.

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Director R. Hurley and Messrs. Rappoport and Silverman left the meeting.

Operating Results for Fiscal Year 1992/93

Using overhead transparencies, Mr. Wilkening reviewed the District's power production expenses for fiscal year 1992/93. He compared actual versus budgeted production results for the following resources: coal, nuclear, purchase and interchange, Valley generation, and falling water.

Mr. Wilkening continued with a review of system load requirements and capacity factors for each of the various types of generation. He concluded with a three-year comparison of production expenses, fiscal years 1991/92 through 1993/94.

Director Dobson left the meeting during the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Martin and Wilkening left the meeting.

The meeting concluded with a video depicting the processes used for wet and dry flue gas desulfurization.

There being no further business to come before the Committee, the meeting adjourned at 12:20 p.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

August 19, 1993

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:40 a.m. on Thursday, August 19, 1993, in the Board Conference Room at the Project Administration Building.

Members present at roll call: Directors Dobson, R. Hurley, Marshall, and Rudd.

Absent at roll call: Directors Arnett and Ash.

Others present: Vice President Schrader; Salt River Valley Water Users' Association Governor Diller; staff members: Mmes. James and Whisler, and Messrs. Areghini, Bonsall, Barnard, Bateman, Kondziolka, O'Neal, Perkins, Smith, Spirk, and Thomas.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, August 17, 1993, by Terry Lonon of the Secretary's Office.

Committee Vice Chairman Dobson called the meeting to order and requested Ms. Whisler to proceed.

Amendment No. 1 to Rogers 230kv Switchyard  
Development and Interconnection Agreement

Ms. Whisler stated she would be presenting an informational item concerning Amendment No. 1 to the Rogers 230kV Switchyard Development and Interconnection Agreement (the "Agreement") between the District, City of Mesa (Mesa), and Western Area Power Administration (WAPA). The original Agreement was entered into on December 31, 1990, and provided in part for WAPA's participation in the joint District/Mesa Rogers Substation through interconnection of WAPA's 230kV transmission system in the Rogers 230kV Switchyard.

Using overhead transparencies depicting the switchyard, Ms. Whisler explained that as construction of Rogers Substation progressed, it was discovered that the District's original easement across Mesa Public Schools property, which the District had intended to use for its 69kV lines out of Rogers Substation, had been inadvertently encroached upon by Mesa Schools administrative buildings. As a result, the District sold a certain portion of the encroached easement to Mesa Schools for \$157,500. In addition, WAPA agreed to grant an offsetting easement to the District for the 69kV lines across its Mesa Substation property, located just south of the original right-of-way, for a fee of \$108,200.

Ms. Whisler stated that, rather than have the District pay WAPA directly for the easement, which would result in payment going to the United States Treasury, WAPA requested and the District

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agreed to credit the \$108.200 against WAPA's share of the

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construction costs of Rogers Substation. This necessitated Amendment No. 1, which addresses two issues: (1) that the District bills and WAPA pays for station service power provided by the District to WAPA's control house at Rogers Substation through an energy interchange account rather than direct billing under the District's standard commercial rate; and (2) that the amount the District owes WAPA for the grant of easement be credited against the amount WAPA owes the District for Phase II construction costs at Rogers Substation.

Ms. Whisler concluded by stating that no Committee or Board action is required, due to previously delegated Board authority to the Associate General Manager of Financial, Information, and Planning Services to execute power contract amendments which do not exceed \$1 million.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Alfano and Mr. Silverman entered the meeting.

Power Purchase Agreement between  
Nevada Power Company and the District

Ms. Whisler, using overhead transparencies, stated she would be requesting Committee approval to submit a recommendation to the Board to enter into a Power Purchase Agreement between the District and Nevada Power Company (NPC).

She reported that, in February 1993, NPC initiated Requests for Proposals to purchase power during the summer peaking season. In July 1993, the District was informed that it was one of four successful bidders. She stated the proposed agreement is for the months of June through September only, for years 1996 through 2000, in which the District will sell 30 megawatts of firm summer season capacity to NPC, at a 30% minimum monthly load factor to be delivered at Mead Substation. The District's estimated markup is 70% over the cost to serve and will provide additional revenues of approximately \$11 million over the term of the sale. The demand charge will be \$10 per kilowatt-month, with an energy charge of 30 mills per kilowatt-hour, and annual escalation of 5% on both the demand and energy charges.

Ms. Whisler concluded by stating that Nevada's Public Service Commission (PSC) has to approve the proposed agreement without change pursuant to NPC's filing to amend its Resource Plan; therefore, NPC has requested that the Board approve the Power Purchase Agreement, contingent upon approval by the PSC by December 1993.

On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

President Lassen and Mr. U'Ren entered the meeting during the presentation.

Power Sale Agreements with Overton Power  
District No. 5 and Valley Electric Association

Ms. Whisler stated that the purpose of her presentation was to request a Committee recommendation to the Board for approval of two separate power sale agreements--one with Overton Power District No. 5 (Overton) and the other with Valley Electric Association (Valley), both of Nevada. Both agreements involve the District sale of firm capacity and energy during the winter period of September through May each year, beginning September 1993 through May 1998. The quantity of the sales is small, with Overton contracting for up to 2 megawatts and Valley up to 10 megawatts, with a minimum 50% monthly load factor. These deliveries would also be made out of Mead Substation.

Ms. Whisler reported that the power sale agreements are for firm capacity, with a demand charge of \$2 per kilowatt-month and an energy charge beginning at 26.25 mills per kilowatt-hour and escalating at 5% annually. The energy charge is also protected from any significant price increases in the price of natural gas during the period of the agreements. It is expected the District will realize a minimum of \$1.1 million during the first year of the agreements and \$4.3 million (in present value terms) over the life of the contracts.

She concluded by requesting approval of both power sale agreements, as presented.

On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. James and Whisler left the meeting. Messrs. Delgado and Schweitzer entered the meeting.

### Fence Lake Project - Mine Permit Application Packages

Mr. Barnard stated that the purpose of his presentation was to request a recommendation for Board approval to submit the mine permit application packages (PAPs) for the Fence Lake Project and to authorize the Manager of Resource Planning and the Manager of Fuels to execute and administer the mine PAPs.

Using overhead transparencies, Mr. Barnard reviewed the Fence Lake mine area, which is located in western New Mexico and eastern Arizona and will provide coal for Coronado Generating Station in St. Johns, Arizona. He reminded the Committee that the Fence Lake Project has been underway since 1981, and in May 1993, the Board approved the selection of North American Coal Company (NAC) as the mining contractor. NAC has been working on a consulting basis to assist in the development of the mine permit application packages. These packages will be ready in October 1993 for submission to the Mining and Minerals Division of the Energy, Minerals, and Natural Resources Department of the State of New Mexico and the Office of Surface Mining in Arizona for a portion of the haulroad in Arizona.

Mr. Barnard concluded with a review of the Fence Lake schedule, stating that several important actions will be forthcoming, including an economic feasibility study comparing Fence Lake and the general coal market to be presented at the end of the year. The results of the study will impact whether the District embarks upon full mine startup activities as early as January 1996. The permit application packages are necessary for pre-startup.

On a motion duly made by Director R. Hurley, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Rappoport entered the meeting.

### Mead-Phoenix Project - Transmission Line Construction Contract

Mr. Kondziolka stated that he would be presenting an informational item concerning the bid process and award of bid to construct the Marketplace to Mead to Westwing 500kV Transmission Line.

Using overhead transparencies, he reported on each of the ten contractors who submitted bids for

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the Mead-Phoenix 500kV transmission line project, including a brief background of the contractors' abilities as well as their home office locations.

He stated the District had requested proposals in three forms; namely, a firm price for the north half of the project, a firm price for the south half of the project, and a firm price for the whole project. The contractors could bid on any or all of the forms in their proposals.

Mr. Kondziolka reviewed a tabulation of bids received for the north half, south half, and total project, showing that Irby Construction Company was the lowest base bidder in all three categories. He stated that Irby Construction Company was awarded the contract with a base amount for the total project of \$22,834,014 and purchase order amount, allowing for contingencies, of \$27,400,000.

Mr. Kondziolka concluded with a detailed explanation of why all the quotations, including that of Irby Construction Company, were considerably lower than the District's estimate of \$47 million.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Barnard, Kondziolka, and Smith left the meeting.

#### Fiber Optics and Six-Year Communications Plan

Mr. Spirk stated that the purpose of his presentation was to provide an informational overview of the Six-Year Communications Technology Plan. Using overhead transparencies, he reviewed the communications requirements for the major areas of power system operations, water system operations, and administrative system support. He stated that, in each of the areas, the objectives are to increase reliability, improve maintainability, accommodate growth, enhance productivity, meet regulations, and minimize lease costs.

Mr. Spirk reviewed the six-year budget projections for the following major categories:

Cable	8,869,000
Network	4,713,000
Microwave	3,052,000
Radio	3,000,100
Telephone	1,745,000
Miscellaneous	2,017,000

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Total Six-Year Plan

23,396,000

He continued with a review of accomplishments to be expected and the types of equipment that would be needed for each of the main budget groups, with emphasis on the fiber optic cable network.

He reported that fiber optics have a higher capacity and reliability than anything used to date, including immunity to voltage surges and electromagnetic noise, improved relay speed, and not being subject to propagation fades.

Mr. Spirk concluded by explaining, in detail, the fiber optic strategy over the next several years for the East and West Valley loops, substation interconnections, eastern mining area, and the District campus, which includes the Power Operations Building, Papago Buttes facility, Curry Road facility, Cross-Cut facility, Information Systems Building, and the Project Administration Building.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Vice President Schrader, Director R. Hurley, and Messrs. Bonsall, Rappoport, Silverman, and U'Ren left during the presentation.

There being no further business to come before the Committee, the meeting adjourned at 11:30 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

September 29, 1993

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Wednesday, September 29, 1993, in the Board Conference Room at the Project Administration Building.

Members present at roll call: Directors Arnett, Ash, Diller, Dobson, Hurley, and Rudd.

Absent at roll call: Director Marshall.

Others present: President Lassen; Vice President Schrader; Directors Brooks, Burton, and Lydic; Councilmen Kempton, McKinney Jr., Rousseau, and Vanderwey; staff members: Mmes. Alfano and Smith, and Messrs. Areghini, Bonsall, O'Neal, Perkins, Silverman, Rappoport, Thompson, and U'Ren.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Monday, September 27, 1993, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Kempton to proceed.

Request to Reconsider Board Action on Interest Rate  
Paid for Customer Electric Service Deposits

Beginning with deceased Council Chairman Accomazzo's concerns to present, Council Chairman Kempton briefly reviewed the Council's request that the Board reconsider its decision concerning the interest rate paid on customer electric service deposits. He thanked the Board for its patience and reconsideration of this matter.

Committee Chairman Arnett stated that the Board, at its July 12, 1993 meeting, approved a change to the District's interest rate policy on deposits, which was subsequently tabled pending a full Presentation by management to the Council. He asked Mr. Thompson to review the major components of the Board's decision.

Mr. Thompson reported that the interest rate paid on customer electric service deposits has been 6% since 1936. He briefly reviewed management's Philosophy concerning the deposits and the decision leading up to a request to change the policy. The recommendation approved by the Board was that the interest rate paid on deposits be pegged to Certificate of Deposit (CD) rates at several of the major Valley banks, based on an average of the months of August, September, and October. The calculated average would become effective in the next calendar year if it exceeded a deadband of  $\pm 5\%$ . otherwise the rate would remain the same.

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Mr. Thompson concluded with a review of deposits held by the District during Fiscal Year 1992-93, an interest rate comparison, and a brief discussion of the types of financial instruments that are acceptable in lieu of cash deposits.

Mr. Bonsall continued the presentation with a review of the rates of interest paid on one-year Treasury Bills from 1960 to 1992 and the result of one dollar invested in 1974 and compounded at the rates paid on jumbo CDs for years 1974 to 1992 versus the same dollar invested at 6%, as previously applied to customer electric service deposits. By far, the jumbo CD rate provided the customer with a greater overall return.

Committee Chairman Arnett thanked staff for its review of the policy and requested comments from the Councilmen present.

Councilman Rousseau briefly reviewed his personal experience with the District's deposit policy, stating he felt the timing was poor for implementation of a new rate based on CDs. He suggested that management look at a tiered approach to the deposit policy--one for residential customers based on some type of savings rate, and another for commercial accounts based on a comparable rate that a commercial customer would have to pay to borrow money.

Councilman Vanderwey also expressed concern about the Board's decision, stating he felt the rate should be pegged to the prime rate and allowed to float. He indicated this would keep the District secure and provide a good image with its deposit customers.

Committee Chairman Arnett asked if there was any further discussion on this matter, noting that the CD-based interest rate was the District's policy and any change would be to that. There being none, he stated the Board's decision had been reviewed and that any change at this point would require further Board action. He concluded by asking if there were any concerns by the Board to revisit this issue. There were none; therefore, the CD-based deposit interest rate policy stands.

Mr. Rojas entered the meeting during the presentation.

Director Burton, Ms. Smith, and Messrs. Bonsall, Thompson, and

U'Ren left the meeting.

Navajo Generating Station (Navajo) Scrubber  
Project - Construction Management Services

Mr. Rojas, using overhead transparencies, reviewed the milestone schedule for the Navajo Scrubber Project, beginning in June 1992 and concluding with the third unit in-service date of August 1999.

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He stated that the schedule for the entire project has been divided into five phases, with Phases 1 and 2 involving data collection, process selection, and design criteria and development. Phase 3 is now beginning, which includes the flue gas desulfurization (FGD) process equipment procurement and balance of plant (BOP) design and procurement.

Mr. Rojas reported that five major contracts would be awarded during the next few months on Phase 3; namely, the FGD equipment, construction management services, the new chimneys, various major electrical equipment supplies, and a site preparation contract. The selection process for construction management support services was recently completed, with initial inquiries sent to 60+ firms, 12 considered, and 6 responses to the District's Requests for Proposals. He reviewed the factors that were considered in the evaluation process, stating that final award of the contract was made to MK-Ferguson, a subsidiary of Morrison Knudsen (MK).

Continuing, Mr. Rojas reviewed the support that would be needed through the completion of Phase 2 for the construction planning and procedures, in Phase 3 for design and procurement, and in Phase 4 for the construction management services.

He concluded with a review of the construction management organization chart which details the responsibilities of the District, Stone and Webster, and MK-Ferguson.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Perkins, Rappoport, and Silverman left the meeting during the presentation.

There being no further business to come before the Committee, the meeting adjourned at 10:45 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

October 21, 1993

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (District) convened at 9:30 a.m. on Thursday, October 21, 1993, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Diller, Hurley, Marshall, and Rudd.

Absent at roll call: Directors Ash and Dobson.

Others present: President Lassen; Vice President Schrader; Councilmen Lydic and McKinney Jr.; staff members: Ms. Alfano and Messrs. Barnard, Bonsall, Bottolfson, Harper, Hernandez, Lusko, O'Neal, Rojas, and Smith.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, October 19, 1993, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Barnard to proceed.

Coronado Generation Station –  
Railroad Transportation Contract

Mr. Barnard stated that the purpose of today's presentation was to request a Committee recommendation for Board approval of a renegotiated coal transportation contract between the Atchison, Topeka and Santa Fe Railway Company (ATSF) and the District.

Using overhead transparencies, he briefly reviewed the history of the current agreement with ATSF wherein, since 1984, the parties have been operating under a contract which provides for the transportation of coal to Coronado Generating Station (CGS) from McKinley Mine at Gallup, New Mexico and the West Ridge Mine at York Canyon, New Mexico. The contract also contains provisions which set the minimum annual volume for each mine, applicable base rate to be billed, and method for escalating the base rate.

Mr. Barnard reported that, in 1989, the contract for coal at the York Canyon Mine was terminated; however, the ATSF agreement was never amended to reflect the reduction in tonnage. In addition, the District has entered into two new coal supply agreements with Pittsburg & Midway Coal Mining Co. at the McKinley Mine, with one contract being a full requirements agreement that allows the District the option of purchasing up to two million tons of coal per year above the minimum take-or-pay requirements of the other contract. The 1984 ATSF agreement does not reflect this change either.

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Mr. Barnard stated that the changes described allowed the District to approach ATSF concerning an amended railway

transportation agreement, and ATSF was agreeable. He pointed out that, in addition to providing an opportunity for some housecleaning concerning the old contract, the new agreement will provide several conditions that are favorable to the District. For example, the new agreement will remove all references to the York Canyon deliveries and provide for a reduced transportation rate as the number of tons transported increases. The new agreement will also revise the escalation methodology.

Mr. Barnard continued by stating that the combined result under the "most probable" deliveries through year 2012 will provide net present value savings to the District of approximately \$18 million. The contract will also require that ATSF notify CGS well in advance of any trains arriving at the plant so the unloading process will provide a better allocation of manpower and reduce expenses over time.

Mr. Barnard concluded by requesting that the Power Committee recommend Board authorization for the President or Vice President and Secretary or Assistant Secretary to execute Railroad Transportation Contract ICC-ATSF-C-15040 between the Atchison, Topeka and Santa Fe Railway Company and the District.

On a motion duly made by Director Marshall, seconded by Director Hurley and carried, the Committee agreed to recommend approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Ash entered the meeting during the presentation. Messrs. Barnard and Smith left the meeting.

Coronado Generating Station (CGS) Unit 3 –  
Dismantling of Boiler and Turbine Building

Mr. Bottolfson stated that the purpose of his presentation was to update the Committee concerning the dismantling of the boiler and turbine building structural steel and installed equipment at CGS Unit 3.

Using overhead transparencies, he stated the primary reason for dismantling the structural steel and equipment is to provide for improved marketability. The dismantling has been requested by those who have expressed an interest in buying the equipment at Unit 3 and will provide a package deal for potential buyers.

Mr. Bottolfson reviewed the proposed scope of work, which includes disassembly of approximately 12,000 tons of structural steel and removal of several pieces of equipment that have

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already been installed such as the deaerator, feedwater heaters, and coal silo, which cumulatively weigh approximately 515 tons. The condenser, which weighs approximately 268 tons, will be stored in place at ground level in such a way that it maintains all warranty requirements. Each component will also be repaired, touched up if necessary, and marked, after which all steel and equipment will be transported from the site to an existing storage yard.

Mr. Bottolfson reported that the dismantling costs for the total project were estimated by Black and Veach in 1988 to be approximately \$9 million, whereas competitive bids for dismantling in the current environment indicate that the job can be accomplished for \$6 million. This data was acquired by bidding the job to eight firms, with seven responding.

He concluded by stating that the lowest base and evaluated bid was from American Bridge Company, who erected CGS Units 1 and 2 and agreed to all of the bid specifications. The amount to be awarded, including contingency, is \$6 million. Tear-down will begin in May 1994 or sooner, weather permitting, and will take approximately nine months.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Burton entered the meeting during the presentation.

President Lassen and Mr. Bonsall left the meeting.

#### Navajo Generating Station (NGS) - Scrubber Project

Mr. Rojas stated that he and Mr. Lusko would be discussing the purpose of the NGS Scrubber Project and management's decision to use a wet versus dry Flue Gas Desulfurization (FGD) process. Using overhead transparencies, he reviewed detailed schematics of how both the wet and dry FGD systems work.

Continuing the presentation, Mr. Lusko reviewed the process by which management determined that the wet FGD process was the best system for NGS. He reviewed the reagent requirements for the three units at NGS, using lime or limestone for both the wet and dry scrubber processes, and how it impacted the decision-making. He stated the total dollar differential per year favored the wet process by approximately \$5 million.

Mr. Lusko concluded with a review of the technical concerns that staff had with the dry FGD system. He stated that videos are available for each Committee member to take home and review in more detail the reasons why a wet FGD process was selected over a dry process and how the

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Director Ash and Mr. Hernandez left the meeting during the presentation.

There being no further business to come before the Committee, the meeting adjourned at 11:02 a.m.

William K. O'Neal  
Secretary

MINUTES  
POWER COMMITTEE

December 16, 1993

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, December 16, 1993, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Diller, Dobson, Hurley, Marshall, and Rudd.

Absent at roll call: Director Ash.

Others present: President Lassen; Vice President Schrader; Directors Brooks, Burton, Neely, Rogers, and Williams Jr., Councilmen Kempton and McKinney Jr.; staff members: Mmes. Alfano and Borrego; Messrs. Areghini, Barnard, Bonsall, Hernandez, Hulet, McGinnis, O'Neal, Owen, Sarikas, Silverman, Smith, Sullivan, Thompson, Twardy, and U'Ren.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, December 14, 1993, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Borrego to proceed.

Load Forecast and Balanced Strategy Plan  
Fiscal Year 1994-95 (FY94-95)

Ms. Borrego, using overhead transparencies, stated she would be presenting the District's FY94-95 Load Forecast, which includes new factors impacting the forecast, an economic outlook and population forecast, an overview of system levels, highlights of customer classes, and some of the risks to the forecast.

Ms. Borrego stated that the major new factors impacting the forecast could be classified into four groupings: advanced phase-out of chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs), impacts of the Energy Policy Act of 1992, impacts of electric vehicles, and sales growth of the mining and industrial sector. As to key trends affecting the District's electric load forecast, she pointed out that the economy is in its third year of a slow expansion, one where low inflation rates have kept interest rates down. She also reported that certain demographic changes have constrained population growth and that the construction business continues to lead the local economy, while the defense industry continues to be a risk.

Ms. Borrego reviewed management's forecast for system peak demand, with and without new demand-side management programs. It is expected that demand-side management will reduce the peak by 109 megawatts (MW) by year 2000 and 552 MW by 2014. She also reviewed the

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projected annual growth of peak demand for utilities in the West and Southwest, during years 1995 to 2000.

Ms. Borrego continued with a review of system energy sales and the impacts on future energy sales from electric vehicles and the Energy Policy Act of 1992. She also discussed the projected annual growth of energy sales, by customer class, and concluded with a Load Forecast summary.

Directors Ash and Pendergast Jr. entered the meeting.

Mr. Hulet, using overhead transparencies, continued the presentation with a look at how the new Load Forecast impacts the Balanced Strategy Plan (the "Plan") and key issues affecting the Loads and Resources Table. He stated the Plan has had only minor adjustments since its comprehensive update in 1991. The new Loads and Resources Table will reflect changes in both the near term, primarily in excess capacity, and the long term, reflecting adjustments caused by electric vehicles on the system.

Mr. Hulet compared the District's 1993 Loads and Resources base plan with the pumping loads and resources of the Central Arizona Water Conservation District (CAWCD), stating there is potential for integrating an additional 400 megawatts of net Navajo Surplus capacity into the District's system.

He discussed the District's 1994 reserve levels (current 20% criterion) and compared the near term excess, with and without the additional CAWCD capacity. He also reviewed the District's marketing strategies for excess sales and some of the successful marketing efforts to date.

Mr. Hulet concluded with a summary of near term resource decisions, which include completion of an agreement with the CAWCD, marketing excess capacity, potential restructuring of T&C, and implementation of a reduced reserve criterion to 16%.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Rappoport entered the meeting.

#### Central Arizona Water Conservation District (CAWCD)

Mr. Sullivan, using overhead transparencies, reviewed the details of a proposed agreement with the CAWCD that would integrate its Central Arizona Project (CAP) electrical pumping loads and resources into the District's system from June 1994 through September 2011. The CAP resources include 547 megawatts (MW) of Navajo Generating Station ("Navajo") Surplus, 162 megawatts from Hoover Dam, and 44 MW from New Waddell Dam.

He reviewed the projected uses of CAP power, indicating that a surplus of capacity has not occurred, because the CAP has never

pumped what is considered to be a normal year. As a result, when looking at CAWCD's profile and how its resources would be integrated into the District's system, the District would be bringing in additional capacity but limited energy.

Mr. Sullivan reviewed the key elements of the original District proposal, as presented to the CAWCD in June 1993. He continued with a discussion of the benefits of the proposed contract, stating the original offer represented \$19.3 million per year toward repayment of the CAP.

Mr. Sullivan continued with a detailed review of the terms of "the deal" that was ultimately negotiated with the CAWCD and for which approval is now being sought. The terms include:

1. The District pays \$21,750,000 per year toward repayment of the CAP.
2. The District pays for Navajo energy taken.
3. CAWCD pays all Hoover and Waddell costs.
4. CAWCD pays for Navajo costs used to pump.
5. The District acts as scheduling agent for CAP resources:  
Navajo (547 MW), Hoover (162 MW), and Waddell (35 MW).
6. The District has full use of Navajo transmission system.
7. The District delivers pumping requirements to CAP from the District's system.
8. CAP peak pumping requirements occur during winter off-peak hours.
9. The District has first right to upgrades in U.S. share of Navajo transmission.

Mr. Sullivan discussed the benefits to be derived by the District and the impact on CAP operations, stating that anticipated savings to the District over the life of the contract, in present worth dollars, are \$150 million minimum and \$400 million maximum.

He concluded by reviewing some of the uncertainties in the negotiations, which involve CAWCD/U.S. Bureau of Reclamation (USBR) disputes and USBR desires. However, he stated that a recommendation for District Board approval is being requested and that CAWCD will be requesting approval of its Board in January 1994. Federal approvals are anticipated in early 1994.

On a motion duly made by Director Rudd, seconded by Director Hurley and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. U'Ren left the meeting during the presentation, and Mr. Silverman entered the meeting during the presentation.

Ms. Borrego; President Lassen; and Messrs. Hulet, Owen, Rappoport, and Sullivan left the meeting.

#### Capital Castings, Inc.

Mr. Twardy, using overhead transparencies, reviewed that, since 1974, Capitol Castings, the District's 22nd largest customer, has operated a steel mini-mill in Chandler, Arizona, which causes voltage fluctuations on the District's electric system in that area. The District has provided the customer with mandatory performance specifications to reduce the impact of these fluctuations on neighboring customers, but despite the installation of corrective equipment, Capitol Castings has yet to meet these specifications.

Mr. Twardy stated that, unless compliance is achieved in the near future, the District is prepared to implement a plan to remove this customer from the District's system when fluctuations ("flickers"), in excess of contractual limits, are exceeded. He reviewed the District's goals in implementing the cut-off plan and the potentially adverse affects on Capitol Castings.

Continuing, Mr. Twardy explained, in detail, what a flicker problem is, what causes it, and why it is a problem. He reviewed the history of the District's relationship with Capitol Castings, from 1953 to the present, indicating that flicker complaints were received as early as 1976.

Mr. Twardy reported that, over the years, several actions have been taken in an attempt to solve the 'flicker problem: however, none has proven effective. As a result, a plan has been developed, though not yet activated, to remove Capitol Castings from the District's electric system when fluctuation limits are exceeded. Implementation of the plan will result in reduced production to Capitol Castings and reduced revenue to the District but will provide a steady voltage supply to the rest of the customers in the area.

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Director Pendergast Jr. and Messrs. Areghini, Bonsall, and Silverman left the meeting during the presentation.

Ms. Alfano; Directors Ash, Dobson, and Hurley; and Messrs. Sarikas, Thompson, and Twardy left the meeting.

President Lassen re-entered the meeting.

#### Craig Generating Station - Colowyo Coal Supply

Mr. Barnard, using overhead transparencies, reviewed a request from Tri-State Generation and Transmission Association ("Tri-State"), operating agent for Craig Generating Station ("Craig"), regarding the District's interest in a plan to sell Craig's Colowyo coal supply and buy replacement coal from Trapper Mine. He stated that savings could accrue to the participants based on the price differentials between the transactions.

Mr. Barnard reviewed the existing coal supply agreements for Craig, its sources (Trapper Mine, Colowyo, and Cyprus Mine), and the tonnages from each source. He illustrated how a typical transaction could result in \$2 per ton savings by purchasing Colowyo coal at one price, selling the same coal to another utility at a discounted price, and purchasing replacement coal supplies from Trapper Mine at a considerably reduced price. He stated the concept will require Trapper Mine management and Board approvals.

Mr. Barnard reviewed the risks involved in such transactions and concluded by stating that authority is in place for Fuels to approve entering into any such transactions for a one-year period, with any longer term agreements requiring Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 12:05 p.m.

William K. O'Neal  
Secretary

1994

MINUTES  
POWER COMMITTEE

February 17, 1994

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, February 17, 1994, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Marshall, and Rudd.

Absent at roll call: Directors Ash, Diller, Dobson, and Hurley.

Others present: Directors Lydic and Neely; staff members: Mmes. Alfano, Dellis, and Whisler; Messrs. Barnard, Borger, Frere, Harelson, Peterson, Smith, and Schwalb.

Assistant Secretary Dellis stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, February 15, 1994, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Whisler to proceed.

Bylaws of the Southwest Regional Transmission Association (SWRTA)

Ms. Whisler, using overhead transparencies, reviewed a request for execution of the bylaws of SWRTA, a proposed regional transmission group (RTG) being formed by approximately 20 owners and users of the bulk transmission system in Arizona, New Mexico, west Texas, southern Utah, and southern Nevada. She stated that SWRTA's bylaws have been negotiated in response to the Energy Policy Act of 1992 and the Federal Energy Regulatory Commission's (FERC) Policy Statement on RTGs and will provide for agreed-upon procedures for handling transmission access requests; coordination of members' transmission planning efforts; dispute resolution through arbitration by technical experts familiar with the regional transmission system; governance by representation of three member classes (transmission owners, transmission-dependent utilities, and independent power producers) on a board of directors; and equitable allocation of administrative costs.

Ms. Whisler discussed the benefits that the District will derive from participation in SWRTA, including a consensus on the "ground rules" that each member will follow in handling requests for transmission; a coordinated planning process that will increase opportunities for joint development of new transmission projects; local resolution of disputes; and stability of the transmission access process. She stated management has considered the alternatives of not participating in an RTG and has agreed it is in the District's best interest to join SWRTA.

She stated the costs associated with membership in SWRTA consist primarily of staff time, with nominal administrative costs to be shared equally among the members. It is anticipated that the District's share of out-of-pocket costs will not exceed \$10,000 annually.

Ms. Whisler concluded by recommending that the District participate in SWRTA and approve its bylaws, as outlined. The bylaws are scheduled to be filed with the FERC by April 1994, following internal approval and execution by all of the participating entities.

On a motion duly made by Director Marshall, seconded by Director Hurley and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash, Burton, and Hurley; Councilmen Kempton and McKinney Jr.; and Messrs. Bonsall, Krebs, Hayslip, Rappoport, and Silverman entered the meeting during the presentation.

Ms. Whisler and Messrs. Bonsall and Peterson left the meeting.

#### Mead-Phoenix Project

Mr. Frere, using aerial photographs and a map depicting the location of the Marketplace-Mead 500kv Transmission Line, discussed the new switchyard that is being constructed at the southern termination of the transmission line, adjacent to the Navajo Participant Westwing Switchyard. He stated the Power Construction and Engineering Services Department has requested that the new switchyard be named "Perkins" in honor of Carroll M. Perkins, former General Manager, and he concluded by recommending approval.

On a motion duly made by Director Hurley, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Frere left the meeting.

#### Standard Customer Service Fees

Using overhead transparencies, Mr. Schwalb reviewed a request for proposed changes to the fees charged to the District's standard

electric rate schedule customers to recover the costs of service not attributable to energy or demand consumption. He said the fees are assessed directly against the customers who impose the costs on the District, rather than the customer population as a whole.

Mr. Schwalb stated that the fees are reviewed periodically and established using a methodology developed by Corporate Pricing and Customer Services-Power Departments. The fees were last updated in June 1992. He said the fees proposed for fiscal year 1994-95 are generally lower than those currently in effect, with the projected cost recovery estimated to be \$5,965,000, which is a decrease from fiscal year 1993-94 of \$800,000.

Mr. Schwalb reviewed, in detail, how the service fee calculations were developed and the reasons for the decrease. He compared the current fees, proposed fees, percentage of change, and projected 1994-95 cost recovery for each of the following fees: connect/disconnect service, disconnect/reconnect service, field collection, collection letter, returned check, billing research, and customer-damaged meter.

Mr. Schwalb concluded by recommending approval of the following standard customer service fees, effective May 1994:

<u>Fee</u>	<u>Current</u>	<u>Proposed</u>
Connect/Disconnect	\$ 18.00	\$ 15.00
Disconnect/Reconnect:		
Meter Location	23.00	27.00
Location Other Than Meter or Junction Box	124.50	123.00
Junction Box/Transformer Location	157.00	198.00
Field Collection Fee	12.00	12.00
Collection Letter	6.00	2.00
Returned Check-Fee	14.00	11.00
Billing Research Charge	18.50	18.00
Customer-Damaged Meter Fee:		
Standard kWh Meter	72.00	72.00
EST kWh Meter	303.00	303.00
Standard Demand Meter	303.00	303.00
EST Demand Meter	585.00	585.00

On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval.

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Messrs. Krebs, and Silverman left the meeting during the presentation, and Vice President Schrader entered the meeting.

Following the presentation, Messrs. Borger and Schwalb left the meeting.

### Fence Lake Project

Mr. Barnard, using overhead transparencies, reviewed the history of the Fence Lake Project, beginning in 1981 when the District acquired coal leases from the State of New Mexico, through May 1993 when North American Coal Company was selected as the Fence Lake mining contractor and work began on the mine permit application process, a draft coal supply agreement, and a Fence Lake Mine Feasibility Study.

Mr. Barnard reported that, since 1982, management has been evaluating the availability of coal from the entire area, including state, federal and private reserves, with the objective of providing the most economical fuel supply for Coronado Generating Station (CGS). He reviewed the results of the most recent feasibility study and cost analysis, which indicate that:

1. There are sufficient coal reserves to supply the short and long-term coal requirements of the existing units at CGS.
2. Coal produced from Fence Lake is less expensive than market coal and is substantially lower-priced than coal currently under contract for CGS.
3. Coal produced from Fence Lake is consumable at CGS Units 1 and 2, with relatively minor modifications of existing equipment.

He reported that projected savings from the Fence Lake Project are estimated between \$21 million and \$56 million, accumulated net present value. He then reviewed the anticipated schedule for the Fence Lake Project, from October 1993 through post-mine reclamation in 2023, noting that his staff would test the coal market again in 1996 to verify that Fence Lake is still the most desirable alternative.

Based on the current market, costs received during the contractor selection, and the potential savings, Mr. Barnard concluded by recommending that the District open the Fence Lake Mine, with a scheduled opening date of January 1998, which coincides with the cessation of the current supplemental coal supply agreement with Pittsburg & Midway Coal Company. He requested that the Manager of Resource Planning and the Manager of Fuels be authorized to take the necessary steps to proceed with the opening of the Fence

Lake Mine and to execute any of the necessary documents, except the coal supply agreement.

On a motion duly made by Director Hurley, seconded by Director Ash and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Evans entered the meeting, and Mr. Bonsall re-entered the meeting.

Fence Lake Project - Work Program  
Fiscal Years (FY) 1995 and 1996

Mr. Barnard, using overhead transparencies, reviewed the applications and agreements described in the Fence Lake Work Program for FY 1995 and 1996, which include the areas of coal exploration, environmental activities, mine design and permitting, surface use agreements, and transportation design and analysis.

He reviewed the FY 1995 and 1996 goals and objectives of the Fence Lake work program, which will allow the District to continue the baseline environmental and permitting activities and complete the efforts associated with prior work plans. He described some of the activities called for in the FY 1995 and 1996 work plans which address federal requirements, mine design and coal reserve evaluations, coal transportation, environmental issues, and analysis of coal reserves on the Hubbell Ranch.

Mr. Barnard stated that, to date, total program costs have amounted to \$33,347,000; anticipated expenditures in FY 1995 and 1996 are \$3,028,186 and \$2,648,000, respectively, and have been included in the budgets for those-years.

Mr. Barnard concluded by recommending that the Manager of Resource Planning and the Manager of Fuels, individually, be authorized to prepare, execute, and administer the necessary applications and agreements described in the Fence Lake Work Program for fiscal years 1995 and 1996 in the areas of coal exploration, environmental activities, mine design and permitting, surface use agreements, and coal transportation.

On a motion duly made by Director Hurley, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Barnard, Bonsall, and Smith left the meeting.

Designated Representative for Federal Clean Air Act Issues

Mr. Hayslip, using overhead transparencies, reported that under the federal Clean Air Act (the "Act") Amendments of 1990, a designated representative is required for each source (generating station) consisting of electric generating units subject to Title IV of the Act (acid disposition). As a result, he said the District must name a designated representative for the sources that it operates or solely owns.

Mr. Hayslip reviewed the major responsibilities of the designated representative, which include administration of allowance accounts, submittal of various plans, reports, and applications, and representation of each owner and operator in matters pertaining to Title IV of the Act. He stated that inherent in these responsibilities is significant individual liability, and recommended that the indemnification provided by Article X of the District Bylaws be extended to the person appointed to the position of designated representative.

Mr. Hayslip concluded by requesting that the Manager of the Environmental, Risk Management, and Land Departments, or any successor manager who assumes the responsibility for compliance with the Act, be authorized to appoint, remove, and replace a designated representative and alternate designated representative for each affected source, subject to approval by the General Manager; and that the Board grant indemnification, pursuant to Article X of the District Bylaws, of the designated representative and alternate designated representative for his/her actions concerning Title IV of the Act.

On a motion duly made by Director Ash, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the secretary's Office and, by reference, are made a part of these minutes.

Messrs. Lambson and Lusko entered the meeting during the presentation.

Following the presentation, Ms. Evans and Hayslip left the meeting.

### Navajo Generating Station Scrubber Project

Mr. Lusko, using overhead transparencies, reviewed the milestone schedule for the Navajo Scrubber Project, which began in June 1992 and is scheduled to conclude with a third unit in-service date of August 1999. He reminded the Committee that the schedule for the entire project had been divided into five phases, with Phases 1 and 2 involving data collection, process selection, and design criteria and development, and Phase 3 involving procurement of the flue gas desulfurization (FGD) process equipment and balance of plant design and process.

He reported that the selection process had just been completed for the FGD equipment, replacement chimneys, and new maintenance and warehouse facilities, and three major contracts awarded.

Mr. Lusko continued with a description of the wet FGD process and the five vendors who bid on the project. He reviewed the selection criteria, consisting of capital and life-cycle costs and construction and technical considerations, and announced that the consortium of ABB Environmental Systems and H.E. Zachry had been selected as the lowest evaluated bidder, at an approval amount of \$88,655,000, including contingencies and allowance for possible escalation of labor rates. He noted that this amount is \$34,345,000 less than the amount budgeted.

Mr. Lusko concluded by reviewing the bids from three chimney suppliers and the selection criteria, which also consisted of capital and life-cycle costs and construction and technical considerations. He stated the firm of Pullman Power Products Corp. was selected as the lowest evaluated bidder, at an approval amount of \$42,480,000, including contingencies and allowance for possible labor escalation. He compared this amount to the budgeted amount of \$39.3 million, noting that a bid for an additional budgeted amount of \$3.6 million for demolition of the existing chimneys was not awarded.

Continuing with overhead transparencies, Mr. Lambson reviewed a schedule of related facility projects at Navajo Generating Station (NGS), noting that three projects (construction of a new NGS PERA training facility, modifications to NGS administrative facilities, and relocation of a parking lot) have been completed. Still to be completed is construction of a new maintenance facility and a new warehouse facility. He said the existing facilities which house these functions are located within the footprint of the scrubber structures and construction; therefore, they need to be relocated.

Mr. Lambson reported that the new maintenance facility will require a building of approximately 67,000 square feet, and the new warehouse facility, which will include the NGS security office, will be approximately 61,000 square feet.

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He concluded by stating that, to maintain the schedule and implement constructability review and value engineering during the design phase of the new facilities, it was determined that a contractor would be brought on board during the design process by issuing a request for proposal for a guaranteed maximum price based on schematic designs. Following evaluation of the proposals submitted, Sundt Corp. was selected at the lowest evaluated bidder, at a total budget amount for both facilities of \$12,889,000, which includes a ten percent budget contingency.

Mr. U'Ren entered the meeting during the presentation.

Messrs. Lambson and Lusko left the meeting.

#### Announcements

Mr. Silverman discussed recent media publicity about the District's planned reductions in staff.

Director Ash left the meeting, and Mr. Areghini entered the meeting.

Mr. Rappoport showed a video of a recent news segment.

There being no further business to come before the Committee, the meeting adjourned at 12:07 p.m.

Deborah R. Dellis  
Assistant Secretary

MINUTES  
POWER COMMITTEE

April 21, 1994

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (the "District") convened at 9:30 a.m. on Thursday, April 21, 1994, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Ash, Dobson, Diller, Hurley, and Marshall.

Absent at roll call: Director Rudd.

Others present: President Lassen; Vice President Schrader; Directors Lydic and Williams Jr.; Councilmen McKinney Jr. and Rovey; staff members: Ms. Alfano and Allen, and Messrs. Bonsall, Hernandez, Holton, O'Neal, Rappoport, Servino, Silverman, Schwalb, Thompson, and Wilcox; guests: Ms. Abel, Mr. and Mrs. Engels, and Messrs. Coneva, Crockett, and Hankins.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, April 19, 1994, by Terry Lonon of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Servino to proceed.

Mandatory E-37 Medium General Service  
Electric Savings Time Rate for RV Parks

Mr. Servino stated that the purpose of his presentation was to address the concerns of five RV park owners, many of whom or their representatives were in attendance today, regarding their electric service rate.

Using overhead transparencies, he explained that the E-37 rate is a time-of-day rate for medium general service customers. It was introduced during the October 1987 rate adjustment hearings and includes three time-of-day cost periods, namely: on-peak, shoulder-peak, and off-peak, which enable the District to better track the costs of providing service.

Mr. Servino stated that, in October 1989, the E-37 rate was made mandatory for any customer who exceeded a 2 megawatt (MW) load for any three consecutive months. In October 1993, the E-37 rate was made mandatory for any customer who exceeded 1 MW of load for three consecutive months. All changes were Board approved as part of the rate adjustment proceedings and included customer notifications, customer input, and a report from the Board's consultant.

As to the specific concerns of the five RV park owners, Mr. Servino reported that, during the

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period 1972 to 1977, the District required all such parks to be master-metered. This included Towerpoint, Good Life, and Val Vista Village RV Parks.

Beginning in 1978, customers were given the option of installing a master meter; Sun Life and Mesa Regal RV Parks chose to do so. He explained that, in a master-metered park, the park owner builds and maintains his own electrical distribution system, reads meters, and bills his residents at the residential rate. The District, in turn, provides electricity to a single delivery point and bills the park owner at the commercial, general service rate

Mr. Servino continued by reviewing the current E-37 rate schedule, both for winter and summer months. He stated that 53 customers were on the E-37 rate prior to October 1993; 70 customers have been added since then. These include a variety of commercial accounts including retail stores, banks, city buildings, schools, and grocery stores.

Mr. Servino reviewed the specific background of the concerned customers, revealing that Towerpoint and Good Life RV Parks marginally qualified for the October 1991 load requirement of 2 MW, so their move to the mandatory E-37 rate was delayed until October 1993 when the 1 MW requirement became effective. Sun Life and Val Vista RV Parks became qualified in March 1994.

He further stated that, after the park owners expressed their concerns about switching to the E-37 rate, staff conducted an in depth analysis of the impact of the E-37 rate on annual billings and developed some options for resolving the situation. The studies revealed that the average customer impact would be an increase of approximately \$11,000 annually, which equates to a 4.6% increase. However, it was also discovered that, for some time, the billing meters have been under-recording usage resulting in lower bills; this problem has since been corrected.

Mr. Servino concluded by reviewing the options developed by staff to either minimize or eliminate the billing impact of the E-37 rate to customers, including: install load-shifting equipment on individual tenant units; install time-of-day metering on individual tenant units; split customer load by adding new service entrance sections; or the District could acquire the distribution facilities and directly meter tenants.

Following Mr. Servino's presentation, Ms. Abel and Messrs. Crocket and Hankins addressed the Committee on behalf of the RV parks. They expressed the general opinion that RV parks had been singled out for treatment that was not designed to be effective for their situations, and were being forced to move to the E-37 rate. Their main arguments included:

1. Management had understated the percentage of rate increase: more likely, it was in the 6% to 12% range.

2. Three of the five RV parks were required to put in their own electrical distribution systems, and as the systems age, they require substantial maintenance and replacement expenditures. The differential between the E-35 and E-37 rates does not provide park owners with enough money to properly maintain the systems.
3. The E-37 rate was designed for those who have the capability of reducing their electric costs by shifting loads. RV park owners do not have this capability; they cannot control or influence the usage patterns of their residents.
4. The \$1,750 per month facilities charge violates the cost-of-service intentions of good ratemaking, since the facilities charge is not being imposed on District customers six to seven months out of the year due to the seasonality of RV park customers.

Directors Burton and Rudd, and Council Chairman Kempton entered the meeting during the presentation.

Considerable discussion was held concerning the application of the E-37 rate on RV parks. Following discussion, it was the consensus of the Committee members present that the park owners/ representatives and District staff work together to seek an acceptable alternative to the problem, including continuation of the recorded information necessary for good comparisons. The results will be reported to the Power Committee at a future meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

President Lassen; Vice President Schrader; Director Williams Jr.; Ms. Abel. Mr. and Mrs. Engels, and Messrs. Bonsall, Coneva, Crockett, Hankins, Hernandez, Holton, Silverman, Servino, Thompson, and Wilcox left the meeting.

Mmes. Lindsay, Ruiz, Smith, and Temme; and Messrs. Ayers and Smith entered the meeting.

#### 1994-95      Billing Services

Using overhead transparencies, Ms. Smith announced that the District will pilot three new billing services in Fiscal Year 1994-95 and explained each of them, as follows:

**"One Check"** by American Express is a consolidated billing option for customers who wish to pay all their utility bills with one check or payment. The District will provide

billing data for One Check customers directly to American Express; American Express will remit payment to the District on the same day the One Check payment is received. The District will continue its direct service relationship with customers. Customers will pay \$1.00 per month; the District will pay \$.25 cents per customer, which is less than the cost to directly bill customers. The pilot program will begin in July 1994.

**"Variable Bill Date"** will allow customers the ability to choose their monthly bill/read date. It is primarily for customers who find that their current bill/read date conflicts with their personal budgeting or ability to pay. The pilot program will begin in August 1994.

**"Summary Billing Option"** will provide one bill per month for non-residential customers with multiple, separate accounts. The pilot program will begin in June 1994.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. Lindsay, Ruiz, and Smith, and Mr. Rappoport left the meeting.

#### Blue Stake Locating

Mr. Ayers stated that the purpose of his presentation was to provide a status report on Blue Stake locating. Using overhead transparencies, he reviewed the background, stating that since 1973 the Arizona Corporation Commission (ACC) has had responsibility for Blue Stake Law compliance. Since that time, the Arizona Blue Stake Center has provided coordination for all underground locating for the various types of utilities.

Mr. Ayers reported that in July 1993 a task force was assembled to review the methodology used for Blue Stake requests. To demonstrate the growth in Blue Stake locates, he reviewed a graph which illustrated that in January 1991 there were 10,263 requests. As of March 1994, the requests had more than doubled to 22,294. On the other hand, the average cost per request had fallen dramatically, from \$9.69 in 1991 to \$2.85 in 1994.

Mr. Ayers stated that the task force is recommending two pilot programs for the May/June timeframe, one of which will be in the District's service territory and the other in Arizona Public Service Company (APS) territory. In the District's territory, District employees will take requests from Arizona Blue Stake and perform all the locating for not only its own facilities, but also for the City of Phoenix, including water and sewer, and Dimension Cable. APS intends to bid a contract for someone to

locate not only for itself but also for the City of Phoenix, U.S. West, and Dimension Cable.

Mr. Ayers concluded by stating the pilot program is expected to provide significant savings. If the savings do materialize, and following legal review of the contracts and agreements between the District and the other participants, a permanent program may be put into place by the end of 1994.

Directors Hurley and Lydic, and Council Chairman Kempton left the meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Municipal Program Aesthetic Fund

Mr. Smith stated that the purpose of his presentation was to review the status of the District's Municipal Aesthetics Program, the inception-to-date benefits of aesthetic funds, and the 1994 fiscal year-to-date performance of aesthetically-funded construction projects.

Using overhead transparencies, Mr. Smith reminded the Committee that participants in the District's aesthetics program include the Cities of Apache Junction, Avondale, Chandler, Fountain Hills, Gilbert, Glendale, Guadalupe, Mesa, Paradise Valley, Peoria, Phoenix, Scottsdale, Tempe, and Tolleson, as well as Maricopa County.

He reviewed various projects that have been completed, are currently under construction, or have been approved for FY 1994. He noted that the City of Tempe has been the most effective participant in the aesthetics program, completing 18 projects with 5 more under construction. Most of Tempe's projects have involved electrical rather than water facilities, and the total costs have amounted to approximately \$6.2 million with the city matching about \$550,000. He stated that the City of Gilbert has also been very effective in the aesthetics program, with projects involving a mixture of electrical and water facilities, and totaling approximately \$1.9 million.

Mr. Smith reviewed the benefits derived from shared participation in the projects, including process improvements and new design applications. He discussed the challenges that lay ahead, noting that the Cities of Chandler, Glendale, Paradise Valley, Scottsdale, and Tempe have underground utility ordinances.

He further reviewed the four conversion projects that have been completed in the Paradise Valley area wherein the District's electric service territory is less than 10% of the area

incorporated as the Town of Paradise Valley. He stated the District has buried approximately 1.75 miles of overhead 12kV feeder line at a cost of approximately \$2 million. In addition, the City of Chandler has used aesthetic funds to convert 12kV lines to underground.

Mr. Smith summarized the benefits derived from the aesthetics program, including shared decision-making, shared accountability, compliments on the public process for siting facilities, and municipal process improvements, as well as various cost benefits. He pointed out that the FY 1994 budget included a carry-over from FY 1993 of \$22.6 million and \$10.6 million in new funds allocated to the participants. Taking into consideration the FY 1994 construction completed of \$13.8 million, he stated that \$19.4 million will carry over to FY 1995.

Mr. Smith concluded with a comparison of 1994's program goals to the expected end-of-year performance in both the water and power areas.

Director Ash and Councilman McKinney Jr. left the meeting during the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Alfano and Mr. Smith left the meeting.

#### Project Help

Ms. Temme stated that the purpose of her presentation was to review the four components of the District's Project Help program, which is a two-year pilot program to study affordable measures of assistance to the District's low-income residential customers, and to demonstrate the Pay As You Go prepayment equipment. The four components of Project Help include SRP Assistance, Energy Education Workshops, an Energy Savings Tip Video, and a Pay As You Go prepayment option.

Using overhead transparencies, Ms. Temme reported that SRP Assistance provides eligible low-income customers with improvements to their home and three in-home energy education visits during a twelve-month period. Since July 1993, 82 District customers have been screened for the program, resulting in 45 customers meeting the pilot's guidelines for participation.

She stated that the second component is being developed--an Energy Education Workshop that will focus on energy management and budgeting skills. Implementation of the workshop is planned for Summer 1994.

In addition, an Energy Savings Tip video is being designed that will focus on energy tips which low-income customers could easily implement. Distribution of the videotape to community-based organizations is planned for Summer 1994.

Ms. Temme continued by reviewing the Pay As You Go prepayment option, which allows low-income customers to take control of their energy usage. The program provides an opportunity for customers to buy electricity when needed, on their own schedule, and only in amounts they can afford. She stated that fifteen Pay As You Go units have been installed since August 1993, and options to increase the level of participation are being explored. She then demonstrated the Pay As You Go equipment to illustrate the variety of information that customers have available to take control of their energy usage and costs.

Ms. Temme concluded by stating that customers will be screened for the pilot program through June 1994, and data will be collected through September 1995. The results of the pilot program, along with any recommendations for a successor program, are expected to be available in February 1996.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 12:40 p.m.

William K. O'Neal  
Corporate Secretary

## MINUTES

## POWER COMMITTEE

June 16, 1994

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, June 16, 1994, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Marshall, and Rudd. Absent at roll call: Directors Ash, Dobson, Hurley and Kempton.

Others present: Directors Burton and Lydic; Councilman McKinney, Jr.; Staff members: Mmes. Alfano, McVicker, Maracas and Messrs. Barnard, Duckworth, Harrah, Hayslip, Kondziolka, O'Neal, Presmyk, Silverman, Smith, and Underhill.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, June 14, 1994, by Vickey Levano of the Secretary's Office. Committee Chairman Arnett called the meeting to order and requested Mr. Hayslip to proceed.

#### Global Climate Change Activities

Mr. Hayslip stated that the purpose of his presentation was to provide the Committee with an update of an emerging issue, namely, the Global Climate Change Activities.

Using overhead transparencies, he reviewed the physics of the greenhouse effect, stating that the lower upper atmosphere contains gases such as carbon dioxide (CO<sub>2</sub>), methane and water vapors, etc., which protect the earth's surface from infrared radiation produced by the sun. He reported that scientists disagree whether the earth is really warming; they tend to agree that greenhouse gases do trap heat in the lower atmosphere and that CO<sub>2</sub> production will likely double in the next fifty years, with potential significant impacts. Scientists do not agree, however, on the amount of temperature change, the effects of other meteorological variables, nor the geographical distribution of the impacts.

Mr. Hayslip said that the importance of the issue to utilities is unavoidable since CO<sub>2</sub> is a byproduct of power generation; accounting for approximately one third of all CO<sub>2</sub> production. Utilities will be easy targets for regulatory action, since they are point sources and "solutions" imposed upon utilities would have major impacts on the cost of generation.

He said that the Clinton administration has been active concerning global warming and is not waiting for scientific certainty to address the problem. Both the Environmental Protection Agency and the Department of Energy want to be the lead organizations in implementing solutions and it appears the Department of Energy is the frontrunner. In addition, Vice President Gore has been a vocal spokesperson for solutions to global warming.

As for the Department of Energy, Secretary O'Leary has implemented a volunteer program to deal with this issue called "Climate Challenge." Approximately seventy (70) utilities, including the District are participating in the program. It is aimed at reducing emissions by the year 2000 to the same levels experienced in 1990. The District's approach to dealing with the Global Climate Change issue is to cooperate with the Department of Energy in development of the volunteer program while also working with our industry allies to constructively influence the process. The Staff of the District is also evaluating our CO<sub>2</sub> management options and developing an implementation plan that meets our own organization needs.

He stated that some of the options that management is evaluating are:

- Resource Planning Modification
- System Efficiency Enhancements
- Fuel Switching
- Conservation-Oriented Demand Side Management
- Biotic Offsets and Joint Implementation Projects

He reported that biotic offsets would include such things as the planting of trees and plants that absorb CO<sub>2</sub>. The joint implementing projects might include such things as helping to upgrade equipment of third-world countries which are producing electricity with generating plants that are less efficient than those used in the United States.

He concluded by stating that the District would continue to support the volunteer programs of the Department of Energy, continue to evaluate management options, and be prepared to consider non-traditional approaches. Staff is also evaluating whether or not to become a full participant in the Global Climate Change Program.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Dobson and Hurley entered the meeting during the presentation as well as Mr. Rappoport.

Ms. Maracas and Mr. Hayslip exited following the presentation.

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Fence Lake Dragline

Mr. Barnard, using overhead transparencies, reported that the Fuels Department is recommending the purchase from Consolidated Coal Company (Consol) of a dragline for the Fence Lake Mine. He reminded the Committee of the Fence Lake Mine schedule which showed pre-startup and permit activities occurring from early 1994 through 1996, with mine startup occurring in the early 1996 through early 1998 time frame.

The plan for Fence Lake Mine previously included negotiating coal supply agreements in 1994, offering Consol an option on the dragline in late 1994, sending out requests for proposals for alternative coal supplies, and purchasing the dragline from Consol in 1996.

He stated, however, that situations have changed since the prior plan, with Consol now being in need of cash and wanting to remove the dragline from their books in 1994. Therefore, they intend to sell the dragline "as is" or sell it for parts. Consol is not amenable to giving the District an option for a purchase in 1996.

Mr. Barnard reported that, after two months of intense negotiation, Consol has agreed to sell the dragline to the District for \$6 million with \$600,000 to be paid no later than September 1994; \$3,400,000 due in October 1994; and the remaining \$2 million due in July 1995.

He stated the Consol dragline has some inherent advantages, even though it is twenty years old, namely, that it has never been uncrated or used. As a result, the dragline has many hours of operation left that will increase the efficiency of the mine versus buying a used piece of equipment that already has many years of operation. It is estimated that this dragline would last for the life of the mine. He also reported that there were few other used draglines available in the marketplace and that new draglines cost in the neighborhood of \$12 million and have a long lead time for delivery. The other used draglines that were available were smaller and would cost an additional \$1 million in net present value. Operating efficiencies and flexibility would be affected due to the smaller bucket. In addition, the other alternate draglines would not last the life of the mine.

Mr. Barnard stated that a certain amount of risk is involved when buying the dragline two years early. For instance, it might be unsaleable should the District decide not to open the mine. The risk, however, is mitigated somewhat, because it is estimated that the dragline could be sold for parts totaling \$3 million should the mine not open.

In addition, current economics show other coal available for Coronado Generating Station selling at approximately \$1.35 per million BTU, whereas the Fence Lake Mine is estimated to cost \$1.14 per million BTU. Therefore, a savings of approximately \$.20 (twenty cents) per million BTU would help to offset the early purchase of the dragline.

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The Fuels Department has \$2 million available in the fiscal year (FY) 1995 budget; however, another \$2 million would need to be budgeted for FY95, and another \$2 million in FY96

Mr. Barnard concluded by stating that purchasing a used dragline would require 19.8% of the initial capitalization for the Fence Lake Mine, whereas purchasing new would require 33% of the initial capitalization. Therefore, Staff is requesting that the Committee recommend Board approval to purchase from Consolidated Coal Company, the described dragline for the Fence Lake Mine.

On a motion duly made by Director Rudd, seconded by Director Hurley and carried, the Committee agreed to recommend approval, under the terms and conditions as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. McVicker and Messrs. Barnard and Presmick left the meeting after the presentation.

#### Emery-Grand Junction Transmission Project - Sharing of Pre-construction Costs and Intent to Participate Agreement

Mr. Smith, using overhead transparencies, stated that he would be presenting an informational item which had been approved within the authority of the AGM of Customer, Marketing, Financial, and Planning Services to proceed with a cost-sharing agreement, "Development Costs" for the Emery-Grand Junction Transmission Project. He stated that any final participating agreement, including construction costs, would be brought to the Board for approval.

The six participants in the cost sharing agreement were reviewed, and the District and Western Area Power Authority (WAPA) would participate jointly at the 150 megawatt level. The transmission project covers 170 miles from Grand Junction, Colorado to Emery, Utah and would be a 345 kV transmission line.

The District's share of the development costs would be approximately \$360,000 of the total cost of \$3 million. Should the project be constructed at some point in the future, it's estimated that the construction cost would be \$83 million with the District's share being \$10 million.

Continuing, Mr. Smith described in detail the intricacies of the transmission grid and the exchange agreements linking Colorado, Utah, Phoenix and New Mexico. He then focused on the Craig/Hayden generation in northern Colorado and the generation at Glen Canyon. He pointed out that the Glen Canyon generation may be moderated due to the concerns of

environmentalists about fluctuating flows in the river. Should the river flows at Glen Canyon be moderated, the exchange that has worked well for twenty years could be impacted to the point of having some Craig/Hayden Generation stranded.

Therefore, it is Staff's opinion that participating in the development costs for a Grand Junction - Emery Line is of benefit and represents a small expenditure to determine its feasibility.

In conclusion, he reported that the Grand Junction - Emery Project may at some point in the future be one of a series of projects that would provide a hard-wire link from Craig/Hayden to Glen Canyon.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Bonsall left the meeting.

#### Operating Results For Fiscal year 1993-94

Mr. Underhill, using overhead transparencies, reviewed the FY93-94 actual vs. budgeted results for:

- Production Expenses
- System Load Requirements
- Energy Sales & Purchases
- Excess Energy Sales
- (District Only) System Generation

Continuing with FY93-94 actual vs. budgeted statistics, he reviewed unit capacity factors by source of fuel, namely; coal, nuclear, valley, and hydro, as well as the coal-fired capacity factors at the Coronado, Navajo, Craig, Hayden, Four Corners and Mohave generating stations. He also reviewed the capacity factors by unit at the Palo Verde Nuclear Generating Station, showing that Unit 2 had produced only one-half of its projected capacity due to steam generator problems. The District increased its receipt of purchase power to replace the lost generation. Mr. Underhill concluded the review of the FY93-94 results for valley units by showing the capacity factors and average costs for each of the thermal power plants.

Mr. Underhill next reviewed the FY94-95 production expense budget which totals \$404.5 million, as well as the budgeted energy of 20,170 GWh. He further broke down the budgeted energy by categories such as coal, purchases and interchanges, falling water, nuclear and valley production.

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In conclusion, Mr. Underhill compared production expenses for fiscal years 1993, 1994 and as budgeted in 1995 for coal, purchases and interchanges, nuclear, valley and hydro. He reported that the FY95 production expense budget for purchased power is estimated to be \$79.1 million for energy plus \$83.7 million in demand charges for a total of \$162.8 million.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and by reference, are made a part of these minutes.

Messrs. Duckworth and Areghini left the meeting.

#### Mead-Phoenix Project - Transmission Tower Testing

Mr. Harrah stated that on the recent Board trip to view construction work in progress on the Mead-Phoenix 500kV Transmission Line, many questions were asked about design of the towers. He stated there were unique design requirements for this project and that a new family of structures was designed. Five new tower types were designed for 500kV alternating current (AC) transmission but with capability to be converted to + 500kV direct current (DC) transmission without change to the towers. The District led the development of the design criteria for the towers, but Commonwealth Associates Inc. in Jackson, Michigan, prepared the actual designs.

Mr. Harrah reviewed the design criteria, which includes type of conductor, span length, geographical conditions (wind, wind gusts, etc.), conductor tensions; and changes in line direction. One of the District's structural engineers worked in the tower designer's office. Five tower types are needed for different changes in line direction.

Three of the towers used in the Mead-Phoenix Project were fabricated at a tower fabrication facility near Sao Paulo, Brasil and were tested at their test facility.

A videotape of the tower testing was shown where full size towers were erected at the test station and loads were applied by cables attached to winches. The towers were tested to 100% full design load including safety factors and in some cases the loads were increased up to 110%. Some minor failures occurred, but after design modifications, the tests were satisfactorily completed.

Executive Session

On a motion duly made by Director Hurley, seconded by Director Marshall and carried, Chairman Arnett called for an Executive Session at 11:15 a.m. to discuss litigation matters concerning the Mead-Phoenix Project pursuant to the provisions of A.R.S. § 38-431.03 A.4.

The meeting reconvened into Open Session at 11:25 a.m., with the following members and others present: President Schrader; Chairman Arnett, Directors Burton, Dobson, Hurley, Marshall, and Rudd; Councilman McKinney Jr.; Ms. Alfano; Messrs. Harrah, O'Neal, Silverman, and Smith.

There being no further business to come before the Committee, the meeting adjourned at 11:26 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE  
September 22, 1994

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, September 22, 1994, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Hurley, Marshall, and Rudd. Absent at roll call: Directors Ash, Dobson, and Kempton.

Others present: President Schrader; Director Diller; Councilman McKinney, Jr.; Staff members: Mmes. Alfano and Whistler and Messrs. Areghini, Barnard, Duckworth, Martos, O'Neal, and Transgrud.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, September 20, 1994 by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. James to proceed. Firm Wholesale Power Sale Agreement Between the District and the City of Safford

Ms. James, using overhead transparencies, stated that when the District purchased the remaining Navajo Surplus power from the Central Arizona Water Conservation District (CAWCD), several contracts that were administered under Western Area Power Administration (Western), the marketing arm for Navajo Surplus, were impacted. One of those contracts involved the City of Safford that had been purchasing 3 MW of Navajo Surplus from Western. As a result, the City of Safford contacted the District about supplying the power previously supplied by Western.

The City of Safford had contractual arrangements with Arizona Electric Power Cooperative (AEPSCO) as its transmission agent and since Safford needed to work out a long-term transmission agreement with AEPSCO, the District has been selling the 3 MW of Navajo Surplus to Safford under a short-term letter agreement.

The District and Safford had now completed negotiations for a firm wholesale power sale agreement that would begin November 1994 and extend through September 2011 for 3 MW at 100% monthly load factor. The delivery point would be the Westwing Substation. The agreement is initially priced at \$7.1 51kW-month and 21.5 mills/kwh for energy. The capacity charge will escalate automatically at 3 % per year, with the energy charge, after the first year, equal to the estimated charge to CAWCD for pumping energy plus 3.5 mills/kwh. In addition, the District can adjust the rate at 5 year intervals.

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Ms. James concluded by requesting that the Committee submit for Board approval a firm wholesale power sale agreement between the City of Safford and the District as presented.

On a motion duly made by Director Marshall, seconded by Director Hurley and carried, the Committee agreed to recommend that the Board of Directors authorize the President, Vice-President or Associate General Manager, Marketing, Customer Service and Finance and Planning and the Secretary or Assistant Secretary to make, execute and deliver a firm wholesale power agreement between the District and the City of Safford, under the terms and conditions as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Vice President Williams Jr. and Directors Ash and Kempton entered the meeting during the presentation as well as staff members Messrs. Linn and Bonsall.

#### Firm Wholesale Power Agreement Between the District and Aha Macav Power Service

Ms. James stated that a similar situation to that of the City of Safford has occurred with Aha Macav, which is a tribal utility authority of the Fort Mohave Indian Tribe, located on both sides of the Colorado River near Needles, California. Aha Macav Power Service had also negotiated a contract for Navajo Surplus through the Western Area Power Administration (Western). The District agreed to assume this commitment at essentially the same price previously offered by Western, plus an additional charge for firming up a contingent sale.

As a result, staff is seeking a firm wholesale power agreement between the District and Aha Macav beginning in November 1994 through December 1998 with a delivery point at Davis Substation. The agreement provides for the District to sell to Aha Macav, 2 MW of firm wholesale capacity and associated energy with Aha Macav having the opportunity to increase the sale in various increments with six month's notice to the District, up to a maximum of 25 MW in total. Aha Macav expects these additional power needs to occur as a result of casinos being built on their reservation.

The initial demand charge under the agreement is \$6. 15/kW-month during the on-peak months of March -September and \$1. 15/kW-month for the off-peak months of October - February. In addition, the initial on-peak energy charge is 26 mills/kWh and the off-peak energy charge is 22 mills/kWh. The energy price is subject to escalation at 3 % annually.

Ms. James requested that the Committee recommend for Board approval, a firm wholesale power agreement between the District and Aha Macav as presented.

On a motion duly made by Director Rudd, seconded by Director Marshall and carried, the Committee agreed to recommend that the Board of Directors authorize the President, Vice-President or Associate General Manager Marketing, Customer Service, Finance and Planning, and the Secretary or Assistant Secretary to make, execute and deliver a firm wholesale power agreement between the District and Aha Macav, under the terms and conditions as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. James and Whisler and Messrs. Bonsall, Duckworth, and Trangsrud left the meeting after the presentation.

#### Peabody Coal Company Reorganization

Mr. Barnard, using overhead transparencies, reported that Peabody Coal Company, the coal supplier for the Navajo, Mohave, and Hayden Generating Stations is reorganizing its Western operations into several business units. The Arizona operations will become Peabody Western Coal Company and the Colorado operations will become Seneca Coal Company with each of the new companies being wholly owned subsidiaries of Peabody Holding Company Inc. As a result of this reorganization, Peabody will be transferring certain assets to the business units. The transfer will require the execution of a consent agreement and an amendment to the Hayden Station Coal Supply Agreement and Amended Option Agreement, and the execution of consent agreements for the Navajo and Mohave Coal Supply Agreements.

He reported that the required actions are primarily housekeeping items; however, it could result in some improvements in Peabody's financial performance, and perhaps some positive impacts could be realized in costs under these Coal Supply Agreements. In addition, Peabody Holding Company will guaranty the obligations of its subsidiaries.

In conclusion, he recommended that the President or Vice President and the Secretary or Assistant Secretary be authorized to execute the necessary documents to carry out these actions.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Committee agreed to recommend that the Board of Directors authorize the President or Vice-President and the Secretary or Assistant Secretary to make, execute and deliver documents amending the (Hayden Station) Amended Revised Coal Supply Agreement and the Amended Option Agreement, providing for the assignment of these agreements under Peabody's corporate reorganization; and ratification of the consent agreements for the Amended Navajo Station Coal Supply Agreement and the Amended Mohave Project Coal Supply Agreement.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Linn left the meeting.

#### Four Corners Generating Station Waste Disposal Agreement Supplement No.4

Mr. Barnard, using overhead transparencies, reported that the Four Corners Generating Station Waste Disposal Agreement which provides for the disposal of bottom and fly ash at Units #4 and #5 needs Supplement No.4, to be amended, in order to change the inflation index from Gross National Product (GNP) to Gross Domestic Product (GDP). He stated that the Bureau of Labor Statistics will not report GNP in the future, and that all contracts using GNP figures for adjustment will need to change to GDP figures. In addition, Supplement No.4 includes a change in the frequency of each escalation from quarterly to annually. This should decrease the time needed for contract administration and help limit the number of cost revisions resulting from changes in the final indices.

In conclusion, Mr. Barnard requested that the Committee recommend that the Board authorize the approval of Supplement No.4 to the Waste Disposal Agreement for the Four Corners Generating Station as presented.

On a motion duly made by Director Ash, seconded by Director Kempton and carried, the Committee agreed to recommend that the Board authorize the President or Vice President and the Secretary or Assistant Secretary to execute Supplement No. 4 to the Waste Disposal Agreement for the Four Corners Generating Station, under the terms and conditions as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and by reference, are made a part of these minutes.

#### District/Western Ash Fly Ash Agreement Supplement No.1

Mr. Barnard, using overhead transparencies, stated that the District has had an agreement with Western Ash Company since March 1980 for the sale of Coronado Generating Station fly ash. He reported that fly ash has qualities that make it suitable as an additive to concrete or as a stabilizer for soil. He reviewed the history of fly ash sales with Western Ash and stated that one key ingredient of making fly ash a more competitive product is the transportation cost. Western Ash's current market is central Arizona, parts of New Mexico, Mexico, and the re-emerging California market.

The District, in the past, has allowed Western Ash some leeway on price when special opportunities presented themselves, in order to market additional fly ash sales since any ash not taken by Western Ash is hauled to an ash pit near Coronado Generating Station for disposal, at a cost of approximately \$3.00 per ton.

In conclusion, Mr. Barnard requested that the Coronado Generating Station Fly Ash Agreement between the District and Western Ash be amended allowing the District to move the fly ash from Coronado Generating Station via the District's railroad to a pre-established delivery point where Western Ash would then take ownership. This would allow Western Ash to be more competitive in the California and Mexican markets.

On a motion duly made by Director Ash, seconded by Director Kempton and carried, the Committee agreed to request that the Board authorize the President or Vice President and Secretary or Assistant Secretary to execute the amendment to the Coronado Generating Station Fly Ash Agreement, under the terms and conditions as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and by reference, are made a part of these minutes.

Mr. Barnard left the meeting and Mr. Hawkins and Peterson entered the meeting.

#### RS16 (South Chandler) Status

Mr. Peterson, using overhead transparencies, stated that he and Mr. Hawkins would be providing the Committee with an update of the Synergy and R516 Projects which are located in the south Chandler area. Mr. Peterson reported that the Synergy Project is an interim need that will be addressed in more detail by Mr. Hawkins.

Continuing, Mr. Peterson reviewed the sub-transmission system in the south Chandler area, reporting that the area is rapidly changing from a rural to urban setting as evidenced by the 10 - 14% growth rate per year. Adding to the power needs in this particular area is the new Intel Project which is building the largest computer chip manufacturing facility in the world. The needs in the area, were already apparent, but the Intel Project is forcing the District to escalate the schedule for extending its power system. He reported that staff has been involved with the citizens in the area, as well as staff from the City of Chandler and Intel, looking for input into the process. He requested Mr. Hawkins to proceed with the presentation concerning Synergy.

Mr. Hawkins reported that Synergy is an interim project that will provide two 69kV feeds into the area south of Chandler. He reported that one 69 kV extension would parallel the railroad right-of-way from Pecos Road to Germann Road and the second 69 kV extension would be located west of Dobson Road and extend from Pecos Road approximately 1.5 miles south to the

Delta Substation, part of the Miller/Delta line. He reported that this route was not decided upon until after an extensive public process and an open house which was held on September 18, 1994.

Mr. Hawkins reviewed 15 elements of work that need to be accomplished in order to meet Intel's load requirements by the end of April. He stated that in order to meet the schedule, crews would need to begin construction no later than late December. As a result of the need to begin construction in late December, the District is pursuing a tight right-of-way schedule for the Miller/Delta Line. Seven owners along the chosen route have been identified and it is the District's intent to begin the right of way acquisition process immediately. It is hoped that negotiations with all property owners is concluded by the middle of October. He cautioned the Committee, however, that should negotiations not be successful, that the District would be on such a tight schedule that condemnation proceedings would begin immediately such that District crews could begin the construction process by December 14, 1994.

Continuing the presentation, Mr. Peterson stated that in approximately 3.5 years, the District would also need a 230 kV receiving station somewhere within the immediate vicinity of south Chandler. Such a receiving station requires approximately 15 acres of land. Full development of the station could require two to three 230 KV transmission lines and five to six 69 kV transmission lines. Due to the magnitude of such a project, and the fact that the District has not cited a 230KV transmission line in over ten years, the District has put out Request for Proposals (RFPs) for a consultant to lead and manage the process. He reviewed the bidders that had responded to the RFP and stated that a hire decision was expected early next month. The citing process includes an extensive environment assessment for such things as electromagnetic field analysis, noise and communication signal interference, land use and recreation, and biological assessment, among others. It also includes an extensive public input process. Mr. Peterson stated that the consultants under consideration have insisted upon maintaining their independence in order for the process to be credible.

In conclusion he reviewed the process schedule and reiterated that the community of south Chandler has a critical need. The District is the right entity to solve this need and will do so in a reasonable and responsible manner while listening and working with the community.

Director Burton entered the meeting during the presentation; Mr. Duckworth re-entered during the presentation and Mr. Bonsall re-entered and left during the presentation. Mr. Silverman entered and left the meeting during the presentation.

#### Scottsdale 69 kV Underground Project

This presentation was deferred to the next Power Committee meeting, to be held on October 20, 1994.

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There being no further business to come before the Committee, the meeting adjourned at 11:40 a.m.

William K. O'Neal  
Corporate Secretary

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MINUTES  
POWER COMMITTEE  
October 20, 1994

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, October 20, 1994, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Hurley, Kempton, and Marshall.

Absent at roll call: Directors Ash, Dobson, and Rudd.

Others present: President Schrader; Vice President Williams Jr. Director Diller, and Lyric; Councilman McKinney, Jr. and Weiler; Staff members: Messrs. Ayers, Duckworth, Martos, and O'Neal.

Secretary O'Neal stated that, in compliance with A.R.S.§38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, October 18, 1994 by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Martos to proceed.  
Scottsdale 69kV Underground

Mr. Martos, using 35mm slides, reviewed a recently completed 69kV undergrounding project of approximately .6 of a mile in Scottsdale along the Arizona Canal from approximately Camelback Road to Goldwater Boulevard. He reported that this was the first experience for District crews in undergrounding a 69kV transmission line. The slides depicted various stages of the construction with Mr. Martos commenting on such things as trenching, special foundations, manhole required for splicing, cable-pulling and terminations, and the before and after look of the completed project.

In conclusion, he reported that the project was completed on schedule and on budget (\$4.6 million). The City of Scottsdale used \$3.62 million of its aesthetic funding. For the most part, the balance of \$1 million went to upgrade existing electric facilities at the Scottsdale Substation.

Director Ash, Ms. Alfano and Mr. Silverman entered the meeting during the presentation; Mmes. James and Whisler entered following the presentation.

Report on Potential Use of Surplus Plutonium in the Palo Verde Reactors

Mr. Ayers using overhead transparencies, stated that the purpose of his presentation was informational only and included the possible use of Department of Energy (DOE) surplus

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plutonium to fuel the Palo Verde reactors. He reported that the DOE has over 50 metric tons of surplus weapons grade plutonium in storage as a result of disarmament actions. The DOE has several options as to what to do with the plutonium, including: continue to store it, vitrify it, or burn it in reactors.

Mr. Ayers reported on recent actions concerning the management and disposition of excess weapons-grade plutonium, including several workshops, and the invitation by DOE for comments and indications of interest from those that might be able to use the plutonium. He said that the District is definitely interested.

Mr. Ayers continued with several depictions of the nuclear fuel cycle, including the processes necessary to enrich uranium to the point that it is an acceptable fuel source for nuclear reactors. He stated that the Palo Verde Nuclear Generating Station is the only such station in the United States that is designed and licensed to use weapons-grade plutonium as a fuel source without major capital costs and retrofits.

Mr. Ayers stated that there are some concerns regarding weapons-grade plutonium including theft by terrorists, accident in transit, political issues, and opposition by activist groups. These particular concerns still exist to some degree whether or not the plutonium is used to fuel a nuclear reactor.

Mr. Ayers stated that the concerns are really mitigated when compared to the potential benefits; which include an approximate \$125 million per year fuel cost savings at Palo Verde, ownership and liability retained by DOE, disposal the problem of DOE, and burning the plutonium at Palo Verde helping the federal government solve its disposal problem.

In conclusion, he stated that the Palo Verde owners were interested in the potential use of plutonium, even though Arizona Public Service Company (APS) has some reservations. A letter of interest from the Palo Verde owners has been sent to the DOE.

Vice President Williams and Mr. Ayers exited the meeting after the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

### Wholesale Power Sales

Mr. Underhill stated that the purpose of his presentation was to respond to recent questions concerning the District's power market activities and how the cents per kilowatt hour rate is derived from a combination demand and energy rate.

Using overhead transparencies, he reviewed in detail the economy energy transactions of the District compared to those of APS. The District sold 2,781,845-megawatt (MW) hours to 42 different utilities representing \$59,817,597 settlement dollars. The average cents per kilowatt hour without demand was 2.074 and with demand 2.150. APS, in comparison, sold 2,253,231MW hours to a total of 37 utilities for \$52,669,850 settlement dollars. The average cents per kilowatt hour for the APS sale without demand was 2.022 and with demand 2.338. The data represented the District's 1993-94 fiscal year and APS's 1993 calendar year.

Continuing, Mr. Underhill reviewed how a demand and energy rate is converted to a blended cents per kilowatt hour for various loads and load factors. In essence, the higher the load factor, the smaller the cost in cents per kilowatt hour.

In conclusion, Mr. Underhill graphically portrayed the cents per kilowatt hour at various load factors for power purchased from: Tucson Electric Power, Arizona Electric Power Cooperative, the Central Arizona Water Conservation District, and the power sold to APS (Territorial and Contingent sale) The data compared the demand charge, energy charge, and blended cents per kilowatt hour for several fiscal years; illustrating that the cents per kilowatt hour varies depending upon the load factor at the time of the sale.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### 1995 Sale to San Diego Gas & Electric Company

Ms. Whisler, using overhead transparencies, stated that the District recently entered into a one-year firm system power and energy sale with San Diego Gas & Electric (SD G&E). She reported that SDG&E put out requests for proposals in March 1994 and received approximately 50 bids. The District was named to the short list in July 1994 and was selected with the deal being finalized on September 29, 1994 by Letter Agreement with Mark Bonsall, the signatory, as granted by Board authority. The terms included 200MWs of firm system power and energy delivered from January to December '95 at the Palo Verde 500 kV Switchyard with a minimum monthly load factor of 72%.

In conclusion, she stated the financial terms of the sale are as follows: 1) Monthly Demand Charge: \$2.50/kW - month: 2) On-Peak Energy Charge: 22.00 mills/kWh; 3) Off-Peak Energy Charge: 16.50 mills/kWh and 4) Expected Net Revenues in 1995: \$8.9 million.

Director Weiler and Council Chairman Rousseau entered during the presentation; Ms. Huber and Messrs. Farmer, Hallin, McNeill, Sherman, Taylor and Thomas entered following the presentation. Mmes. James and Whisler exited following the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and by reference, are made a part of these minutes.

### Telecommunications Market Opportunity

Mr. Thomas handed out to those present a 67-page detailed report, dated September 20, 1994, entitled "Telecommunications Market Opportunity Analysis Report." He stated that he and the key members of the analysis team would briefly review the results of the report.

Mr. Thomas, using overhead transparencies, said that the communications industry presented opportunities for the District to enhance revenues. A team of SRP personnel performed a telecommunications market opportunity analysis. As background, Mr. Thomas stated that three events have been most significant in driving the telecommunications market over the last several years and are expected to continue to do so into the future; namely, the break up of the AT&T system, the advent of fiber optics, and the interest in formation of a national information infrastructure. Such an infrastructure has the potential to connect homes, schools, libraries, hospitals, research facilities and businesses and can provide not only voice and video data, but also high speed computer data.

He briefly reported on the government and private sector initiatives that may impact this market; revealing that the market opportunities are literally calculated in the billions of dollars for such services as video rentals, video games, demand side information (DSM) for utilities, information services, catalog shopping, telephony, education and medical. Utilities already own many of the components used in the telecommunications process, which include many miles of fiber optics, microwave and other telecommunication facilities with reserve capacity. In addition, utilities have the rights-of-way and physical access that others could use.

He reviewed the District's telecommunications network and the geographical areas that it covers, as well as the various types of equipment that the District owns.

Mr. Thomas graphically portrayed the District's fiber optics system and how it compares to the investments made by several other utilities. For instance, the District has 125 miles of fiber optic cable installed at a cost of \$5 million; whereas, Scana Corporation, a South Carolina firm, has 1800 miles of fiber optic cable installed at a cost of \$72 million.

Using a schematic, Mr. Thomas reviewed how local exchange networks interface with the long distance networks for the telephony market. He also reviewed the role of Competitive Access Providers (CAP) and how they bypass the local exchanges to reach the long distance networks.

The telephony revenues for the Phoenix market in 1993 were approximately \$1,200 million. Many firms are trying to determine whether and how they could participate in this market, including the District.

Mr. Thomas stated that the study team assigned to this project settled on four potential strategies for the District: 1) provide rights-of-way access to other users at market rate; 2) provide communication products/services to numerous end-use customers, called the "last mile" strategy; 3) provide communications/services to multi-site businesses, and; 4) provide energy management services to customers via a communications system and lease capacity to others. He asked Ms. Huber to continue the presentation with a review of the right-of-way strategy.

President Schrader and Director Lydic left during the presentation.

Ms. Huber stated that the District has the following rights-of-way: 1287 miles of canal right-of-way; 5,300 miles of overhead distribution; 1,836 miles of overhead transmission; and 100,000 poles. She reported that in developing a right-of-way strategy for the District, various other utilities had been interviewed. She reported that there seems to be little consistency in the methods for determining revenues for right-of-way among the various utilities. She also reviewed the rates charged by other utilities for pole attachments for fiber optics.

The primary competition to the District's right-of-way system are other entities with extensive rights-of-way such as: APS, the railroads, US West, the various municipalities, the state (Arizona Department of Transportation), and the county. However, the District has certain built in advantages to its right-of-way; including single ownership, contiguity to many cities, established right-of-way, unencumbered right-of-way and lower construction costs.

In conclusion, she stated that alternatives were reviewed for a right-of-way strategy including fees based on dollars per square foot for underground, dollars per overhead pole attachment, and 7 percent of gross revenues. She stated that the study team recommended that the District should pursue issuing right-of-way licenses for fiber optics based on a percentage of gross revenues, together with a market based rate for pole attachments.

Chairman Rousseau exited the meeting during the presentation.

Continuing, Mr. Hallin described the last mile strategy wherein the District would provide to the end-users a physical link; for example, wire or cable. He summarized the market demand for residential telecommunication companies and multi-site users, stating that deregulation may provide new opportunities in the interexchange and local exchange markets. He cautioned, however, that the market is driven by rapidly changing technology, as well as other uncertainties, including whether or not other local firms are competitors or potential partners. Such firms include: the interexchange carriers, local exchange carriers, cable companies, CAPs,

and other utilities. The District, however, does have certain advantages, in that the fiber is already in place, we have the expertise in operating a fairly sophisticated communication system for SRP, and have the authorization under state statutes to offer communication services.

The analysis team evaluated whether or not the District should execute a last mile strategy as an independent effort, a cooperative effort or a partnership/joint venture. The team had concluded that the District would be better served in the last mile strategy by partnering with other telecommunications providers.

President Schrader entered the meeting.

Mr. Sherman stated that he would be reporting on the Multi-Site Customer Strategy, which he defined to include data transmission, network services and long distance access to customers with multiple physical locations or customer specific 'wide area networks.' He said this particular strategy focuses on the single market segment, leverages the existing assets and abilities of the District, and targets customers of strategic importance. It also could reinforce the District's partnership alliances, establish new relationships with new customers, and avoid the more intensive local exchange competition for dial. tone service. He reported that the team had concluded that even though extensive multi-site activities already exist, this market is not saturated.

Continuing, he stated that analysis of the Multi-Site Customer Strategy included an evaluation of the following variables: market size, customer demand, service types, and joint venture. In addition, the study investigated costs to upgrade the fiber optic system to 96 fibers, the cost of switching equipment, the number of potential sites, build out rates, capital requirements and payback period.

He also reviewed the pros and cons of a stand-alone business approach versus joint ventures. He stated that the report recommends pursuing a multi-site customer strategy as a strategic investment to generate new revenue and enhance the District's electric business.

Mr. Partner concluded with a summary of the telecommunication financial analysis based on scenarios of 200, 100 and 50 multi-site customers.

Mr. McNeill continued the presentation concerning the District's authorization and regulatory matters that would be encountered should the District enter the telecommunications market. He reported that the District has authority under its enabling legislation to be in the communications business. He also reviewed the scope of such authority, and potential regulation under federal, state, and local laws.

Mr. Silverman concluded by stating that the findings reported today would be discussed further with the General Manager's staff and any final recommendations would be brought back to the Committee and Board for approval.

A copy of the "Telecommunications Market Opportunity Analysis Report," is on file in the Secretary's Office and, by reference, is made a part of these minutes.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 12:20 p.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE  
November 15, 1994

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Tuesday, November 15, 1994, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Dobson, Hurley, Marshall and Rudd. Absent at roll call: Directors Ash and Kempton.

Others present: President Schrader; Vice President Williams Jr.; Directors/Governors Brooks, Burton and Diller; Council Liaison Anderson; and Staff members: Mmes. Alfano, James and Whistler and Messrs. Areghini, Casiraro, Hayslip, Lehman, Martos, O'Neal, Silverman, Schweitzer and Transgrud.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive; Tempe, Arizona, at 4:00 p.m. on Friday, November 11, 1994 by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Lehman to proceed.

Service Schedule S to the Power Coordination Agreement (PCA) between the 'District and Arizona Public Service Company (APS)

Mr. Lehman, using overhead transparencies, stated that Staff is requesting approval of the Service Schedule S to the PCA. The PCA is a contract between the District and APS entered into in 1955 to coordinate development and operation of the respective electric systems and to provide for the sale and interchange of power between the two utilities.

As background, he stated that in 1991 APS had requested the use of District property located at the Scottsdale Substation for a two bay modular substation. Subsequent to those discussions, however, it was decided that it would be more feasible to permit APS to interconnect its proposed substation to the District's Scottsdale Substation and provide transmission service to APS from various valley transmission system interconnection points to the point of interconnection at the Scottsdale Substation. The Service Schedule S Agreement would be coterminous with a 10-year land lease by APS at Scottsdale Substation with three 5-year extensions available. The District would design and construct the substation for APS and provide the long-term wheeling via the District's transmission system. APS would bear all costs of design, construction and interconnection. In addition, APS would pay a transmission rate equal to the District's cost of service rate. It is expected that once the APS loads reach full capacity, the revenues to the District could be as much as \$500,000 annually.

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In conclusion, Mr. Lehman, requested that the Committee request Board approval to execute the Service Schedule S to the Power Coordination Agreement (PCA). On a motion duly made by Director Marshall, seconded by Director/Governor Dobson and carried, the Committee agreed to recommend approval, under the terms and conditions as presented.

Mr. Bonsall entered the meeting during the presentation; Messrs. Martos, Milligan, and Schweitzer exited following the presentation.

#### Firm Wholesale Power Agreement No.2 with the City of Vernon

Ms. Whisler stated that the District has an existing contract with the City of Vernon, California, under which the District has been selling firm on-peak capacity and energy in quantities up to 40 megawatts (mw) since 1991. She reported that the District had discussed with Vernon continuing the existing sale for three more years; however, Vernon was unable to extend the contract until it had succeeded in obtaining transmission from Southern California Edison Company (Edison). Once the commitment from Edison was in hand, Vernon had lost some of its industrial load and, therefore, the current contract was re-negotiated at a reduction in sale prices.

Continuing and using overhead transparencies, Ms. Whisler reviewed the requested Firm

Wholesale Power Agreement #2 to the City of Vernon as follows:

Term: January 1, 1995 - December 31, 1997

Quantity: up to 35 MW

Delivery Point: Eldorado & Marketplace Switchyards

She reviewed in detail the on-peak and off-peak demand charges that begin in 1995 at \$2.50-per kilowatt (kw)-month and \$.30 per kw-month respectively, escalating to \$3.30 per kw-month and \$1.10 per kw-month by 1997, respectively. Similarly, she reviewed the on-peak and off-peak energy charges beginning at \$25 and \$21 per mw hour in 1995 and escalating to \$29.20 and \$25 by 1997. It is expected that the net revenues will be \$2.5 million with a markup over cost to produce of 36%.

In conclusion, she requested that the Committee recommend Board approval of the Firm Wholesale Power Agreement #2 between the District and the City of Vernon, California. On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend approval, under the terms and conditions as presented.

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Director Ash entered during the presentation; and Mmes. James and Whisler and Messrs. Lehman and Transgrud exited following the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

### Environmental Leadership

Mr. Hayslip reported that the District has submitted an application to the Environmental Protection Agency (EPA) for participation in the Environmental Leadership Program (ELP), a 12 - 18 month pilot program: He requested that Mr. Casiraro continue with the details of the presentation.

Using overhead transparencies, Mr. Casiraro stated that the ELP as proposed by the EPA would be an informal agreement between the District and the EPA, wherein the District would establish and publicize its environmental compliance program in accordance with "Best Management Practices" and the EPA, on the other hand, would provide public recognition and reduce enforcement activities. Mr. Casiraro stated that the EPA plans to select only five industrial representatives and the District hopes to be one of those five.

The objectives of the EPA program are to encourage compliance with laws and regulations; promote pollution prevention; and build positive relationships. He stated that Staff believes the District already meets the EPA objectives.

The interest by the District in participating in the ELP supports the corporate goal of achieving the best environmental record possible, and in addition provides customer and community recognition; enables the District to influence the EPA environmental and self-auditing policies, reduces regulatory inspections, and strengthens the District's relationship with the Arizona Department of Environmental Quality.

Should the District be accepted as an ELP participant, the following participant requirements must be met:

Disclosure of compliance history

Description of environmental management and auditing programs

Disclosure of future audit results

Description of pollution prevention activities and results

Willingness to use environmental management programs as models for others

Description of environmental management performance objectives

Description of employee and community involvement

To safeguard the District from the disclosure of future audit results, the District's proposal included several audit conditions as follows:

Agencies will not use audit findings to pursue criminal actions

Agencies will eliminate or reduce inspections of District facilities

Agencies will eliminate or reduce penalties for civil violations, provided corrective actions are implemented in a timely manner

Recognition from EPA that the District's program meets EPA standards for an effective auditing system

In conclusion, Mr. Casiraro stated that the EPA expects to select its participating companies in December of 1994 and after negotiating the conditions of participation, the EPA will publicly announce the participating companies and begin the programs in March 1995.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Schrader left the meeting during the presentation

There being no further business to come before the Committee, the meeting adjourned at 10:10 a.m.

William K. O'Neal  
Corporate Secretary

1995

MINUTES  
POWER COMMITTEE

January 19, 1995

A special meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (the "District") convened at 9:30 a.m. on Thursday, January 19, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Hurley, Kempton, Marshall, and Rudd.

Absent at roll call: Directors Ash and Dobson.

Others present: Vice President Williams Jr.; Directors Diller and Lydic; Councilmen Gantzel, Kempton, and Schrader; staff -members: Mmes. Lonon, Maracas, and Oldenkamp; Messrs. Areghini, Russell and Peterson.

Ms. Lonon stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, January 17, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Peterson to proceed.

Announcements

Runaway Train

Mr. Areghini reported that problems with the braking system on a train delivering coal from Peabody Coal Co. mine to Navajo Generating Station on January 13, 1995, resulted in a runaway train and damage to locomotives and track along the Black Mesa & Lake Powell Railroad. The incident occurred when the fully-loaded 53-car train, weighing more than 8,000 tons, departed from Peabody silos. Traveling downhill, the train reached speeds in excess of 90 miles per hour before coming to a hill and slowing to a stop.

Sturgeon Lineman

Mr. Areghini reported that on January 16, 1995, Ernie Adams, a lineman for Sturgeon Electric Co., fell 15 feet from a District pole on which he was working. Mr. Adams was in the process of climbing down the pole and had unbelted to get around a cable television line. The accident occurred while he was in the process of rebaring. Mr. Adams was taken to Maricopa County Hospital where he underwent surgery; he died around noon.

Mr. Areghini left the meeting.

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RS16 (South Chandler) Project

Mr. Peterson, using overhead transparencies, reviewed the background of the RS16 Project, which involves the building of new energy facilities to better serve the fast-growing southeast valley. He stated the primary components of the project will include a new 230/69kV receiving station to be located in the south Chandler area; a 230kV transmission line to serve the new station; and one 69kV subtransmission line that will connect from an existing substation near the new Intel plant. A regional siting study will be conducted in the areas of Chandler, parts of Gilbert, Tempe, Mesa, and unincorporated areas of Maricopa County, to determine placement of the new receiving station and routing of the power lines.

Using a map illustrating the 125-square-mile study area, Mr. Peterson reviewed the District's existing electrical system. He stated the District has retained Dames & Moore, an environmental consulting firm, to lead and manage the environmental planning studies and public involvement activities for the project.

Mr. Peterson concluded by reviewing the proposed schedule, which calls for the environmental, engineering, and other siting studies to be completed by late 1995, followed by application for a Certificate of Environmental Capability (CEC) from the Arizona Power Plant and Transmission Line Siting Committee which reports to the Arizona Corporation Commission (ACC). He stated that a final decision from the ACC could take several months; however, the District plans to place the RS16 Project in service in early 1998. He asked Kate Maracas to continue the presentation.

Ms. Maracas, using overhead transparencies, reviewed a schedule of primary tasks to be completed before applying for the CEC, including public involvement activities. She stated that a key element of the public involvement program is a small community working group (CWG) that will serve as a "sounding board" throughout the facility siting process. The group will provide information and comment on the environmental planning process and community attitudes.

Ms. Maracas reviewed the CWG membership, which includes a cross-section of people who are familiar with issues in the community and who represent a wide range of views. They will meet approximately six times with Dames & Moore to provide feedback at planning milestones; the first meeting has already been held.

Ms. Maracas concluded by stating that several public forum meetings have been scheduled in January at three different locations throughout the study area. This and other project related information were provided in a Fact Sheet distributed to Committee members.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Entering the meeting during the presentation were: President Schrader; Directors Ash, Brooks, Dobson, and Weiler; Councilmen Anderson, Rousseau, and Willis; Mmes. James and Kimberly; and Messrs. Bonsall, Duckworth, Forsyth, McSheffrey, Silverman, and Trangsrud.

Mmes. Maracas and Oldenkamp, and Messrs. Peterson and Russell left the meeting.

Firm Transmission Agreement with Nordic Power  
of Southpoint LP ("Nordic")

Mr. Trangsrud, using overhead transparencies, reviewed a request for authorization to enter into a firm transmission-service agreement with Nordic for the period January 1, 1998 (or earlier if needed) through December 31, 2017. He reminded the Board that the Federal Energy Policy Act mandates that owners of transmission systems must allow other entities access to use that transmission, if so requested, and if the transmission capacity is available.

Mr. Trangsrud reported that Nordic submitted a transmission request to the District for 240 megawatts of capacity from Liberty Substation in west Phoenix to the San Diego Gas and Electric Company (SDG&E) interconnection at Palo Verde Nuclear Generating Station (PVNGS). Nordic is constructing a gas-fired power plant on the Fort Mojave Indian Reservation south of Bullhead City and will be selling most of its output to SDG&E, thereby creating a need for transmission service.

He stated the District does have the available transmission capacity to respond to Nordic's request and has developed a transmission rate to charge those entities requesting transmission service from the District. He reviewed the methodology used in the rate calculations, stating that revenues from this agreement are estimated at \$4.5 million based on a current rate of \$18.77 per kilowatt-year.

Mr. Trangsrud concluded by requesting that the Committee submit for Board approval the Firm Transmission Agreement with Nordic Power of SouthPoint LP, as presented.

On a motion duly made by Director Marshall, seconded by Director Ash and carried, the Committee agreed to recommend approval, as requested by management.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Alfano entered the meeting.

Telecommunications and Other Informational Items

Fiber Optic Network

Mr. Bonsall reported that the District's fiber optic network is now in place for its own use, and staff is developing a marketing strategy for leasing access to other users. Using overhead transparencies, he reviewed a list of prospective "partners," stating that discussions have been held with some and others have yet to be scheduled.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Power Marketing

Mr. Duckworth presented an overview of the District's power marketing strategy, with emphasis on potential impacts from the possible sale of Western Area Power Administration (WAPA). Using a map illustrating WAPA's power plants and marketing area, he reviewed the District's power purchases and how they interface with other contracts.

Mr. Duckworth reported that several coalitions are being formed in response to the privatization issue. The District will focus on how to respond and examine what business opportunities may exist.

Copies of the overhead transparencies used in the above presentation are on file in the secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:15 a.m.

Deborah R. Dellis  
Assistant secretary

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MINUTES  
POWER COMMITTEE

March 16, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, March 16, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Ash, and Dobson. Absent at roll call: Directors Hurley, Kempton, Marshall, and Rudd.

Others present: President Schrader, Vice President Williams Jr.; Directors Brooks, Diller, Lydic, and Weiler; Councilman McKinney, Jr.; Staff members: Mmes. Alfano, Evans, Kimberly, and Schaefer and Messrs. Areghini, Bonsall, Hitt, Hulet, McSheffery, O'Neal, Peterson, Silverman, and Rodriguez.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, March 14, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Peterson to proceed.

Southwest Regional Transmission Association (SWRTA)

Mr. Peterson, using overhead transparencies, stated the purpose of his presentation was to update the Committee on the SWRTA compliance filing due to the Federal Energy Regulatory Commission (FERC) on April 25, 1995. He briefly reviewed sections of the Energy Policy Act of 1992 (EPAc't'92), relative to transmission access. He said the intent was to increase resource competition by opening access to transmission systems. Thus, the District and about twenty other participants in the southwestern United States were forming SWRTA to be, in many respects, the functional equivalent of FERC for purposes of EPAc't'92 transmission access issues. He reviewed the key components of SWRTA, including the region of the United States it would cover.

Mr. Peterson said that SWRTA is a volunteer regional transmission group that filed for FERC approval on June 17, 1994. FERC issued a conditional approval on October 26, 1994. SWRTA asked for an extension to respond to FERC's conditions which must be filed on or before April 25, 1995. The filing will address the two major issues raised in FERC's order, namely; 1) planning and 2) the comparability tariff.

In response to the planning issue, SWRTA will propose a planning function modeled after the planning and participation projects previously used to construct the Navajo, Four Corners, Mohave, Hayden, Craig, and Mead/Phoenix Projects. Participation in SWRTA planning would be open to all members, with any information being available to all members. In addition, the members would agree to work together to study and evaluate the need for a SWRTA Regional Transmission Plan.

The second issue FERC raised was the comparability tariff. FBRC will require all transmitting utilities joining SWRTA to establish such a tariff. In simple terms, the comparability tariff states that a transmission owner must offer third parties access to the transmission owner's transmission systems "on the same or comparable basis, and under the same or comparable terms and conditions, as the transmission providers use on their own system."

Mr. Peterson stated that if the District joins SWRTA, the District will have to develop a comparability tariff for submission to the Board within 180 days of FERC accepting SWRTA's filing.

In conclusion, he stated the District's comparability tariff could be challenged in a SWRTA dispute or before FERC; however, Staff believes the advantages of joining SWRTA to be worthwhile since it provides: 1) standard rules, 2) quicker responses to transmission access requests, 3) the ability to manage and control processes, and 4) the opportunity to work together, instead of litigating. Mr. Peterson requested a consensus of the Committee to proceed with the SWRTA filing and membership.

The consensus was given to proceed as outlined.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Thomas entered the meeting during the presentation.

#### Power Marketing Agencies (PMA)

Mr. Silverman provided a brief background of the government's involvement in public power, beginning with federal reclamation projects in the early 1900s through expansion in the '60s, and creation of the U.S. Department of Energy in the '70s.

He stated that in recent times, due to the increasing size of the government's deficits, attempts have been made to privatize the government's power marketing functions. Public power entities

prevailed in keeping the PMAs from being sold off in the '80s. However, there is now a stronger force in Washington, pushing towards privatization of the PMAs. He requested that Mr. Bonsall proceed with the presentation.

Mr. Bonsall handed out material showing the service boundaries of the five main PMAs in the United States, namely:

Western Area Power Administration (WAPA)  
Alaska Power Administration (APA)  
Bonneville Power Administration (BPA)  
Southeastern Power Administration (SEPA)  
Southwestern Power Administration (SWPA)

Continuing, he reported that WAPA, with the exception of BPA, is by far, the largest PMA, with appropriations of \$225 million and estimated receipts of \$378.5 million annually. It markets 10,629 megawatts (MW) generated from 55 power plants and transmits over 16,700 miles of transmission. WAPA has a significant influence over the District's operations and, if sold, could have dramatic financial impacts.

He reviewed the process and possible consequences of WAPA being sold at cost or market price, who the interested buyers might be, and how the sale might be financed. Mr. Bonsall requested Mr. Hulet to continue with the presentation.

Mr. Hulet, using overhead transparencies, illustrated two situations where WAPA significantly impacts the District's operations. The first involves the District's involvement in the Colorado River Storage Project (CRSP), wherein we receive 100MW of summer capacity and 48MW of winter capacity. In addition to this hydro capacity, the CRSP system is used to deliver the District's output from Hayden, Craig, and Four Corners Generating Plants through an Exchange Agreement with WAPA. Should WAPA resources be controlled by another party, the Exchange Agreement could be negatively impacted, stranding these generating assets.

The second illustration involves the 547MW of capacity from Navajo Generating Station and associated WAPA transmission the District uses to pump Central Arizona Project water.

Messrs. Silverman and Mr. Bonsall concluded by stating the purpose of the PMA presentation was to alert the Committee of the impacts that such sales could have upon the District. Staff is actively working to preserve the District's interest, which could involve a consortium of utilities joining together in a single effort.

Director Weiler, Messrs. Bonsall, Hulet, and Silverman left the meeting after the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Cable Replacement

Mr. Rodriguez stated the District has recently increased its budget to replace underground cable, and he would be presenting an overview of the District's cable history and costs. Using overhead transparencies, he stated the District installed its first underground cable in 1960 which now totals 11,000 miles, representing 75% of the distribution system. He said all underground cable has a finite life and reviewed various types of cable the District uses or has used, reasons for failures, and actions being taken to upgrade the system.

He concluded by reviewing the criteria Staff uses in replacing residential and commercial/industrial underground cable, the heavy cable fault areas in the District's service territory, and the increased budget amounts for Fiscal Year (FY) '95-96 and future years.

Director Lydic left the meeting during the presentation Mr. Rodriguez left following the presentation; and Mr. Silverman re-entered following the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Coronado Generating Station (CGS) - Sale of Unit 3 Assets

Mr. Areghini, using overhead transparencies, updated the Committee concerning the sale of CGS Unit 3 equipment. He reported that the structural steel at the plant site has been dismantled, the EMCALI/IPCO representatives recently had a successful visit, and Mike Hitt recently represented the District in Singapore to work on the sales agreement negotiations.

He reported that the next non-refundable payment of 51 million is due on March 22, 1995, and reviewed the schedule for future payments.

Mr. Areghini reported that current negotiations of the sales contract are now focused on price and payment schedule, with shipment of equipment scheduled for March 1996.

In conclusion, he compared the cost of the original CGS Unit 3 generator to the price of a new generator, which showed that a new generator is less expensive. In addition, heat rates have improved by approximately 2%. Thus, depending upon the price of coal, EMCALI could buy

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a new generator and save money compared to buying the District's generator.

As a result, it is expected that negotiations will include a more intense look at the sales price and other financial options. Staff is currently working on alternatives to be brought to the Committee in the near future.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:40 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

April 13, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, April 13, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Hurley, Kempton; Marshall and Rudd.

Absent at roll call: Directors Ash and Dobson.

Others present: President Schrader, Vice President Williams Jr.; Directors Brooks and Weiler; Staff members: Mmes. Alfano and Curtis and Messrs. Hernandez, McGinnis, Nowaczyk and O'Neal.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1 521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, April 11, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. McGinnis to proceed.

Retail Market Strategies

Mr. McGinnis, using overhead transparencies, reviewed the District's strategic goals and objectives and how the marketing group had been supporting these in the past. Evolving competition, however, has caused the marketing group to expand its focus and restate its mission as follows: To make it easy and pleasant for customers to do business with the District, ensuring that, given the choice, they will select the District.

He stated that staff would be discussing in detail, the retail market strategies for: 1) residential market (retention & development); 2) business (relations & expansion); and 3) service value. He requested Mr. Nowaczyk to proceed with the retail market strategy.

Mr. Nowaczyk reviewed the objectives of the retail market strategies one of which is to maximize revenue growth from end-uses. He reported that recent surveys revealed that the District is losing market share in the new home construction markets; therefore, a new approach will target this segment. He reported the biggest

competitor to the new home market is Southwest Gas Company and summarized its market advantages and strategies.

To maintain and increase its share of the new home market, the District will provide incentives to both builders and home buyers. As a result, the District will repackage its Climate Crafted Homes into two classes: 1) a total electric home certified by the District and; 2) a dual energy home using an electric heat pump, also certified by the District. A fund will be allocated for builders to use for advertising and promotion, point of sale materials and appliance upgrades. In addition, realignment of the certification standards for Climate Crafted Homes has decreased costs of construction by an estimated \$600 per home.

Staff is also focusing on the retrofit market for replacing gas furnaces with heat pumps. The focus concentrates on the point-of-sale with the heat pump contractors. It includes a \$30 per ton sales incentive.

Mr. Nowaczyk stated the retail market strategies will be segmented by customer in order to differentiate business customer service levels and encourage expansion and attraction of high worth customers. For instance, the majority of the business load, which accounts for significant revenues to the District, is heating/air conditioning and water heating. The market strategy directed towards these customers will be a package approach aimed at thermal energy storage, chillers, heat pumps, cooking loads, and water heating loads. He requested Ms. Curtis to continue with the approach being developed.

Ms. Curtis stated the District will be forming strategic alliances with our customers in order to provide them with better business solutions. The strategy will involve convincing the customer that the District can be an integral part of their success. For example, the District, will use its expertise to help the customer better understand things such as: government regulations, changing economics, competition, internal personnel issues, cost control, and customer service. To implement this strategy, the District has divided the market into six different market segments and will be assigning various account managers and executive account representatives to each of these segments. For instance, the mining, manufacturing and agricultural business segment represents 5,800 accounts, approximately \$255 million per year to the District, and will have 19 executive account representatives.

In addition to the market segmentation by industry customers, the account management method will also differentiate the customers according to value provided to the District.

Ms. Curtis reported the marketing strategy will also include a concerted effort at economic growth in the District's service territory, focusing on in-filling, providing information on priority locations, and helping to expedite the permitting process.

Continuing, the presentation, Mr. McGinnis reported he would address the least developed of the market objectives, namely: service value. He reviewed data gathered in the District's 1994 Service Quality Survey that revealed customer loyalty would be one of the keys to retaining customers when retail competition intensifies in the future.

Mr. McGinnis stated that one of the concepts being contemplated is a service promise. The promise would state that an unequivocal standard of service performance would be met and should the District fail, would result in compensation for the customers. He reviewed several examples of how this concept could be used.

In conclusion, Mr. McGinnis stated that District staff is also investigating the use of a "Loyalty Account" that would reward customers for being long-term District customers with good payment records. He reported this approach had been used in other businesses in the form of frequent flyer programs, affinity credit cards, and seating for season ticket holders.

Directors Marshall and Weiler left the meeting during the presentation and Mr. Rappoport entered and left during the presentation. Ms. Curtis and Messrs. Bonsall, McGinnis and Nowaczyk left the meeting after the presentation. Messrs. Areghini and Rajas entered the meeting following the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Navajo Generating Station (NGS) Scrubber Protect Update

Mr. Rajas, using overhead transparencies, reviewed the "January '93 - January '99 -Milestone Schedule" for the Navajo Scrubber Project, and other items such as procurement status, covering equipment/material and construction packages remaining to be let. Cashflow projections for the project were also reviewed and actual makeup of the labor force, including the utilization of Navajo employees.

In conclusion, he used 35 mm slides to show the major construction efforts to date including: new roads, warehouse and maintenance facilities, foundation work and the construction of the replacement stacks.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 12:20 p.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

May 11, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, May 11, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Dobson, Hurley, Kempton, and Marshall.

Absent at roll call: Directors Ash and Rudd.

Others present: Vice President Williams Jr.; Directors Brooks, Burton, Diller, Lydic and Weiler; Staff members: Mmes. Alfano and James and Messrs. Areghini, Barnard, Bonsall, Duckworth, Hayes, O'Neal and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, May 9, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. James to proceed.

Electric Service Agreement with Navajo Tribal Utility Authority

Ms. James stated that in January 1972, the District, as Project Manager/Operating Agent of the Navajo Generating Station (NGS), entered into an electric service agreement with the Navajo Tribal Utility Authority (NTUA) for electric service to the Navajo Project coal haul railroad. Prior to the termination date of May 31, 1993, the District and NTUA entered into negotiations for a new electric service agreement. NTUA's subsequent proposal represented a sizeable increase to the NGS participants over the prior agreement; therefore, the participants rejected the proposal. During the period from June 1993 until late 1994, the District continued to negotiate with NTUA in an attempt to resolve the issues. The primary issue for the participants was one of economics, whereas NTUA's primary issue was the exclusive right to serve the railroad.

In late December 1994, NTUA and the District reached agreement on service that would begin in January 1995, even though a contract would not be executed at that time. Ms. James stated the contract is now available for approval, and the conditions of service have already been approved by the NGS Coordinating Committee.

Using overhead transparencies, she reviewed the transmission route and terms of the contract, which include a demand charge of \$15.50 per kilowatt-month (kW-mo.) for the first 5,000 kW and \$5 per kW-mo. for any kW in excess of 5,000 kW. The energy charge will vary and is the cost incurred by NTUA under its power supply contract with Tucson Electric Power. The energy charges are currently estimated at 17.6 mils per kWh. The NGS participants will also incur transmission losses of approximately 4.5%

In conclusion, Ms. James reported that the term of the contract will run from January 1, 1995 to May 31, 1999, and represents an estimated 4.5% reduction from the previous contract with NTUA. She requested that the Committee recommend Board approval of the Electric Service Agreement with the Navajo Tribal Utility Authority, in accordance with the terms and conditions presented.

On a motion duly made by Director Kempton, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as recommended by management.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Ash and Mr. Brumback entered the meeting during the presentation.

#### Western States Power Corporation (WSPC)

Ms. James reported that in 1994, representatives of In-State Generation and Transmission Association, Inc. (In-State) initiated discussions with other public power organizations regarding their interest in establishing a non-profit preference power corporation. She reviewed the purposes of the corporation as outlined in the articles of incorporation, by-laws, and a membership agreement. The necessary filings establishing the corporation were filed with the State of Wyoming in April 1995.

Ms. James reported that the initial charter members of the corporation are In-State, Platte River Power Authority, Basin Electric, and Plains Electric Generation and Transmission, Inc. During the next few months, the manager of the corporation, Michael McDowell, will be soliciting additional members. She stated the corporation anticipates membership by various preference power entities across several states, including those receiving power from either the Colorado River Storage Project (CRSP) or the Pick-Sloan Missouri River Basin Project (Pick-Sloan).

Ms. James stated that management believes District membership in WSPC will enhance its ability to investigate, review and, if appropriate, participate in development of opportunities for non-federal activities related to hydroelectric, transmission and related facilities throughout the CRSP and Pick-Sloan areas. She pointed out that members of the umbrella corporation are not obligated to participate in any capital projects for which they do not sign separate agreements. In addition, she stated that, should the District join WSPC, the District would be awarded a seat on the Board of Directors. The initial estimated cost of membership for the first year is \$17,360.

In conclusion, she requested that the Committee recommend Board approval of District membership in WSPC, as presented.

On a motion duly made by Director Hurley, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval, as recommended by management.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes. Messrs. Powell and Rappoport entered the meeting during the presentation, and Mr.

Hayes left during the presentation.

#### Fence Lake Project

Mr. Barnard, using overhead transparencies, updated the Committee on the schedule for the Fence Lake Project, beginning with a marketing request for proposals issued in May 1 995 to the anticipated first coal deliveries in January 1 998.

Continuing, he discussed the draft supplemental Environmental Impact Statement (EIS) issued on April 28, 1 995, stating the primary issues are hydrology and archeology.

Mr. Barnard reviewed the various agreements that would be necessary with North American Coal as follows:

Coal Mining Agreement  
Construction Management Agreement  
Rail Transportation Agreement

Mr. Barnard also reviewed the permit applications as filed in New Mexico and Arizona, stating that no substantive issues have been identified that would affect the filings.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and by reference, are made a part of these minutes.

Mr. Krebs entered the meeting during the presentation, and Messrs. Hayslip, Hulet, and Thomas entered following the presentation.

#### Privatization of Federal Power Marketing Administrations (PMAs)

Mr. Duckworth stated that President Clinton's proposed budget includes revenues from the sale of four federal PMAs. The District has several relationships involving one of the PMAs, namely the Western Area Power Administration (WAPA), such as: Hoover Power, Parker-Davis Power & Transmission, Colorado River Storage Project Power (CRSP), Northwest/Southwest Intertie Transmission Project, "2468" Exchange Agreement, and the Navajo Central Arizona Water Conservation District contract.

Mr. Duckworth summarized recent events involving a potential sale or lease of WAPA, including comments by the Department of Energy (DOE) that current customers of the PMAs should have the first right to the transfer of the sale of PMA assets. As a result, staff has been evaluating the opportunities that such a sale would present and believe now is the time for the District to respond to the situation. He stated the District desires to operate or contract to operate the facilities, and payments for a transfer would be based on the net present value of the outstanding debt.

Mr. Duckworth reviewed staff's estimate of how the revenue stream would exceed the debt service coverage and the reduced expenses that could be expected from efficiencies.

He concluded by stating that the projected costs of the WAPA Phoenix area office assets range from \$1.299 billion for the total project to \$396 million for just the Arizona WAPA Project share. He asked the Committee if they were comfortable with the approach as presented. The consensus of the Committee was to pursue the matter.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Areghini and Ms. James left the meeting during the presentation. Messrs. Barnard, Bonsall, Duckworth, Gerlach, Hulet and Rappoport left the meeting after the presentation.

Navajo Coal Haul Railroad

Mr. Brumback reviewed the details of an investigation of a Navajo Coal Haul Railroad incident that occurred on January 13, 1995. He reported that the incident resulted from an angle cock being in the wrong position, thus rendering useless the train's brakes. The results of the investigation concluded that the employees on duty at the time were diligent in their duties and that, perhaps, the angle cock was put in the wrong position by someone other than employees.

Mr. Brumback concluded by reporting on subsequent changes that have been made, including increased security, lighting, fencing (at silo area), departure procedures, and added equipment to the train.

Mr. Powell reported that the damage to the train axles, wheels, motors, and track is estimated to be \$400,000. The damages are covered under the Hartford Steam Boiler Insurance policy which has a \$250,000 deductible.

Mr. Powell stated the policy also has a loss ratio premium adjustment, and with no further property losses, \$75,000 in premiums could be returned. As a result, \$225,000 of the loss is expected to be recovered.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

1995 Electric System Plan

This item was deferred to the July 20, 1995 Audit Committee meeting.

There being no further business to come before the Committee, the meeting adjourned at 12:45 p.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

June 15, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, June 15, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Hurley, Marshall, and Rudd.

Absent at roll call: Directors Ash, Dobson, and Kempton.

Others present: President Schrader; Directors Lydic and Weiler; Councilmember McKinney, Jr.; Staff members: Mmes. McVicker and Oldenkamp and Messrs. Areghini, Bonsall, Duckworth, Hawkins, Hulet, McNeill, O'Neal, Peterson, Reeves.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, June 13, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. McVicker to proceed.

Supplement No.4 to Four Corners Waste Disposal Agreement

Ms. McVicker stated that the purpose of her presentation was to recommend the execution of Supplement No.4 to the Four Corners Waste Disposal Agreement with BHP Minerals International, Inc., as negotiated by Arizona Public Service Company (APS) on behalf of the Four Corners Generating Station Participants, with one exception.

Using overhead transparencies, she reported that the recommendation changes two major elements in the agreement. First, in the index for inflation, from Gross National Product (GNP) to Gross Domestic Product (GDP) and second, in the application of the index for inflation.

She stated that GNP and GDP both measure economic growth and the value of goods and services produced; i.e. productivity and inflation. GDP measures the value of goods and services produced within the borders of the United States, whereas,

GNP measures the value of goods and services produced by US owned-businesses, even if production occurs outside of the United States. Currently, the fixed and variable components of the Waste Disposal Agreement are escalated quarterly using the Implicit Price Deflator (IPD) of the Gross National Product (GNP). IPD is the component that is used to reflect only inflation.

Supplement No.4 contains language to revise the method of escalation to an annual adjustment using the IPD of the GDP. In addition to revising the index, the Supplement also proposes changing one frequency of escalation from quarterly to annually to reduce administrative costs and increasing the fixed and variable components of the monthly disposal fee from three to four significant figures. Fuels believes that quarterly escalation is more beneficial than annual escalation and has requested APS to revise the Supplement to retain the quarterly escalation.

The fixed component, applicable to the first 5.46 million tons of coal sold and delivered in one contract year, will change from \$.474 to \$.472 per ton; the variable component, which applies to all coal, sold and delivered in one contract year, will change from \$.279 to \$.278 per ton.

Fuels is recommending authorization to execute Supplement No. 4 to the Waste Disposal Agreement, effective January 1, 1993, provided the Supplement is revised to retain quarterly escalation.

In conclusion, Ms. McVicker recommended that the Committee request the Board to authorize the President or Vice President and the Secretary or Assistant Secretary to execute Supplement No. 4 to the Four Corners Waste Disposal Agreement, if amended to retain quarterly escalation.

On a motion duly made by Director Marshall, seconded by Director Dobson and carried, the Committee agreed to recommend Board approval, as recommended by management.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Diller and Dobson entered the meeting during the presentation.

Supplement No.8 to Four Corners Fuel Agreement No.2

Ms. McVicker, using overhead transparencies, stated that the purpose of her presentation was to recommend the execution of Supplement No. 8 to the Four Corners Fuel Agreement No.2.

She reported that on February 16, 1995, the Power Committee approved Supplement No.8 and since that time, El Paso Electric Company asked APS to make an additional change to insert certain language relating to the ongoing bankruptcy proceedings involving El Paso Electric. The inserted language would reserve El Paso Electric's right to reject the Agreement in the bankruptcy proceeding.

In conclusion, Ms. McVicker recommended that the Committee request the Board to authorize the President or Vice President and the Secretary or Assistant Secretary to execute Supplement No. 8 to the Four Corners Incremental Coal Supply Agreement as presented.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as recommended by management.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Ash entered the meeting during the presentation.

Privatization of Western Area Power Administrations

Mr. Duckworth stated that the purpose of his presentation was to provide an update on recent and ongoing federal, state and District activities related to Congress' proposal to privatize the Federal Power Marketing Administrations. He focused on developments since the presentation at the Power Committee meeting on May 11, 1995.

Using overhead transparencies, Mr. Duckworth reviewed the assets of the Western Area Power Administration (WAPA) of concern to the District and other entities.

Continuing, Mr. Duckworth updated the Committee on recent and upcoming events including the Doolittle Subcommittee hearing on June 20, 1995 (subsequently cancelled) and the APPA Legislative & Resolutions Committee meeting on June 25, 1995.

He stated that more entities are expressing a desire to participate in the purchase or lease of WAPA, but concern has been expressed over operational considerations. In addition, some discussions have been raised about how benefits would be allocated. In conclusion, he stated that management would continue to track this matter and to develop a proposal that was in the best interest of the District's customers.

Ms. James and Council Chairman Rousseau entered the meeting during the presentation. Ms. McVicker and Mr. Reeves left the meeting after the presentation.

#### RS16 (South Chandler) Project Status

Mr. Peterson stated that the purpose of his presentation would be to update the Committee about the progress made since the last meeting on March 24, 1995

concerning the RS16 Project, which is needed to serve the rapidly growing area of South Chandler. He said the District's objective remains the same, namely, to locate two independent transmission line corridors that will connect the District's existing systems to the South Chandler area.

Since the last update, the public process has included additional meetings in Tempe, Gilbert and Chandler. The input from these meetings and the RS16 Citizens Work Group has resulted in the District reducing route links previously considered.

Using charts and handouts of a map, he reviewed in detail, those route links that have been dropped from consideration and the reasons for their elimination.

In conclusion, he stated the process is proceeding well, with staff anticipating that an application for a Certificate for Environmental Capability would be filed in the October/November, 1995 time frame.

There being no further business to come before the Committee, the meeting adjourned at 10:40 am.

William K. O'Neal  
Corporate Secretary

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Note: This is an unofficial scanned image of the original document and may contain errors or deletions. It should not be relied upon as being accurate. To verify important information or obtain a certified copy of the original, please contact the Corporate Secretary's Office.

MINUTES  
POWER COMMITTEE

July 20, 1 995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, July 20, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Arnett, Hurley, Kempton, Marshall, and Rudd.

Absent at roll call Directors Ash and Dobson.

Others present: President Schrader; Director Diller; Staff members: Mmes. Kimberly and Schaefer and Messrs. Bonsall, Lowe, and O'Neal.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, July 18, 1 995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Schaefer to proceed.

District Rules & Regulations Update

Ms. Schaefer, using overhead transparencies, stated that the purpose of her presentation was to request that the Committee recommend Board approval of changes to the District's Rules & Regulations. She reported that the rate portion of the Rules & Regulations is automatically updated in accordance with any Board approved rate actions, however, from time to time there are some additional items that require Board approval. She stated that the last time the Rules & Regulations were updated was in 1 992 for rate changes only.

She stated that the non-rate changes were of two types: those merely requiring clarification and those needed to reflect updated or modified business practices. She reviewed in detail each of those changes requested for the modified business practices, as well as those for clarification and requested the Committee to recommend Board approval of the proposed changes to the District's Rules and Regulations which are the Board approved guidelines regarding basic electric standards.

On a motion duly made by Director Hurley, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval, as presented. Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Council Chairman Rousseau, Director Ash and Mr. Rappoport entered the meeting during the presentation and Mr. Lowe left following the presentation.

#### Pilot Demand-Free Testing Program for Qualified E-35 General Service Customers

Ms. Schaefer, using overhead transparencies, stated that the purpose of her presentation was to recommend approval of a demand-free testing pilot program to allow qualified E-35 customers to test equipment during an off-peak summer period without incurring the associated monthly demand charge.

Ms. Schaefer stated that an E-35 customer had approached the District with the request to test certain cotton ginning equipment in the off-peak summer without incurring a demand charge. The customer is on the E-35 rate schedule which is not a time-of-date rate. The demand charge to test a 1,000 kW piece of equipment in the off-peak summer would be over \$3,800.00 on the E-35 rate. She reported that the summer testing of such equipment on the E-32, E-37, and E-61 rates would have been practically nil.

Management studied the request and is requesting a pilot program that will wave the demand charges for testing of certain equipment for qualified E-35 customers; however, all regular billing will apply for energy consumed. She stated that the customers must have a maximum demand in excess of 250 kW, with an average summer demand less than 10% of the winter demand. A time-of-day meter may be required, including the one-time charge for installation. The testing of the equipment is restricted to a maximum 3-hour time period and to the off-peak summer period of midnight to 8:00 a.m. In addition, the testing cannot exceed three times per billing cycle and advance notification must be given to the District. She reported that only ten eligible accounts have been identified, with eight of them being ginning companies.

In conclusion, she stated that the demand free testing pilot program would become effective with the decision at the August Board meeting and extended to June 1, 1996. She requested that the Committee recommend Board approval of the program as presented.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Messrs. Dietrich and Silverman entered; Ms. Schaefer and Mr. Bonsall left the meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Operating Results for Fiscal Year 1 995

Mr. Dietrich stated that the purpose of his presentation was to provide an update on the actual vs. budget production expenses, customer load requirements, energy sales and purchases, and generating unit costs and capacity factors for FY95.

Using overhead transparencies, he reported that the total production expenses budget for FY95 was \$404.5 million. Continuing, he reviewed and commented on the production expenses actual vs. budget for coal, purchases and interchange, nuclear, valley, and hydro. He also reviewed the FY95 actual vs. FY95 budget statistics for system load requirements, energy sales and purchases and excess energy sales.

Mr. Dietrich stated that the actual FY95 system generation totaled 19,494 GWhs. He further reviewed the FY95 actual vs. FY95 budget for the unit capacity factors of the following plants: coal-fired, Palo Verde, valley, and hydro.

In conclusion, he reviewed the average production for costs of each of the District's thermal generating power plants as well as the 1994 actual, 1995 actual, and 1996 budgeted expenses for coal, purchases and interchange, nuclear, valley, and hydro.

Messrs. Gerlach and Thomas entered the meeting; Ms. Kimberly and Mr. Dietrich left.

#### 1995 Electric System Plan

Mr. Gerlach stated that the purpose of his presentation would be to update the Committee on the 1 995 Electric System Plan. The plan includes a six-year planning horizon for the District's additional substations and line additions.

Using 35 mm slides, he reviewed a schematic diagram that shows how power is delivered from the generating source to the ultimate consumer. He stated that the plan for substations and the backup support encompasses a bottom up planning process wherein the service territory has been divided into 27 different distribution

planning areas and each is investigated as to its density and what type of support is needed. He reviewed the elements that impact the local forecast, including, but not limited to the following: active projects, land use, historical load trends, future customer growth, etc. He reviewed in particular, some of the more active areas and the types of residential units that impact these areas including the options that management considers in servicing them.

He reviewed the residential substation plan for the next six years, stating that the first two years were pretty much locked in due to the time-frames needed to get a substation on line. He reported that the first year of the plan includes: Corbell Substation, Rupperts Substation, San Carlos Substation, and a newly added Germann Substation.

He discussed aerial photographs taken of each of the areas and the reasons why these substations were necessary. Similarly, he discussed year two that includes: Owens Substation, Jones Substation and Bassham Substation. He stated that the last three years of the substation plan were more flexible and discussed what management currently has on the drawing boards for each year.

Continuing, he briefly discussed the differences between the distribution and transmission substations, stating that more high voltage receiving station transformers would be needed in the years 1996-2000. To emphasize the contrast for the need to be flexible and look to the future, he stated that the District had a net increase of one transformer per year in the years 1965 to 1989 but a net increase of only one from 1990 to 1995. However, four new transformers would be needed in the next five years.

Mr. Gerlach stated it is expected that more interest in underground 69kV and providing better power quantity will be planning issues of the future.

In conclusion, he stated that in the future, the District's planners would be relying on new methods and models to help them plan better, to influence where growth occurs, and to find opportunities to do more with less.

There being no further business to come before the Committee, the meeting adjourned at 12:10 pm.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

August 17, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, August 17, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Directors Kempton and Marshall.

Absent at roll call: Chairman Arnett; Vice Chairman Dobson; Directors Ash, Hurley, and Rudd.

Others present: President Schrader; Vice President Williams Jr.; Directors Brooks and Diller; Council Liaison Kempton; and Staff members: Ms. Alfano and Messrs. Beeson, Duckworth, Harper, Hitt, O'Neal, and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, August 15, 1995, by Vickey Levano of the Secretary's Office.

In the absence of Chairman Arnett and Vice Chairman Dobson, President Schrader requested Board member Kempton to chair the meeting. Director Kempton called the meeting to order and requested Mr. Hitt to proceed.

Agreement with IPCO for Sale of CGS3 Equipment

Mr. Hitt, using overhead transparencies, stated that the District had received a request from IPCO to extend the exclusive rights agreement for up to one year and to revise the payment provisions for the purchase of CGS3 equipment.

Continuing, he reviewed the background of the relationship between EMCALI, the energy buyer and IPCO, the equipment buyer, and the exclusive rights agreement between the District and IPCO that was signed in September 1994. To date, the District has received \$2 million from IPCO. He reported that IPCO is experiencing delays in the schedule, primarily from the shaky political environment in Columbia, as well as from environment regulations. As a result, IPCO has requested that the term of the agreement be extended up to one year, from March 1 1996 to March 1 1997 and the payment schedule be modified. The recommended proposal will require IPCO to make a \$500,000 payment in September 1995, an additional \$500,000 payment in March 1 1996, followed by six monthly payments of \$150,000 each, beginning in

September 1996. The purchase agreement will be finalized by March 1 1997 and IPCO is planning to take possession of the equipment beginning in March 1 1997. JPCO will also assume all maintenance on the equipment beginning May 1, 1997.

Mr. Hitt concluded by stating that the current agreement has a present worth value of \$40.8 million, whereas the recommended proposal will have a present worth value of \$37.1 million, due primarily to the extended timing of the payments. Mr. Hitt requested that the Committee recommend proceeding with the proposed changes.

On a motion duly made by Director Marshall, seconded by Director Ash and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash, Burton and Weiler; Mmes. Eastman and James and Messrs. Bonsall, Forsyth, Hayslip, and Rappoport entered the meeting during the presentation.

#### Executive Session

On a motion duly made by Director Ash, seconded by Director Marshall and carried, Director Kempton called for an Executive Session at 9:57 a.m. to discuss litigation matters concerning Sierra Club v. Public Service Company of Colorado, Inc., Salt River Project Agricultural Improvement and Power District, and PacifiCorp (CIV 93-B-1 749, U.S. District Court, Colorado).

The Committee reconvened into Open Session at 10:20 a.m. with Directors Ash, Brooks, Burton, Diller, Kempton, Marshall, and Weiler; President Schrader; Vice President Williams Jr.; Council Liaison Kempton; and Staff members: Mmes. Alfano, Eastman, and James and Messrs. Beeson, Bonsall, Duckworth, Forsyth, Hayslip, Hitt, O'Neal, Rappoport, and Silverman present.

#### Telecommunication Business Update

Mr. Hayslip stated that his presentation would be an update to presentations previously heard by the Committee on October 20, 1994 and January 19, 1995 concerning the District's business opportunities involving its fiber optic network.

Continuing, he reviewed the telecommunications industry's structure comprised namely of those who provide content services and those who provide conduit services. The District's opportunities fall within the conduit services sector. He

reported that the District's established fiber optic network, that is in place for its own use, provides a unique opportunity for the District to be a key niche player in the telecommunications industry by linking local telephone customers to the long distance networks, and by connecting customers' locations to a wide area network. He reviewed an extensive list of telecommunications companies that were interested in using the District's fiber optic network. He also reported that several large District customers are interested in utilizing the District's network.

Mr. Hayslip stated that the District's current business strategy is to "partner" with a telecommunications firm. This arrangement would minimize capital requirements through cost sharing, expand the District's geographic reach, and provide certain opportunities for complementary offerings and new products or services.

The partnership proposition would provide that the District maintain ownership of all its telecommunications assets within the electrical service territory and the partner would own and maintain assets outside the territory. In addition, the partnership proposal would require a joint operating agreement between the parties with revenues shared equitably. The District would also control the relationship with its large customers.

As part of the strategy, telecommunications will be included in electric marketing plans focusing initially on large electric customers. In addition, telecommunications will be used as an economic development tool. The strategy envisions that the District's fiber optic system will be ultimately interconnected with other long distance providers and other networks.

Mr. Hayslip stated that the District is currently in partnership discussions with the following companies: Electric Lightwave, U.S. West, TOG/Phoenix, MCI Metro, and AT&TIMcCaw Cellular. He reviewed the status of the discussions to date and the pros and cons of each.

In conclusion, Mr. Hayslip said that the next steps for the District will include the following: select a partner or partners; complete the business and operating plans, finalize the joint operating agreement(s), develop organizational arrangements and begin the construction of necessary fiber optic network improvements.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 10:50 a.m.

William K. O'Neal  
Corporate Secretary

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MINUTES  
POWER COMMITTEE

September 14, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, September 14, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Vice Chairman Dobson; and Directors Ash, Hurley, and Rudd.

Absent at roll call: Directors Kempton and Marshall.

Others present: President Schrader; Vice President Williams Jr.; Council Chairman Rousseau; Council Liaison Kempton; Directors Brooks, Burton, Diller, Rovey and Weiler; Staff members: Mmes. Alfano, Kimberly, and Whisler and Messrs. Areghini, Bermudez, Bonsall, Johnson, O'Neal, Rappoport, Reeves, Silverman, and U'Ren.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1 521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, September 12, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Reeves to proceed.

Review of Navajo Generating Station (NGS) Fuel Agreements

Mr. Reeves, using overhead transparencies, stated that the purpose of his presentation was to review recent activities concerning the Fuel Supply Agreement for NGS.

Mr. Reeves stated that the District and Peabody Coal Company had agreed upon a pilot program to address concerns over the reduced amount of coal burned due to economic curtailments. The pilot program covered a ten-day period from July 28 to August 7, 1995, and a time period from 11:00 p.m. to 7:00 a.m. During these periods, the normal \$22.50 per ton was applied for all generation up to 855 Megawatts (MW). From 856MW to 1085MW, the price per ton was reduced to \$15.75 and tonnage above the 1085MW was priced at \$12.50 per ton. The capacity factor during the test hours increased to 96% from 52% the previous week, due in part to the reduced coal price and partly to the hot nights during the test period.

Mr. Reeves reviewed the number of tons used at each price range, stating that total NGS savings amounted to \$470,000, with net District system savings of approximately \$77,000.

A second agreement has been reached which provides fuel savings of approximately \$4 million. The savings support replacement rather than repair of the Unit 1 rotor, as previously discussed with the Board. Peabody has agreed to a coal price of \$12 per ton to further encourage the District to replace the rotors, which is the shorter outage option. He stated that the proposed deliveries of 400,000 tons will take place in September, October and November 1996.

Continuing, Mr. Reeves reviewed the escalation factors impacting the coal price. He stated that the parties are currently negotiating a settlement that would reduce the price by 16 cents per ton.

In conclusion, Mr. Reeves reported on several unresolved issues concerning the coal supply agreement, including an audit of the 1993 results, items recommended for the 1995 capital budget, and issues involving final reclamation of the land and retiree health care benefit costs. The land reclamation and health care issues may require arbitration. Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### 1955 Territorial Agreement and Territorial and Contingent (T&C) Sale Agreement with Arizona Public Service Company (APS)

Ms. Whisler, using overhead transparencies, stated that the purpose of her presentation was to provide a history of the T&C Sale Agreement between the District and APS. She stated that the genesis of the agreement was the construction of the Stewart Mountain Dam by the Salt River Valley Water Users' Association in 1928. Central Arizona Light and Power Company (CALAPCO), the predecessor of APS, agreed to purchase power generated by the hydroelectric plant at the Stewart Mountain Dam, to make annual payments which would assist the Association in financing the costs of construction and development, and to limit service to 15% of the Project's area. The benefits to the Association included reduced assessments to its shareholders; locking up the wholesale market; barring CALAPCO from further expansion in Project area; and avoiding duplicate facilities.

By 1952, the growth in Arizona resulted in a second territorial agreement, from which the T&C Sale Agreement stemmed. By this time, CALAPCO had merged with

Arizona Edison Company to form the present day APS. In the merger, APS had assumed Edison's territory in Gila and Pinal counties and in Deer Valley, which the District viewed as violating the 1928 agreement.

Ms. Whisler reported that the final T&C Agreement was signed in March 1955 and has been categorized as an agreement which traded territory for load. The agreement essentially followed the boundaries of the 1928 map, provided APS with retail service for the Marinette and Arcadia areas, provided for the Power Coordination Agreement, compensated for District territory transferred to APS, and gave the District the right to sell, and APS the obligation to buy, power equivalent of the resale requirements for the Marinette and Arcadia areas and for non-mining load in the Eastern Mining Area.

The T&C agreement includes a contingent power sale which carried forward a past sale of 12,000 Kilowatts (kW) of power, in addition to increased sales of 50,000 kW, for a total of 62,000 Kw. The contingent sale is contingent upon the operation of Agua Fria Generating Units 1 through 3 and Navajo Generating Station Unit 1. The territory equivalent power sale is for APS's load in the Marinette and Arcadia areas and the non-mining load in the eastern mining area. Only the district can cancel the T&C agreement with three years notice.

Continuing, Ms. Whisler discussed the rate structure for the T&C Sale Agreement, including power demand charges and methods of escalation. She reported that, historically, T&C sales are profitable when natural gas prices are high, and the District has no need to build or advance facilities to serve the requirements. She reviewed the rate history from 1981 to present.

Ms. Whisler concluded by reviewing the net revenues of the sales, stating that management has concluded at this time that the T&C Sale Agreement is beneficial to the District therefore, future loads and resource tables would not include T&C as a recapture resource.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Johnson and Reeves left the meeting. Ms. Oldenkamp; Messrs. Hawkins, Peterson, and Messrs. Bergdale and Trenter of Dames & Moore entered the meeting.

RS16 South Chandler Project

Mr. Peterson stated the purpose of today's presentation was to update the Committee on the RS16 Project, which is needed to serve the rapidly growing southwestern Chandler area. He reviewed the process used by the District to site power lines and substations and stated that letters were mail recently to property owners within one-half mile of the proposed routes to get the last bit of input prior to making the final routing and site decision.

Mr. Bergdale continued the presentation with a discussion of the key land use and visual environmental issues that have been assessed and ranked for the pared down list of 19 potential routes. He stated that on September 19, 1995, the environmental analysis will be concluded with a meeting of the RS-1 6 Community Work Group. Public involvement efforts to date have included "hot line" calls, fact sheets, mailings, information for bill stuffers, and public meetings.

He concluded with a review of key issues involving the future RS17 Project, the RWCD canal, and concerns between the City of Chandler, Gilbert, Higley School and P.B. Bell and Associates.

Mr. Peterson continued the presentation, stating that Arizona Electric Power Company (AEPCC) is interested in connecting its power grid system to the Market Place Receiving Station in Southern Nevada. As a result, the District and AEPCO are negotiating an agreement that would provide for long-term participation in the RS1 6 Project. In the interim, the District could wheel for AEPCO to and from Hayden, Arizona, Rodgers Receiving Station and Coolidge across its system.

In conclusion, Mr. Peterson stated that a decision on routing sites will be brought to the October 12, 1995, Power Committee meeting, and the application for Certification for Environmental Compatibility will be completed by November 10, 1995½

Mmes. Oldenkamp and Whisler, and Messrs. Bergdale, Hawkins, Peterson, and Trenter left the meeting.

Commercial and Residential Customer Survey

Ms. Schaefer, using overhead transparencies, stated that the two-year calendar of the Strategic Rate Plan included the recently redesigned large industrial rates and a review of residential, commercial, lighting, and agricultural pump rates. She stated that, in preparing for the large industrial rate redesign, staff was able to meet one-on

one with its customers to address their concerns. However, due to the number of customers involved in Phase Two, the District has relied on a customer survey for feedback on rate redesign issues.

Ms. Schaefer stated that the survey response rates were very high - 48% of residential and 36% of commercial customers. She reviewed the results, by category, including such items as willingness to switch to an alternative electricity provider, use of special discount rates, time-of-day rate preferences, and willingness to pay for premium services. In general, the results indicated that both residential and commercial customers want the District to focus on reducing rates, while maintaining or improving current service levels.

Ms. Schaefer stated that the survey results are the basis for several proposals being developed on the District's residential and commercial rates and services, which she highlighted.

She concluded by stating that rate and service designs are scheduled for completion in October 1995, followed by the normal rate proceedings which will culminate in a Board decision in May 1996 and June 1996, implementation. Director Rudd, Council Chairman Rousseau, and Ms. Kimberly left the meeting.

#### Executive Session

On a motion duly made by Director Dobson, seconded by Director Hurley and carried, Chairman Arnett called for an Executive Session at 11:40 a.m. to discuss litigation matters concerning the Navajo Nation.

The meeting reconvened into Open Session at 11:50 a.m. with the following members and others present: Chairman Arnett, Vice Chairman Dobson; Directors Ash and Hurley; Vice President Williams Jr.; Directors Brooks, Burton, Diller, Rovey and Weiler; Council Liaison R. Kempton; and Staff members: Mmes. Alfano and Messrs. Areghini, Bonsall, O'Neal, Rappoport, and Silverman.

#### Navajo Nation

On a motion duly made by Director Hurley, seconded by Director Dobson and approved, the Committee agreed to recommend authorization that the District, on behalf of the participants in the Navajo Generating Station, bring a lawsuit against the Navajo Nation relating to their enactment of environmental laws regarding safe drinking water, air and pesticide usage as presented in Executive Session.

There being no further business to come before the Committee, the meeting adjourned at 11:51 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

October 16, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Monday, October 16, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Vice Chairman Dobson; and Directors Hurley, Kempton, and Rudd.

Absent at roll call: Directors Ash and Marshall.

Others present: President Schrader; Vice President Williams Jr.; Council Liaison Kempton; Councilman McKinney Jr.; Directors Burton, Diller, E. Rovey and Weiler; Staff members: Mmes. Alfano and Kimberly and Messrs. Areghini, Bonsall, Johnson, O'Neal, Presmyk, Reeves, and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Thursday, October 12, 1995, by Vickey Levano of the Secretary's Office. Committee Chairman Arnett called the meeting to order and requested Mr. Areghini to proceed.

Coronado Generating Station (CGS) Supplement Fuel Supply

Mr. Silverman discussed the coal supply market as it existed in 1975 when the District was contemplating more coal-fired generation. As early as 1975, the District realized that a self-owned coal supply was an alternative to the expensive market supplies available at that time. Eventually, the District chose St. Johns, Arizona as the site for CGS. Later, the Fence Lake area of western New Mexico was focused upon as a possible alternative supply of coal. He reviewed from the minutes of the Power Committee and Board meetings, the decisions that have been made regarding Fence Lake from the 1980s through the decision to buy a dragline in 1995, emphasizing the Fence Lake Project was considered an alternative through its entire development, and no decision to open the mine was ever made. He asked that Mr. Bonsall continue the presentation.

Mr. Bonsall, using overhead transparencies, reviewed the electric industry trends as follows:

- o 1 970's - industry was a vertical monopoly
- o 1 980's - generation restructuring begins
- o 1 990's wholesale transmission restructuring begins
- o 1 995 forward - era of competition

Within these industry trends, he discussed the Fence Lake history and its major milestones.

Continuing, Mr. Bonsall reviewed the key strategic issues concerning power production, stating that competition is requiring that the District lower production costs, reduce the proportion of fixed costs, improve capacity utilization, adjust plant to market conditions, and form strategic alliances.

To illustrate, Mr. Bonsai compared the fixed and variable costs of Southern California Edison Company, Arizona Public Service Company, Southwest Public Service Company and PacifiCorp to the District's. The comparison revealed that while the District's total costs were competitive in the region, its proportion of fixed costs was higher than its top two competitors and comparable to those of APS and SCE. As a result, Mr. Bonsall stated that it is management's opinion that whenever possible, the District should concentrate on lowering its fixed costs; not increasing them.

Mr. Areghini reviewed the tons of coal needed at CGS from 1 996 through the year 2012. In particular, he focused on the period 1 998 through the year 201 2 when the District will need supplemental coal, for which it currently has no contracts. Fence Lake was an alternative that management has been investigating in order to supply these supplemental amounts needed in the future.

He stated that the historic strengths of the Fence Lake project included:

- o Security - known long-term supply
- o Location - reduced transportation costs
- o SRP control - tonnages, costs
- o Insulate from market forces
- o Leverage against the market

He reported that in the past, the fuel objectives in order of priority were as follows; security, cost, and flexibility. However, in the new competitive arena, the fuel

objectives have changed, in order of priority<sup>1</sup> as follows; cost, flexibility, and security.

In order to gauge the economics and address strategic fuel issues, the District recently issued requests for proposals (RFPs) to 23 coal companies with 14 responding. Four alternative proposals were requested, which in total represented 75 proposals that were received. In addition, RFPs were sent to 4 railroads with all responding. Best market benchmarks were used for comparisons. Pittsburgh and Midway provided the best 6-year price and Cordero, a Powder River Basin coal company, provided the best prices for the next 19 years to give a 25 year assessment. To test the market, management compared the Fence Lake range of costs versus the market ranges at a discount rate of 9.8%. The results revealed that in the early years, Fence Lake was more expensive and that in the later years, but from approximately the year 2002 forward, the Fence Lake Project may be in the mid to lower range when compared to market prices. The conclusion drawn was that neither the market nor Fence Lake demonstrates a significant price advantage.

Mr. Bonsall continued by reviewing how the current market options versus Fence Lake development would impact net revenues, funds available for corporate purposes, and debt ratio for FYs 96-2001. He reported that to date, Fence Lake had served the District well, providing market leverage that resulted in re-negotiation of transportation and coal agreements with estimated savings in excess of \$40 million. In addition, that market leverage has resulted in competitive market price responses seen in the latest round of bidding. Mr. Bonsall reported the assets associated with Fence Lake also have some prospective value by providing leverage for the supplemental contract in the future and perhaps any base coal replacement options.

Mr. Bonsall stated, that in spite of Fence Lake having served us well, the current and future industry changes present real challenges that suggest Fence Lake should not be pursued as a market option for providing supplemental fuel to CGS. In particular, Fence Lake would increase the District's fixed costs, increase capital costs, require an extended payback, compete for other capital needs for the District, and cause price and financial pressure at a time when the electric business is in a period of accelerating deregulation. In addition, development of Fence Lake would not be able to use low-cost tax-exempt financing.

Mr. Bonsall concluded by stating that the priorities previously mentioned of cost, flexibility, and security, has led management to the conclusion that market options are the most advantageous for supplying CGS fuel supply needs of the future and

therefore, management has determined that developing the Fence Lake coal supply should be abandoned.

After considerable discussion, it was decided that the status of Fence Lake should be discussed in more detail at a future Power Committee meeting.

Mmes. Oldenkamp and Schaefer and Messrs. Duncan, Hawkins, and Peterson entered the meeting. Director Weiler left the meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Mohave Generating Station - Southwest Gas Agreements

Mr. Reeves, using overhead transparencies, stated that the purpose of his presentation was to discuss the Gas Transportation Service Agreement and the Operating Procedures Agreement with Southwest Gas Corporation for the Mohave Generating Station.

He stated that natural gas can be used for startup, flame stabilization and part-load operation. He stated that the agreement being discussed is to provide transportation of natural gas to the Mohave Generating Station, with the District receiving \$400,000 of savings through the year 2005 with potential of additional savings if the plant life is extended.

In conclusion, he requested that the Power Committee recommend to the Board authorization to execute the Gas Transportation Service Agreement for the Mohave Generating Station, and that the Associate General Manager of Power, Construction and Engineering Services, or his designee, be authorized to execute and amend, or authorize execution and amendment, to the Operating Procedures Agreement with Southwest Gas Corporation.

On a motion duly made by Director Ash, seconded by Director Dobson and carried, the Committee agreed to recommend approval, as presented.

President Schrader and Messrs. Johnson, Presmyk, Reeves, and Silverman left the meeting after the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

## RS16 (South Chandler) Project

Mr. Peterson stated that the RS16 Project is nearing completion after many months of work by staff and by the District's consultant to the project, Dames & Moore. He briefly reviewed the effects of the many meetings with the citizens' work groups, the public meetings, the media campaign and the personal letters. Their input has been instrumental in narrowing the many miles of transmission links initially evaluated, down to the two alternatives being recommended for the state Certificate of Environmental Compatibility application.

Using overhead transparencies, Mr. Peterson reviewed the economics of the District's initial short route, compared to the eastern canal alternative and the eastern most alternative. He reported that the eastern most route is the District's preferred route, even though slightly more expensive, because it provides the most logical buildout in the future for RS1 7. He stated that the preferred route best serves the customers within the entire site area, and has good support from the cities of the area and the Roosevelt Conservation District. He reviewed the near term schedule for the RS1 6 Project. The RS16 Project projects an in-service date of 1998.

In conclusion, he requested that the committee recommend to the Board the submission of an application for the Certificate of Environmental Compatibility to the Arizona Power Plant and Transmission Siting Committee that includes the eastern most route for the RS16 project as the preferred alternative with the eastern route as the District's second choice, should the preferred route not be approved. In addition, Mr. Peterson requested that the Manager of Environmental Services be authorized to sign and submit the application.

On a motion duly made by Director Rudd, seconded by Director Ash, and carried, the Committee agreed to recommend Board approval to file application for Certificate of Environmental Compatibility with Arizona Transmission Line and Power Plant Siting Committee and that the Manager of Environmental Services be authorized to sign and submit the application, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director M. Kempton, Councilman R. Kempton, President Schrader, Ms. Oldenkamp and Messrs. Areghini, Hawkins and Peterson left the meeting.

Proposed Rate Adjustment - Phase II

Ms. Schaefer, using overhead transparencies, stated that the purpose of her presentation was to update previous presentations concerning the anticipated electric rate adjustments for the District's commercial, residential, lighting and pumping customers. She reported that management is anticipating proposing an average decrease of 4% for the commercial customers and an average decrease of 3% for the residential, lighting, and pumping customers. The proposed schedule of major events for the May 15, 1996 adjustment is as follows:

- |    |   |              |
|----|---|--------------|
| 1. | Finalize Rate Book  | Nov-Dec 1995 |
| 2. | National Economic Research Associates (NERA) Report Available for Board               | Dec 18       |
| 3. | Public Notice for Rate Adjustment   | Jan-Feb 1996 |
| 4. | Rate Room Open  | Jan-Mar      |
| 5. | Special Board Meeting<br>Management Proposal, Consultants' Reports, Customer Comments | March 5      |
| 6. | Board Decision Meeting  | April 10     |
| 7. | Rate Implementation   | May 15, 1996 |

In particular, she pointed out the dates that have changed since previous presentations for the Board meetings.

In conclusion, Ms. Schaefer requested that the Committee recommend to the Board authorization for management to begin the process for the rate adjustments effective May 15, 1996.

In addition, management requests that NERA associates be retained for an independent review of management's rate recommendations. She reported that NERA is familiar with the District and the changes occurring in the utility industry.

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On a motion duly made by Director Dobson, seconded by Director Hurley and carried, the Committee agreed to recommend Board approval for the rate adjustment process and the hiring of NERA, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 12:10p.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

November 16, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, November 16, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; and Directors Kempton, Marshall and Rudd.

Absent at roll call: Directors Ash, Dobson and Hurley.

Others present: President Schrader; Councilman McKinney Jr.; Directors Brooks, Burton, Diller, and E. Rovey and Weiler; Staff members: Ms. Kimberly and Messrs. Areghini, Bonsall, Duckworth, Hayslip, Hulet, Forsythe, O'Neal, and Sherman

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Thursday, November 14, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Hayslip to proceed.

Telecommunications Business Update

Mr. Hayslip, using overhead transparencies, reviewed today's agenda, stating that his objective was to update the Power Committee on the status of the District's telecommunications initiative. He stated that the District's primary objective in pursuing a telecom strategy is to reinforce the District's position in the anticipated competitive electric service market. Using communication assets to deliver enhanced services is one way to strengthen the District's relationship with its electric service customers.

Mr. Hayslip reported that the business strategy is to coordinate the electric system and associated telecommunications network uses in order to add capabilities to the communications segment of the District's assets, and align itself with an existing telecommunications firm to provide "the communication transmission system." He stated that the primary emphasis would be to support the core business marketing and service delivery plan, focusing first on large customers and emphasizing the potential for schools and government use, as well as enhancing utility services and

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economic development. For example, the telecommunications network could enhance utility services by providing: power quantity monitoring, enhanced utility services, automated meter reading, and flexible billing services.

Mr. Hayslip reported that Mesa Public Schools provides an excellent opportunity for a pilot program, wherein the District has fiber optics near five of six sites that Mesa would like to connect in a wide area network. A demonstration project is currently in the planning stages for Westwood High School to Mesa's Administration Center. Hopefully, the Mesa Public Schools demonstration project would eventually expand into a relationship that provides facilities for new service, linking the telecom utility services. He stated the District is well positioned for such a venture with the customer, vendors, and some support from a Fujitsu-led coalition for the "transport" layer responsibility.

Mr. Hayslip continued by stating that the District is also pursuing partnership opportunities with the following firms: US West, MCI/metro, TCG/Phoenix, AT&T Wireless, and the Electric Lightwave, Inc. He stated that, to date, Electric Lightwave looks like the best prospect. The company is a business unit of Citizens Utilities with a western regional focus and a top 5 competitive access provider. The business focus would be on large commercial customers, network access and carrier services, and utility services.

Mr. Hayslip stated that staff is currently working out the details of an operating agreement with Electric Lightwave that would address the following issues:

- Capital and O&M Contributions
- Revenues
- Operating Service Payments

In conclusion, Mr. Hayslip addressed the strategic benefits to the District, as well as, the capital requirements. He stated that, to date, the total budget requirements are approximately \$36 million, with \$24 million being incremental to the current financial plan, and \$16 million for commercial network. Only \$5 million of the total budget was considered "at risk" and would be used to expand the District capabilities.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash, Hurley, and R. Kempton; Ms. Alfano; and Mr. Silverman entered during the presentation. Mmes. Duncan and Schaefer entered following the

presentation, and Messrs. Forsyth, Hayslip, and Sherman left following the presentation.

Participation in Phase I and Phase II Development of the Southwest Intertie Project (SWIP) 500 kV Transmission Line

Mr. Hulet stated that the purpose of his presentation was to request Committee approval for District participation in Phase I and II development of SWIP, up to a 100 megawatt (MW) share. Using overhead transparencies, he reviewed a map of the western United States, depicting strategic markets for electric power and discussed why it would be important for the District to have an opportunity to sell into and receive power out of the Pacific Northwest. The transmission project would provide a strategic link between the new Marketplace Station in southern Nevada and the Midpoint Station in southern Idaho.

Mr. Hulet discussed the advantages and disadvantages of three different southern interconnection alternatives being considered. He stated that the project would include approximately 500 miles of alternating current transmission line, with a bi-directional capacity of 1 200 MW at a cost of approximately \$325 million. He reviewed the current participants, level of participation, and project costs. He stated that the District would want 1 00 MW, at a cost of \$2 million spread over fiscal years 1 996-97.

Mr. Hulet reported that the project involves three phases. Phase I, which has already been completed, involved right-of-way acquisitions and the necessary environmental permits. Phase II, which is yet to be done, involves preconstruction and engineering estimates, additional acquisition of land rights, necessary permits, and regulatory filings. Phase III involves the final design, engineering, construction, and participation structure.

He stated that total Phase I costs were \$8.5 million, of which the District's share would be \$700,000. Phase II is estimated to be \$15.5 million, with the District's share being \$1.3 million.

Mr. Hulet reviewed, in detail, the possible downside and upside implications of joining SWIP, but stated it was Management's opinion that the upside potential exceeds the downside risks. Therefore, he recommended that the District enter into a Memorandum of Agreement, which would commit parties to the costs of Phase I and Phase II activities, establish an Executive Committee, establish future ownership rights, and provide an opportunity to execute an agreement at the completion of

Phase II. The commitment would establish the District as a participant at a cost of \$2 million and allow the District to influence the project development and establish the District's presence in the transmission industry. He further recommended that management be allowed to negotiate and execute the appropriate agreements to support the District's participation in up to a 100MW share of the Phase I and Phase II development of the proposed SWIP 500kV transmission line.

On a motion duly made by Director Marshall, seconded by Director Kempton and carried, the Committee agreed to recommend approval, as presented. The Committee also requested to be informed if any opportunities should arise to increase the number of megawatts that the District might participate in.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Brumback, Harper, and Yee entered the meeting during the presentation. Mr. Hulet left the meeting.

#### Lake Powell Employer Assisted Housing Project

Mr. Brumback stated that several independent studies had been done in the Page area indicating a need for affordably priced new housing in both Page and LeChee on the Navajo Reservation. Mr. Brumback is the President of the Lake Powell Project, a non-profit corporation, which had been formed, among other reasons, to "provide development coordination" in the Page vicinity, focusing on housing as a development tool. Mr. Brumback reviewed the Lake Powell Project which was at a critical stage and needed District support. Mr. Brumback reported that the total project envisioned 100 homes at a cost of \$8 million, 15 of the homes to be located in LeChee and the other 85 in Page. Construction activities were expected to begin in the next several weeks; however, the District was being asked to provide \$150,000 for pre-construction funding in order to keep the project on schedule. The \$150,000 would be repaid from a \$50,000 grant from the Navajo Nation and an additional \$150,000 from the State of Arizona Department of Commerce.

Mr. Brumback stated that Norwest Bank would be funding mortgages at reduced rates. The bank has requested that an additional \$300,000 be established as a reserve fund in order to backstop the financing for any potential dropouts. He stated that all owners would be pre-qualified but, historically, approximately 15% back out of the buying decision prior to closing. \$300,000 represents approximately the value

of four homes. The District would become the owner should the historical number of dropouts prevail.

Mr. Brumback stated that the District had been approached many times to provide housing in the area, and this particular approach appears to be an acceptable way to demonstrate commitment and support to the community. He further stated the project has a strong base of support from other Page area businesses and concluded by requesting approval to provide \$450,000, as presented.

After considerable discussion, on a motion made by Director Ash, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval, provided that the \$300,000 of backstop financing be attributable only to housing designated to be on a fee land in Page. Director Hurley voted "no."

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Lowe entered the meeting during the presentation.

Overview of Proposed Rates & Service Offerings for Residential, Commercial, Lighting, and Ag Pumping Customers

This item was deferred to a Special Power Meeting to be held on November 20, 1995.

There being no further business to come before the Committee, the meeting adjourned at 11:35 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

November 20, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 8:30 a.m. on Monday, November 20, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Vice Chairman Dobson; and Directors Kempton and Rudd.

Absent at roll call: Directors Ash, Hurley, and Marshall.

Others present: President Schrader; Vice President Williams Jr.; Councilman McKinney Jr.; Directors Brooks, Diller, Pendergast, Jr.; Rogers; E. Rovey and Weiler; Staff members: Mmes. Alfano, Kimberly, and Schaefer and Messrs. Bonsall, Hull, Lowe, O'Neal, Silverman, and U'Ren.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Thursday, November 16, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Bonsall to proceed.

Overview of Proposed Rates & Service Offerings for Residential, Commercial, Lighting and Agricultural Pumping Customers

Mr. Bonsall reported that the District is entering Phase II of the planned rate redesign effort, Phase I having been completed last year. He stated that today's presentation included some items that would go through the full rate adjustment process. However, it also included some customer service items that do not need to go through the full process. The presentation should be looked at as a full package with many of the proposed changes resulting from a customer survey in which strong desires were expressed. Management has attempted, wherever possible, to address these customer concerns similar to Phase I, when meetings were held with affected customers and their concerns factored into the Phase I adjustments.

He requested Ms. Schaefer to provide more detail of management's proposals.

Ms. Schaefer, using overhead transparencies, stated that the purpose of her presentation was to present an overview of the objectives of the rate redesign, keeping in mind the competitive environment utilities are now facing. In addition to consideration of customer preferences, as Mr. Bonsall mentioned, today's focus would be on the concepts of the rate redesign, not necessarily the individual rates.

Ms. Schaefer continued by reviewing the two-year calendar of the strategic rate plan, beginning in Summer 1 994 through Spring 1 996. She stated the Phase II rates and service adjustments would involve the District's residential, commercial, agricultural pumping, and lighting customers. She reviewed the annual kilowatt-hour (kWh) sales and revenues derived from each customer group.

Ms. Schaefer also reviewed the District's competitive standing as compared to several other utilities in such categories as operating costs, general service rates, and residential rates. She stated that in a competitive environment, it is critical that the customers' wants and desires be addressed. Consequently, in June 1 995 an extensive commercial and residential customer service/rates survey was conducted. Ms. Schaefer reviewed the key findings of the survey as well as findings from customer focus groups which included, but were not limited to, the customer's willingness to switch providers given certain cost differences, rate reductions, low income/senior citizen and life support riders, early payment discount, rewards for tenure, installment payments on deposits, extensions of SurePay and tighter credit policies.

Ms. Schaefer reported that management is aiming at an overall 3% rate reduction for each of the customer classes mentioned, as well as certain service changes which, in total, would reduce District revenues by approximately \$30.1 million, excluding presumed elasticity effects (resulting in increased reserves) amounting to \$8 million. The rate adjustment would improve customer relationships and price signals as the rate components are unbundled. Management would also be recommending that residential, commercial and lighting rates be moved to six-month seasons and that commercial customers be allowed to count winter weekends as off-peak.

Ms. Schaefer compared the current residential rate options to the expanded options proposed such as unbundled rates for customer charge, facility charge, and demand charge; three periods for time-of-day rates; pay-as-you-go rates; moving holidays off-peak; and offering low income / senior citizen and medical life support riders.

She stated the customer survey showed strong support for low income / senior citizen and medical life support riders, and as a result, management would be proposing a 5% discount for these customers. She discussed the parameters of the

rider and how it would be administered. She also compared the District's anticipated rate for such service to the rate offered by Arizona Public Service and Tucson Electric Power.

Ms. Schaefer continued by discussing the current general service rates versus those being proposed. She stated the new options would include unbundling, a high load factor rate, a time-differentiated demand rider, and moving winter weekends to off-peak.

Ms. Schaefer also reviewed the current agricultural pumping rates versus those being proposed. The new proposals would include a time-of-week rider with a buy-through option and time-differentiated demand rider.

Mr. Schaefer reported that the District's lighting customers would continue to have the same offerings as they currently do, plus some expanded equipment options.

Management would also propose to expand customer rate options for standby and buyback. The proposed standby rate would be developed for Cogeneration customers with demands greater than 3 megawatts (MW) and also include some form of reservation charge. Ms. Schaefer stated that management proposes to design rate reductions in such a manner that the highest portion of the reductions would occur in the summer months. This strategy would help to reduce summer bills and, hopefully, the number of high bill complaints.

In conclusion, Ms. Schaefer reviewed the number of customers in each class (residential, general service, lighting, and agricultural pumping). She discussed how many would be impacted with a rate increase rather than a decrease and reported on the reasons why. She stated that Mr. Lowe would continue with a review of the enhanced services that management is contemplating.

Mr. Lowe, using overhead transparencies, stated that management proposes a variable billing option to its customers, thus allowing them to choose their billing date. He reported that 35% of the customers surveyed expressed an interest in such an option and that the focus groups expressed a similar interest.

Mr. Lowe reported that management also proposes to expand SurePay; such that commercial customers would receive a 1 % discount if payment was made within 10 days of billing with the debit to the account occurring on day 10. Other customers that have SurePay would be debited on day 21 of the billing cycle.

Other service enhancements would include a managed payment plan wherein customers could enroll in any month, same day turn-ons "with appropriate fee," and large print bills.

Mr. Lowe reported that the emerging trend in the utility industry is to guarantee service levels. He stated that such programs underscore a utility's quality of service and tend to satisfy disgruntled customers. As a result, management contemplates a service quality program that emphasizes turn-on timeliness. In such a program, the turn-on fee would be waived for a customer if the turn-on is not done on or before the agreed upon date. The service quality program would also emphasize SurePay accuracy, wherein the customer would be assured that the District would only charge the customer's checking account for the amount billed, and not before the date agreed upon or the District would pay the customer \$25, plus any bank fees. In addition, the program would reward the customer with \$25 if the District failed to post payments to the correct accounts. Finally, as part of the service quality program, the District would emphasize its billing accuracy and compensate customers 10% of any billing error in an amount not less than \$5, nor more than \$500.

Mr. Lowe continued with a discussion of management's proposed service fees. He reviewed the old and new fees, stating that turn-on fees for next day turn-ons would be waived for any transferring customers in good standing. The new fees being recommended were as follows:

	<u>Service Fees</u>
Turn On:	
- Next Day	\$19
- Same Day	\$33
Reconnect	\$30
Collection Letter	-0-
Returned Check	\$15

Mr. Lowe stated that management also proposes elimination of the service entrance section fee. He stated the fee applied to the commercial customers only, was a nuisance to administer, and the costs would be recovered in the base rates.

He further reported that late fees were generally accepted by our customers, and as a result management would be proposing that the late payment fee be increased from 1.5% to 2.0% of the bill in order to encourage positive payment behavior, but allow a 2-day grace period. In tandem with the increase to the late payment fee, management would be proposing that the credit cycle be shortened from 2.5 months to 2 months. He stated that the shortened time frame would levelize customer workload, since the previous 2.5 months work credit cycle caused 60% of all bills to become due or subject to disconnect on Mondays.

As a result of the shortened credit cycle, Mr. Lowe stated management proposes that deposits be reduced from 2.5 times the highest summer bill to 2 times the average monthly bill. This would allow the District to refund \$12 million in "excess" deposits. He further proposed that larger commercial and industrial customers be offered accelerated payment terms in lieu of deposits and that certain deposits be collected in several installments.

In conclusion, Mr. Lowe reviewed the cost differences for deposits in the current program versus the new program for homes with air conditioning, apartments with air conditioning, apartments with evaporative coolers, department store chains, electronics firms, and restaurants.

The Committee discussed the direction of the rate adjustment and other service enhancements, as presented by Ms. Schaefer and Mr. Lowe. The consensus of the members present was that staff proceed in the manner presented.

Director Ash, Burton, Hurley and Kempton, Council Chairman Rousseau and Mr. Rappoport entered during the presentation. Directors Williams, Weiler and Rogers and R. Kempton left during the presentation. Messrs. Bonsall, Hull, Lowe, and U'Ren and Mmes. Kimberly and Schaefer left following the presentation. Mr. Rojas entered the meeting after the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Navajo Scrubber Project (NSP) Update

Mr. Rojas, using overhead transparencies, reviewed the NSP schedule from its inception in 1991 through the scheduled 3rd Unit in-service date in 1999. He discussed the major equipment, material, and construction packages awarded to date and stated the 1995 budget is on target. By year end, he reported, the District will have spent \$156 million on the Navajo Scrubber Project.

Mr. Rojas reviewed the status of the manual work force for week ending October 31, 1995, stating that 185 crafts people were employed; 180 or 97% of the manual work force were Navajo.

Mr. Rojas stated that the limestone supply for the NSP had recently been criticized in a newspaper article and he assured the Committee that the criticism was unjust. He said there are currently 24 limestone suppliers located within 85 to 407 miles from the project. Pre-qualification questionnaires were recently sent to 24 suppliers; 12 have responded. It is anticipated that the limestone supply contract will be bid in June 1 996, with deliveries beginning in February 1 997.

Mr. Rojas concluded with a video of the construction work in progress at the Navajo Scrubber Project site.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's office and by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 10:35 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

December 15, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Friday, December 15, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Vice Chairman Dobson; and Directors Hurley, Marshall, and Rudd.

Absent at roll call: Directors Ash and Kempton.

Others present: President Schrader; Vice President Williams, Jr.; Council Liaison Kempton; Councilman McKinney Jr.; Directors Brooks, Diller, E. Rovey and Weiler; Staff members: Mmes. Alfano, Kimberly, Lowe, Schaefer, and Urias and Messrs. Bonsall, Duckworth, Mendoza, O'Neal, and Silverman, and Mr. Ambrose of National Economic Research Associates (NERA).

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice had been duly posted at the Salt River Project Administration Building, 1 521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Wednesday, December 13, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Schaefer to proceed.

Phase II - Rate Review and Discussion with National Economic Research Associates (NERA)

Ms. Schaefer stated that the purpose of her presentation would be to review some of the information previously presented to the Power Committee concerning the rate redesign Phase II project, and to present some new material about rate designs.

As to the review, she refreshed the Committee's recollection as to who is being targeted in Phase II, what dollars are projected, why the Phase II changes are being proposed, and how Phase II is to be implemented. She also reviewed what is currently being administered versus what is being proposed for the following rate classes: residential, commercial, lighting, and agricultural pumping. She reviewed the impacts to each of those customer classes and the financial implications as portrayed in the graph on page 7 of the "Blue Book," which was distributed to each Board member.

As to more specific information concerning actual rate designs, she stated that management would be proposing that each rate be designed to collect more than its actual marginal costs when viewed in aggregate, however, individual components may under-recover in select cases. Continuing, she reported in detail for the E-23 residential rate and the E-35 commercial rate; the marginal cost, the current cost, and proposed cost for each of the following: customer charge, distribution facilities charge, demand charge and energy charge.

In conclusion, she briefly reviewed the major events scheduled to be accomplished prior to a May 15, 1996 implementation date.

Directors Ash, Burton, and Weiler; Council Chairman Rousseau; and Mr. Rappoport entered the meeting during the presentation.

Continuing, Mr. Bonsall reported that the District is not the only local utility undergoing rate redesign efforts. He stated that Arizona Public Service (APS) had recently announced rate reductions and a restructuring proposal that would be presented to the Arizona Corporation Commission. He briefly reported on the rate designs contemplated by APS, and on the major elements of the restructuring plan.

Mr. Ambrose of NERA, continued the presentation by stating he liked what he had seen to date. He reported that the rate structures he had reviewed look good and that the movement within those structures was, in his opinion, going in the right direction. He also stated that in his judgment, the Phase II rate redesign was important, given that the Phase I rate redesign had been previously approved for other customer classes.

Mr. Ambrose entertained numerous questions from the Committee members and answered them to the Committee's satisfaction.

In conclusion, Mr. Ambrose stated that those responses from a recent customer survey which had been incorporated into the rate design in an attempt to strengthen customer relationships did not involve significant dollars and, therefore, if the Committee was satisfied with management's proposals, he would not address them in his final report. The Committee responded by stating that it was not necessary for Mr. Ambrose to address those items in his final report.

Director Weiler left the meeting after the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Briefing on Mexico and the United States (Neighbors and NAFTA)

Ms. Urias reported that the strategic direction of the District contemplates partnering with Mexico in order to take advantage of the potential for business opportunities in that country. She reported that the Mexican population is currently at 86 million people and experiencing a 3% growth rate. In addition to the population growth rate, the Mexican energy market is growing at approximately 6% per year, and it is

Mexico's intention for much of that added capacity for the future to be provided by utility companies outside of Mexico. She stated that Mexico is allowing various degrees of private ownership and greater control within the country, as has been seen in the restructuring of PEMEX, the major natural gas and oil company in Mexico.

It is anticipated that what has occurred within PEMEX will also occur within the Federal Electric Commission (CFE) which controls the power and energy markets of Mexico. It is projected that over the next ten years, the private sector would add 8 gigawatts of new capacity.

Ms. Urias continued by showing a map of the California, Arizona, and Texas borders and pointed out where the most likely Mexican markets would be for each state. She stated that since Sonora, Mexico is Arizona's immediate neighbor to the south, management wants Mexico to perceive the District as its partner of choice for power transactions from Arizona through a high-voltage interconnection between Arizona and Sonora. This could be accomplished by the year 2000. She briefly reviewed the infrastructure that would be necessary to make this vision a reality and stated that it has a potential for \$1 5 million of annual net revenues to the District.

In conclusion, she reviewed staff's activities that are being performed to establish the District as a credible partner with Mexico.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:46 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

December 21, 1995

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, December 21, 1995, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Vice Chairman Dobson, and Directors Ash, Hurley, Marshall and Rudd.

Absent at roll call: Director M. Kempton

Others present: Vice President Williams, Jr.; Council Liaison R. Kempton; and Directors Diller, Rogers, E. Rovey and Weiler; Staff members: Mmes. Alfano and Kimberly and Messrs. Areghini, Barnard, Bonsall, Duckworth, O'Neal, Presmyk, and Reeves.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, December 19, 1995, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Reeves to proceed.

Coronado Generating Station (CGS) - Supplemental Coal Supply / Fence Lake Mine Options

Mr. Reeves, Stated that the purpose of his presentation today was to inform the Committee concerning several options for the Fence Lake Coal mining project.

As background for the presentation, Mr. Reeves reviewed the major coal fields within California, Nevada, Utah, Colorado, New Mexico, Wyoming, and Arizona, the generating stations using these resources, and the railroad routes used for delivery.

Continuing, he graphically portrayed the current contracted fuel requirements for the Coronado Generating Station for supplemental supplies which cease at the end of 1997 and base supplies which cease in 2006. He reported that the District recently sent out requests for proposals for future coal supply requirements and summarized the significant bids as to one-year costs in 1995 dollars for the following bidders: Pittsburg & Midway (P&M), Lee Ranch, Cordero, and Fence Lake. The costs were broken down as to mining costs per ton, transportation costs per ton, total costs per

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ton, and total dollars per million BTU. The results reveal that Fence Lake, on a cost basis, can adequately compete with the other bidders.

Continuing, he reviewed FY95 coal prices for other coal fired generating stations in which the District participates, namely: Navajo, Mohave, Four Corners, Craig, Hayden and those currently supplying Coronado for the purpose of illustrating the effects of transportation and quality on delivered coal prices. The array of costs from low to high reveals Hayden as the current low fuel-cost plant and Coronado the current high fuel-cost plant for the District.

With these comparisons of coal prices in mind, Mr. Reeves stated that he would like to discuss in more detail three options for Fence Lake as follows:

- Cancel the project and sell the assets;
- Retain the mine option until the year 2006; and
- Continue negotiations with North American Coal Company for construction, operation and financing of the Fence Lake Mine.

He stated that the canceled project option would include canceling all coal leases, selling the ranches currently owned by the District, selling the dragline currently owned by the District, and honoring the Fence Lake Mine No. 1 obligations concerning reclamation monitoring as a result of previously mining coal for test burns.

Retaining the Fence Lake option until the year 2006 would include the following:

- Honor the Fence Lake Mine No.1 obligation as in the first Option;
- Retain the ranches and rights-of-way but relinquish the Federal leases in the northern part of Fence Lake;
- Negotiate advance royalties in lieu of "due diligence mining" for the retained Federal lease;
- Retain State leases;
- Pay advanced State royalties;

Obtain and retain permits; and

Sell all assets after 2006

Continuing, Mr. Reeves reviewed the Fence Lake costs in 1995 dollars for canceling the project or retaining the Fence Lake option until 2006. He also reviewed management's assessment of each of those two options.

Next, Mr. Reeves discussed the third option of continuing negotiations with North American Coal Company to open the mine as follows:

- North American Coal Company will finance construct, and operate the mine; and
  - The District will contract with North American Coal Company with the following key provisions presently proposed: ten-year term with cancellation rights by the District; minimum take or pay provision; and a District buy-out option.

Mr. Reeves reviewed 10-year cost assessments in 1995 dollars for each of the following three options: 1) Fence Lake with North American Coal as the owner/operator; 2) Fence Lake with the District as owner but contracting the mining; and 3) market options. He stated that the North American Coal option has been assessed to be cost competitive with market options and also provides insulation from market forces for the initial term of the contract. Additionally, it provides a potential base coal supply option in 2006, with minimal District capital requirements. Staff believes this option provides minimal risk to the District and increases competition in the region, although it also provides some numerous and complex issues that must be resolved.

In conclusion, he stated that after assessing the options as presented, management proposes that the District pursue negotiations with North American Coal to reach an agreement wherein NAC would finance, construct and operate the Fence Lake Mine but if the North American Coal negotiations are not successful, retain the Fence Lake option through 2006 and in the interim purchase supplemental coal from spot market sources.

After discussion, it was the consensus of the Committee that management pursue negotiations with North American Coal as presented, but if not successful, retain the Fence Lake option through 2006.

Director Burton, Council Chairman Rousseau, and Councilman McKinney, Jr. entered the meeting during the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:10a.m.

William K. O'Neal  
Corporate Secretary

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1996

MINUTES  
POWER COMMITTEE

January 18, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, January 18, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett and Directors Hurley, Kempton, Marshall and Rudd.

Absent at roll call: Vice Chairman Dobson; Director Ash.

Others present: President Schrader; Vice President Williams, Jr.; Council Chairman Rousseau; Council Liaison R. Kempton; and Directors Burton, Diller, E. Rovey and Weiler; Staff members: Mmes. James, Kimberly, and Schaefer and Messrs. Daer, Duckworth, Emerson, Harrah, O'Neal, Silverman, Voda, and Willis.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, January 16, 1996, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Schaefer to proceed.

Pole Attachment License Fees For Cable Television & Telecommunications Companies

Ms. Schaefer stated that the purpose of her presentation would be to discuss the cable TV pole attachment fee, the telecommunications pole attachment fee, and a recommendation to establish a plus or minus deadband for the telecommunications pole attachment fee.

She reported that the cable TV attachment fee is currently \$6.83 per pole and brings in approximately \$375,000 per year in revenues. Cable TV attachment fees are established by a Federal Communications Commission (FCC) formula for investor-owned utilities; however, the District uses a modified FCC formula.

She stated that updating the cable TV pole attachment formula for current costs does not exceed the Board established deadband, and therefore, the cable TV attachment rate will remain at \$6.83 and no Board action is required.

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The telecommunications pole attachment fee, in contrast, has no FCC formula and therefore, the District uses a cost basis per pole to establish the fee. The current fee is \$13.12 per attachment and staff is recommending that it be increased to \$16.15 per pole based on updated costs. She reviewed the procedure established by the Board to review the pole attachment fees, and the formula used to derive the fee. She stated that the Board at its March meeting would be asked to approve the \$16.15 charge, plus exclusive use by the District of eight dark fibers, where available.

In conclusion, she stated that the telecommunications attachment fee did not have a deadband similar to that used for the cable attachment fee and that management was also recommending that at the March 4, 1996 Board meeting, a plus or minus 5% deadband be established for the telecommunications attachment fee.

Ms. Schaefer and Messrs. Daer and Willis left the meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Wholesale Markets

Ms. James stated that she would be discussing the wholesale electric market trends and major events that have been driving competition in this arena.

Using overhead transparencies, she stated that the District responded to its first Request for Proposal (RFP) for a wholesale power sale in 1990, and continued by discussing the major impacts that have occurred since then, including the Energy Policy Act of 1992 which addresses transmission access, and the Federal Regulatory Commission's Notice of Proposed Rulemaking which address access and comparability issues.

Continuing, she reviewed the wholesale market trends from 1990 through 1995 as to the number of RFPs that the District has responded to and the terms in years applicable to each. She also reviewed the quantities in megawatts (MW) and the prices in mills per kW hours for those same periods. In particular, she pointed out the increased number of transactions that are occurring, in addition to the increased presence in the marketplace from such entities as power marketers. She noted that the competition has caused prices to fall. In particular, the five-year trends can be

summarized as; more players in the wholesale market, falling prices in the wholesale market, and lower margins on those sales in the wholesale market.

Ms. James concluded with a review of the wholesale contracts that have been executed with various entities. They vary in terms in extending as far into the future as the year 2011. She also reviewed a sample of the entities to which the District has made wholesale proposals, the associated MWs and services related to, with those proposals.

In conclusion, Ms. James reviewed the challenges to the District in the wholesale marketing arena and how the District proposes to address those challenges.

Director Weiler, Mr. Duckworth, and Ms. James left the meeting after the presentation and Mr. Areghini entered.

#### Mead-Phoenix Transmission Line Cost Comparison

Mr. Harrah stated that he would briefly address the Committee concerning the construction cost comparisons for EHV transmission lines, including the Mead Phoenix 500 kV Transmission Line Project.

A two page handout was provided that compared the Coronado Transmission System, Palo Verde Transmission System, Mead-Phoenix Project, the Mead-Adelano Project and results of a study by Ontario Hydro. In particular, he pointed out that the Mead-Phoenix Project was the lowest in cost over all those compared.

A copy of the handout used in the above presentation is on file in the Secretary's Office and, by reference, is made a part of these minutes.

Mr. Harrah left the meeting after the presentation. Wood Pole Asset Management Program

Mr. Emerson stated that he and Mr. Voda would be presenting information on the District's Wood Pole Asset Management Program. He stated the scope of the project was an ongoing ten year program that would inspect and treat all wood poles in the District's system and reinforce or replace those as required.

Continuing the presentation, Mr. Voda, using overhead transparencies, stated that he would be addressing why the program is being done, what will be done, and how it will be done.

As to why the program is needed, Mr. Voda stated that the District currently has 15,900 transmission poles and 104,800 distribution poles with an installed cost of \$92 million. The replacement cost, however, would be \$500 million. The transmission and distribution poles have been stratified in such a way that staff knows how many of the poles were: pre-1964 and creosote treated; 1965-85 cellon treated; and 1985 and thereafter, penta treated. He reviewed what the wood pole failure costs have been for distribution and transmission poles for the periods 1991 to 1994.

As to what the Wood Pole Management Program will entail, he reported that each pole would be inspected, the 69kV wood poles would have a load evaluation, identified as to the preservative treatment, classified as to whether or not the pole could simply be reinforced or needed replacement, and establish a data base. He explained, in detail, how the pole inspection program would be done and how the load evaluations would be accomplished. He also explained the preservative treatment processes, the method for reinforcements, and the types of poles that would be used as replacements.

Mr. Voda stated that the data base to be developed would monitor the condition of the wood poles inventory on a ten year cycle, track the effectiveness of the treatment, insure that the poles are not overloaded, and document any joint-use attachments.

Mr. Emerson continued the presentation by explaining how the District would proceed with the Wood Pole Management Program. He explained the program administration process, who the key staff members would be, and how other departments would be informed of the program. He stated that it is expected the program cycle will be ongoing over ten year periods, based somewhat on the effectiveness of the treatment chemicals. It is anticipated that 10,000 poles per year will be reviewed. He stated that management's estimates of the cost for inspection, treatment, reinforcements, and replacements will be approximately \$16,500,000 for the ten year cycle. He contrasted the cost of the management program versus the cost of pole failures.

In conclusion, he stated that the transmission system and its loop feeds would be the number one priority with distribution substation circuits being the number two

priority. Other priorities will be influenced by the inspection results and public/customer factors. It is anticipated that inspection of the transmission system will take approximately two years, the high priority distribution three to five years, and the remaining distribution system, five to ten years.

There being no further business to come before the Committee, the meeting adjourned at 11:10a.m.

William K. O'Neal  
Corporate Secretary

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MINUTES  
POWER COMMITTEE

February 15, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, February 15, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett, Vice Chairman Dobson, and Directors Hurley, Marshall and Rudd.

Absent at roll call: Directors Ash and Kempton.

Others present: Vice President Williams, Jr.; Council Liaison R. Kempton; Councilmember McKinney, Jr.; and Directors Diller, E. Rovey and Weiler; Staff members: Mmes. McVicker and Schaefer and Messrs. Cano, Lowe, O'Neal, Reeves, Rappoport, and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, February 13, 1996, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Schaefer to proceed.

Telecommunications Pole Attachment Fee

Ms. Schaefer reported that the Committee had heard previously the presentation concerning the telecommunications pole attachment and this would be the last update prior to a Board decision in March.

Using overhead transparencies, she reported that the current telecommunications pole attachment fee is \$13.12, plus 8 dark fibers where applicable, and that management is recommending the rate be increased to \$16.15 per attachment, plus 8 dark fibers where applicable. In addition, management is recommending that a plus or minus 5% deadband be established for the telecommunications pole attachment fee, such that any annual reviews that fall within the deadband would not be recommended for change.

Continuing, Ms. Schaefer reviewed the key provisions of a recently enacted Federal law concerning telecommunications. She stated that public power organizations still

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remain exempt from Federal jurisdiction. However, the law will require a new FCC formula to apply to telecommunications rate development for jurisdictional utilities. She also stated that cable TV service attachments would continue to be priced based on the current FCC formula.

She reported the new FCC formula for telecommunications would be developed over the next two years with the application beginning three years later and phased in over a five-year period. The formula would share costs among all users. She stated that the new law has no direct impact upon the District's decision; however, there may be pressure in the future to move the telecommunication rate in the direction of the FCC rate formula.

In conclusion, she stated that management is still requesting that the Committee recommend to the Board that the telecommunications rate be increased to \$16.15 per attachment plus 8 dark fibers and additionally, establish the plus or minus 5% deadband as the test used for future increase or decrease recommendations.

On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Supplement No.8 to Four Corners Fuel Agreement No.2

Ms. McVicker stated that the purpose of her presentation would be to ask the Committee to recommend to the Board that Supplement No.8 to the Four Corners Fuel Agreement No.2 be renewed with BHP Minerals International, Inc.

Using overhead transparencies, she reported that Arizona Public Service Co., on behalf of the participants at Four Corners, had renegotiated Supplement No.8 to the Four Corners Fuel Agreement No.2, as follows; the participants must purchase 6.5 million tons of coal per year at approximately \$23.20 per ton under a base fuel agreement with all incremental tons above 6.5 million purchased at approximately \$11.30 per ton. The incremental tons are priced approximately \$2.30 per ton less than in 1995, and will produce approximately \$300,000 of savings. The supplement has a term of February 1996 through December 2001.

In conclusion, Ms. McVicker requested that the Committee recommend to the Board that it authorize the President or Vice President, and the Secretary or Assistant Secretary, to execute Supplement No.8 to Four Corners Fuel Agreement No. 2.

On a motion duly made by Director Ash, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. McVicker and Mr. Reeves left the meeting and Mmes. Alfano, Clyde, and Kimberly and Mr. Hayslip entered.

#### Service Fees - Electric Customers

Mr. Lowe stated that he would be requesting the Committee recommend to the Board new and revised service fees to be effective May 1 5, 1 996. He reported the fees being recommended are competitive with other utilities and would also provide for an additional \$1 million per year in revenue.

Continuing, he recommended new turn-on and reconnect fees vs. the current fees as follows:

		<u>Current</u>	<u>New</u>
Turn-On:	Next Day	\$ 15.00	\$ 19.00*
	Same Day	--	\$ 33.00
Reconnect:	@ Meter	\$ 27.00	\$ 30.00
	@ Jct.Box	\$123.00	\$189.00
	@ Transf.	\$198.00	\$273.00

\*Waived for District customers with good payment history.

in addition, Mr. Lowe recommended changes to the field collection, collection letter, and returned checks fees as follows:

	<u>Current</u>	<u>New</u>
Field Collection	\$12.00	\$12.00
Collection Letter	\$ 2.00	Delete
Returned Checks	\$11.00	\$15.00

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Mr. Lowe reported that the District has certain fees that it also charges for special services and compared the current fees to the recommended fees as follows:

	Current	New
Research	\$18.00/hr.	\$41.00/hr.
Theft Investigation	\$17.11/hr.	\$46.00/hr.
Meter Read		
Appointments	---	\$10.00*

\* The fee for meter read appointments would only be applied when the customer failed to honor the first appointment each month.

He also reported that the District currently charges for damaged equipment and recommended the following changes to the fees for this service as follows:

	Current	New
Std. kWh Meter	\$72.00	\$68.00
EST kWh Meter	\$303.00	\$292.00
Demand Meter	\$303.00	\$301.00
EST Demand Meter	\$585.00	\$592.00
Meter Lock Rings	-- \$	19.00

In conclusion, Mr. Lowe reported that the District often gets requests from customers for the installation of special equipment and the District currently has no charges for some of these items. As a result, staff has investigated three new special equipment requests that are being recommended, namely: remote time-of-day meter reading ports priced at a lump sum of \$320 or in installments of \$3.80 per month, a single phase angle adaptor priced at a lump sum of \$81 or in installments of \$1 per month, and a three-phase angle adaptor for a lump sum of \$114.00 or in installments of \$1.40 per month.

After considerable discussion, on a motion duly made by Director Hurley, seconded by Director Marshall and carried, all recommendations to the Committee for Board approval were accepted as presented, with the exception of the waiver of the turn-on fee for District customers with good payment histories. Director Arnett voted no.

Messrs. Bonsall, Forsyth, and Sherman entered the meeting. Mr. Cano left.

Payment Terms - Electric Customers

Mr. Lowe, using overhead transparencies, stated that the purpose of his presentation would be to request that the Committee recommend to the Board that the advance notice required for disconnection of service be reduced to 7 days from 10 days and the requirement be eliminated that the notice of termination indicate the meter reads and billing dates for all charges. Mr. Lowe explained the background of the current requirements.

He also reported that staff is proposing that the credit cycle be shortened from 2.5 months to 2 months. He said the shortened cycle had been reviewed with 6 different focus groups and all had agreed it was an acceptable change. He stated that the shortened credit cycle would make the District more consistent with other industries and the other enhanced services charges would make it easier for customers to pay on time, thus eliminating the need for the 2.5 months. In addition, the change in the cycle will levelize the workload of staff since the current system allows 60% of all bills to fall due on Mondays.

Mr. Lowe stated that the shortened credit cycle should reduce the District's exposure to delinquencies and therefore, the deposit policy could be reduced from 2.5 times the highest summer bill to 2 times the average monthly bill. Such a change would allow the District to refund approximately \$12 million in "excess" deposits.

In addition, he reported that staff plans to introduce accelerated payment terms in lieu of deposits for its large commercial and industrial customers, and for those who choose a deposit, rather than accelerated payment terms, allow the deposits in several installments.

In conclusion, Mr. Lowe requested that the Committee recommend to the Board that the notification to electric customers by first-class mail of a disconnection of service for non-payment be reduced to 7 days from 10. In addition, he requested that the policy concerning the notice of termination eliminate the need to provide both the meter read and billing date for the changes involved.

On a motion duly made by Director Marshall, seconded by Director Hurley and carried, the Committee agreed to recommend Board approval as presented.

Ms. Clyde and Mr. Lowe left the meeting after the presentation and Messrs. Duckworth and Thomas entered.

Telecommunications Joint Operating Agreement

Mr. Hayslip stated that the Committee had heard presentations on three prior occasions concerning the District's intent to more fully utilize its fiber optic network to enhance the District's opportunity to more fully utilize these assets.

He briefly reviewed the benefits that the District derives from its communications assets and the strategic objective of the District to strengthen its relationship with its customers in advance of deregulation by using its communications assets to be more than the usual electric company. He stated that the District currently has 200 miles of fiber optic cable, rights-of-way, engineering, design, construction and maintenance expertise, and customers.

He noted that competition in the telecommunications industry provides unique opportunities for electric utility companies such as the District. As previously reported, he reviewed the business strategy which includes using the existing communications network, expansion of the support voice I data transport network to support the core business, and potential partnering with others.

He reported that recent negotiations with Electric Light Wave (ELW) have been successful and that staff would be recommending that the District enter into a joint operating agreement with ELW. He reviewed in detail, the operations of ELW, its affiliations with Citizens Utilities and its primary market focus of being a competitive access provider. He stated that ELW's core business compliments the business focus of the District. ELW has complementary assets, mutual objectives to those of the District, flexibility of its network deployment and market strategy, and viability. ELW also has demonstrated early successes in other markets and has a strong corporate parent.

He reported that the intended relationship of the two companies would allow the District to provide transport services and still maintain network uses for the District's electric system purposes. ELW on the other hand would manage the commercial network, coordinate some market activities with the District and do all billing. In return, ELW would pay the District for operating services. A joint business plan would be developed annually.

Mr. Hayslip reviewed the key principles that would be included in joint operating agreement as follows; term of 15 years, appropriate dissolution mechanism, equitable sharing of costs and revenues, shared decision-making authority, distinct delineation of asset ownership, and market technology exclusivity.

In conclusion, Mr. Hayslip reviewed the financial benefits to the District, stating that the partnership would provide a return on investment of over 25%, a payback period of 6 years, and positive cash flow within 4 years.

Mr. Hayslip stated that over the financial plan period, the District had previously committed \$12 million in capital requirements, and incremental to the financial plan, another 20 million had been included for such items as: acceleration of the plan, telecommunications improvements and customer / capital costs. He pointed out that only \$15 million of the incremental requirements are specific to the telecommunications segment.

In conclusion, he requested that the Committee recommend to the Board that they authorize staff to enter into a joint operating agreement with ELW in accordance with the conditions presented.

On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Weiler and Messrs. Hayslip and Sherman left the meeting.

#### Proposed Adjustments to Standard Electric Rate Schedules

Ms. Schaefer briefly reminded the Committee of the Special Board meeting that will occur on March 5, 1996 to review the District's recommendations for rate redesigns. She reviewed the agenda.

In conclusion, she reported on the remaining calendar events that would be required prior to the proposed rate implementation on May 15, 1996.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:15 am.

William K. O'Neal  
Corporate Secretary

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MINUTES  
POWER COMMITTEE  
March 14, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 am. on Thursday, March 14, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett, Vice Chairman Dobson, and Directors Hurley, Marshall and Rudd.

Absent at roll call: Directors Ash and Kempton.

Others present: President Schrader; Vice President Williams Jr.; Councilman McKinney Jr.; and Directors Brooks, Diller, Rogers, and E. Rovey; Staff members: Mmes. Alfano, Kimberly, McVicker, and Schaefer and Messrs. Areghini, Barnard, Daer, Duckworth, Harper, Hitt, O'Neal, Reeves, and Mr. Greene of Ball, Janik & Novack.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1 521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Tuesday, March 12, 1996, by Vickey Levano of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Reeves to proceed.

El Paso Natural Gas Company (El Paso) Transportation Services Agreement  
Amendment

Mr. Reeves, using overhead transparencies, stated that the purpose of his presentation was to discuss the amendment to the Transportation Services Agreement between El Paso and the District. He reported that the amendment will include provisions from a settlement between El Paso and its customers that resulted from negotiations following the filing of Rate Case No. RP95-363-000.

As background, he reviewed a map that depicted the three main natural gas basins that supply the western United States, namely: San Juan Basin, Anadarko Basin, and the Permian Basin. He also discussed the main pipe lines that have been used in the past to transport natural gas from these three basins. He reported, however, that newer pipe lines from the north into the west coast area had increased the competition and that Pacific Gas & Electric Company; in particular, who was a major contractor with El Paso had provided notice of their intention to terminate their contract. Therefore, El Paso filed a new rate case on June 30, 1995 to be effective January 1996 to spread fixed costs among its remaining customers, thus causing significant cost increases. Intervention by customers in the rate case delayed the formal hearing process for approximately six months in order to permit an opportunity for settlement that could then be taken to the Federal Energy

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(FERC) for approval. The primary issue was termination or step-down costs applied to current customers and reallocation of remaining costs.

Mr. Reeves stated that the District currently pays \$3.8 million per year in annual fees to El Paso for the transportation of its natural gas, with the actual natural gas paid for separately. He emphasized that this contract under consideration was strictly for transportation. The proposed rates in the rate filing would have increased the District's cost to \$8.9 million per year, a 134% increase. He reported that Arizona Public Service Company and Southwest Gas would also have significant increases of 239% and 32%, respectively.

Mr. Reeves stated that the primary parties to the settlement negotiations were El Paso, the State commissions, FERC, and all major customers except Southern California Edison. Numerous meetings involving all parties have been held from August 1 1995 to the present. He reported that the proposed settlement, although not final, had been agreed to by the major parties involved and would be submitted to FERC for final approval. The negotiated settlement included the following:

- 10-year term;
- deferral of the 1 1999 termination option in the current contract to the year 2002 in the proposed settlement; and
- rates will be set for the full term subject to adjustments for: 1) Escalation [Mm. 1 %; Max. 4.5%] and 2) uncontrollable costs over \$1 0 million/yr.

He reported that the District's current rate of \$3.8 million per year would be \$4.3 million per year under the proposed settlement versus the \$8.9 million per year that was contained in the initial FERC filing.

Mr. Reeves stated that another key issue within the negotiated settlement involved termination or step-down issues which were resolved as follows: a one-time payment by all customers which partially compensates El Paso for lost revenues. He reported that the District's portion is \$3.4 million of \$273 million. In addition to the one-time payment by all customers, credits would be provided to those remaining if a customer terminates and their capacity is resold. He reported that this is consistent with other previous settlements that have occurred within the industry and expects that FERC would approve the negotiated settlement.

In conclusion, he stated that management is requesting that the Committee recommend to the Board the execution of an amendment to the Transportation Services Agreement between the District and El Paso Natural Gas Company, which includes any changes resulting from the settlement of Rate Case No. 95-363-000 and any associated negotiations.

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On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Barnard, Green, and Reeves, and Ms. McVicker left the meeting after the presentation. Director Ash entered the meeting.

#### Westinghouse Electric Corporation

Mr. Harper, using overhead transparencies, stated that Westinghouse had requested that the District sell to Westinghouse its two simple cycle peaking combustion turbines at Kyrene Generating Plant Units 3 & 4. He reported that staff had thoroughly reviewed the District's own use of the two turbines and reported that the four-year average capacity factor was 0.33% or 1.2 days per year. This average primarily represents testing of the equipment. He stated that the lost energy production capability from the sale of the two units would be replaced by purchased power or a power exchange.

In evaluating the break-even price, staff assumed replacement would be available at \$12 per kilowatt year and \$28 per megawatthour. He reported that staff believes the system can be supported by the remaining generated assets and purchases. The approximate break-even price was \$14.1 million with Westinghouse offering \$15 million in cash for both units. He reported that even though the market had not been tested concerning value of the units, that the Westinghouse offer appeared to be reasonable.

In conclusion, Mr. Harper reviewed the risks and advantages associated with the sale and stated that management believes the advantages outweigh the risks and therefore, requested that the Committee recommend to the Board the approval of the sale of two Westinghouse simple cycle peaking combustion turbines at Kyrene Units 3 & 4 to Westinghouse Electric Corporation for a total sales price of \$15 million cash.

On a motion duly made by Director Dobson, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Areghini left the meeting after the presentation.

Responses to Customer Questions from March 5, 1996. Special Board Meeting

Ms. Schaefer stated that, at the March 5 Special Board "Public Rate Adjustment" meeting, that several customers addressed the Board with comments and requests including the following:

- lower the senior I low income rider from age 65 to 60;
- remove the age limit entirely and include all low income customers;
- combine the senior citizen low income rider with the medical life support rider;  
and
- increase undergrounding of undergrounding poles and distribution lines.

Ms. Schaefer reviewed for the Committee, management's original assumptions in the proposed residential riders for the senior citizen/low income and medical life equipment and the results of a customer survey that supported the riders.

Ms. Schaefer continued by reviewing what the affects would be to liberalize the residential rate riders as requested. The results revealed that dropping the age to 60 years old would decrease District revenues by \$388,000 per year at a 50% participation level. If the age limit was removed entirely and based strictly on low income, District revenues would decrease by \$1,120,000 per year at a 50% participation level. She stated that questions asked of District customers in the initial survey, shows that the level of acceptance dropped significantly as the age requirement is lowered-

Continuing, Ms. Schaefer also reviewed the cost implication of combining the residential rate riders for senior citizens and low income with the medical support rider. The cost implications became significant and, in fact, would cause the District to charge its customers below the marginal cost of providing the service.

Ms. Schaefer continued the presentation by reviewing what other local utilities and other public utilities such as Sacramento Municipal Utility District, Tucson Electric Power, Arizona Public Service Co., and Los Angeles Department of Water and Power are charging for similar services. She stated that depending on the kilowatt-hour usage, the District's proposed rates would be in the ballpark of those charged by the other utilities and, in addition, would be more responsive to what our customers indicate is acceptable.

In response to a customer comment on the undergrounding of the overhead distribution system, Ms. Schaefer reported that the current costs are 75% more expensive to underground. She stated

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that the various cities have a municipal aesthetics fund that could be used for such purposes.

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In conclusion, she stated that after a full review of the customer comments from the March 5, 1996, Board meeting. Management would recommend that the original proposals be approved at the Special Board meeting on April 10, 1996.

Mmes. Maracas and Oldenkamp, and Messrs. Peterson, and Paul Trenter of Dames & Moore entered the meeting after the presentation. Ms. Schaefer left.

#### RS16 (South Chandler) Project

Mr. Peterson briefly reviewed the process that had been used for the proposed sites for the RS16 Project in South Chandler. That process produced five alternatives which encompass two route families, namely, the easternmost and eastern, which were submitted to the Arizona Corporation Commission (ACC) when the District filed for the Certificate of Environmental Compatibility.

Continuing, Mr. Peterson discussed in detail four major issues that staff was still trying to resolve concerning the easternmost and eastern routes, namely: 1) a portion near the railroad track and the Higley School; 2) a portion between Cooper and Gilbert roads along either Ocotillo Road or Appleby / a half mile road; 3) an area near the Chandler Boys' and Girls' Club; and 4) an area impacted by the landing strips at the Chandler Air Park air space.

In conclusion, Mr. Peterson reported on the activities the staff would be undertaking in trying to resolve these issues prior to going to the siting committee of the ACC.

Messrs. Duckworth, Peterson, and Trenter and Mmes. Maracas and Oldenkamp left the meeting after the presentation.

#### Coronado Generating Station (CGS) Unit III

Mr. Areghini, using overhead transparencies, briefly reviewed the background of the Coronado Generating Station Unit 3 equipment beginning in 1988 when costs were transferred to the plant held for future use, through 1996, when IPCO proposed a price reduction and concluding with the news that there was the possible termination of the sale.

Mr. Areghini reported that it appears the project for which the equipment would be used in Columbia is dead, primarily because of EMCali's inability to get funding. It appears that the United States' decertification of Columbia has also clouded the issue. Therefore, IPCO, who has had an Exclusive Rights Agreement with the District will not renew that agreement which required another cash payment of \$500,000 by March 18, 1996. Mr. Areghini reported that, to date, the District had received \$2.5 million from IPCO, in addition to another \$100,000 from the sale of a gantry crane. He reported that expenses continue to run \$1 to 1.2 million per year for annual maintenance of the equipment. Mr. Areghini reviewed the original book value of the

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Coronado Generating Station Unit 3 assets of \$268.7 million through the various write-downs to the point where it now is on the books at \$45.3 million.

In conclusion, Mr. Areghini discussed the following options: 1) resume marketing;  
2) break the equipment down into individual parts for sale and scrap the remaining;  
3) request that GE, ABB, and Black & Veatch assess any marketability; and 4) retain major spare parts for CGS I & II. Management will continue to report to the Power Committee on the progress of these options.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:50 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE  
April 5, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Friday, April 5, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Vice Chairman Dobson, and Directors Ash, Kempton, and Rudd.

Absent at roll call: Chairman Arnett and Directors Hurley and Marshall

Others present: President Schrader; Directors Burton, Diller, E. Rovey, and Weiler; Staff members: Mmes. Alfano and Kimberly and Messrs. Areghini, Barnard, Bonsall, Harper, Hitt, Hoffman, Lane, O'Neal, Ross, Sarkisian, and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 4:00 p.m. on Wednesday, April 3, 1996, by Vickey Levano of the Secretary's Office.

Committee Vice Chairman Dobson called the meeting to order and requested Mr. Hitt to proceed.

Request for approval to extend the Agreement with IPCO relative to the sale of Coronado Generating Station Unit 3 (CGSIII) assets

Mr. Hitt, using overhead transparencies, stated that the purpose of his presentation was to review the status of the sale of CGSIII assets and management's recommendation concerning extending the agreement with IPCC.

He briefly reviewed the background of the Exclusive Rights' Agreement between IPCO and the District. He reported that it appears the project is dead for which IPCO was going to use the assets and, therefore, IPCO did not renew the Exclusive Rights' Agreement with another one half million payment on March 18. The inability to obtain financing and the U.S. decision to decertify Colombia were the main reasons that killed the project.

Mr. Hitt stated that IPCO, however, has not totally given up on the possible use of the CGSIII assets and requested that the District extend the agreement for 90 days at no cost. Mr. Hitt reported that staff recommends that the 90 day extension be granted, however, not under the exact terms as the old agreement.

In the recommended extension, the District will have the opportunity to sell parts should the occasion arise, to the country of Colombia and in addition, will be able to talk to other entities concerning the sale of CGSIII assets. Should the District find a sales prospect for CGS assets other than IPCO, the deal could not be consummated until the 90 days from March 18 had

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expired. The District will retain the \$2.5 million previously submitted by IPCO.

In the meantime, the District will also pursue other opportunities including: 1) resume marketing; 2) part out and scrap the materials; 3) have GE, Black and Veatch, and ABB survey the market; and 4) look at the possibility of using CGSIII assets as spare parts for OGS Units I and II.

In conclusion, he requested that the Committee recommend to the Board approval of an extension of the agreement with IPCO under the conditions presented.

On a motion duly made by Director Ash, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Duckworth entered the meeting after the presentation.

Request for approval of the District's position relative to the future competitive electric industry environment

Mr. Silverman stated that the purpose of his presentation was to outline possible responses by the District to meet changing conditions in the utility industry concerning competition, retail wheeling, and customer choices.

Using overhead transparencies, he briefly reviewed the elements that are driving change in the utility industry; including, Congress/FERC, national tax policy, Edison Electric Institute/Alliance for Competitive Electricity, and the Electricity Consumers Resource Council.

Mr. Silverman reported that California is often the predictor of things to come and proceeded to review the efforts that are driving utility change in that state. For instance, California is among the highest in the country for electric rates and California customers see competition as the answer to driving those costs down.

As a result, new players in the utility industry see an opportunity for a huge market and many are establishing themselves as players in the new era of competition. He stated that there is also a "philosophical trend" toward free markets that has already been experienced in the phone, trucking, airlines and pipeline industries.

The changes that appear imminent in California will bring its own impacts into Arizona, particularly in the areas of wholesale marketing, repricing of generation, transmission loading, and the impact of large retail customers having greater bargaining power.

Mr. Silverman stated as an end result, there appears to be two emerging environments: the traditional versus the non-traditional which will impact the following areas: 1) consumer choice; 2) obligation to serve; 3) retail transactions inside and outside established territories; 4) recovery of stranded investments; and 5) the current structure of regulations and charter versus a level playing field for all competitors.

Continuing, Mr. Silverman reviewed recent events in Arizona that will also impact the utility industry. These efforts include studies commissioned by the Arizona legislature and the Arizona Corporation Commission.

He reported that the District staff is involved in each of these in some fashion and in particular, the District is directly involved in the Arizona Corporation Commission study on developing a retail wheeling policy.

In response to these competitive impacts, management has developed the following four point plan:

- 1) Be the customer's choice as a generation provider;
- 2) Maintain a distribution monopoly by allowing for the continuation of the Territorial Agreement however amend it as such that retail wheeling can be provided;
- 3) Continue as a political subdivision by continuing to provide support for water; and continuing to maintain the tax exempt status; and
- 4) Continue with the existing SRP, but provide for a new SRP that can sell outside the established service territory; and will be subject to the same comparable rules as used by others in the utility business.

Mr. Silverman stated that the four point plan would hopefully answer the investor-owned utility arguments regarding leveling the playing field, concerning taxes and regulations, as well as determine what the new SRP would be allowed to do outside its currently established boundaries. It is intended that the new company could buy wholesale from all

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third parties, as well as provide retail wheeling. It is intended that the new SRP would have no utility assets, pay only that legally required in taxes, and pay dividends to the old SRP. The old SRP would continue in its present form with no impacts concerning taxes or regulation. The proposed structure for the new SRP would be a wholly-owned, for-profit subsidiary of the District with its directors being the same as the District's directors and its officers being the District's elected officials and employees.

In conclusion, Mr. Silverman discussed the advantages of the planned restructuring as the District transitions to a fully competitive era.

After considerable discussion concerning the plan as presented by Mr. Silverman, it was the consensus of the Committee members present, that staff continue in the direction outlined.

#### Executive Session

On a motion duly made by Director Ash, seconded by Director Kempton and carried, the Committee convened into Executive Session at 11:00 a.m.

The Committee reconvened into Open Session at 11:30 a.m. with the following present: President Schrader, Directors Ash, Burton, Diller, Dobson, Kempton, Rovey, Rudd, Weiler and Councilman McKinney Jr. and staff members Ms. Alfano and Messrs. Areghini, O'Neal, and Silverman.

On a motion duly made by Director Ash, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval of a "global" agreement to settle the Hayden Station air quality and penalties issues in an amount not to exceed \$34.62 million as the District's portion.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:32a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE  
April 18, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District (the "District") convened at 9:30a.m. on Thursday, April 18, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett, Vice Chairman Dobson, and Directors Hurley, Kempton and Marshall.

Absent at roll call were: Directors Ash and Rudd.

Others present were: President Schrader; Vice President Williams Jr.; Council Chairman Rousseau; Directors Burton, Diller, Rovey and Weiler; staff members Mmes. Alfano and Kimberly, and Messrs. Bonsall, Duckworth, Koons, O'Neal, Silverman, Slick and Wilcox.

Secretary O'Neal stated that, in compliance with A.R.S. §38A31, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 12:00 p.m. on Tuesday, April 16, 1996, by Karen Umber of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Kimberly to proceed.

Request for Approval of the Proposed Changes to  
Year Two of the Real Time Pricing Pilot

Ms. Kimberly, using overhead transparencies, reviewed a list of utilities across the United States that offer real time pricing (RTP) programs. She reminded the Committee that the District began offering a real time pricing program to a select number of customers as part of a pilot project approved in June 1995. The program was designed in response to customer requests for this rate option; several of SRP's customers have facilities at other locations in the U.S. where RTP is offered by other utilities. She reported that the District's real time pricing rate is a two-part rate, with Part I priced at the standard E-65 rate based upon the customers past load profile, and Part II based upon hourly real time prices, applied as adjustments to the customer baseline.

Mr. Wilcox continued the presentation by stating that the two-year pilot program was limited to six customers at no more than 10 megawatts per customer. To date, three District customers had taken advantage of the program; namely, Air Products, American Magotteaux, and McDonnell Douglas. He stated that each of the companies have increased their annual energy consumption ranging from 6 to 9%.

Mr. Wilcox stated that the minimum price offered during the last year on the real time hourly price rate was .9¢ per kWh with the maximum price being 57¢ per kWh. He stated that these wide price fluctuations are ideal for those customers that can adjust their loads in order to take advantage of the low prices while shifting load in times of high prices. He reviewed the January 1996 load profiles for each of the three customers on the real time pricing rate; the results

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showed that each were able to make adjustments in order to take advantage of the rate fluctuations.

Mr. Areghini entered the meeting.

Ms. Kimberly reported that the customers on the real time pricing pilot have offered the following feedback and suggestions: (1) more lead time during high price periods, (2) some protection from extreme price volatility, (3) adjustments to the customers baseline in order to do planned maintenance, and (4) the customer baseline be zero-based with existing prices. Staff will report back to the Board on recommended enhancements to the program, in particular as relates to affording customers protection from extreme price volatility and adjustments to the customer baseline.

In conclusion, Ms. Kimberly stated that Management is recommending that the real time pricing pilot program be expanded at this time to include E-63 customers. Other provisions of the program will remain unchanged with enhancements to be detailed at a future Power Committee meeting. She reported that the expansion of the program requires a minimal investment by the District to accommodate the primary service level and will expand the number of eligible customers to approximately 30 with loads between 1 and 10 megawatts. She stated that the pilot program will still be limited to six customers and will only be expanded when the program has fewer than six. It is not intended to increase the District's exposure beyond the original 60 megawatt maximum.

On a motion duly made by Director Hurley, seconded by Vice Chairman Dobson and carried, the Committee agreed to recommend Board approval as presented.

Ms. Kimberly also stated that at the request of customers that have shown an interest in the real time pricing rate, that staff is investigating the possibility of offering customers baseline adjustments, and/or price caps, as part of the future program. She stated that this concept would be discussed more thoroughly at a future Power Committee meeting.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Kimberly left the meeting following the presentation.

Request for Approval to Purchase Options for up to 200 Megawatts  
of Summer Peaking Capacity for the Years 1999 - 2004

Mr. Koons stated that the purpose of his presentation would be to review the possibility of buying "options" for capacity in order to meet future load requirements. A capacity "option" represents a commitment by a supplier to provide the District with needed generating capacity at some time in the future, if at that time the District needs and requests such capacity.

Using overhead transparencies, Mr. Koons reviewed the District's load forecast from FY97-

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FY2006, assuming no future resource additions and a 16% reserve criteria. He stated that the District's near-term need for future resources occurs only during the summer months of June through September. Mr. Koons proceeded to point out that during these months over the past

10 years, the District has needed the final 200 megawatts of generating capacity only during a very limited number of hours in each year (an average of 44 hours per year). For this reason, Staff has developed a moderate risk, low-cost resource plan that is oriented to meet this characteristic need of the customers in our service territory. Staff investigated several potential resources that could be used to meet this need including combustion turbines, purchases, or the use of capacity options. Each of these resources was reviewed as to the out-of-pocket costs considering the fact that the District may not need the capacity or that the District may need the capacity. It is staff's conclusion that a cost-effective method of insuring that the District has needed capacity is by purchasing options to meet these potential capacity requirements. Staff reviewed over 50 distinct proposals from 16 separate entities totaling over 1000 megawatts of capacity in response to its solicitation of interest. After evaluation, it is recommended that the District purchase a 100 megawatt option from each of Powerex and Enron. He stated that the options would be for the years 1999 to 2004, with an option exercise date given within the year of use for delivery at the Palo Verde switchyard.

Continuing, he reviewed examples of how each of the options would be structured for the year 1999. For example, the Powerex option fee would cost \$60,000, with demand priced at 90¢ per kW month and an energy price equal to 1.10 x a Palo Verde Price Index. This option would require no minimum energy consumption and a one-day preschedule deadline of 10 a.m. In contrast, the Enron option fee for 100 megawatts would cost \$26,971, with demand priced at 29¢ per kW month, and energy at \$32.54 per megawatt hour. This option would limit energy consumption to a 5% maximum capacity factor and require one-day preschedule notification by 10a.m.

He concluded by discussing the characteristics of each of the two companies and requested that the Committee recommend Board approval to purchase 100 megawatts of capacity options each from Powerex and Enron for the years 1999 to 2004 at a total District cost of \$660,000.

On a motion duly made by Director Hurley, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval as presented.

President Schrader and Messrs. Areghini, Koons, Slick and Wilcox left the meeting following the presentation and Ms. Maracas entered the meeting.

#### Additional Item

##### Request for Approval of the District's Position Relative to the Future Competitive Electric Industry Environment

Chairman Arnett stated that he was not in attendance at the last Power Committee meeting, as were several other Committee members, and requested that Mr. Silverman briefly summarize the

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presentation on competition and positioning of the District to meet the changes anticipated in the electric utility industry.

Mr. Silverman reported that virtually all of the Board members had now been briefed concerning competition, current industry events, and how the District proposes to position itself in order to meet these changes.

In summary, he reviewed the following four-point plan:

- o Customer choice of generation provider
- o Distribution monopoly
  - Territorial agreement continues, but amended to provide for retail wheeling
- o Continue as a political subdivision
  - Provide support for water
  - Maintain tax exempt status
- o Existing/new District
  - Can sell outside the established current territory
  - Operate under comparable rules to others in the business

To accomplish the four-point plan, Mr. Silverman addressed several items such as taxes, regulation, wholesale and retail wheeling, and impacts on the current District.

In conclusion, he requested that the Committee recommend Board approval directing Management to bring back to the Board a business plan establishing a wholly owned for-profit subsidiary of the District with its directors being the same as the current directors and its officers being the same as the District's current elected officials and employees. He stated that the communications of the District's intentions will be the subject of publicity when appropriate.

On a motion duly made by Director Hurley, seconded by Vice Chairman Dobson and carried, the Committee agreed to recommend Board approval as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Bonsall and Duckworth left the meeting following the presentation. Offsetting District Power Plant C02 Emissions with Halophytes

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Ms. Maracas, using overhead transparencies, discussed the history of the District's involvement in the global climate arena as well as the District's research involvement concerning the use of halophytes to offset carbon dioxide (CO<sub>2</sub>) emissions. Using maps of the western coastline of Sonora, Mexico, she reviewed a research project near Puerto Penasco wherein the District is a major player. She stated that halophytes thrive on sea water and absorb carbon, thus allowing a generating station in a different location that emits CO<sub>2</sub> to have it removed in another area such as Puerto Penasco. She reviewed the reasons for the District's involvement in attempting

to remove greenhouse gases, such as CO<sub>2</sub>, in a way that is reasonable and voluntary. She stated that the District's research involvement at Puerto Penasco has met each of those goals and, to date, the project has been productive and has potential to be a least-cost alternative to other methods of removing CO<sub>2</sub>.

In conclusion, she discussed the benefits derived from such a research project including linkage to the District's Mexico strategy as well as positive recognition for the District.

There being no further business to come before the Power Committee, the meeting adjourned at 11:27a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE  
May 16, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, May 16, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett, Vice Chairman Dobson, and Directors Ash, Kempton, and Marshall.

Absent at roll call: Directors Riggins Jr. and Rudd.

Others present: President Schrader; Directors Burton, Diller and Rogers; Council Chairman Rousseau; Council Liaison Kempton; staff members; Ms. Kimberly, and Messrs. Bonsall, Daer, Duckworth, and O'Neal.

Secretary O'Neal stated that, in compliance with A. R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 12:50p.m. Tuesday, May 14, 1996 by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Kimberly to proceed.

Arizona Public Service Company (APS) Rate Reduction

Ms. Kimberly stated that she would be making an informational presentation relating to an overview of the Arizona Public Service (APS) rate reduction recently approved by the Arizona Corporation Commission (ACC) on April 18, 1996, to be effective July 1, 1996. Using overhead transparencies, she reviewed the difference between the original APS proposal compared to the final proposal allowed by the ACC. APS's original proposal was for a \$48.3 million reduction, or 3.39%, for all affected classes except six customers on special contracts. The original proposal would have applied to energy charges only, resulting in political 5% to 6% reductions for large industrial customers. The final proposal approved by the ACC allowed \$48.46 million dollars of reduction for all affected classes which amounted to a 3.4% rate decrease. In addition, there were reductions to energy and demand charges (where applicable) and the revenue decrease was applied equally across-the-board to all classes of customers.

Ms. Kimberly compared the District's rate reductions for the residential, general service, agricultural pumping, and lighting customers to those classes affected by the APS reductions. In addition to the differences in revenue reductions and percentages, the District's rate designs improved price signals to its customers, provided unbundled rate options, and expanded customer choice areas. The APS rate reductions provided minimal improvement in price signals to its customers and provided no new rate options for its residential or business customers.

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Ms. Kimberly stated that the ACC also denied APS's request for a proposed tariff that would have allowed pricing-based, short-run marginal costs in order to retain customers who had alternative sources of power. Various entities opposed this proposed rate and the ACC stated that it would address the rate later on its "competition docket".

Ms. Kimberly reported that both the District and APS in conjunction with their rate reductions also had addressed certain services such as late fee payments, returned check fees and other service quality enhancements. She stated that the District has some service commitments wherein the customer is paid a cash amount if the District does not meet its commitments whereas APS's service commitments have no monetary guarantees.

A unique feature of the APS rate reduction package was a property tax reduction commitment. The commitment states that if APS's annual review triggers a rate reduction and APS receives a decrease in property taxes during the test year, then 100% of the property tax savings would go to rate reduction.

Ms. Kimberly reported that the ACC provided for rate reductions through 1999 by a cost reduction formula which is contingent upon ACC approval. Under the formula for such reductions, if the unit cost ratio was less than the unit price ratio, then rates would be reduced. Customers would receive 55% of the cost reduction benefits with shareholders receiving the remaining 45%. If, however, the unit cost ratio was greater than the unit price ratio, the rates would remain the same.

She reported that the ACC also allowed APS to accelerate amortization of certain regulatory assets, namely Palo Verde Units 2 & 3 cost deferrals, and certain income tax deferrals. As a result, \$125 million will be amortized annually over an eight-year period. She stated that the recovery on the regulatory assets was addressed separately and did not include any accelerated depreciation on stranded investments associated with uneconomic plants. The effect of this action will make the potential for future rate reductions unlikely, absent significant cost reductions.

In conclusion, Ms. Kimberly reviewed the percentage of rate differentials between the District's rates and APS's rates for the following classes; industrial, large general service, small general service, and residential. She reported that the District rates within all classes were lower than those for similar APS classes and strata and ranged from 8% to 30%.

Councilman Kempton, Ms. Whisler, and Mr. McSheffrey entered the meeting during the presentation.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Rogers, Mmes. Alfano and Miller and Mr. Morrow entered the meeting following the presentation.

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Mr. Daer left the meeting following the presentation.

### **SRP's Proposed Open Access Transmission Tariff**

Ms Whisler briefly reviewed key provisions on the Energy Policy Act of 1992 which expanded the authority of the Federal Energy Regulatory Commission's (FERC) to order transmission-owning utilities, including the District, to provide transmission services to wholesale customers. Further, FERC has the authority to review rates for transmission charges to wholesale customers. Oversight of the District's rates is indirect, however, since FERC does not directly regulate the District; a customer may challenge District rates for transmission service before FERC. The open access rules promulgated by FERC require utilities to file open access transmission tariffs by July 9,1996.

Using overhead transparencies, Ms. Whisler stated that the District would comply with the FERC rulemaking by filing its tariff with Southwest Regional Transmission Association (SWRTA), of which the District is a member, pursuant to SWRTA bylaws which were filed and accepted by FERC. She stated that the tariff requirements include an expanded package of rates including point-to-point service, network integration and ancillary services. She requested that Ms. Kimberly provide more detail on each.

Ms. Kimberly, using overhead transparencies, stated that the ratemaking principles were cost based and provide for a rate of return that recognizes the District's cost of debt and equity rate of return based on industry averages. The rates proposed are also consistent with the District's previously adopted transmission rate. Continuing, she stated that point-to-point service was similar to service currently provided transmission customers wherein a customer would reserve a level of capacity between two points on the transmission system. This is analogous to the District's postage stamp rate for the system. In addition, the District intends to provide separate point-to-point rates for the Mead-Phoenix Transmission System. She stated that the rates must reflect the same tariff that a customer would charge itself for the same service. Staff is recommending that the postage stamp rate for the District's system, exclusive of Mead Phoenix, be \$21 .82/kW-year. This rate would replace the current postage stamp rate of \$1 9.85/ kW-year. She reported that the increase in the rate was due to changes in methodology used in computing the rate under the recent FERC rule, and an increase in transmission plant. Ms. Kimberly compared the District's rate with other utilities in the southwest as well as to those utilities that are a part of the Large Public Power Council.

Continuing, Ms. Kimberly reported that Staff is recommending separate rates for the Mead-Phoenix Transmission System based on the unique characteristics of the transmission line and the costs of the recently completed project. Staff is proposing two separate rates as follows: Westwing-Mead, \$1 8.261kW-year, and Mead-Marketplace, \$6.03/kW-year.

Ms. Kimberly stated that FERC's Open Access Rule also requires a rate for network integration

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service. She stated this rate applies to wholesale customers within the

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District's control area and does not affect current network customers since the District is already serving these customers under existing contracts. However, the rate would apply to new customers. She stated that staff is recommending that the network integration service rate be established at \$28.99/kW-year.

In conclusion, Ms. Kimberly stated that the District is required to provide ancillary services. These include such items as scheduling, system control, dispatch, voltage control reserves and energy imbalance among others. She stated that cost based charges specific to the District would be developed in the near future and, in the meantime, the District would file a rate of \$0.001/kWh for the two required ancillary services which must accompany the point-to-point tariff. If approved by the Board on July 1, the rates would take effect on July 9, 1996.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Curtis and Messrs. Duncan and Sherman entered the meeting during the presentation. Ms. Whisler and Mr. McSheffrey left the meeting following the presentation.

#### **Pilot Rate Structure for Intel Corp**

Mr. Bonsall reported that Intel had recently approached Staff for a different rate structure than the current rate structure applicable to a customer such as Intel. He reported that in this era of competition and innovative rate designs, customers are becoming sophisticated about their power requirements and who supplies those requirements. Also, some customers threaten to move or expand their facilities to another location with lower power rates in order to extract reduced rates from the serving utility.

Using overhead transparencies, Mr. Bonsall briefly described Intel by stating that it was the District's fifth largest customer, provides 75% of the chips used in the personal computer market, provides gross revenues to the District of up to \$20 million (upon full operation of the FAB 12 facility), uses approximately 50 megawatts of load, is expected to grow to 70 megawatts within 12 months, and provides a large "secondary growth effect" in the form of related residential, commercial and industrial load.

Mr. Bonsall said that Intel is looking for a new site for a fabrication plant that would become operational within three years. Staff believes that the sites being looked at are in Ft. Worth, Texas and Chandler, next to Intel's current FAB 12 plant. Intel has notified the District that key issues in determining its site will be power supply and power pricing. Within the power supply and price arena, Intel identified for the District the following power related issues in rank order: (1) rate structure; (2) price level; (3) power quality; (4) substation infrastructure. Mr. Bonsall requested that Ms. Kimberly continue the presentation with the details of a proposed pilot rate structure that staff had developed in response to Intel's request

Ms. Kimberly stated that the proposed pilot rate structure would include both a fixed and variable component with the fixed component being larger than that contained in the E-65 rate currently serving Intel. The larger fixed component would include such items as customer charge, facility charge, transmission charge and "access" charge. She said that the more unique part of the rate, however, would be the variable charge which would be indexed to Palo Verde futures contract prices as quoted in many trade and business publications. The variable charge would include markup and cover generation losses. Even though the rate structure would be new and unique to the District, other utilities--for instance, gas and oil, have such rate structures. Additionally, SRP's mining customers had proposed a similar design early on in the large industrial redesign process. Ms. Kimberly compared the E-65 rate currently applicable to Intel with the new proposed indexed rate. She reported that the proposed indexed rate would average \$0.04285/kwh, providing Intel a substantial overall reduction from the average \$0.046931kWh applicable under the E-65 standard rate suite, inclusive of the full electric service rider.

Ms. Kimberly also addressed certain conditions to the proposed pilot rate such as timing, load size and load factor as well as the necessity for a five-year contract and the opportunity to bid on other Intel sites.

Such a pilot rate would provide Intel more control over its price and the opportunity to hedge against variable price increases. Staff also sees benefits to the District that includes fixing a larger portion of its revenues thereby covering our debt service and experimenting with a rate structure that at some point may apply to other customers. In addition, the District can also hedge against variable price decreases.

Mr. Bonsall stated that staff would like to begin discussing the proposed rate in accordance with the outline discussed with the Committee today and asked whether Committee members had any objections to Staff responding to Intel.

There was a consensus of all Committee members present that staff proceed with its discussions with Intel in accordance with general outline as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Kempton and Councilman Kempton left the meeting during the presentation. Director Rogers, Councilman Rousseau and Ms. Curtis and Messrs. Duncan, Sherman and Silverman left the meeting following the presentation.

#### Update on Electric Vehicle Plan

Mr. Morrow, using overhead transparencies, updated the Committee on the District's electric vehicle program. He briefly reviewed the objectives of the program which include use of electric vehicle knowledge and charger service to enhance business, provide an adequate and highly

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visible public charging infrastructure, determine the District's future

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role related to public fast charge stations and communicate the benefits of electric vehicles to our community.

Mr. Morrow reviewed the General Motors Electric Vehicle Program and how the District was cooperating with the electrical service need for recharging electric vehicles. He also reviewed the new electric vehicle programs of Honda and Toyota that were entering the market in California as well as those of Ford and Chrysler.

He said that the District's charge station plan was focusing on the following three areas: (1) public charge stations, (2) charge stations at work sites for employees and (3) commercial fleet charge stations. Mr. Morrow reported that the District's public charge stations will be implemented in phases, with Phase 1 being shopping centers such as Scottsdale Fashion Square and Biltmore Fashion Park. He also reviewed the future charge station sites for Phase 2 and Phase 3.

Mr. Morrow reported that APS also would be unveiling its plans for public charge stations at each of its nine business offices in addition to places such as Carefree, Paradise Valley Mall, downtown Tempe, and Arrowhead Town Center. He reported that eventually charge stations would be installed at work sites for employees and he discussed a developing model involving Motorola's Price/Elliott facility. Motorola has expressed an interest in having charge stations at all of its eight facilities.

Mr. Morrow stated that the District's role in providing commercial fleet charge station<sup>8</sup> requires further development but potential areas may include consulting services to assist in electric vehicle integration and leasing chargers/charge stations to support electric vehicle fleet operations.

In conclusion, he reported that the District had incorporated into its fiscal year 1997 budget the lease of eight electric vehicles and the purchase of five electric trucks. The District will also install inductive electric vehicle charge stations at IS B, PAB and Crosscut.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Ash and Dobson left the meeting during the presentation.

There being no further business to come before the Committee, the meeting adjourned at 11:50a.m.

William K. O'Neal  
Corporate Secretary

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MINUTES  
POWER COMMITTEE  
June 13, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, June 13, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett, and Directors Kempton, Marshall, and Riggins.

Absent at roll call: Directors Ash, Dobson and Rudd.

Others present: Directors Burton, Diller, Rovey and Weiler; staff members; Mmes. Alfano and Kimberly, and Messrs. Areghini, O'Neal, Reeves, Silverman and Underhill; others present Mmes. Shauna and Karen Arnett; and Messrs. Peters and Mattern of Trapper Mining, Inc.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 9:00 a.m. on Tuesday, June 11, 1996 by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Peters to proceed.

**Trapper Mine**

Mr. Peters, President and General Manager of Trapper Mine, Inc., briefly reviewed the importance of coal to the nation and provided several handouts of statistics. He then requested Mr. Maffern to continue with the presentation.

Mr. Mattern, Chief Engineer for Trapper Mine, using 35mm slides, discussed the history of the Trapper Mine, its delivery schedules through the year 2014 and the available reserves. Mr. Mattern continued with pictures depicting the actual mining process, including the equipment used, the reclamation process, and the efforts to maintain the wildlife habitat. He concluded with a review of the other services provided by Trapper in addition to its mining and reviewed individual financial statistics such as pre-tax income and breakdown of the major cost elements.

Mr. Peters continued the presentation with more specific financial data covering the years 1990 through the first quarter of 1996. In particular, he pointed out that Trapper Mine had paid dividends to the District of \$714,000 in 1994, \$1,160,000 in 1995 and \$1,450,000 in 1996.

Director Ash, Mr. McSheffrey and Mmes. James and Whisler entered the meeting during the presentation.

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Following the presentation, Vice President Williams and Messrs. Duckworth, Duncan and Rappoport entered the meeting.

FERC Orders 888 and 889 - Open Access Transmission

Ms. Whisler, using overhead transparencies, briefly reviewed Orders No.888 and 889 which had been promulgated by the Federal Energy Regulatory Commission (FERC) on April 24,1996, and discussed in detail at last month's Power Meeting. She stated that Order No.888 details the information for tariff requirements and recovery of wholesale stranded costs while Order No.889 details the information required for the electronic bulletin board and standards of conduct.

She reported that the District will file its tariff requirements with the Southwest Regional Transmission Association (SWRTA) in accordance with the SWRTA bylaws that had been previously submitted and accepted by FERC.

She explained in detail the general terms and conditions associated with the tariffs. Similarly, she reported in detail on the specifics of Order No.889, including the information for posting transmission availability and prices on electronic bulletin boards as well as the standards of conduct delineated in the order.

Ms. Whisler stated that tariffs are to be filed with FERC, through SWRTA, by July 9,1996, and requested that the committee recommend to the Board that the following rates reviewed at last month's Power meeting and again today be approved as follows:

Postage stamp point-to-point rate, \$21 .82/kW year

Mead-Phoenix point-to-point rates,

- Westwing Mead, \$18.26/kwyear
- Mead Market Place, \$6.034/kW year

Network integration rate, \$28.99/kW year

Ancillary services rates,

- Scheduling/Dispatching - part of transmission rate
- Generation Voltage Support, \$1.00/MWh

A motion was made by Director Kempton, seconded by Director Ash to grant approval as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. James and Whisler and Messrs. Reeves and McSheffry left the meeting.

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### Price Risk Management Program

Ms. Kimberly, using overhead transparencies, reported that the vastly changing market structure of the electrical utility industry had created increased financial risk and, therefore, utilities needed to adapt and address these risks proactively. The objective is to minimize risk exposure, and staff has developed a program to be used as a pilot to conservatively manage its price risk.

Ms. Kimberly defined price risk management and continued with several analogies comparing the electrical utility industry to the agricultural industry and the similarity of the risks, including those considered controllable and uncontrollable. Continuing with the same analogies, she described the instruments available in the financial markets that can help reduce the risks from uncontrollable factors existing in the physical markets. In particular, she reviewed hedging instruments that can be used to control price uncertainty. Ms. Kimberly emphasized that the District would be initiating a very conservative program to hedge prices and explained in detail the difference between hedging and speculation.

She reported that the pilot program would involve the following proposed applications:

#### Index/Cap Pricing

- Pilot one large (40MW) retail customer. \$15 million hedged of a total \$1,227 million.

#### Fuel Cost Hedge

- 50% firm/non-firm/natural gas purchases. \$10 million hedged of a total \$160 million.

#### Wholesale Sales

- 10% blend of long/short term sales. \$10 million hedged of a total \$112 million.

She briefly reviewed the advantages and disadvantages involved with such a program.

In conclusion, she stated that staff would be hiring a consultant to assist in establishing detailed program guidelines, controls and procedures as well as initiating a paper trading program. Staff will report back to the Committee in the August/September timeframe, prior to implementing the program.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

During the presentation Director Weiler left. Following the presentation Ms. Kimberly, and Messrs. Duckworth, Duncan, and Rapport left the meeting.

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### Operating Results for FY96

Mr. Underhill, using overhead transparencies, discussed the results of fiscal year 1996 production expense budget which totaled \$382.7 million. Included was a review of actual versus budget expenses for coal, nuclear purchases and interchanges, Valley generation and hydro.

Continuing, he also reported on the FY96 actual versus budget amounts of energy by major category, and system generation of 17,375 GWh by major generation sources such as coal, hydro, nuclear and Valley. Included were the capacity factors for the major fuel sources as well as for each individual generating station.

In conclusion, Mr. Underhill stated that the FY97 energy budget had been established at 25,278 GWh compared to the FY96 budget of 25,089 GWh. Production expenses for FY97 have been budgeted at \$420 million broken down as follows: coal, \$218.3; nuclear, \$22 million; valley, 15.1 million; purchase and interchanges, \$160.5 million; and hydro, \$4.1 million.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Dobson and Mr. Mendoza entered the meeting and Messrs. Mattern and Peters left the meeting.

### ESD&C Emergency Restoration Plan

Mr. Mendoza stated that staff had developed an emergency restoration plan that would be implemented this summer to contend with emergency outages and preparedness. The plan applies to three line divisions and is not a "how-to manual" but rather a checklist"outline to be used to provide consistency from job to job and establish a historical document for reference purposes. Mr. Mendoza handed out a copy of the manual and reviewed its purposes, the concerns addressed and the teamwork required for it to be successful. In conclusion he reported it was a flexible plan intended to evolve as experience dictates and would require training at the line division levels.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

On a motion duly made by Director Ash, seconded by Director Kempton and carried, Chairman Arnett called for an Executive Session at 11:35 a.m. to discuss matters authorized under the provisions of A.R.S. 38A31 .03 A.4.

### Executive Session

#### Discussion or Consultation with Attorneys Regarding Pending or

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Contemplated Litigation - A.R.S. 38-431 .02.A4

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Southern California Edison Company V. Peabody Western  
Coal Company.

The meeting reconvened into Open Session at 11:43 a.m. with the following members and others present: Vice President Williams; Chairman Arnett and Directors Ash, Burton, Diller, Kempton, Marshall, and Riggins, Rovey and Weller; staff members: Mmes. Alfano and Kimberly, and Messrs. Areghini, O'Neal, Reeves, Silverman and Underhill; others present Mmes. Shauna and Karen Arnett; and Messrs. Peters and Mattern of Trapper Mining, Inc.

Absent at roll call: Directors Dobson and Rudd.

Chairman Arnett stated there was no action to be taken as a result of the Executive Session.

There being no further business to come before the committee, the meeting adjourned at 11:45a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE  
July 11, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, July 11, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett, Vice Chairman Dobson, Directors Ash, Kempton, Marshall, Riggins and Rudd.

Others present: President Schrader and Vice President Williams Jr; Director Weiler and Council Liaison Kempton; staff members; Mmes. Alfano and Kimberly, and Messrs. Areghini, Duckworth, Jensen, Kirkeide, O'Neal, Slick and Tang.

Secretary O'Neal stated that, in compliance with A.R.S. §38431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 11:30 a.m. on Tuesday, July 9, 1996, by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Jensen to proceed.

Joint Use of Poles Agreement with US West

Mr. Jensen reported that the District has had a joint use pole contract with US West since 1954. He stated that over the past year, the parties have been negotiating a new contract which, in effect, will have two parts--general conditions and operating practices, and is ready for approval.

Continuing, he stated that the primary change to the general practices portion of the contract involves how disputes will be resolved. The old contract used the courts. The new contract would use binding arbitration.

The major changes to the operating portion of the contract were primarily the following:

Notice will be required for the installation of all new poles and new attachments.

The standard pole height will be 40 feet with the standard attachment 21 feet 4 inches.

All types of poles will be covered, not just wood.

The District will be responsible for the changeout of all poles used to carry voltages of 69 kv or higher.

The parity ratio would be revised such that US West owns 40% and the District owns 60% of the poles.

The pole value would be the District's cost of a 40 foot, class 4 pole and will use straight line depreciation for 45 years.

No attachment fee would be required for out of parity conditions with parity to be adjusted quarterly if it involves more than 100 poles.

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Emergency pole replacements during non-working hours would be priced at 200% of the normal pole cost.

The pole inventories will be maintained on electronic systems.

US West may bond its equipment to the District's system ground.

Mr. Jensen concluded by requesting that the Committee submit for Board approval the Joint Use Pole Agreement with US West as presented.

On a motion duly made by Director Marshall, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval for the Joint Use Pole Agreement as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Jensen left the meeting.

#### Proposed Changes to Real Time Pricing (RTP) Pilot

Ms. Schaefer reminded the committee that on June 1, 1996, the Real Time Pricing Pilot began its second year of the two-year duration. She stated that at the April, 1996 Power Committee meeting, Staff was authorized to extend the Real Time Pricing Pilot program to the E-63 class of customers in the event that the remaining three, of six approved openings, could not be filled with E-65 customers. At the April, 1996 Power meeting, Staff also agreed to return with additional detail on proposed pricing enhancements to the Real Time Pricing Pilot.

Using overhead transparencies, Ms. Schaefer reviewed the two-part rate of the current pilot program. One part includes a portion priced at the standard rate and applied to the customer's baseline load. The second part of the bill is priced at real time prices and applied to any deviations from the customer's baseline load. She reported that various customers have expressed an interest in adjustments for both the customer baseline load and the real time pricing.

In response, staff recommends is that an up-front premium be charged for changes requested by the customer to its baseline load, either up or down. She graphically illustrated an example of what the new load profile might look like after changes to the customer's baseline load.

In addition, she reported that staff is recommending that an up-front premium be charged for any temporary ceilings that might be implemented, at customer request, to the real time pricing portion of the rate. She also graphically illustrated how this pricing cap would work.

that each party can increase

wholesale revenues by offering desirable year-round products, reach larger markets, and participate in sales that would be unavailable when trying to do the sales alone. Additionally the alliance involved more players trying to sell more excess capacity. The initial focus would concentrate on deals with a duration of one to five years. Each of the participants could actively market any alliance product throughout the Western States Coordinating Council area. The participants would share any profits based on value contributed.

To illustrate the alliance concept, he used an example transaction wherein the District might enter into a \$25/Mwh deal for a year-around sale opportunity that otherwise would not be possible without the alliance arrangement.

He reported that the risks of the alliance were minimal since there is no obligation of any of the parties to participate in any prospective deal. The alliance would be for a one-year trial period formalized by a MOU.

In conclusion, Mr. Duckworth reviewed in detail the company characteristics of both Powerex and Tenaska and stated that the combined resources have a potential to allow the District to obtain greater access to the northwest wholesale markets and to earn higher margins on wholesale sales. Staff is, therefore, requesting that the Committee submit for Board approval the wholesale power marketing alliance concept that would be entered into via a non-binding MOU between the District, Tenaska, and Powerex with a goal of jointly marketing wholesale power.

On a motion duly made by Director Marshall, seconded by Director Ash and carried, the Committee agreed to recommend Board approval for entering into a MOU with Tenaska and Powerex to jointly market wholesale power.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to bring to the Committee, the meeting adjourned at 10:45 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE  
September 19, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30a.m. on Thursday, September 19, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett, Kempton, Marshall, Riggins and Rudd.

Others present: Directors Burton, Brooks, Rovey, Weiler and Council Liaison, R. Kempton; staff members; Mmes. Alfano, Campbell and Kimberly, and Messrs. Areghini, Harper, Hitt, O'Neal, Rojas and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38431, a meeting notice was duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 9:30a.m. on Tuesday, September 17, 1996, by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Harper to proceed.

Pending Sale of CGS Unit 3 Turbine/Generator Assets

Mr. Harper stated the purpose of his presentation was to provide a progress report on the sale of Coronado Generating Station (CGS) 3 equipment. He stated that the exclusive rights agreement with IPCO had expired and, subsequently, staff had entered into discussions with General Electric (G.E.) for a possible disposition of a portion of the assets.

Using overhead transparencies, Mr. Harper said that the general principles of the agreement with G.E. would be an exchange of the CGS 3 turbine/generator and boiler feed pump turbines for repair work primarily at Navajo Generating Station (NGS). Staff assessed the value of the repair work needed at \$6 to \$7 million and includes the following:

- Repair labor for NGS 3 low pressure rotors
- Replacement parts for NGS 2 and 3 generator retaining rings
- Other repair work at NGS, CGS and Santan that is still being negotiated.

Continuing, Mr. Harper briefly reviewed the chronology of the exclusive rights agreement with IPCO beginning in August, 1994 through August 15, 1996 when IPCO's extension of the exclusive rights agreement expired. He reported that IPCO had been notified that the District is discussing an agreement with G.E. for the turbine/generator assets and IPCO has subsequently expressed an interest to extend the exclusive rights agreement on the remaining portion of the CGS 3 assets through November 1, 1996 for an additional \$100,000.

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in summary, Mr. Harper requested that the committee recommend for Board approval the following:

Authority to negotiate and enter into an agreement with G.E. wherein the District would exchange turbine/generator assets for labor and replacement parts at NGS and other locations with an approximate value of \$6 to \$7 million.

Offer to IPCO an exclusive rights agreement for the remaining CGS 3 assets through November 30, 1996 at a cost of \$100,000.

Negotiate the final terms of the sales agreement with IPCO.

Authority to enter into a purchase agreement with IPCO for \$10 million for the remaining CGS 3 assets less the \$2.85 million in payments already received from IPCO.

Directors Ash and Dobson entered the meeting during the presentation.

On a motion duly made by Director Rudd, seconded by Director Dobson and carried, the Committee agreed to recommend Board approval to pursue an agreement with General Electric (G.E.) and IPCO as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Harper left the meeting.

#### Scrubber Project Status Report

Mr. Rojas, using overhead transparencies, updated the Committee on the scrubber project currently under way at Navajo Generating Station. He reviewed the schedule beginning in 1992 through the 3rd unit in-service date of August 19, 1999. He reported on the major purchase orders awarded for construction procurement and engineering stating that in total, 93% of the needed work has been awarded. He briefly reviewed those contracts yet to be awarded, stating that the limestone supply would be the largest contract to be awarded.

Continuing, he reviewed the labor force being used including the number of Navajos. In conclusion, various years of budget data were reviewed showing that the overall original budget of \$500 million had been revised to an estimated \$470 million. He also reported on the dollar amounts of scope changes and other measures of performance such as safety, and stated that the project has done extremely well and, in fact, is expected to be one of the lowest cost projects built in the U.S., at approximately \$21 01kW.

Mr. Rojas then played videotape for the committee which discussed the various stages of the scrubber project.

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Messrs. Areghini and Rojas left the meeting. Messrs. Beddome, Hayslip, Sherman and Trangsrud entered the meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Declaration of Surplus - Fiber Optic Capacity

Mr. Hayslip, using overhead transparencies, reported that it was his purpose to request that the Committee submit for Board approval a resolution to dispose of surplus fiber optic cable capacity.

He stated that the District currently has a fiber optic network that links its valley substations and includes approximately 165 miles of existing fiber cabling with an additional 320 miles planned for the future. The fiber cable is used primarily for electric system communications and control.

Of the fiber optics currently in the completed network, much of it is in excess of the District's needs. As a result, the District has the opportunity to lease some of the surplus fibers to the telecommunications industry. In order to do so, however, some additional investment would be necessary in order to increase the fiber count on high traffic segments and interconnect with telecommunications "hubs." The opportunity to joint venture with telecommunications provides a way to enhance the financial performance of the District.

Continuing, he reminded the Committee that the Board had previously approved the general parameters in which staff could negotiate with Electric Lightwave, a telecommunications company, for a joint venture involving the District's fiber network. Mr. Hayslip stated that staff was successful in negotiating an agreement with Electric Lightwave which was consistent with the Board's guidelines and, in fact, was signed on November 10. It is estimated the agreement would provide a 35.6% internal rate of return with a payback period of six (6) years and positive cash flows at year four (4) with \$22.6 million over revenue anticipated during the six-year financial plan. The more significant terms, among others, of the agreement were reviewed as follows:

The District would lease dark fiber to ELI.

ELI would manage the commercial network and build any network needed outside the District's service area.

The District and ELI would coordinate marketing efforts.

Both parties would receive equal internal rates of return.

Net income would be shared on a pro rata basis.

ELI would pay the District for operating services.

Other District and ELI expenses would be treated as investment for income sharing.

Fifteen (15) year term

Key termination provisions involving financial performance standards-SO/SO split of

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telecom consumer value upon early termination and limitations on the future use of District facilities.

ELI would own all telecom electronics.

The District would receive 5% of network capabilities for its own "utilicom" purposes.

The District would have the option to resell unbundled network elements or ELI services under their own brand at "most favored nation" prices.

In conclusion, Mr. Hayslip requested that the Committee recommend Board approval of a resolution to dispose of existing surplus fiber optics cable capacity, and to install additional excess capacity.

On a motion duly made by Director Kempton, seconded by Director Riggins and carried, the committee agreed to request Board approval of the resolution as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Hayslip and Sherman left the meeting.

#### Gila River Indian Community (GRIC) Request for Electric Service

Mr. Beddome, using overhead transparencies, stated that the purpose of his presentation was to inform the committee of the possibility for signing a letter of agreement with the Gila River Indian Community (Community) to serve their electrical loads in a 500-acre parcel near the Firebird Lake area known as the New Casino Complex plus an additional 80-acre area that will be expanded within the Lone Butte Industrial Park. He reviewed a map depicting the area that would be served and stated that absent this agreement this area would be served by the San Carlos Indian Irrigation Project (SCIIP). However, the power served by SCIIP has been unreliable and their system is in need of repairs; therefore, the Community has requested service from the District. He reported that the District estimates the capital improvements needed to serve the load would be approximately \$560,000 and that there was a possibility in the future that the capital improvements would be transferred to a tribal utility authority. He stated that any service would be provided in accordance with the applicable standard electrical rate schedules and any associated facility charges.

In conclusion, he reported that initial discussions had also been had concerning a future receiving station on the Indian community in order to serve this expanding area.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Weiler and Messrs. Beddome and Trangsrud left the meeting.

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SRP Rules and Regulations Update

Ms. Campbell stated that she would be requesting that the Committee recommend Board approval of changes to the District's Rules and Regulations. She stated that the Rules and Regulations are Board approved rules for dealing with customers regarding basic

electric service standards. The Rules and Regulations were last updated in June of 1995 to reflect the Board approved E-60 rate series as well as non-rate related modifications.

Using overhead transparencies, she reported that the recommendations for changes involved the following major areas; update for recent Board actions involving rates and services, housekeeping changes, portions needing further clarification, and updates to better reflect modifications of business practices.

In conclusion, she provided more detail concerning the changes as contained in the strike-out version in the completed document which was given to all those present. She noted that the document name had been changed to "Electric Service Guidelines" in order to reflect a more user friendly document, but that all references to "Rules and Regulations" had been retained including the reference on the cover page.

On a motion duly made by Director Kempton, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval of the changes to the Rules and Regulations guidelines as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Campbell left the meeting. Messrs., Hawkins, Peterson and Garland of Dames & Moore, entered the meeting.

RS16 Schrader Transmission Project

Mr. Peterson, using overhead transparencies and charts, updated the Committee on the status of the RS1 6 project in South Chandler, now known as the Schrader Transmission Project. Mr. Peterson reported that the Certificate for Environmental Compatibility needed from the Arizona Corporation Commission (ACC) had been approved and grants the entire route and alignment of the Schrader Project, except for the alignment 2.4 miles along Ocotillo Road. He reported that the only question concerning the Ocotillo Road alignment is whether or not the line will be on the north or south side of the road or a combination thereof. As a result, a public process will be employed to study the Ocotillo alignment with the resulting recommendation submitted back to the ACC.

He stated a "fact sheet" and other descriptive information had been developed and that all

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landowners fronting Ocotillo Road would be notified of an open house in order to discuss the alignment. In addition to the meetings held with individual landowners; a telephone answer line will be installed and oral or written comments are encouraged. All landowners along Ocotillo Road would be notified of the conclusions drawn from the public process and SRP's recommendation. All landowner comments would be submitted to the ACC. The landowner in meetings would begin on October 1. The public process is expected to be completed in eight (8) weeks and a recommendation submitted to the ACC in December 1996.

In conclusion, Mr. Peterson reviewed the schedule for the entire project beginning with the October alignment and including completion of the Schrader Receiving Station, the Schrader to Synergy 69 kV Line, the Corbel to Schrader 230 kV Line and the Santan to Schrader 230 kV Line. The Corbell to Schrader 230 kV Line and the Santan to Schrader 230 kV Line which is expected in July 1998.

The meeting adjourned at 11:20 a.m.

MINUTES  
POWER COMMITTEE  
October 17, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, October 17, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett and Director Marshall.

Others present: Directors Brooks, Burton, Diller, and Council Liaison, R. Kempton; President Schrader, Vice President Williams Jr; staff members; Mmes. Alfano, Schaefer, and Messrs. Bonsall, Duckworth, O'Neal, Silverman, Soethe, and Yee.

Secretary O'Neal stated that, in compliance with A.R.S. §38-43 1, a meeting notice had been duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 9:30 a.m. on Tuesday, October 15, 1996, by Karen Umber of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Silverman to proceed.

Gila River Indian Community (GRIC) Request for Electric Service

Mr. Silverman reported that the Gila River Indian Community (GRIC) had recently introduced new issues into the negotiations for electric service that were not acceptable to the District and, therefore, this request had been deleted from the agenda.

Competitive Analysis

Mr. Duckworth stated that the recent talk of restructuring in the electric utilities industry, both nationally and at the state level, had created many questions concerning the perceived relative advantages and disadvantages of public versus private ownership of utilities, often referred to as "leveling the playing field."

In response to these "so called" competitive advantages, District staff had Arthur Andersen perform a study that removed the various federal and state tax and other governmental benefits associated with each form of ownership. Using overhead transparencies, he reported that the public power utilities had the following benefits removed:

Preference Power  
Income Tax Exemption  
Tax-Exempt Financing

In comparison, private power utilities had the following benefits removed:

Deferred Income Taxes  
Investment Tax Credits

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- Tax-Exempt Financing

Continuing, he reviewed what the conclusions of the study were without these benefits on the District's rates. With water support included and excluded from the calculations, the increases were 6.6% and 3.6% respectively. A similar comparison of investor owned utilities without the benefits of deferred income taxes, investment tax credits, and tax-exempt debt showed increases of 6.8%, 4.1% and 4.9% respectively. Mr. Duckworth reviewed how the District would compare to Arizona Public Service Company (AP S), Tucson Electric Power Company (TPE), and PacifiCorp with the benefits removed. The results showed that APS and TPE would still be more expensive per kWh than the District, with PacifiCorp being the cheapest.

In conclusion, he stated that rates for each of the utilities would increase, however, the relative cost rankings would stay the same.

Mr. Silverman continued the presentation with updates concerning the competition issues being studied at the federal and state levels and the position of the large public power utilities. Mr. Silverman reviewed the law the California legislature had passed relative to public utilities' ability to compete with private utilities.

In conclusion, Mr. Silverman reported in detail what staff believes would be the effects on the District of the Arizona Corporation Commission's draft rules concerning retail wheeling in Arizona and what the District would be doing to try to remain competitive.

Director Ash, Council Chairman Rousseau, and Messrs. Lowe and Hughes entered during the presentation. Mr. Rappoport entered following the presentation, and Messrs. Nichols and Yee left following the presentation.

#### Buyback Service Rider-Extension to All Residential and General Service Rates

Mr. Soethe, using overhead transparencies, stated the District used the Buyback Service Rider, supplemental to the Large General Service and General Service Time-of-Day Rate Schedules, to buy energy from District's Customers who produce excess energy from customer-owned generation. He stated that three customers now receive buyback payments; namely, Solar One, Arizona Dairy and Western Savings.

He reported that staff had recently received a request from a residential customer to buyback some of his solar generation. Mr. Soethe stated that the District had no mechanism to honor the request and, therefore, was proposing that existing buyback provisions be extended to Residential and General Service Non-Time-of-Day Rate Schedules. He reported that any energy sold to the District must be separately metered and time-of-day metered with the customer paying for any additional metering and hook-up fees, etc.

In conclusion, he stated that the statutory rate process was not needed for these changes and requested that the Committee recommend to the Board approval of extending the buyback service rider to Residential and General Service Non Time-of-Day rate schedules effective

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November 5, 1996.

On a motion duly made by Director Marshall, seconded by Director Ash and carried, the Committee recommended that the proposed extension of the Buyback Service Rider to Residential and General Service Non-Time-of-Day Rates Schedules and the proposed implementation date of November 5, 1996, be presented to the Board for approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Rappoport left the meeting and Mr. Areghini entered the meeting.

#### Electric System Reliability Issues with Motorola

Mr. Bevier, using overhead transparencies, reported that as a result of recent outages at various Motorola sites, the District had looked extensively at its system reliability. He reported that the reliability at the specific Motorola sites was slightly better than the District system average; however, the past 12 months had been difficult with three disruptive incidents to the Motorola production processes. As a result, Motorola expressed its displeasure with the District's reliability and retained a consultant to do an independent study. Motorola has also filed two claims against the District for production losses.

In response, senior management met with Motorola and also worked closely with the consultant hired by Motorola. Mr. Bevier reported that the facilities staffs of both organizations continued to meet regularly and that improvement opportunities had been identified and implemented.

Mr. Bevier discussed, in detail, several programs that had been completed or are in the process of being completed that should improve system reliability. The programs include construction of Display Substation, the wood pole inspection, treatment and replacement program, and reassessment of tree trimming. He reported that in addition, the District continues to: (1) build out its fiber optic system; (2) remove under-built 12 kV from critical double circuit lines; (3) add differential relaying at Micro Substation; and (4) add steel poles outside Micro and Omega Substation.

In conclusion, Mr. Bevier reported that longer term solutions would include strengthening the transmission and distribution systems, applying new technologies at the substation level, and strengthening the tools used in the manufacturing process.

Ms. Schaefer and Mr. Soethe left the meeting.

#### Automated Meter Reading Implementation

Mr. Lowe stated that his presentation was informational and regarded plans for two separate sites that would be involved in an automated meter reading (AMR) pilot program in FY98. Using

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overhead transparencies. Mr. Lowe stated that each month 640,000 meters are read for billing at an approximate cost of \$.80 per read. An additional 16,000 reads are made for turn-ons

and turn-offs at approximately \$8 per read. The District has 116 front line employees that provide this service.

Mr. Lowe stated that new technology allows fully automated meter reading using a fixed radio network. As a result, utilities are investing and doing pilot programs for automated meter reading. Some of the advantages of AMR include improved operating efficiencies, safety, customer privacy, and the opportunity to offer new products and services. Examples of some of the enhanced products and services include summary billing, customer selected billing dates, real time pricing for residential and small commercial accounts, home automation, meter reading for others, and on-line resolution of high bill complaints.

Mr. Lowe reviewed a list of other utilities that are investing in AMR and stated that the District's pilot program would provide good information concerning its future potential.

Mr. Lowe concluded by stating that staff had identified two areas for its pilot--namely Mesa, in the area bordered by Main, Baseline, Price and Stapley, and Fountain Hills. The initial pilot is not to exceed \$7 million and is contingent on funding in the FY98 financial plan.

The meeting adjourned at 11:30 a.m.

MINUTES  
POWER COMMITTEE  
November 26, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 10:00 am. on Thursday, November 26, 1996, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett and Vice Chairman Dobson; Directors Marshall, Riggins and Rudd. Others present: Directors Brooks, Diller, Weiler; Council Chairman Rousseau and Council Liaison, R. Kempton; President Schrader; and Staff members; Mmes. Alfano, Kimberly and Urias and Messrs. Bonsall, Duckworth, Koons, McGinnis, O'Neal, Reeves and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-43 1, a meeting notice had been duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at noon on Friday, November 22, 1996, by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order at 10:00 am.

Trapper Mining, Inc. - Board of Directors Fees

Mr. Reeves, using overhead transparencies, reviewed for the committee the current District representatives that serve on the Trapper Mining, Inc. Board of Directors-namely Bill Arnett, Gary Harper and Glen Reeves.

In conclusion, he informed the Committee that effective October 16, 1996, the Board of Directors' fees for existing directors were changed from \$150/day to \$500/day for travel and \$300/day to \$500/day for business. Additionally, the Board of Directors had approved new compensation for the chairman and vice chairman for the Board of Directors wherein the chairman will be paid an annual fee of \$5,000 and the vice chairman an annual fee of \$2,500.

Director Ash and Council Chairman Rousseau entered the meeting during the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Power Sale Agreement with Comision Federal de Electricidad (CFE)

Mr. Bonsall, using overhead transparencies, briefly reviewed the District's "Mexico Strategy" and the recent request for proposals (RFP) by Mexico's CFE.

He reported that the District, as well as other major electric suppliers, view Mexico's increasing demand for electricity as an opportunity to sell excess power and develop international

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relationships. He stated that CFB had issued an RFP in September 1996 for a 200 MW sale for

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delivery to the City of Jaurez, Mexico. Nine companies were issued RFPs and eight responded. On November 7, 1996, CFE announced that it had selected the District.

As a condition for awarding the bid, the District had 10 days to demonstrate to CFE that it had firm transmission access for the delivery. Mr. Bonsall reported that the District immediately began to have problems with El Paso Electric Company (El Paso) concerning the transmission access. As a result, the District could not meet its 10-day obligation for firm transmission access and CFE ended negotiations with the District and initiated discussions with the second lowest bidder, El Paso.

In conclusion, Mr. Bonsall reviewed why open access in accordance with rules of the Federal Electric Regulatory Commission (FERC) had not occurred and whether or not El Paso Electric had negotiated in good faith. He discussed the options that the District might pursue with FERC and El Paso and stated that the District would continue to pursue its overall "Mexico Strategy".

Director Burton and Ms. Whistler and Messrs. Carroll, Gerlock, Peterson and Hawkins entered the meeting during the presentation. Mmes. Whistler and Urias and Messrs. Duckworth, Koons and Reeves left the meeting after the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Full Electric Service Rider (FESR)

Mr. Bonsall, using overhead transparencies, reminded the Committee of the Full Electric Service Rider (FESR) that was offered to E65 dedicated substation customers beginning in June, 1995. He reported that two types of agreements were available-namely five- and six-year with 250 MWs available for each agreement on a first come, first served basis. In return for the agreements, the customer received a 3% discount per year on their bill. He reviewed those customers who had signed agreements and stated that the original commitments totaled 487 MWs of the 500 MWs that were authorized. Mr. Bonsall briefly reviewed the provisions of the FESR.

Mr. Bonsall reported that American Magotteaux, one of the customers on the six-year contract, was closing their operation by January 31, 1997, thus freeing up another 17 MWs, creating a total of 30 MW that was now available within the 500 MW cap. Mr. Bonsall stated that four E65 accounts had not opted for the full electric service rider during the first eligibility period, and three new E65 accounts had been established since June, 1995. He stated that management, therefore, concluded that it would be advantageous to open up the full electric service rider for an additional 90-day period and try to fill up the subscriptions for the remaining 30 MWs.

In addition to opening up the contract opportunities for the E65 accounts, management proposed that E65 accounts be allowed to add affiliated E63 accounts to the full electric service rider with E65 customers having first choice. To accommodate all eligible customers on the rider, it was recommended that the cap be increased to 545 MW.

Mr. Bonsall stated that it had been determined that the full rate process should be utilized in opening up the full electric service rider. He reviewed the schedule for the rate process which

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would begin with public notification and opening of the rate room on December 6, and conclude with a Board decision on February 3, to be implemented on February 8.

On a motion made by Director Marshall, seconded by Director Dobson and carried, the committee recommended Board approval to initiate proceedings to change the Full Electric Service Rider requirements as presented.

Vice President Williams entered the meeting during the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### SRP/INTEL Power Quality and Reliability Team

Mr. Bonsall, using overhead transparencies, reported that the District and Intel had established a power quality and reliability team in June of 1995 to foster a power quality partnership with a goal of eliminating electric disturbance interruptions that affect processes at Intel. He reviewed the accomplishments of the team to date and reported that the major finding was that 70% of the electric disturbances are uneconomical to mitigate at the utility level. He stated that the most effective potential solution to the remaining disturbances was a Westinghouse Dynamic Voltage Regulator. The device is an addition, at the dedicated substation level, that would protect Intel from some electric disturbances that might affect its manufacturing processes. He reported that such devices cost approximately \$3 million each and that two such devices are being contemplated. There is also an installation charge of approximately \$1 million bringing the total to \$7 million.

In conclusion, he stated that a cost benefit analysis is being conducted in addition to various approaches that might be utilized to pay for these devices.

Mmes. Alfano and Kimberly and Messrs. Bonsall, Carroll, McGinnis, and Weiler left the meeting after the presentation.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### RS16 - Ocotillo Road Alignment Study

Mr. Peterson presented the status of the Ocotillo Road Alignment Study. He reminded the Committee of the recent decision by the Arizona Corporation Commission (ACC) in granting the District the transmission corridors involving the RS 16 Project in South Chandler. Within the overall approval, there was a two and one-half mile segment along Ocotillo Road that needed to be resolved and brought back to the ACC for its final approval of that particular segment.

Mr. Peterson stated there were 30 landowners along the two and one-half mile strip--some wanting the alignment on the south side and some wanting the alignment on the north side. He stated that

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each of the 30 owners were involved in discussions and open meetings in an attempt to resolve the alignment to everyone's satisfaction. He reported that this was not totally successful and that the District had submitted Option A, one of the two options previously offered to the ACC, as its final option to be approved by the ACC. He reported that several of the land owners are still not pleased with the option that was filed with the ACC and have threatened legal action. Staff has been meeting with these land owners regularly and it is hoped that a compromise can yet be reached wherein this short segment of the transmission line might be placed in a location wherein it becomes part of the median when Ocotillo Road is improved.

There being no further business to come before the Board, the meeting was adjourned at 11:45 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

December 12, 1996

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30a.m. on Thursday, December 12, 1996 in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Vice Chairman Dobson; and Directors Ash, Marshall, and Rudd.

Absent at roll call: Directors Kempton and Riggins.

Others present: President Schrader; Vice President Williams, Jr.; Council Chairman Rousseau and Council Liaison Kempton; and Directors Burton, Diller, and E. Rovey. Staff members: Mmes. James, Kimberly and Schaefer, and Messrs. Areghini, Beddome, Bonsall, Duckworth, O'Neal and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice had been duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 11:30 a.m. on Tuesday, December 10, 1995, by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Ms. Kimberly to proceed.

Ancillary Service Charges for SRP's Open Access Transmission Tariff

Ms. Kimberly reminded the Committee that last July staff had filed, with Southwest Regional Transmission Authority (SWRTA), its open access transmission rates for the following:

Point-to-point rate  
Network integration rate  
Ancillary services

She reported that all of the rates were based on costs and included rate of return and were consistent with previously approved FERC rules. She reviewed the transmission rates including the generic ancillary service rate of \$0.001 kW-year, adding that the ancillary service charge would be readdressed in the near future to reflect charges specific to the District.

Ms. Kimberly stated that the District is now prepared to recommend six ancillary service rates to replace the current generic rate. She stated that two of the six rates are associated with the point-to-point service--namely: Scheduling, system control, and dispatch; and reactive supply and voltage control. The other four rates are offered with network service as follows:

Regulation and frequency response  
Energy imbalance  
Operating reserve - spinning  
Operating reserve - supplemental

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Ms. Kimberly described each of the rates and recommended that the Committee request Board approval for the following ancillary service rates that would be filed with SWRTA and become effective January 7, 1997.

Scheduling, System Control and Dispatch	\$0.84/kW-year - Included in transmission rate
Reactive Supply & Voltage Control from Generation Sources.	\$2.32/kW-year
Regulation & Frequency Response	\$10.88/kW-year
Energy Imbalance	Load must be +/-1.5% of schedule, penalties applied to deviations.
Operating Reserve – Spinning	\$11.59/kW-year
Operating Reserve – Supplemental	\$5.70/kW-year

A motion was duly made by Director Rudd, seconded by Director Marshall and carried, to recommend Board approval of the ancillary service rates as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Director Kempton entered during the presentation. Following the presentation, Messrs. Areghini and McSheffrey left the meeting and Mr. Daer entered the meeting.

#### Gila River Indian Community (GRIC) Request for Electric Service

Mr. Beddome, using overhead transparencies, stated that the purpose of his presentation was to recommend the District enter into a letter of agreement with the Gila River Indian Community (Community) to serve the electrical loads in a 500-acre parcel near the Firebird Lake area known as the New Casino Complex, plus an additional 80-acre area that will be expanded within the Lone Butte Industrial Park. He displayed a map depicting the area that would be served and stated that absent this agreement, this area would be served by the San Carlos Indian Irrigation Project (SCIP). However, the power served by SCIP has been unreliable and its system is in need of repairs; therefore, the Community requested service from the District.

He reported that the District estimated the capital improvements needed to serve the load would be approximately \$560,000 and that there was a possibility that the capital improvements would be transferred to a tribal utility authority. He stated that any service would be provided in accordance with the applicable standard electrical rate schedules and associated facility charges.

In conclusion, he reported that Initial discussions had been held concerning a future receiving station on the Indian community in order to serve this expanding area and to support continued growth within the District.

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A motion was duly made by Director Marshall, seconded by Director Ash and carried, to request Board approval to execute a Letter Agreement and related service agreements with GRIC for service to a 500-acre parcel known as the new casino complex and an 80-acre expansion within the Lone Butte Industrial Park operated by GRIC.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Ms. James and Messrs. Beddome and Duckworth left the meeting.

Ms. Jensen entered the meeting.

#### Update and Proposed Change to Real Time Pricing (RTP) Pilot

Ms. Kimberly, using overhead transparencies, stated that she would be updating the Committee concerning the RTP pilot, in addition to recommending some changes. She stated that the real time pricing rate is a two-part rate consisting of a previously established customer baseline load that is billed at the standard electric rate and a real time pricing piece that is billed at posted real time prices for any load that exceeds the customer baseline load. She reported that the 1996 year-to-date price fluctuations for those participants on the pilot ranged from a minimum of \$.009 to a maximum of \$.52 PER kWh.

She also reminded the committee that the RTP pilot had implemented a price risk management plan that included the ability to purchase price caps for on-peak RTP and certain modifications to the on-peak customer baseline load. She provided examples of the savings that had been achieved from three of the customers on the real time pricing pilot-namely, Air Products, American Magotteaux, and McDonnell Douglas. She stated that American Magotteaux had recently ceased doing business and, therefore, additional room was available in the real time pricing pilot.

In addition, staff has had requests from other customers desiring to be placed on the real time pricing pilot, and, in particular, Cable Systems International, an E-65 customer with a 12.6 MW average load and \$5.83 million in annual revenue. As a result, staff is requesting that the Committee recommend to the Board some changes to the real time pricing pilot as follows: Allow E-63 and E-65 customers with loads not exceeding an average of 15 MW annually to participate in the RTP pilot while keeping the maximum number of customers available to participate at six (6). This would necessitate increasing the maximum allowable load served from the system to 90 MW from the current 60 MW.

A motion was duly made by Director Marshall, seconded by Director Kempton and carried, to recommend Board approval of the changes to the Real Time Pricing Pilot as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

#### Cable TV and Telecommunications Pole Attachment Fee

Ms. Schaefer, using overhead transparencies, reported that the District currently has two pole attachment fees-namely \$6.83 per pole for cable TV attachments and \$16.15 per pole for telecommunications attachment. She stated that the cable TV attachment fee uses a "modified"

Federal Communications (FCC) formula since the District is not directly subject to the FCC formula. In contrast, she stated the telecommunications pole attachment fee had been established prior to

adoption of the Federal Telecommunications Act 1996 and reflected the District's cost basis for the rate.

Ms. Schaefer reviewed the formula that the District used to develop the cable TV rate. Updating the 1996 costs to 1997 costs produced a \$6.97 cable TV pole attachment fee which does not exceed the Board established plus or minus 5% deadband. Therefore, no change was needed to the current rate.

Ms. Schaefer reported that the Telecommunications Act of 1996 had addressed pole attachment fees for telecommunication providers. She stated that public power remains exempt from the FCC jurisdiction; however, the Act did specify how telecommunication providers should be treated for those under FCC jurisdiction. Under the Act, the telecommunications rate will be based on the cable TV formula for the next five (5) years. Then a new cost based FCC formula would be applied to telecommunication providers and phased in through years six (6) to ten (10). She stated that there are no direct impacts to the District; however, there could be political pressure on the District to allow the telecommunication providers the same cable TV rate. She reported that eventually those under the jurisdiction of the FCC would see a two-tiered approach similar to that used by the District.

She reviewed the current rate charged by the District for telecommunications providers, which is \$16.15 per attachment plus the reservation of eight (8) dark fibers to be used by the District. She reported that a recalculation of the fees based on 1997 costs revealed that the plus or minus 5% deadband had been exceeded and that the rate for 1997 should be increased to \$17.16 per attachment. As a result, staff intends to begin a telecommunication pole attachment fee adjustment process beginning with a formal Board presentation and public hearing in February and re-addressed at the Board meeting in March for the Board's decision.

Staff will recommend an increase in the telecommunications pole attachment fee to \$17.16 per pole, and elimination of the eight (8) dark fiber provision. However, the telecommunications rate will not actually be applied until the year 2001, similar to the new FCC for those under its jurisdiction. In the interim, such users will be charged the SRP cable TV pole attachment rate. In January, staff will begin the process with the public notice and notifying applicable companies of its intentions.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Mr. Jensen left the meeting.

#### Fuel Escalator

Ms. Schaefer reported that she would review the calculation of the fuel escalator and alternatives to the fuel escalator.

Using overhead transparencies, Ms. Schaefer reported that the fuel escalator, in September, had exceeded the plus or minus 1 mill Board approved deadband. In September the fuel rate of 13.097 mills per kWh was not sufficient to recover the estimated fuel plus purchased power costs for the next 19 months. She stated, however, that since September, updated cost forecasts had been applied to the September calculation and that it no longer exceeded the plus or minus 1 mill deadband.

Ms. Schaefer stated that since December, 1992, the District had experienced a steady fuel escalator with any inflationary impacts on fuel having been offset by the Central Arizona Water Conservation District not using its full allotment, excess hydro power, and lower than forecasted gas prices. She reported that these conditions have changed and the stability of the fuel escalator will erode through the FY98 fiscal plan. She stated that the short-term challenges surrounding the fuel escalator point to a continuation of the under-collected position and, therefore, staff is reviewing alternatives on how to deal with the under-collected balance. She stated that the long-term concerns were even more challenging given some above-market prices with built-in inflation clauses in some fuel contracts.

Continuing, she stated that Staff has reviewed the following three options: (1) Continue with the current fuel escalator, (2) eliminate the fuel escalator now, or (3) eliminate the fuel escalator at the next rate adjustment. She continued with the pros and cons of each of the options and stated that staff would be preparing a recommendation.

In conclusion, she stated that nine (9) southwest utilities were operating with no fuel escalator compared to five (5) that were operating with a fuel escalator. She reviewed the current options that staff is evaluating to deal with the under-collected balance including potential actions relating to the Pittsburgh and Midway Coal Contract, other accounting treatments, including a write-off of the balance at fiscal year end and possibly rebasing the fuel escalator.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Since there was no further business to come before the committee, the meeting adjourned at 11:30 a.m.

William K. O'Neal  
Corporate Secretary

1997

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MINUTES  
POWER COMMITTEE

January 14, 1997

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30a.m. on Tuesday, January 14, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Kempton, Marshall, Riggins and Rudd. Absent at roll call: Vice Chairman Dobson and Director Ash.

Others present: President Schrader, Jr.; Council Chairman Rousseau; Director Brooks, Burton, Diller and Rovey; Mmes. Alfano, Barrego, Curtis and Kimberly; and Messrs. Areghini, Beddome, Bonsall, Duckworth, Koons, Ijams, O'Neal and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice had been duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 9:30a.m. on Friday, January 10, 1997, by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested Mr. Beddome to proceed.

Gila River Indian Community (GRIC) Request for Electric Service

Mr. Beddome, using overhead transparencies, reminded the committee that he had made two presentations in the past concerning retail service to the Gila River Indian Community. The most recent presentation was made at last month's Power meeting at which time the committee agreed to recommend to the Board entering into a letter agreement with the Gila River Indian Community for retail service. However, subsequent to that recommendation being finalized by the Board, further negotiations were entered into concerning retail service compared to wholesale service with taxation being the critical issue for GRIC.

Therefore, management is now recommending that service to GRIC be provided as a wholesale sale rather than a retail sale. Mr. Beddome reported that the letter agreement previously prepared would be modified to reflect a wholesale delivery. Mr. Beddome stated that in addition to the letter agreement, several separate agreements would be required to cover construction costs, transmission/ancillary tariff, distribution operations and maintenance, and power sale. He reported that the transmission/ancillary tariff would be consistent with that recently approved by the Board. Mr. Beddome stated that GRIC would provide funding and own the distribution system beyond the District's delivery point at Pecos and 40th Street. The estimated annual revenues to the District would be \$403,000 from the power sale, \$149,000 for the transmission, and \$201,000 for the distribution operation and maintenance, for a total of \$753,000.

Mr. Beddome concluded by stating the initial term of the wholesale agreement is four (4) years and that power would be delivered to the Gila River Indian Community Utility Authority with the Utility Authority setting the prices for its end users.

In conclusion, Mr. Beddome requested that the Committee recommend Board approval of this

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wholesale sale and execution of the necessary letter agreement and related service agreements with the Gila River Indian Community Utility Authority, as presented.

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A motion was duly made by Director Marshall, seconded by Director Ash and carried, to request Board approval for the execution of a letter agreement and other related agreements with the Gila River Indian Community Utility Authority as presented.

Director Ash entered during the presentation. Mr. Ijams left the meeting. Mr. Rappoport entered the meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### District's Four Point Plan for Competition

Mr. Silverman, using overhead transparencies, reviewed the District's Four-Point Plan for positioning itself for competition which includes:

- Allowing Customer Choice
- Maintaining a Distribution Monopoly
- Maintaining Public Power Status
- Developing an Affiliate

Continuing, Mr. Silverman reviewed background events that have been reshaping the electric utility industry beginning with the most current event when the Arizona Corporation Commission (ACC) approved its final rules for competition on 12/23/96. He also reported on the key personnel changes that occurred within the ACC as a result of the last election.

He stated that Arizona had also appointed a Legislative Study Committee on Competition in 1996. The purpose of the Committee was to study the effects of competition and make recommendations to the State legislature. The committee will not meet again until April.

Mr. Silverman briefly reviewed utility competition and restructuring at the federal level in 1996 and the recent activities in various states, including California, which some consider to be the restructuring model. He reported that in addition to the pressure at federal and state levels, customers, anticipating that electric utility restructuring will provide lower prices, are also actively pursuing utility restructuring.

Mr. Silverman said that deregulation in Arizona was occurring much faster than most had anticipated and that under the ACC's rules 20% of the customers will have choice by January 1, 1999.

To prepare for this competition, staff is focusing on formation of the affiliate, the fourth point of the Four Point Plan.

Mr. Silverman stated that the goal of the affiliate would be to market stranded generation at the highest profits possible in markets outside the District's electric service area in Arizona, and in contiguous states. The affiliate would be taxable and subject to the same rules and regulations as its competitors. The affiliate would have arms-length dealings with the District and also be allowed to partner in order to provide energy services and possibly even natural gas. The affiliate would promote its energy services and products by direct sales and mass marketing.

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Included in the major activities of the affiliate would be:

Business Strategy and Planning Alliance Development and Maintenance  
Contract Management and Customer Service  
Managing Resources.

Mr. Silverman stated that the affiliate would need a power agreement with the District. Staff estimates 100 MW would be transferred to the affiliate in the initial stage with biannual transfers at the District's discretion. All transfers would be priced at market prices. Any support services would be contracted for, most likely, with the District. Mr. Silverman stated that from now through May 1, 1997, staff would be developing the key staffing positions as well as pre-start-up activities with operations scheduled to begin May 1, 1997. This would allow the affiliate to begin competing with others when open competition begins in California on January 1, 1998. In addition, the affiliate would need initial financing of \$6 million to seed the operation. He reported that profitability and dividends were not expected until fiscal year 2001. Any dividends would be payable to the District.

In conclusion, Mr. Silverman requested that the Committee recommend to the Board that staff be allowed to proceed with the formation of the affiliate in accordance with the concepts as presented with any decisions on Articles of Incorporation, funding, etc. being brought to the Board for further approval.

A motion was duly made by Director Marshall, seconded by Director Kempton and carried, to recommend Board approval of the formation of an affiliate as presented.

Mmes. Barrego and Curtis and Mr. Areghini left the meeting.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Comision Federal de Electricidad (CFE) Request for Proposals (Juarez & Baja)

Mr. Bonsall, using overhead transparencies, reviewed the District's Mexico strategy which includes building relationships, providing engineering services and possible bulk sales. He reported the details of the bid for electric power submitted to Comision Federal de Electricidad (CFE) for delivery at the City of Juarez. The District lost the bid because it could not obtain a firm transmission link.

Mr. Bonsall reported that CFE has now issued a Request for Proposal (RFP) for another Mexican delivery to the Baja region just below San Diego. He reported that bids are due February 18 and involve 150 MWs for delivery in the June through September months of 1997. He stated that San Diego Gas & Electric is the current provider and that revenues are estimated to be \$5 million. He stated that staff is developing a bid to respond to CFE's RFP. He stated that any confusion over transmission availability will be less with this bid due to the full operation of SWOASIS, an electronic bulletin board for transmission rates.

Since there was no further business to come before the committee, the meeting adjourned at 11:15 a.m.

William K. O'Neal

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Corporate Secretary

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MINUTES  
POWER COMMITTEE

February 13, 1997

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 am. on Tuesday, January 14, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Kempton, Marshall, and Riggins.

Absent at roll call: Vice Chairman Dobson and Directors Ash and Rudd.

Others present: Vice President Williams Jr.; Directors Diller and Rovey; Council Liaison Kempton; Ms. King; and Messrs. Areghini, Duckworth, Etherton, Lowe, Reeves and Silverman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice had been duly posted at the Salt River Project Administration Building, 1 521 North Project Drive, Tempe, Arizona, at 9:00 a.m. on Tuesday, February 11 1997, by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested that Mr. Lowe continue.

Appliance Warranty Program

Mr. Lowe, using overhead transparencies, stated that he wanted the Committee to recommend Board approval for entering into an agreement with American Bankers Insurance Group (ABIG) to offer appliance warranty service to the District's customers.

Mr. Lowe reviewed examples of different packages that might be offered. Prices in the examples ranged from \$9.45/month to \$17.99/month based upon the type of products that would be warranted within each package group. Mr. Lowe explained how the process would work, noting that the District and its staff would be fairly invisible to the process. The District would provide some promotional materials within its billing envelopes, enroll those who choose the appliance warranty service, and include the appropriate charge on the customer's electric bill. The actual interface for customer service would be between the customer, American Bankers Insurance Group, and local service repairmen.

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He stated that many other utilities across the country were offering similar programs and that this would be another tool for the District to "brand its service" as well as broaden its service options. District customers, in customer research surveys, have indicated they like the opportunity of having multiple appliances warranted on one convenient plan with payments conveniently applied to their power bill. Interest in the program is consistent across various demographic groups and it is expected the program will have market penetration of 3 to 8%. Based upon these figures, the District could experience net profits in the neighborhood of half a million dollars per year within four or five years.

Mr. Lowe stated that bids were issued to seven different companies and staff recommends that the contract be placed with American Bankers Insurance Group. He stated ABIG has experience with 24 utilities and is growing. The company is vertically integrated, financially sound with over \$3 billion in assets, and approved to do business in the State of Arizona. In addition, ABIG has a commitment to quality customer service that includes two call centers that are staffed 24 hours a day, a problem/resolution process, training staff, and high ranks in customer satisfaction surveys.

In conclusion, he asked that the Committee recommend Board approval for entering into the appliance warranty program with American Bankers Insurance Group.

On a motion duly made by Director Riggins, seconded by Director Kempton and carried, the committee recommended Board approval for the District to enter into the Appliance Warranty Program with American Bankers Insurance Group.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash and Weiler, Ms. Alfano and Messrs. Peterson and Russell entered the meeting during the presentation. Ms. King and Mr. Lowe exited the meeting.

#### Coal Contract Negotiation

Mr. Reeves, using overhead transparencies, stated that he would be providing an informational update concerning negotiations of the Pittsburgh and Midway coal supply contract for Coronado Generating Station.

Mr. Reeves stated that both the District and the Pittsburgh and Midway had committed to a win/win negotiation approach and reviewed the objectives for each of the two companies.

Mr. Reeves reported that negotiations had been taking place for quite some time and several proposals had been exchanged.

In conclusion, Mr. Reeves stated that tentative agreement had been reached on certain issues but these agreements are subject to change until the negotiations have been completed.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Reeves left the meeting.

#### Schrader and RS15 Projects Status

Mr. Peterson reported that the District is in the preliminary stages of siting the next 230 KV receiving station, known as RS1 5. He reported that the long range projections show the need for approximately 26 receiving stations and that we are about half-way there.

Using charts of the valley area, Mr. Peterson pointed out that the RS15 project would be necessary to serve the fast growing District service territory behind South Mountain and to the east along the Gila Indian Reservation. It would serve approximately 26 square miles. Mr. Peterson reviewed the current transmission systems that operate within the vicinity and stated that the District ultimately plans to utilize existing transmission corridors and to interconnect with an APS 230 KV system that is not fully used.

He stated that input from the public processes to site the transmission system routes for RS16 had helped in locating sites for RS15. Staff has narrowed the potential choices to two sites with the preferred choice being near the planned freeway at 56th Street and Pecos Road. He reported that staff is currently negotiating with the landowner to purchase the site and that letters are being sent to surrounding property owners notifying them of the District's intentions.

Mr. Peterson stated that he would also like to update the committee concerning the two-plus miles of transmission corridor that have yet to be finalized in relationship to RS1 6, now known as Schrader Receiving Station. He stated that the last time he had updated to the committee, staff was leaning toward a segment that would be located in the middle of Ocotillo Road from Schrader Receiving Station and approximately two-plus miles to the east. This seemed to be the best alternative for all the property owners involved. However, since then, the City of Chandler had

raised certain safety issues regarding a transmission system in the middle of the road and Chandler now opposes that particular siting. Mr. Peterson stated that staff is now committed to Alignment A that was part of the original proposed package. In Alignment A the transmission corridor would ultimately alternate, south to north of Ocotillo Road before terminating at Schrader Receiving Station. In conclusion, he reported that in order to finalize Alternative A the matter would have to be heard by the Arizona Corporation Commission.

Director Weiler and Messrs. Peterson and Russell left the meeting.

#### District's Radio Communication System

Mr. Etherton, using overhead transparencies, stated that as a result of an inquiry at the last Board meeting, his presentation would review the elements of the District's trunked radio system project as a result of an inquiry concerning the cost at the last Board meeting.

Mr. Etherton reviewed the District's current VHF radio system which includes four channels that support both portable and mobile systems, and a UHF System with seven channels that also supports both portable and mobile units. The current UHF wide area coverage is accomplished from three separate sites. Mr. Etherton showed examples of the mobile radios and portables currently being used by employees.

Mr. Etherton reported that a survey in 1995 of SRP radio users revealed numerous complaints including time for channels to clear, wait time due to traffic, and poor coverage within the existing system. Fifty percent of those surveyed were dissatisfied. Mr. Etherton stated that, as a result of the survey, as well as other staff concerns, it was decided the installation date of a trunked radio system would be moved forward from the year 2000 to now. He stated that the scope of the project included the following:

- Increased Reliability of Wireless Communications
- Coverage behind South Mountain and East Valley
- Conformance to Pending FCC Rules/Regulations
- Reporting of Radio Activity
- Limited Data Capabilities
- Limited Telephone Interconnections
- Design for Primarily "portable" Radio Coverage

Mr. Etherton stated that the coverage area also needed stronger output from transmitters. He reviewed the area that would be covered from White Tank

Mountain, Thompson Peak, Lone Butte (Substation on the Gila River Indian Reservation), and a new radio tower in the Queen Creek area.

Mr. Etherton stated that last September a purchase order for \$4-plus million had been issued to cover system components such as installations at repeater sites, control electronics, dispatcher consoles, desk top remote dispatching, radios, and other miscellaneous items. He stated that requests for proposals were presented to Motorola and Ericsson, and Ericsson had been chosen to install and equip the trunked radio system project.

In conclusion, he stated that the two largest cost components were the control system repeaters which accounted for 70% of the cost, and user radios which accounted for 22% of the costs. Construction, testing and migration of 400 users should be fully underway and operational by November 15, 1997. The remaining users would be migrated over the next three years.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the committee, the meeting was adjourned at 10:55 a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE

March 13, 1997

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 am. on Thursday, March 13, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Dobson, Kempton, Marshall, Riggins and Rudd.

Absent at roll call: Directors Ash.

Others present: President Schrader; Vice President Williams Jr.; Directors Diller and Rovey; Council Chairman Rousseau; Council Liaison Kempton; Ms. Schaefer; and Messrs. O'Neal and Soethe.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice had been duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 9:00 a.m. on Tuesday, March 11, 1997, by Adell Lewis of the Secretary's Office.

Committee Chairman Arnett called the meeting to order and requested that Mr. Soethe continue.

Extension and Expansion of the Real Time Pricing (RTP) Pilot

Mr. Soethe, using overhead transparencies, reported that the Real Time Pricing Pilot (RTP) offered by the District is a two-part pilot that was implemented on June 1, 1995 with an expiration of June 1, 1997. The original pilot was limited to six (6) E65 customers and later expanded to include E63 customers. The annual average MW limit was 10 MWs that was later increased to an average annual limit of 15 MWs. He discussed the two options available under the current RTP pilot, including the customers currently on the pilot, the annual revenues provided by each customer, and the average annual MWs of each customer. Mr. Soethe also reviewed the incremental revenues that had been provided from each customer from inception of the pilot through January 1997 and the additional energy consumed by each.

Mr. Soethe reported that, in general, the customers' comments concerning the RTP pilot had been positive and that other customers had expressed their desire to become RTP customers. As a result, management is recommending that the RTP pilot be extended and expanded, and reviewed prospective customers that might benefit from the new program, and the annual revenues that would be generated.

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The elements of the program requested for the committee to recommend to the Board for approval are:

- Extend the RTP pilot through April, 1998
- Expand the RTP pilot to a maximum of 12 participants
- Keep eligibility restricted to E65 and E63 customers
- Expand the RTP pilot to accommodate loads up to annual average of 20 MW
- Restrict total load served under the RTP pilot to 180 MW

*On a motion duly made by Director Kemp ton, seconded by Director Dobson and carried, the committee voted to recommend Board approval to extend and expand, under the conditions presented, the Real Time Pricing (RTP) Pilot through April 30, 1998, and increase the number of participants from six to twelve.*

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Directors Ash and Burton; Councilman Robert Kempton; and Mr. Silverman entered the meeting during the presentation.

#### Pilot Rate Program for Multiple Account Customers

Mr. Bonsall, using overhead transparencies, reported that he was proposing a pilot program designed for commercial customers with multiple accounts. He stated the pilot would respond to customer interest for such a program, and provide valuable information for the District when the competitive environment arrives.

Mr. Bonsall said that the recommended pilot program is a two-part program with the first part involving multiple accounts on a contiguous site under which the entire site would be treated as one account with the same rate being applied to all accounts. The second part of the pilot would involve multiple accounts on a non-contiguous site and the rate involved would be a new experimental rate which recognizes load diversity.

Continuing, Mr. Bonsall stated that to qualify for the contiguous site part of the pilot, the site must have at least one E60 account with other appropriate E35 and/or E36 accounts being combined with the existing E60 account. The account would then be totalized for billing purposes with an additional facilities charge of \$30/month for each E35/E36 account.

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Mr. Bonsall reviewed the customer accounts that would be targeted under the contiguous site methodology. It is estimated that the District could experience revenue erosion of approximately \$150,000 per year.

The non-contiguous site pilot would require a new rate consisting of lower energy charges and higher fixed charges. He stated the rate would apply to the aggregated energy of all accounts, recognize diversity, and include a per-site charge. To have access to the non-contiguous site pilot, the aggregated energy of all accounts would have to have a minimum usage of 300,000 kWh/month.

Continuing, Mr. Bonsall reported that the non-contiguous site customers would require particular load shapes for it to be of any significant benefit, and proceeded to review a list of those potential customers identified by the staff. He further stated that while during competition, any grouping of customers is expected, for the pilot the non-contiguous site customers would have to have common ownership. Mr. Bonsall stated that it was estimated that District net revenues would be eroded at approximately \$348,000 per year for the non-contiguous type customers.

In conclusion, Mr. Bonsall reviewed the benefits for both the District and its customers of the multiple account pilot and requested that the committee recommend for Board approval the following:

Approve proposed pilot program in concept that includes two parts

- (1) Contiguous site accounts (totalization)
- (2) Non-contiguous site accounts (aggregation)

Refine at the April Board meeting.

Target the pilot for implementation on May 1, 1 997 to May 1, 1 998

*On a motion duly made by Director Marshall, seconded by Director Ash and carried, the committee agreed to recommend Board approval of the Pilot Program for Multiple Account Customers as presented.*

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Duckworth entered the meeting, and Mr. Bonsall left the meeting.

Streetlight Sale to the City of Avondale

Ms. Schaefer, using overhead transparencies, reviewed the history of street light sales from 1985 to the present: who the sales were made to, when the sales were made, the dollar amount of the sales, and whether or not it included a maintenance contract. She stated that each of those sales had been made using a methodology called Reconstructed Cost New Depreciated (RCND).

Ms. Schaefer stated that the City of Avondale had requested that they be sold the District street light system that serves Avondale. The RCND methodology for the sale had been discussed with the Avondale staff but Avondale responded that the methodology was not fair since it did not recognize that Avondale had paid portions of the initial investment under the "Investment Paid by Others" (IPBO) policy. Ms. Schaefer said that the IPBO policy had been created at the request of the cities and allows the customer to pay for the initial cost and installation of the lights in return for a lower monthly electric bill. The District retains the ownership of the lights. Ms. Schaefer stated that eight cities have lights in the District's system under the IPBO policy.

Ms. Schaefer said that management agrees that the RCND policy previously used to establish a sales price does not accurately reflect a sales price when the IPBO policy was applied and, therefore, she recommends a new sales approach for calculating the sales price to recognize up-front payments. To illustrate, Ms. Schaefer stated that the RCND price for the Avondale street light sale would be \$579,016. However, if a credit for the \$499,842 of IPBO payments by Avondale was applied, the sale price would be \$79,174. In addition, the District would enter into an annual contract to maintain the street lights. The contract would generate revenues of approximately \$10,980.

In conclusion, Ms. Schaefer requested that the committee recommend Board approval for the sale of the District's street lights to Avondale for the approximate price of \$79,000. (Approximate since IPBO will need adjustment to reflect actual at the time of sale.) In addition, she recommended that all sales price calculations, when applicable, recognize IPBO and that staff be allowed to contact Scottsdale and Peoria using the IPBO methodology since they had previously requested purchasing streetlight systems from the District and were quoted prices.

*A motion was duly made by Director Ash, seconded by Director Rig gins and carried, to recommend to the Board the sale of the District's streetlight system that serves the City of Avondale and enter into a maintenance agreement with Avondale for the maintenance thereof. In addition, any future sales price calculations, when*

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*applicable, should recognize the IPBO methodology, and Scottsdale and Peoria should be approached for a possible sale using the IPBO methodology.*

*A motion was duly made by Director Riggins, seconded by Director Rudd and carried, to go into executive session at 10:55 a.m. to obtain legal advice concerning the formation of a retail power marketing affiliate.*

The Committee returned to open session at 11:54 a.m. with the following present: Chairman Arnett; Directors Marshall, Riggins and Rudd. Others present were: President Schrader; Vice President Williams Jr.; Directors Diller and Rovey; Council Chairman Rousseau; Council Liaison Kempton; Staff members Ms. Alfano and Messrs. Duckworth, O'Neal, and Silverman.

#### Retail Power Marketing Affiliate

Mr. Silverman requested that the committee recommend to the Board the filing of Articles of Incorporation with the Arizona Corporation Commission to form a retail power marketing affiliate, to be called New West Energy Corporation, a wholly owned subsidiary of Salt River Project Agricultural Improvement and Power District.

*A motion was duly made by Director Riggins, seconded by Director Rudd and carried, to recommend Board approval to file Articles of Incorporation with the Arizona Corporation Commission for a retail power marketing affiliate as presented*

As there was no further business to come before the committee, the meeting was adjourned at 11:55 a.m.

William K. O'Neal  
Corporate Secretary

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MINUTES  
POWER COMMITTEE MEETING  
April 17, 1997

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, April 17, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Kempton, Marshall, Riggins Jr., and Rudd. Absent at roll call: Directors Ash and Dobson.

Others present: Vice President Williams; Council Liaison Kempton; Staff: Mmes. Rohovit and Youle and Messrs. Kondziolka, O'Neal, Reeves, Sweigert and Zimmerman.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice had been duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 8:30 a.m. on Tuesday, April 15, 1997, by Adell Lewis of the Secretary's Office.

Chairman Arnett called the meeting to order and requested an Executive Session.

On a motion duly made by Director Marshall, seconded by Director Kempton and carried, the Committee convened into Executive Session at 9:31 a.m.

The Committee reconvened into Open Session at 10:26 a.m. with the following members and others present: Directors Arnett, Diller, Kempton, Marshall, Riggins Jr. and Rudd; Vice President Williams Jr.; Councilmen Kempton, Rousseau and Rovey; Mmes. Alfano, Kimberly and Rohovit; Messrs. Areghini, Bonsall, Kondziolka, O'Neal, Reeves, Silverman, Sweigert and Zimmerman.

Coronado Generating Station (CGS)

Mr. Reeves reviewed with the Committee the terms and conditions resulting from renegotiating the base and supplemental coal agreements with Pittsburgh & Midway Coal Company (P&M) for a fuel supply at CGS. He requested authorization for the President or Vice President and Secretary or Assistant Secretary to execute an amended agreement with P&M for the base and supplemental coal for CGS, in accordance with the terms presented.

On a motion duly made by Director Marshall, seconded by Director Riggins Jr. and carried, the Committee agreed to recommend Board approval of the tentative agreement with Pittsburgh & Midway Coal Company, as requested.

Ms. Kimberly and Messrs. Areghini and Reeves left the meeting. Ms. Curtis and Mr.

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Trout entered the meeting.

Energy Sales in California

Ms. Curtis stated that she would present information on potential sales of energy and services in California and the Western Region, involving AT&T and Walgreens.

Ms. Curtis reported that the District, in November of last year, had received a request for proposal (RFP) from AT&T to provide energy services, billing services, and energy. The District responded for energy sales in California, as well as for regional energy and billing services. She stated that in January, staff had met with representatives of AT&T's energy selection team, and after that meeting, staff had submitted a refined proposal. In conclusion, she stated that AT&T had reduced the number of qualified vendors to 10, with the District being one.

Ms. Curtis continued by stating that, in addition to AT&T, staff had responded to a similar request from Walgreens. In December 1995, Walgreens had contacted the District and requested a meeting to discuss energy, energy services and deregulation. Walgreens subsequently requested that the District submit a proposal for energy and billing and energy services in the State of California, and the District had done so in April of this year.

In conclusion, Ms. Curtis reported that AT&T had informed the District that a "best and final" RFP would be issued to four qualified regional vendors for energy in California and energy and billing services in the Western System Coordinating Council (WSCC), and the District is one of the four vendors. Walgreens, on the other hand, has put its decision on hold and is considering a bid from a provider that is offering guaranteed percentage reductions below Walgreens current energy bill in California.

Ms. Curtis and Mr. Trout left the meeting. Ms. Clyde and Mr. Lowe entered the meeting.

Home and Small Business Security Program

Mr. Lowe stated that he would review a recommendation that the District, through Protection One, offer security system and monitoring to homes and small businesses.

Using overhead transparencies, he stated that Protection One markets and monitors security systems and is the largest such company in Arizona and fourth largest in the United States. Protection One's strategy is to increase its business in densely populated areas, using experienced management teams.

Mr. Lowe stated that APS and Honeywell are partnering in the security system business as well, and he compared features to the District/Protection One program to those of APS/Honeywell. He stated staff believes that the District's program is more attractive since it has no minimum installation fee. The customer would own the system and have lifetime maintenance-free protection with an ongoing monitoring fee. The

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SRP/Protection One Program would offer two years of monitoring at a

monthly price, and he reviewed key elements included in the basic offer plus many optional features available.

Mr. Lowe explained, in detail, the different roles of the District, Protection One, local dealers and installers, and the customer.

The District would receive royalty payments from the monitoring. The program would be Arizona exclusive and the names of the District and Protection One would be co-branded on the products. Although Protection One would fund the development, printing, and broadcast of all advertising, the District would be able to review all material and may be involved in developing the message and script writing. The District may also choose to do additional promotions.

Continuing, Mr. Lowe stated that the District would solicit customers at the time the customer requests a power turn-on; the District will also provide a list of turn-on customers to Protection One for its use and telemarketing. Any party can opt out of the contract within 120 days, with provisions for a modest extension of royalties. Mr. Lowe reviewed the financial expectations of the District for this program within the Metro Phoenix area.

On a motion duly made by Director Marshall, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval of a partnership with the District and offering security system installations and monthly monitoring to homes and small businesses through Protection One.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Ms. Clyde and Messrs. Hull and Lowe left the meeting

#### Baseline-Potter-Higley 69 kV Transmission Line

Using overhead transparencies, Ms. Rohovit reviewed a map of the area in the vicinity of Power Road and Guadalupe/Warner Roads where the District is proposing a 69kV transmission line to link the Baseline, proposed Potter, and Higley Substations. She reported that because the southeast valley continues to experience more residential and commercial development than any other sector of the metropolitan area, the proposed transmission line will provide a "loop" for distribution facilities in the area.

She stated the District plans to have the new transmission line in service by November 1 1998; and staff has begun the public process similar to that used in the RS16 Project. Public input will be used in making decisions concerning the exact location of the transmission lines. In conclusion, Ms. Rohovit reviewed three proposed routes that are being considered.

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Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:15 am.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE MEETING  
May 13, 1997

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Tuesday, May 13, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Ash, Dobson, Kempton, Riggins Jr., and Rudd. Absent at roll call: Director Marshall.

Others present: Directors Brooks, Burton, Diller, Pendergast, Jr. and Rovey; Council Chairman Rousseau and Councilman Banning; Staff: President Schrader and Vice President Williams, Jr.; Mmes. Alfano, Kimberly, Lonon, and Ms. Ras (Core Products); Messrs. Allen, Areghini, Bonsall, Duckworth, Duncan, Dr. Gale (President and Founder of Washington International Energy Group), O'Neal, Rappoport, Silverman, and Soethe.

Secretary O'Neal stated that, in compliance with A.R.S. §38-431, a meeting notice had been duly posted at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 8:30 a.m. on Friday, May 9, 1997, by Karen Umber of the Secretary's Office.

Chairman Arnett called the meeting to order and asked Mr. Silverman to proceed. Mr. Silverman introduced Dr. Robert W. Gale, President and Founder of the Washington International Energy Group and requested that he proceed with the presentation.

Electric Industry - Outlook for 1997

Dr. Gale stated that he would present his opinions and research concerning the impacts of deregulation and competition in the electric utility industry. Using slides, Dr. Gale reviewed the challenges facing the District, and public power in particular, in a competitive, deregulated environment. He discussed the velocity of change, emerging trends, comparisons of public power and investor-owned utilities (IOUs), and suggestions for action. He stated that even though public power entities and IOUs face the same challenges, in his opinion, public power is falling behind and moves too slowly. In particular, public power faces the challenge of large debt levels, delays in stranded cost recovery, and being "too small a player". He stated that the likely survivors in the utility industry will be those who have adapted best to the four C's of competition-namely, customer choice, consolidation, convergence, and cost capping. He said that more and more states are initiating choice in the utility industry and 45% of Americans live in states that have adopted choice.

Dr. Gale reported on many of the mergers that are occurring within the industry and stated that in other industries that have deregulated prices have always trended down. He provided several opinions and observations concerning those that will eventually dominate

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the electric utilities market, stating that they will be the big companies, the quick companies, the ugly companies, and the cheap-product companies. He said this trend

usually produces four or five dominate players with the remaining successful companies being niche players.

Dr. Gale reviewed the time line that it typically takes to go from monopoly to full competition and stated that public power has a very short window -the next three to five years--in order to dramatically cut debt, cut costs, collect stranded costs, consolidate services, build market share, and forge new social contracts with its customers in order to be a viable competitor.

In conclusion, he stated that it would be important to take a long-term view that doing current things better is only a start, and that the primary challenges involve creating a new vision and commitment, learning to move decisively and quickly, abandoning what doesn't work, and recognizing that there is no instant fix.

Councilman Banning left the meeting during the presentation.

Dr. Gale and Ms. Ras left the meeting. Ms. James and Messrs. Wardrip and Wilson entered the meeting.

#### Strategic Pricing Plan

Mr. Soethe stated that he would be reviewing an informational presentation concerning the strategic pricing plan (SPP).

Using overhead transparencies, Mr. Soethe stated that SPP addresses what Management believes will be the future state of pricing in a competitive market. This includes: (1) Regulatory pricing for transmission and distribution; (2) community pricing for demand and energy products (including financial tools); and (3) energy-related products and services. The market goals of the SPP provide financial protection while maintaining financial flexibility, retain existing profitable programs, grow sales with existing customers, and attract new customers with other multiple products and services.

Mr. Soethe reminded the committee of the recent ACC ruling that will offer customer choice by January, 1999. To prepare, staff is continuing its customer loyalty research and analysis as well as studying input from customer sessions, including those with key accounts.

He reported that staff has developed the key dates for the next rate adjustment that targets implementation for May 1, 1998. The pricing goals for the rate implementation include:

- Develop/design rate options to address customer choice and expectations
- Develop tools & skills to price any product/service in a timely fashion
- Satisfy regulatory requirements
- Maximize product & service profitability

He stated that the SPP pre-design work includes further unbundling of cost studies, assessing stranded costs, understanding forward generation prices, reviewing contracts policies, beginning the totalization and aggregation pilot, and seeking customer input. Actual design objectives includes eliminating the fuel escalator, formalizing the Real Time Pricing Pilot into a standard rate offering, refining/enhancing bundled options, developing a stranded cost charge, assessing and possibly designing switching barriers, and responding to customer preferences.

In conclusion, Mr. Soethe reviewed the components of the current rates and examples of how they could be further unbundled.

Copies of the overhead transparencies used in this presentation are, by reference, made a part of these minutes and are on file in the Secretary's Office.

Following the presentation, Director Kempton and Mr. Rappoport left the meeting.

#### Price Risk Management Program

Ms. Kimberly, using overhead transparencies, reminded the committee that in June, 1996, Management had discussed the concept and application of a Price Risk Management (PRM) Program. Since then, a consultant had been hired, reporting, control and audit mechanisms had been prepared, and the Price Risk Management Program policies and procedures had been developed. She stated the recommendation today includes approval of the PRM Policies and Procedures Manual, establishment of the Risk Oversight Committee, and approval of limited applications.

Continuing, Ms. Kimberly compared the elements and the applicable control mechanisms used for the District's General Fund to those proposed for the PRM which include Board approval for policies and guidelines, operating criteria, overview and control, reporting requirements and compliance audits. She reviewed how the Price Risk Management Program begins with Board approval and discussed other key elements such as management control through the Risk Oversight Committee, separation of duties, program limits, credit criteria and controls, daily reporting, hedging and audit provisions.

She stated that the Risk Oversight Committee will have the responsibility to review hedge transactions, ensure that policies are followed, approve brokers, approve hedge transactions from one to two years, review credit worthiness of companies, review trader limits, and provide reports to the General Manager and District Board.

Ms. Kimberly explained how the PRM is responsive to customer requests for more flexibility while stabilizing and growing earnings through an efficient use of assets.

She stated that Staff is recommending that the PRM Program initially be funded with \$5 million of liquidity that will provide \$25 million of managed price risk. She estimated that

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the \$5 million would be allocated roughly as follows: \$2 million for futures margin

requirements; \$1 .5 million for futures reserve for daily changes in market value; and \$1 .5 million for option fees and broker commissions.

Ms. Kimberly reviewed how the Price Risk Management Program could be used to meet new customer requests in a competitive industry where energy is priced separately. She discussed, for example, how an index rate would allow the energy component to float with market prices, how electricity futures can hedge the floating revenue, and how the results give the customer rate flexibility and the District stable revenue. She reviewed an example of how an index rate can be used to lock in revenues given the risk of lower revenues if prices fall.

In conclusion, she stated that all committee members and Board members have been provided a copy of the *Price Risk Management Policy and Procedures Manual* and that staff is requesting that the committee recommend for Board approval the policy and procedures manual as distributed, and the implementation of the pilot Price Risk Management Program as presented.

A motion was duly made by Director Ash, seconded by Director Rudd and carried, to approve the *Price Risk Management Policy and Procedures Manual* as distributed, and implementation of the Pilot Price Risk Management Program as presented.

A copy of the *Price Risk Management Policy and Procedures Manual* and overheads for the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:45a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE MEETING  
June 12, 1997

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Tuesday, June 12, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett and Directors Dobson, Marshall, and Rudd. Absent at roll call: Directors Ash, Kempton, and Riggins.

Others present: Directors Diller and Rovey; Vice President Williams, Jr.; Ms. Kimberly; Messrs. Areghini, Bonsall, Harper, O'Neal, Reeves, and Silverman.

Secretary O'Neal stated that in compliance with A.R.S. §38-431, Adell Lewis of the Secretary's office had posted a meeting notice at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 8:30a.m. on Tuesday, June 10, 1997.

Chairman Arnett called the meeting to order and asked Mr. Harper to proceed.

Palo Verde Water Reclamation Facility Pipeline Repairs

Mr. Harper, using overhead transparencies, reviewed the location of the pipeline that supplies water for the Palo Verde Nuclear Generating Station. He reported that the pipeline, which runs from the 91st Avenue Sewage Treatment Plant to the Palo Verde Generating Station, had three separate breaks resulting from corrosion problems.

He stated that, with the exception of that portion of the pipeline which was filled with water, it had been fully inspected. The inspection revealed 103 repairs that were needed, of which 52 have been completed. Mr. Harper showed a diagram of the cross section of the pipe and how the repairs are made. He also reported that a plan has been developed to complete the remaining structural repairs by the end of November, 1997.

Mr. Harper stated that 65 internal repairs had also been identified and a plan had been developed to complete those repairs by December 31, 1997.

Continuing, Mr. Harper said that approximately 4% of the pipeline is filled with water and has not been inspected, but a full inspection is planned before the end of the year. He reported that the participants are also developing an external sampling plan/inspection methodology which is expected to be completed by the end of March 1998.

Mr. Harper stated that the Palo Verde Generating Station can operate only for seven days without an operational pipeline; therefore, the Participants are also studying alternative water supplies.

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In conclusion, he stated that the Environmental Protection Agency could levy fines of

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approximately \$42,000 because the breaks in the pipeline are considered to have leaked into a navigable stream. The District's share of repairs to the pipeline would be approximately \$1.8 million. Mr. Harper stated that staff is also investigating whether or not the manufacturer, Ameron, has any liability under the warranty.

Ms. Alfano and Mr. Duckworth entered during the presentation. Mr. Harper left the meeting after the presentation.

A copy of the overheads for the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### SRP's Position on Electric Industry Restructuring in Arizona

Mr. Silverman, using overhead transparencies, updated the Committee concerning retail competition in the electric utility business in the following arenas--California activities, Arizona Corporation Commission activities, Legislative activities, and District activities.

He reported that the District's objectives continue to be; support the four-Point Plan, involvement in policy making forums, ensuring financial and operational viability, and positioning the District to retain and attract customers.

He said that in light of retail competition, staff had prepared a "Proposed Blueprint for Customer Choice" and requested that Mr. Bonsall proceed with the presentation.

Mr. Bonsall provided a handout to each Board member entitled "Proposed Blueprint for Customer Choice" and stated that he would discuss it in detail.

He stated the blueprint was intended to establish the District's "talking position" and is guided by six governing principles as follows: (1) accelerated transition; (2) nondiscrimination; (3) consumer protection; (4) equity; (5) reliability ensured; and (6) tax revenue neutrality. Continuing, Mr. Bonsall discussed each of the guiding principles in detail.

In conclusion, Mr. Bonsall asked if those Board members present had any problems with the principles. There were no objections.

Copies of the overhead transparencies used in this presentation are on file in the secretary's Office and, by reference, are made a part of these minutes.

Director Burton entered the meeting during the presentation. Mmes. Alfano and Kimberly and Director Rudd and Vice President Williams; and Messrs. Bonsall, Duckworth, and Silverman left the meeting.

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Four Corners/BHP/Navajo Nation Tax & Royalty Settlement

Mr. Reeves, using overhead transparencies, stated that the Four-Corner Participants, BHP Navajo Coal Company, the Navajo Nation, and the U.S. Department of the Interior, had reached a settlement on tax and royalty disputes at the Four Corners Generating Station. He reported that the primary issue involved the possessory interest tax for BHP Navajo Mine and secondary issues involving royalties on reclamation work for land mined prior to 1985, royalties on certain taxes and fees between March 1, 1989 and September 30, 1990, and royalties on electric power used at the Navajo Mine. Mr. Reeves discussed the basis for the disputes for each of the particular issues.

Continuing, he reported that the settlement of the possessory interest tax dispute included a 60%/40% split between the Navajo Nation and the Participants of the \$83.9 million that is held in escrow. Future payments up to the year 2001 will be made at 60% of the current annual assessment of \$5 million or \$3.5 million.

Mr. Reeves stated that the settlement of pre-1985 reclamation royalty tax will also split the costs on a 60%/40% basis (Participants responsible for 60% and Navajo Nation/U.S. 40%). The total estimated cost of the settlement is \$25.1 million.

Mr. Reeves reported that a settlement had also been reached on royalties on certain taxes and fees that resulted from a change of rules and regulations in 1989. The total cost is \$5.4 million with the Participants responsible for 60% and the U.S. Government, on behalf of the Navajo Nation, responsible for 40%.

In addition, Mr. Reeves said that the Navajo Nation dropped its claim to royalties for power used at the Four Corners Generating Station.

He said that the District anticipates a net refund from all settlements combined of approximately \$2.1 million from the escrow account.

In conclusion, Mr. Reeves stated that the Four Corners Participants had approved the settlement agreements but the approvals of the Navajo Tribal Council and the U.S. Department of Interior would be obtained by late July. He said that Associate General Manager, Areghini, had signed the settlement agreements on behalf of the District by virtue of being the District's representative to the Four Corners Executive Committee.

A copy of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:35a.m.

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William K. O'Neal  
Corporate Secretary

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**MINUTES**  
**POWER COMMITTEE MEETING**  
**July 17, 1997**

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, July 17, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett and Directors Dobson and Rudd.  
Absent at roll call: Directors Ash, Kempton, Marshall and Riggins

Others present: Directors Diller and Rovey; President Schrader; Vice President Williams, Jr.; Council Liaison Kempton; and Messrs. Duckworth, Nielsen, O'Neal, Rice, Slick, Thomas, Trangsrud, Underhill and Vroom.

Secretary O'Neal stated that in compliance with A.R.S. §38-431, Adell Lewis of the Secretary's office had posted a meeting notice at the Salt River Project Administration Building, 1 521 North Project Drive, Tempe, Arizona, at 9:30 a.m. on Tuesday, July 15, 1997.

Chairman Arnett called the meeting to order and asked Mr. Slick to proceed.

Execution of Diversity Exchange Agreements

Mr. Slick stated that the District has long recognized that a seasonal sharing of resources between a winter-peaking entity and the District could benefit both entities. Such a diversity exchange arrangement has been a fixture on every Forecast of Loads and Resources since November 1991; however, efforts to date to secure such an exchange had not been successful.

Using overhead transparencies, Mr. Slick graphically explained the District's summer resource needs and winter surplus generation compared to the interests of other western utilities that would have surplus summer generation and winter resource needs.

He reviewed the District's projected capacity requirements through the year 2007. Mr. Slick reported that repeated efforts for a diversity exchange partner had finally produced results. The District again requested solicitations of interest for diversity exchange in August, 1996 and received 11 proposals representing 950 MWs of summer season capacity. He reviewed who the bidders were and stated that the District also received a side benefit in that a gas pipeline asset-use agreement with Pan Energy was initiated as a result of the diversity exchange solicitation process.

Mr. Slick reported that the cost of the diversity exchange is comparable to other alternatives and should increase in value with time. There will be no cash expense and deliveries will occur at the Palo Verde switchyard. He compared the average summer

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season costs for such an exchange and continued with two proposals recommended for approval.

The first proposal was from LPMI, a subsidiary of Louisville Gas & Electric. The District would receive 100 MW, on peak, six days per week, 16 hours per day from June through September in years 1998 through 2001. In return, LPMI would receive 83 MW, on peak, six days per week, 16 hours per day in October through March in years 1997 through 2001.

In the second exchange, the District would receive 100 MW, on peak, six days per week, 16 hours per day, July through September for the years 1999 through 2002. In return, U.S. Gen, a subsidiary of Pacific Gas & Electric, would receive 46 MW, seven days per week, 24 hours per day, October through March for the years 1999 through 2003.

He reviewed the MWH available in the two exchanges and reminded the committee that the exchanges, though dollar denominated, were value exchanges with no actual dollars changing hands.

In conclusion, Mr. Slick reviewed the credit worthiness and financial statistics of LPMI and U.S. Gen, and requested that the Committee recommend for Board approval the diversity exchange agreements with LPMI and U.S. GEN as presented.

On a motion duly made by Director Rudd, seconded by Director Dobson and carried, the committee recommended Board approval for the diversity exchange agreements with LPNI and U.S. GEN as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office, and, by reference, are made a part of these minutes.

Directors Ash, Burton and Weiler; and Messrs. Areghini, Bonsall and Silverman entered the meeting during the presentation.

Ms. Alfano and Mr. Gerlach entered the meeting after the presentation.

#### Preparations for the Summer of 1997

Mr. Underhill introduced the presentation as a review of the electric system and preparations for the summer of 1997.

Continuing, Mr. Gerlach, using overhead transparencies, stated that several steps were taken in order to prepare for the summer of 1997, including development of a common language for both the operations and planning groups; identifying import limits and other operating restrictions; modeling peak loads at 200 MW higher than last summer's peak; and stepped-up efforts to patrol lines that are projected to have heavy loading.

Mr. Gerlach reviewed the electric lines that had been patrolled and the areas in the system

that were identified as having particular problems. He discussed mitigation of the problems.

Continuing, Mr. Gerlach reviewed the operating nomogram that is the road map used by operations to bring valley generation on-line in order to meet peaks. In conclusion, he reported that the District and Arizona Public Service Company (APS) are currently involved in a joint study that investigates severe contingencies that affect voltage stability.

Mr. Underhill, continuing the presentation, reviewed the load shedding and voltage reduction procedures outlined in the Energy Management System (EMS) program. He stated the EMS voltage reduction program had not been tested and requires teamwork with APS concerning the load shedding trip scheme and notification procedures. He reported the load shedding program, if needed, would be accomplished according to a prioritized list, and he reviewed those entities that would be the "last to go."

Mr. Underhill also discussed preparations for the summer of 1997, including the maintenance of transmission lines, breakers, and dispatcher training.

Continuing, Mr. Underhill reviewed sources of generating capacity for the valley and associated operating reserves. He identified several concerns, including exceeding load forecast; forced outages; marketers' ability to deliver; import capability from the north and west; and California reserves. He explained how the loads and resources plan compared to the contingency plan for all sources of power; whether from the District's own generation or firm purchases.

Mr. Nielsen, continuing the presentation, stated that an emergency operations plan had been developed and tested on April 24. He stated that three levels of emergencies had been identified with level 3 being the most severe, and stated that the following groups would be activated as needed--Operations, C&M, Marketing, Media, and Power Operations. In conclusion, Mr. Nielsen reviewed the system restoration plan and the status of the District's mobile substations.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office, and, by reference, are made a part of these minutes.

Messrs. Nielsen, Rice, Trangsrud, Underhill and Vroom left the meeting. Ms. Negley entered the meeting.

#### Regional Competitive Model Developments

Mr. Slick, using overhead transparencies, reviewed the current status of the District's loads and resources as projected through the summer peak season of 1999. He also presented graphical information on the history of the number of hours during which the District's highest summer peak demand occurs (within 200 MW). From 1985 through 1996, the average was only 44 hours. He also reviewed which parts of the system experienced outages from 1991 through 1995. Approximately 95% of the outages were

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on the distribution system with the remaining on the transmission system. The generation system had 0% of the outages.

Mr. Slick stated that planned reserves were needed in order to be ready for any uncertainties in load forecasts, forced outages, fuel supply interruptions, or unexpected extended maintenance, and that historic data gave management some stability in the planning processes given the monopoly status of electric utilities. However, the new competitive environment requires new ways to plan. He stated that, in particular, the western U.S. power market was undergoing an evaluation and the old nature of planning would need to involve incorporating the interface of western markets, managing with less certain market share and more price volatility, reacting to evolving market structures, and focusing on maximizing profit. Staff is working on several strategic management initiatives that focus on a competitive load forecast, management of assets with no obligation to serve, assessment of western regional loads and resources, and development of a regional model.

Continuing, Mr. Slick reviewed the impacts of a representative competitive forecast for energy and demand for the years 1998 through 2005, and how the operating costs with no obligation to serve might impact 16 different generating sources in the western U.S. at average market prices of \$15/MWh, \$25/MWh, and \$35/MWh respectively. He also reviewed the excess generation in the western U.S. for each August in the years 1995, 2000, and 2005. He reported that this data, as incorporated in the regional model project, will provide geographically-distinct electric market price forecasts; identification of impact of transmission on price load and resources; identification of the market values of existing power plants; possible strategies for competing generators; and opportunities to study other influential market factors such as hydro conditions and gas prices.

In conclusion, he reviewed the regional model results for peak prices for 1998 for the electric markets in Northern California, Southern California, Phoenix and Inland NW.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office, and, by reference, are made a part of these minutes.

Messrs. Bonsall, Duckworth, Slick and Silverman left the meeting.

#### Power Quality Presentations

Mr. Gerlach stated that staff members from the District and Motorola have been discussing power quality for quite some time. Last year, Motorola challenged the District's staff to accompany them for a tour of two European suppliers of electricity to Motorola. Motorola claimed these companies provided them with better power quality.

Mr. Gerlach, using overhead transparencies, stated the District accepted the challenge. He reviewed the team members who investigated Motorola's claims at a facility in Glasgow, Scotland and Toulouse, France.

He said that, in general, the findings of the power quality problems in Europe were

similar to those experienced in Phoenix; however, exact comparisons were difficult due to the differences in electric system design and data keeping. The investigations did, however,

create a better partnership between the District and Motorola staffs with both recognizing that solving power quality problems needed a threefold approach-namely, continued improvement in the performance of the power system, reductions in the sensitivity of end use equipment, and installation of power quality mitigation devices. In conclusion, he reported that good power quality performance would require plant participation and looking beyond the meter for power quality performance improvements.

Ms. Negley, continuing the presentation, stated that power quality has become a focus item in the new electric market environment and that power quality services are becoming common place in the industry. In particular, she reported that several utilities outside of Arizona have targeted valley customers with power quality services. She said Electric Power Research Institute has reported that 75 U.S. utilities now offer power quality services through subsidiaries whose goals are to build relationships in order to sell KWhs when monopoly barriers are removed.

Ms. Negley stated that power quality and customer electronic load trends go hand-in-hand and have increased with each decade since 1960. It is estimated that by the end of 2000, 80% of the customer load will involve electronic devices that are sensitive to power quality. She said the past environment of selling "one size fits all" kWhs with no support beyond the meter is being replaced; certain customers will require premium grades of KWhs and demand support after the sale.

Ms. Negley stated that the District's Power Quality Group (PQG) has focused on power quality sensitive customers in the large and mid-size commercial and industrial sectors. She reported that the PQG, consisting of nine employees (five do investigations), performs power quality consulting related services for a fee. She said the overriding goal is to build relationships to secure kWh sales to customers. On a case-by-case basis, PQG works with key account managers to determine if fees should be waived or discounted. She reviewed a list of customers that had used the services of PQG since January, 1997.

In conclusion, Ms. Negley summarized the immediate action plan of the PQG as follows; quantify power quality, develop products and services, and develop and sustain a reputation for power quality excellence. She discussed in greater detail what is being done to achieve the three items in the action plan, and distributed material on power quality in the home and discussed what the District is doing to improve its electric system and, thus, power quality.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office, and, by reference, are made a part of these minutes.

Directors Ash, Dobson and Weiler left during the presentation.

As there was no further business to come before the committee, the meeting adjourned at noon.

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William K. O'Neal  
Corporate Secretary

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MINUTES  
POWER COMMITTEE MEETING  
August 14, 1997

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, August 14, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Ash, Kempton, Marshall, Riggins and Rudd. Absent at roll call: Director Dobson.

Others present: Directors Diller and Rogers; President Schrader; Council Liaison Kempton; Mmes. Alfano and DeMarr; and Messrs. Hayslip, O'Neal, Rappoport and Soethe.

Secretary O'Neal stated that in compliance with A.R.S. §38-431, Adell Lewis of the Secretary's office had posted a meeting notice at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 10:00 a.m. on Tuesday, August 12, 1997.

Chairman Arnett called the meeting to order and asked Mr. Areghini to proceed.

Tritium Production at Palo Verde

Mr. Areghini, using overhead transparencies, stated that there may be an opportunity to produce tritium at the Palo Verde Nuclear Generating Station. He reported that many of the government facilities used in the production of tritium had been phased out or closed in the last few years, and that by the year 2003, the government will be short of tritium. He said that tritium is used in nuclear weaponry and is a form of radioactive hydrogen that is manufactured in nuclear reactors by bombarding lithium rods.

Mr. Areghini stated that Arizona Public Service, as operator of the Palo Verde Nuclear Generating Station, could be submitting a proposal by year end to the Department of Energy, in response to a request for proposal for the production of tritium beginning in the year 2003. He stated that if the bid was accepted, it could provide millions of dollars per year in revenue to the Participants. Mr. Areghini said that tritium production at the Palo Verde plant would be easy to accomplish since the plant was designed to have that capability. He reported that the production of tritium could be done safely and that it would not interfere with the normal operations of the plant. The fuel rods are loaded and unloaded during regular refueling outages, and adding the lithium rods would

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be done at the same time. The Nuclear Regulatory Commission would monitor the activities.

In conclusion, Mr. Areghini stated that the Palo Verde Plant is a good candidate for tritium production because of its safety record, size, and reliability.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Director Burton entered the meeting and Mr. Areghini left the meeting.

Credit for Unmetered Accounts Served under General Service Rate E35 –  
Special Rider

Mr. Soethe, using overhead transparencies, stated that the District has a long history of supplying energy for some accounts that are unmetered. He reported that recently an unmetered account customer had requested a review of that policy and the associated customer charge in the E35 rate (since metering costs were part of the customer charge).

Mr. Soethe briefly reviewed the types of E35 accounts that were unmetered such as bus shelters, pay phones, traffic signal lights, sprinklers, and intersection cameras, among others. In total, the District has 2,929 unmetered E35 accounts with annual revenues of \$1 .57MM.

Continuing, Mr. Soethe reviewed the components of the E35 rate structure and, in particular, the elements contained in the \$10/month customer charge. He stated that Corporate Pricing had reviewed the customer's request, felt it had some merit, and that a \$1/month credit would be justified. In effect, the customer service charge of \$10/month would be reduced to \$9/month. He stated the annual impact of such a reduction is \$35,148/year.

In conclusion, Mr. Soethe requested that the Committee recommend, for Board approval, a special rider to the E35 electric rate schedule that credits each unmetered E35 account \$1 per month with such credits to begin with the bills prepared on or after September 15, 1997.

On a motion duly made by Director Marshall, seconded by Director Ash and carried, the Committee recommended Board approval of a special rider to the E35 electric rate schedule as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Mr. Duckworth entered the meeting.

Landfill Gas Recovery Project

Ms. DeMarr, using overhead transparencies, stated that the District has an opportunity to participate in a landfill gas recovery project at three landfills located on the Salt River Pima-Maricopa Indian Community (SRPMIC).

Continuing, she said that the initial phase of the project involves a company, Biomass, which would build a methane gas collection system at the landfill site with the ultimate goal of selling such gas to the District for commercial operations. In the initial phase, the District would purchase the gas, while Biomass would conduct testing to determine whether the gas had the necessary quality and quantity to make it viable for a possible 6-8 MW power plant. She stated that the cost of the gas during the initial testing and development phase would be approximately \$180,000 with, perhaps, the SRPMIC making purchases equal to approximately 25%.

She reviewed the possible benefits of such a project including the potential for the following: "Full service" agreement with SRPMIC; an electric "green rate"; greenhouse gas credits; possible renewable energy production incentive credits; and community goodwill.

Ms. DeMarr stated that if the project was determined to be feasible, additional capital costs of approximately \$7.5 million would be needed to equip and prepare the 6-8 MW generator for commercial use. Staff estimates that the cost per kWh generated from such a plant would be five cents.

In conclusion, Ms. DeMarr stated that staff is requesting the Committee to recommend, for Board approval, a memorandum of understanding to enter into the landfill gas recovery project with Biomass that would have an option to terminate, after the testing phase, if the project were not feasible, and a gas purchase agreement for the initial phase at a price of 20 cents/mmBtu for the first 730,000 mmBtu, and 10 cents/mmBtu for second 370,000 mmBtu. In the second phase, if the project continues, gas would be priced at 40 cents/mmBtu. She stated the gas purchase agreement would also have the option to terminate in the period December, 1998 through July 2000, and other options to extend the agreement to the year 2016.

On a motion duly made by Director Ash, seconded by Director Marshall and carried. The Committee recommended Board approval for entering into a memorandum of understanding with Biomass and the authority to negotiate a gas purchase agreement under the conditions presented.

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Update on Ongoing New West Energy Activities

Mr. Silverman briefly informed the Committee of recent negotiations with the Arizona Corporation Commission involving the intergovernmental agreement, and with Arizona Public Service on changes to the territorial agreement. He requested that Mr. Duckworth continue with an update of the activities of New West Energy.

Mr. Duckworth, using overhead transparencies, briefly reviewed the sales and marketing activities of New West Energy. In particular, he stated that staff was finding it is taking longer to reach the "decision makers" than was anticipated and that most of the customers had unrealistic expectations as to the percentage of savings that would be accomplished in a deregulated environment.

Continuing, Mr. Duckworth stated that there was ongoing effort to set up the customer service, billing/invoicing, metering/data communication activities for New West Energy.

Mr. Duckworth said that the Alexander Group had been hired to help develop job descriptions, pay structure, and other benefits for New West Energy. In addition, a search firm has been hired to develop a list of potential candidates for the top three positions. He said he had already interviewed several candidates for the key staffing positions from both inside and outside the District.

Mr. Duckworth stated that several legal and regulatory tasks had been completed including finalizing the California customer application/power sales agreement, the Federal Energy Regulatory Commission power marketing filing, registration with the California Public Utilities Commission, and the intercompany services agreement between the District and New West Energy.

In conclusion, Mr. Duckworth stated that New West Energy may, in some cases, need to provide "security for performance" under some of its contracts and that several types of security are being investigated, including placing marketable securities in an escrow account.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

The meeting adjourned at 10:55 a.m.

William K. O'Neal  
Corporate Secretary

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**MINUTES**  
**POWER COMMITTEE MEETING**  
**September 18, 1997**

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, September 18, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Vice Chairman Dobson; Directors Ash, Kempton, Marshall, and Riggins. Absent at roll call: Director Rudd and Council Liaison R. Kempton.

Others present: Vice President Williams; Ms. James; and Messrs. Coggins, Duncan, O'Neal; Soethe and Trangsrud.

Secretary O'Neal stated that in compliance with A. R.S. §38A31, Adell Lewis of the Secretary's office had posted a meeting notice at the Salt River Project Administration Building, 1521 North Project Drive, Tempe, Arizona, at 10:00 a.m. on Tuesday, September 16, 1997.

Chairman Arnett called the meeting to order and asked Mr. Coggins to proceed.

Power Exchange Agreement between  
CL Power Sales Six, L.L.C. and the District

Mr. Coggins stated that he would be reviewing a request to enter into a Power Exchange Agreement with CL Power Sales Six L.L.C. ("CL Six") following completion of successful negotiations. CL Six is a power marketer and subsidiary of Citizens, with whom the District has previously dealt with for wholesale purchases and sales of electric power and energy.

Mr. Coggins, using overhead transparencies, reported that the proposed Power Exchange Agreement is a complicated one, with several parts and a performance guarantee. The power from the District will ultimately be delivered to CL Six for further delivery to Public Service Company of Colorado ("PSCO") to replace a PSCO contract with a non-utility generator.

Mr. Coggins stated that according to the Power Exchange Agreement, the District would receive 0 - 100 MW, 16 hours per day, at 100% capacity factor on peak. The District would receive firm capacity and energy deliverable at the Palo Verde Switchyard. In return, the District would provide CL Six with 80-85 MW, 6-7 hours per day at 85% capacity factor during shoulder peaks. The exchange to CL Six is non-firm and deliverable by the District at the Craig Generating Station.

Mr. Coggins reviewed the economics of the exchange and compared the costs to other

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resource alternatives. In addition to the cost benefit, the Power Exchange would also help to reduce the risk to the District of not being able to receive

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generation from the Craig and Hayden Generating Stations due to possible transmission limitations.

In conclusion, Mr. Coggins stated that the proposed Power Exchange Agreement is still being negotiated. He stated that the other terms as presented have been agreed upon, and requested that the Power Committee recommend to the Board that the District enter into a Power Exchange Agreement with CL Six pending completion of the negotiations.

On a motion duly made by Director Kempton, seconded by Director Dobson and carried, the Committee recommended Board approval to enter into a Power Exchange Agreement with CL Six, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. Alfano and Kimberly; and Council Liaison R. Kempton and Mr. Duckworth entered the meeting during the presentation.

#### Strategic Pricing Plan - Management's Proposed Rate Adjustment

Mr. Soethe stated that the purpose of his presentation would be to update the Committee on the Strategic Pricing Plan ("SPP").

Using overhead transparencies, he briefly reviewed the objectives of the SPP as presented in May 1997. He said that one of those objectives was to respond to customer preferences that would be determined from loyalty and focus group research.

Mr. Soethe, with the aid of a grid, reviewed the impacts on loyalty from low to high in comparison to the District's performance from low to high. Continuing, he discussed those areas in which the District was perceived to be doing well for each of the following types of customers-general business, residential, and key accounts. He also discussed those areas that needed improvement as voiced by each of those customer groups.

In conclusion, Mr. Soethe reviewed, in detail, those areas that SRP would be addressing due to the conclusions from the loyalty research, including maintaining and leveraging the District's strengths, addressing priority areas of improvement, offering competitive pricing options, maintaining and adding to customer preferences and improving customer service. He stated that in order to incorporate the loyalty research, and to prevent customer confusion due to implementing a general decrease coincident with the May 1 move from winter rates to summer rates, staff has proposed a new schedule for a rate adjustment.

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Ms. Borrego-Fifield and President Schrader entered during the presentation.

The District's Guiding Principles for Customer Choice

Ms. Borrego-Fifield stated that the purpose of her presentation was to address some of the keys for making competition work in the electric utility industry.

Using overhead transparencies, she discussed the following questions:

- When will generation be built?
- Will we lose customers?
- Will we maintain a distribution monopoly?
- When will customers have choice?
- Will we accomplish our Four Point Plan?

In conclusion, she summarized the keys for success as follows:

- Increased Capacity of Generation Resources
- Focus on General Business and Residential Customers
- Remarket Lost Load Through New West Energy
- Influence Structure of Desert STAR
- Keep Working with ACC, Legislative Committees and Customers to Accomplish our Goals

As there was no further business to come before the Committee, the meeting adjourned at 11:00a.m.

William K. O'Neal  
Corporate Secretary

**MINUTES**  
**POWER COMMITTEE MEETING**  
**October 16, 1997**

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, October 16, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Vice Chairman Dobson; Directors Kempton, Marshall, Riggins and Rudd. Absent at roll call: Chairman Arnett and Director Ash.

Others present: President Schrader; Directors Diller and Pendergast; Council Liaison R. Kempton; Councilman Coppinger; Mmes. Denton and James; and Messrs. Booker, Daer, Lehman, McNeil, and O'Neal.

Secretary O'Neal stated that in compliance with A.R.S. §38-431, the Power Committee meeting was duly noticed and posted at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, October 14, 1997, at 12 noon by Karen Umber of the Secretary's Office.

Vice Chairman Dobson called the meeting to order and asked Mr. Lehman to proceed.

Southwest Reserve Sharing Group (SRSR) Participation Agreement

Mr. Lehman stated he would be requesting that the Power Committee recommend to the Board for approval a Participation Agreement with Southwest Reserve Sharing Group (SRSR) following completion of successful negotiations.

He reported that the SRSR would help provide reliable operation of the interconnected power system of its members, while reducing the amount of District generating capacity needed to maintain system frequency and to avoid the loss of firm load following transmission or generation contingencies.

He stated that the District had met these operating criteria in the past either through its own capabilities or through membership in reserve sharing pools such as the Inland Power Pool (IPP). He stated that the District is a member of the IPP; however, the IPP will be dissolved on December 31, 1997 due, in part, to the additional requirements imposed by the Federal Energy Regulatory Commission (FERC) in its Order 888 regarding open transmission access.

Using overhead transparencies, he reviewed the 11 utilities that would be participating in the SRSR and reviewed the guiding principles which include: functional replacement of the District's membership in the IPP; sharing of contingency reserves; and obligation of its members to provide emergency assistance. He reported that the

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agreement would begin January 1, 1998 for a term of 10 years, with provisions for automatic annual renewals thereafter unless

terminated by the parties. Withdrawal from SRSG would require a one-year notice.

Mr. Lehman stated that membership would enhance the District's ability to recover from the loss of a resource, reduce the District's obligation to maintain contingency reserves, and provide anticipated annual savings of approximately \$2 million. The initial cost for membership would be \$35,000 - \$40,000 for development costs, and \$15,000 - \$20,000 in ongoing administrative costs per year. Certain noncompliance penalties are still being negotiated and would parallel those of the Western Systems Coordinating Council.

In conclusion, he recommended that the Power Committee request Board approval for the execution of the SRSG Participation Agreement pending completion of successful negotiations.

On a motion duly made by Director Rudd, seconded by Director Ash and carried, the Committee agreed to recommend for Board approval, the execution of the SRSG Participation Agreement as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Director Ash, Council Chairman Rousseau and Messrs. Bonsall, Silverman and U'Ren entered the meeting. Mmes. Denton and James and Mr. Lehman left the meeting.

#### Telecommunications Pole Attachment Fee

Mr. Soethe stated that at the request of the Board, management reviews the cable Iv pole attachment fee and the telecommunications pole attachment fee annually to determine whether to recommend a fee adjustment.

Using overhead transparencies, Mr. Soethe reported that the current cable Iv pole attachment fee is \$6.83 per pole. The annual review of the fee revealed that it does not exceed the plus or minus 5% deadband and, therefore, no change in this rate is recommended.

Continuing, he said that the recalculated telecommunications pole attachment fee did exceed the plus or minus 5% deadband around the current fee (\$17.16 per pole) and, therefore, management recommends a fee increase to \$19.39 for 1998. However, in accord with FCC regulations, telecommunications customers would be charged the lower cable Iv rate until 2001, at which time the FCC regulations provide for a five-year phase-in of the telecommunication rate.

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He reminded the Committee that although the District is not under the jurisdiction of the Federal Communications Commission (FCC), the cable tv rate of \$6.83 is

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calculated by SRP using a modified FCC formula, which does not reflect full costs. In contrast, he reported that the telecommunications pole attachment fee reflects a cost based formula.

He reported that telecommunications companies would be allowed to attach to the District's poles for the cable Iv fee until 2001. The \$19.39 fee will provide the telecommunications companies visibility of what the attachment fee would be if implemented today.

In conclusion, Mr. Soethe stated that the recommended increase in the telecommunications pole attachment fee to \$19.39 would be published in local newspapers in October/November. In addition, individual notifications would be sent to cable TV and telecommunications companies. He said that at the December Board meeting, customers would be provided an opportunity to comment on the proposed increase to the telecommunications pole attachment fee. A final decision on the fee would be presented for approval at the Board meeting in January.

On a motion duly made by Director Riggins, seconded by Director Marshall and carried, the Committee approved to recommend to the Board to begin the process for adjusting the telecommunications pole attachment fee to \$19.39 for the year 1998.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Messrs. Dare and Soethe left the meeting. Messrs. Areghini and Thomas entered the meeting.

#### Report on Trip to Evaluate Utility Restructuring in Australia and New Zealand

Mr. Booker stated that he, Steve Mendoza, and Bob Thomas had visited New Zealand and Australia to evaluate the affects of utility reform in those countries.

Using overhead transparencies, he reported that the New Zealand visit included opportunities to interview Mercury Energy, TransPower, and ECNZ. He stated that in New Zealand the electric system was contained within the two islands with a limited transfer between the islands provided through a direct current interconnection. He said that 70% of the generation was hydro. He described the system as regulated wholesale competition with generation dominated by government, transmission operated by the government, and distribution/energy services provided under various types of ownership. He reported that deregulation had benefited the commercial customers, followed by industrial customers, but domestic customers had experienced increases. increases.

In conclusion, he reported the following observations for New Zealand:

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- No formal industry regulator
- Cost shifting to wires business
- Bilateral contracts outside the pool accounting for 80% of sales
- No domestic choice
- Perceptions of better service
- Substantial staff reductions by providers

In general, the observations of the New Zealand visit revealed an environment undergoing major labor reform and providing limited competition in generation.

Continuing, Mr. Booker focused on Australia.

He noted that the different states in Australia had different approaches and schedules to meet utility deregulation; however, national standards would govern by 2001. He said that Victoria appeared to have the most progressive and practical model. He also said that the major focus in Australia was to provide the states with revenue (reduce debt through asset sales).

Mr. Booker provided pamphlets from Victoria listing rate structures for the various classes of customers, and the method to phase-in competition from 1995 through 2000. As in New Zealand, Australia showed limited benefits for domestic customers as well as significant organizational changes and work force reductions.

He reported that the team observed building labor pressures against privatization, a national system that was not designed for major power transfers between the states, and no incentive to serve remote customers. He said that many of the problems encountered result from introduction of too many changes at the same time and a lack of appropriate trials of the systems and procedures prior to implementation.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

As there was no further business to come before the committee, the meeting adjourned at 11:10a.m.

William K. O'Neal  
Corporate Secretary

MINUTES  
POWER COMMITTEE MEETING  
November 13, 1997

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, November 13, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; and Directors Ash, Kempton, and Rudd. Absent at roll call were: Vice Chairman Dobson; and Directors Marshall and Riggins.

Others present were: President Schrader and Vice President Williams Jr.; Directors Diller and Weiler; Council Liaison R. Kempton; Mmes. Alfano and James; and Messrs. Johnson, Linn, O'Neal, Reeves, and Silverman.

Secretary O'Neal stated that in compliance with A.R.S. §38-431, the Power Committee meeting was duly noticed and posted at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, November 11, 1997, at 12 noon by Adell Lewis of the Secretary's Office.

Chairman Arnett called the meeting to order and asked Ms. James to proceed.

Arizona Electric Power Cooperative, Inc. (AEPCO) Board Appointment

Ms. James reported that in 1988, the District had entered into a Firm Power Sale Agreement with Arizona Electric Power Cooperative, Inc. She stated that the agreement gives the District representation on the AEPCO Board of Directors. Dean K. Yee currently represents the District.

In conclusion, she requested that the Committee recommend Board approval to appoint Steven Linn to replace Mr. Yee as the District's representative on the AEPCO Board effective January 1, 1998.

On a motion duly made by Director Kempton, seconded by Director Ash and carried, the Committee agreed to request Board approval for the appointment of Steven Linn to serve on the AEPCO Board of Directors.

Director Burton and Messrs. Areghini and Harper entered the meeting, and Ms. James left the meeting.

Hopi Coal Royalty Agreements

Mr. Reeves, using overhead transparencies, reported that Peabody Western Coal Company's coal leases with the Hopi Tribe and Navajo Nation provide for renegotiating the

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royalty rates every ten years, beginning in December, 1997. After four months of negotiations, if negotiations are not successful, the rates are subject to binding arbitration.

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He said that the arbitrators may not reduce the royalty rates below the current rate. Any 1997 reopener rates would become effective the later of December 14, 1997 or upon the rulings by the arbitrators. All the parties, including the District, on behalf of the Navajo Participants, and Southern California Edison Company, on behalf of the Mohave Participants, have agreed to extend the negotiations beyond the four-month period, and they hope that arbitration can be avoided.

Mr. Reeves stated that settlement had been reached with the Hopi and that negotiations were continuing with the Navajos. The settlement with the Hopi involved three agreements—a lease agreement between Peabody Western Coal Company and the Hopi; a generation performance agreement between the District (on behalf of the Navajo Generating Station participants); Southern California Edison on behalf of the Mohave Generating Station participants) and the Hopi; and a three-party agreement between the District (on behalf of the Navajo Generating Station participants); Southern California Edison (on behalf of the Mohave Generating Station participants); and Peabody Western Coal Company. Mr. Reeves then reviewed the terms of the agreements.

Mr. Reeves stated that the Hopi Tribal Council had approved the Generation Performance Agreement and the amendments to the Hopi Lease but the agreements await approvals from the Navajo Generating Station and Mohave Generating Station Participants, Peabody Western Coal Company, and the Secretary of the Department of the Interior.

He stated that the agreements would become effective on January 1, 1998 or upon the approval date of the Secretary of the Department of the Interior.

In conclusion, he requested that the Committee recommend that the Board authorize the President or the Vice President and the Secretary or Assistant Secretary to execute the 1997 Generation Performance Agreement and the 1997 Three-Party Agreement as presented.

On a motion duly made by Director Ash, seconded by Director Kempton and carried, the Committee agreed to request board approval of the agreements as presented.

Ms. Whistler and Mr. Duckworth entered the meeting.

#### Trapper Mine Reorganization

Mr. Reeves, using overhead transparencies, stated that the purpose of his presentation was to provide information on the reorganization of Trapper Mine.

He reported that the goal of the reorganization was to reduce cost of fuel to the Craig Generating Station by converting Trapper Mine to a cooperative and thus reducing income taxes currently paid by Trapper Mine.

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He stated that the current ownership interests of Trapper Mine were as follows: Platt River, 18.0%, the District, 29%, Tri-State, 33.67%, and Pacificorp, 19.33%. He reminded the

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Committee that Tri-State had acquired an additional 9.67% when Public Service Company of Colorado, as a successor to Colorado-Ute, chose not to own any of the mine. Under the proposed restructuring, the 9.67% interest would be acquired by Trapper, with the result that the individual ownership interests would be increased to the following: Platt River, 19.92%, the District, 32.1%, Tri-State, 26.57%, and Pacificorp, 21.40%.

In conclusion, he reported on the District's share of costs in purchasing the additional shares from In State compared to the annual savings of \$1.5 million in reduced taxes will give a net benefit of approximately \$500,000 per year to the District..

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Bonsall and Clester entered the meeting, and Messrs. Harper, Johnson, Linn and Reeves left the meeting.

#### Corporate Guarantee to New West Energy (NWE)

Mr. Duckworth, using overhead transparencies, stated that New West Energy (NWE) will be required to provide security for the performance of its obligations under various types of agreements -such as agreements for direct access with California distribution utilities, agreements for financial hedge transactions; and agreements for power purchases and sales. Mr. Duckworth said that in most cases a guaranty from SRP would satisfy this requirement. Although the exact amount of security required was unknown, Mr. Duckworth said that \$10 million would cover guaranty needs for the near term.

In conclusion, Mr. Duckworth requested that the Committee recommend Board approval for the District to guarantee contractual obligations of NWE up to a maximum aggregate amount of \$10 million.

On motion duly made by Director Ash, seconded by Director Kempton and carried, the Committee approved requesting Board approval for the District to guarantee contractual obligations of NEW up to a maximum aggregate amount of \$10 million.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

#### Update on New West Energy Activities

Mr. Duckworth, using overhead transparencies, updated the Committee on the activities of New West Energy (NWE) in the following areas: operations, power portfolio, financial and administrative, and sales and marketing.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's

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California Power Exchange and Independent System Operator

Mr. Clester, using overhead transparencies, reported that California had created an Independent System Operator (ISO), and Power Exchange (PX) to handle competition in the electric utility industry which will begin on January 1, 1998.

He said that the opening of the California market provides opportunities for retail electric sales by New West Energy as well as opportunities for the District for trading with the PX, providing wholesale power to energy service providers, and scheduling coordinator services.

Mr. Clester explained the process involved when trading on the PX. He stated that for each hour of the day an energy auction sets the market price. The PX replaces California investor-owned utilities as the District's next day and real time energy trading partners.

He reported that to participate in the California energy market, the District needs to enter into certain agreements with the ISO. He reviewed each of the agreements and its status as it relates to the District.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

As there was no further business to come before the Committee, the meeting adjourned at 11:15a.m.

William K. O'Neal  
Corporate Secretary

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**New West Energy**

**PERFORMANCE  
SECURITY**

**November 13, 1997**

# 8



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## ➔ **Examples of Performance Security:**

**\*Cash Deposits**

**\*Performance Bonds**

**\*Letters of Credit**

**\*SRP Guaranty**



**→ SRP Board Approval needed to:**

**\* Guarantee Contractual Obligations  
of NWE under:**

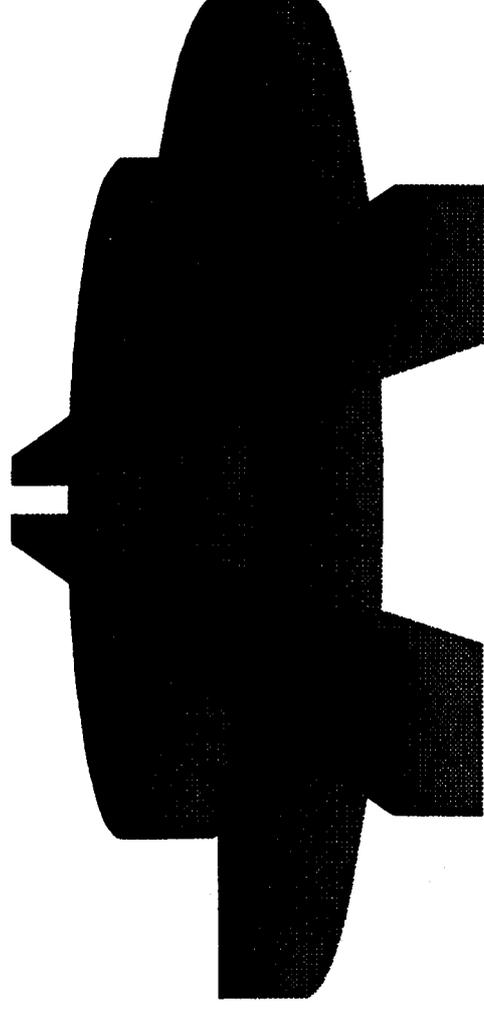
- ◆ Direct Access Service Agreements  
with California UDCs**
- ◆ Agreements with Brokers/Counter-  
parties for financial hedge  
transactions**
- ◆ Agreements for Power Purchases  
and Sales**

# California Restructuring

- Creation of Independent System Operator (ISO)
- Creation of Power Exchange (PX)
- Starts January 1, 1998

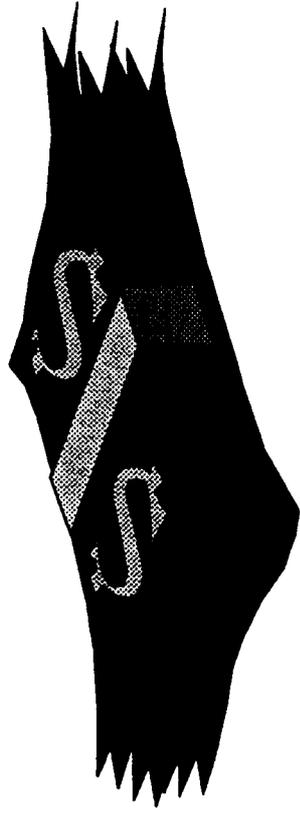
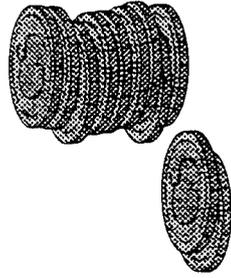
# California Opportunities

- NWE - Retail Customers
- SRP - Power Exchange Trading
- SRP - Wholesale Power to ESP'S
- SRP - Scheduling Coordinator Services



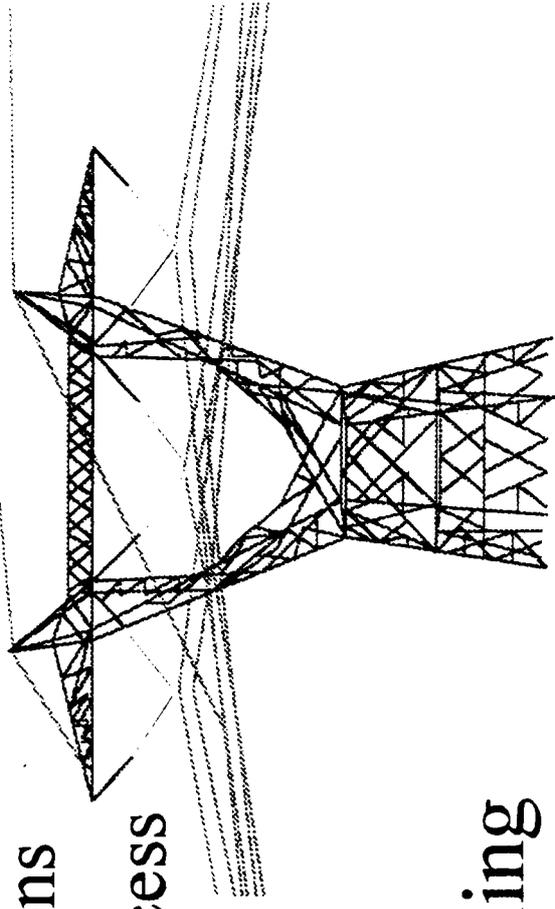
# Power Exchange Trading

- Daily Energy Market Auction
- Replaces California IOUs As SRP's Next
- Day and Real Time Energy Trading Partner



# Scheduling Coordinator Services

- Communicate Schedules With ISO
- SRP Transactions
- ESP Direct Access
- Settlements & Billing
- Market Ancillary Services To ISO

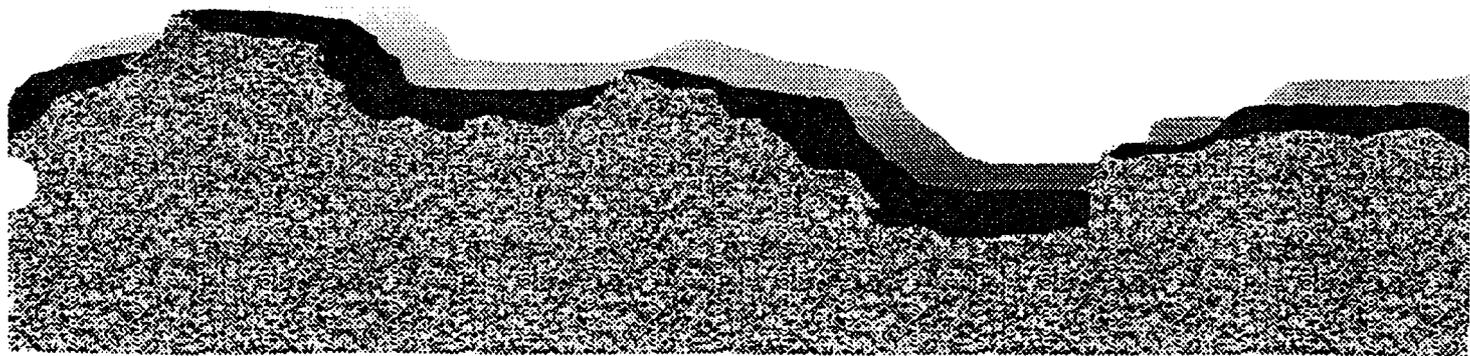


# ISO Agreements

- Scheduling Coordinator
- Operating Dry Run (ODR)
- Interconnected Control Area
- Meter Service
- Participating Generator
- ISO Metered Entity

# Power Exchanges Agreements

- Participation



# NEW WEST ENERGY

## OPERATIONS

- Customer sign up
- Metering
- Billing/customer service
- Scheduling coordination

# **NEW WEST ENERGY**

## **POWER PORTFOLIO**

- **contract with SRP**
- **met with Powerex**
- **FERC power marketing license**

# **NEW WEST ENERGY**

## **FINANCE and ADMINISTRATIVE**

- office space at PAB
- SRP to supply information systems services
- NWE/SRP services agreement
- SRP's corporate guarantee of NWE

# **NEW WEST ENERGY**

## **SALES & MARKETING**

- **Mid-sized businesses in selected segments**
- **Existing SRP customers with facilities in California**
- **Larger customers with no SRP relationship**

# 8

# New West Energy

Simply, the Best Energy Value.



**NEW WEST ENERGY**  
Simply, the Best Energy Value.

# Sales & Marketing

- Mid-size companies
- Existing SRP customers, facilities in CA
- PST alliance
- Sales process
- Sales force
- Promotion mix targeted to support sales



**NEW WEST ENERGY**  
Simple. No later energy value.

8/16/74

# Operations

- Customer service: servicing accounts, sales follow-up
- Billing/Invoicing
- Metering/Data Communication



# Administrative

- Alexander Group recommendations
- Facilities: PAB at market rates
- Insurance
- Benefits
- Accounting system



# **Legal & Regulatory**

- Finalized California customer application/power sales agreement
- Completed FERC Power Marketing Filing
- Completed registration with the CPUC
- Intercompany services agreement between SRP and New West Energy



# **NWE must provide Security for Performance under Contracts**

- Power Purchases and Sales**
- Local Utility Distribution**
- Scheduling Coordination**



**MINUTES**  
**POWER COMMITTEE MEETING**  
December 4, 1997

A meeting of the Power Committee of the Salt River Project Agricultural improvement and Power District ("District") convened at 9:30a.m. on Thursday, November 13, 1997, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Vice Chairman Dobson; Directors Ash and Marshall  
Members absent at roll call were: Chairman Arnett; and Directors Kempton, Riggins and Rudd. Other Board members present were: Directors Burton and Diller; Council Chairman Rousseau; Council Liaison R. Kempton; Councilman W. Weller; President Schrader; Vice President Williams Jr.; Mmes. Alfano and Kimberly; and Messrs. Lowe, O'Neal and Soethe.

Secretary O'Neal stated that in compliance with A.R.S. 38-431, the Power Committee meeting was duly noticed and posted at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, December 2, 1997 at 9:30 a.m. by Adell Lewis of the Secretary's Office.

Vice Chairman Dobson called the meeting to order and requested Mr. Lowe to continue.

Rates & Service Initiatives

Mr. Lowe, using overhead transparencies, stated that, as part of the Strategic Pricing Plan, an executive services product/pricing network (ESPN) had been formed. ESPN will coordinate the corporate activities for new products, new services and new prices/rates. The intent is to increase customer loyalty and retention and develop new sources of revenues from new products or services.

Mr. Lowe stated that in conjunction with the rate redesigns to be proposed for next year, several new and enhanced services are also contemplated. Continuing, he previewed in more detail the following new services and initiatives that are being studied:

- Expanded phone center;
- Acceptance of credit and debit cards;
- Payment of interest on credit balances for customers on the managed payment plan;
- An early payment discount for residential customers on the 10-day, SurePay Plan;
- Increased service quality promise (SQP) payouts;

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- Discount for the first payment each billing cycle made through the Diebold Quick Pay terminals;
- Increased points of access at microbranches and Diebold Quick pay terminals in conjunction with downsized business offices at PAB and West Valley Service Center;
- Increased customer service fees for turn-ons, disconnects, and bounced checks;
- Addition of a minimum to the late payment fee;
- Expanded product purchases via the internet;
- Mobile generation service;
- Whole house surge protection; and
- Residential wiring and repair.

He requested that Mr. Soethe continue the presentation.

Mr. Soethe, using overhead transparencies, reviewed the pricing goals and rate philosophy that would be used in the upcoming rate redesign. He emphasized that the policy shift would focus on cost recovery and functional allocations according to rate of return while moving away from marginal cost allocations.

Continuing, he reviewed marginal cost and historical cost recoveries for the major rate schedules for FY96 and stated that the rate redesigns would adjust current rates to further improve fixed cost recovery within the standard rate classes and also develop, for each class, fully unbundled rates based on rates of return. He stated that customers would be offered a choice between the redesigned standard bundled rate and the new unbundled competitive rate. He said the unbundled competitive rate would be used as the foundational rate for offering a variety of energy plans such as flat, time of use, seasonal, indexed, and aggregation.

Mr. Soethe reported that management is anticipating an overall annual reduction in the rate redesign of \$47 million and reviewed the preliminary revenue targets for each customer class.

Continuing, Mr. Soethe reviewed what is anticipated to be offered for the E-23 residential rate (summer and winter), for both the standard rate and the new competitive unbundled rates.

In conclusion, Mr. Soethe reviewed the schedule for the strategic pricing plan stating that at the January 5 Board meeting, the Board would approve its rate consultant and establish the schedule which culminates with a July 1, 1998, implementation date.

Mr. Kempton and Mr. Reeves entered the meeting during the presentation. Vice President Williams Jr. and Director Burton left the meeting after the presentation.

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Santan Natural Gas Line

Mr. Reeves briefly reviewed the dispute regarding the natural gas pipeline that was constructed in 1981 by El Paso Natural Gas and paid for by the District to service the Santan Generating Station. He reviewed the conditions and provisions of the 1981 agreement and stated the pipeline extension was intended for the exclusive use of the District.

Subsequent to the 1981 agreement, a replacement agreement was entered into in 1991 to provide for conversion to a transportation service agreement. The new agreement did not contain the exclusive-use provision. In addition, the line was constructed on right of way provided by the District. The license granting this right of way to El Paso Natural Gas also contained exclusive use provisions.

Mr. Reeves stated that El Paso Natural Gas Company had made some external modifications to the pipeline that increased the pressure and, thus, provided increased capacity. As a result of the increased capacity, Southwest Gas entered into an agreement with El Paso Natural Gas to receive gas from the pipeline by installing a tap. The gas was to be used for the rapidly expanding Gilbert area. The District protested the agreement between Southwest Gas and El Paso, and El Paso filed a withdrawal of their request from the Federal Energy Regulatory Commission (FERC). Southwest Gas then protested the El Paso withdrawal through FERC.

Mr. Reeves reported that several attempts to negotiate a resolution were unsuccessful, and both parties made several pleadings with FERC. FERC has recently ruled that the line was a part of the Open Access System and, therefore ruled in favor of Southwest Gas. However, FERC did not address the validity of the license provisions.

Following the FERC ruling, the parties began renegotiating and have now reached a settlement that provides the following:

100 Mmcf of natural gas of the current total 115 Mmcf would be dedicated to Santan Generating Station and the District will permit the tap into the line for Southwest Gas use and modify the license as necessary.

As part of the settlement, natural gas rates to the District would not be increased.

In conclusion, Mr. Reeves recommended that the Committee request Board approval authorizing the President or Vice President and Secretary or Assistant Secretary to execute the necessary documents with El Paso Electric Company and Southwest Gas to resolve the dispute over the use of the Santan natural gas supply line, as presented.

On a motion duly made by Director Marshall, seconded by Director Ash and carried, the Committee agreed to request Board approval to execute the necessary documents with

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El Paso Electric Company and Southwest Gas to resolve the dispute over the use of the Santan Natural Gas supply line, as presented.

As there was no further business to come before the committee, the meeting adjourned at 11:30a.m.

William K. O'Neal  
Corporate Secretary

WKO:al

1998

**MINUTES**  
**POWER COMMITTEE MEETING**  
January 15, 1998

A meeting of the Power Committee of the Salt River Project Agricultural improvement and Power District ("District") convened at 9:30a.m. on Thursday, January 15, 1998, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Dobson, Marshall and Rudd. Members absent at roll call were: Directors Ash, Kempton and Riggins.

Other Board members present were: Directors Diller and Rogers; Vice President Williams Jr.; Mmes. Alfano, Caldwell, Kimberly, Lonon and Reed; and Messrs. Clester, Duckworth, Hoffman, Rappoport, Reeves, Silverman, and Soethe.

Secretary Lonon stated that in compliance with A.R.S. 38-431, the Power Committee meeting was duly noticed and posted at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, January 13, 1998, at 1:00 p.m. by Adell Lewis of the Secretary's Office.

Chairman Arnett called the meeting to order and requested Ms. Kimberly to continue.

Strategic Pricing Plan - Proposed Rate Adjustment

Ms. Kimberly stated that the purpose of her presentation was to seek approval of a revised schedule for implementation of a planned adjustment in standard electric rate schedules and approval to retain National Economic Research Associates (NERA) for independent review of management's recommendations.

Using overhead transparencies, she reviewed the major components of a Strategic Pricing Plan that will position SRP for price competition and customer choice in a deregulated environment. The plan includes rate, product and services initiatives that were originally targeted for implementation in July 1998.

Ms. Kimberly stated that recent activities in the Arizona Corporation Commission and a lack of information relative to the future competitive landscape had prompted management to reassess the schedule for implementing SRP's initiatives, including the overall rate decrease of 3.6%. She said that, after considerable review, it was management's recommendation to delay implementation of the rate decrease while pursuing a phased-in approach for the new product and service offerings.

Ms. Kimberly reviewed the proposed schedule for the rate, product and service initiatives and requested approval to set dates for the Board meetings necessary to meet the

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September 1 and November 1, 1998, implementation dates for, respectively.

SRP's standard bundled and unbundled competitive rates. She concluded with management's recommendation that the Board retain NERA for an independent review of management's proposed changes to the electric rate schedules.

A motion was duly made by Director Marshall, seconded by Director Dobson and carried, to approve modifying implementation of the planned rate adjustment and retain National Economic Research Associates for an independent review of management's proposed changes to electric rate schedules as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash, Kempton and Rovey entered the meeting during the presentation.

#### Sale of Trask Substation

Mr. Soethe, using overhead transparencies, reviewed a request to sell Trask Substation to Broken Hills Proprietary (BHP) and the terms and conditions of the sale. He stated that Trask is a 115kV substation in the Eastern Mining Area and is dedicated to serving the BHP load. BHP has shifted load or discontinued operations to the extent that Trask is needed only for emergency backup to SRP's Oakflat Substation. There has been no energy consumption at Trask since 1996.

Mr. Soethe stated that facilities to be sold were no longer necessary for the current or future operations of the District's electric system. He concluded with management's request for approval to sell Trask Substation to BHP on the terms and conditions presented.

A motion was duly made by Director Kempton, seconded by Director Ash and carried, to approve the sale of Trask Substation to BHP as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's office and, by reference, are made a part of these minutes.

Mr. Soethe left the meeting, and Mr. Wardrip entered the meeting.

#### Agreement Between Peabody Western Coal Company (PWCC) and the District

Mr. Reeves, using overhead transparencies, reviewed a request for approval to execute an agreement between PWCC, owner/operator of the Kayenta Mine, and the District, which would establish a price cap on coal sold to Navajo Generating Station (NGS). The agreement would also restrict information that could be provided to PacifiCorp. He said that execution of the agreement was subject to completion of PacifiCorp Holdings, Inc.'s

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purchase of The Energy Group, parent of PWCC.

Mr. Reeves reviewed the background of the negotiations, which were prompted by PacifiCorp's announced intention to acquire The Energy Group. He said the announcement raised concerns with SRP and others that a competitor in the electric utility marketplace would be able to control or influence the price of coal from PWCC. He reviewed the key principles of the agreement, including price cap, code of conduct, contract restructuring, and a price reopener. He reminded the Committee that the agreement was effective only if the acquisition was finalized and was void in the event of sale or divestiture of the mine.

Mr. Reeves concluded with management's request that the Board authorize the Associate General Manager of Power, Construction and Engineering Services, acting as Chairman of the NGS Coordinating Committee, to execute the agreement between PWCC and the District, on behalf of the NGS participants, to address issues resulting from the acquisition of The Energy Group (ultimate parent of PWCC) by PacifiCorp Holdings, Inc.

A motion was duly made by Director Dobson, seconded by Director Marshall and carried, to approve authorization of the Associate General Manager of Power, Construction & Engineering Services to execute the agreement between PWCC and the District to address issues resulting from the acquisition of The Energy Group (ultimate parent of PWCC) by PacifiCorp Holdings, Inc.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Reeves left the meeting, and Messrs. Coggins, McGinnis, Palomino, and Stephenson entered the meeting.

#### New West Energy (NEW)

Mr. Duckworth introduced Karen Caldwell, managing director of NWE, and asked her to update the Committee on the recent activities of NWE.

Ms. Caldwell, using overhead transparencies, provided an overview of regulatory activities in California that impact NWE, including the delayed startup of the independent system operator and power exchange, definition of affiliate rules, approval of direct access rules, divestiture of certain generation assets by various utilities. She also discussed the recent rejection by the Federal Energy Regulatory Commission of NWE's power marketing license. She concluded with a review of activities to position NWE for competition in the California market, including sales results, potential billing, and marketing strategies.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

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President Schrader entered the meeting.

### Photovoltaic (PV) Systems

Mr. McGinnis stated that the purpose of his presentation was to update the Committee on SRP's intention to provide PV system sales for the residents of Whitney Ranch in Sunflower, Arizona. He asked Ernie Palomino to proceed.

Using overhead transparencies, Mr. Palomino reviewed the technical details of a PV system and the components and services that SRP would offer the residents of Whitney Ranch.

Mr. Stephenson continued the presentation by reviewing the background of SRP's involvement with the residents of Sunflower, Arizona. He stated that in early 1996, Arizona Public Service Company began working with the residents of Whitney Ranch to provide them with PV power. Since the community is located in SRP service territory, SRP began discussions with residents in the Spring of 1997.

Using aerial photographs of Sunflower, Arizona, and the Whitney Ranch development in particular, he reviewed the service needs and requests of several residents. He stated that other options for power had been evaluated, but a customer-owned PV system was the best alternative.

Mr. McGinnis, using overhead transparencies, reviewed SRP's alliance with Photovoltaic Services Network (PSN), a provider of packaged PV systems and financing. He stated that SRP would assume the role of facilitator/liaison, while PSN would be the agent, installer, and maintenance provider. He reviewed some of the general PV systems offered and their costs, and concluded with the status of several systems in progress for certain residents in Sunflower, Arizona.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

### Global Warming

Chairman Marshall stated this item had been deferred to a future meeting.

There being no further business to come before the committee, the meeting adjourned

11:20a.m.

Terrill A. Lonon  
Corporate Secretary

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MINUTES  
POWER COMMITTEE MEETING  
February 12, 1998

A meeting of the Power Committee of the Salt River Project Agricultural improvement and Power District ("District") convened at 9:30 a.m. on Thursday, February 12, 1998, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Dobson, Marshall and Rudd. Members absent at roll call were: Directors Ash, Kempton and Riggins.

Other Board members present were: Directors Burton, Diller, Rogers and Rovey. Others present: President Schrader; Vice President Williams Jr.; Mmes. Alfano, Caldwell, DeMarr, Lonon, and Whisler; and Messrs. Areghini, Duckworth, Harrelson, Rappoport, Silverman, Soethe, and Tangsrud.

Secretary Lonon stated that in compliance with A.R.S. 38-431, the Power Committee meeting was duly noticed and posted at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, February 10, 1998, at 9:00 a.m. by Adell Lewis of the Secretary's Office.

Chairman Arnett called the meeting to order and requested Ms. Whisler to continue.

Safe Harbor Filing with Federal Energy Regulatory Commission (FERC)

Ms. Whisler, using overhead transparencies, discussed FERC's concerns regarding open access to transmission lines owned by public power. She stated that FERC regulates wholesale electricity activities, including transmission, and reviewed key points of FERC Orders 888 and 889, which require that utilities open their transmission lines to competitors and contain rules requiring separation of transmission operations and wholesale merchant functions. She also reviewed FERC's rules for conduct between a utility and a wholesale power marketer affiliate.

Ms. Whisler said that, while the District is not under FERC's jurisdiction, management was seeking the Committee's approval to make a safe harbor filing of its open access transmission tariff, standards of conduct regarding separation of the District's transmission operations and wholesale marketing functions, and code of conduct between the District and New West Energy (NWE). She reviewed the components of the standards of conduct and code of conduct, and

explained the differences in the District's filing from the pro-forma tariff required for regulated entities. A safe harbor filing is a request that FERC issue a declaratory order finding that the District's tariff meets or exceeds FERC's "comparability of service" requirements. She concluded with a request for approval of the FERC Safe Harbor Filing.

- A motion was duly made by Director Rudd, seconded by Director Marshall and carried, to approve the FERC Safe Harbor Filing as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Trangsrud and Ms. Whisler left the meeting.

Director Ash; Messrs. Beeson, Bonsall and Martin; and John Weldon of Salmon Lewis and Weldon entered the meeting.

#### Global Warming

Ms. DeMarr, using overhead transparencies, updated the Committee on the global warming debate which focuses on the impact of human actions on climate changes. She discussed the voluntary efforts of the District and others, which began in 1995, to reduce carbon dioxide emissions and the reductions made since then in a variety of areas.

Ms. DeMarr continued by discussing highlights of the international treaty signed in Kyoto, Japan on December 10, 1997, which committed the United States to reducing greenhouse gas emissions to 7% below 1990 levels by years 2008-2012. She said that, if the treaty were ratified, the District would face a serious and costly challenge to reduce emissions by 20% to 25% to reach 7% below 1990 levels by year 2008. She concluded by stating that staff is analyzing the projected effects of the treaty on the District and is exploring solutions.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Demarr left the meeting; Mr. Wardrip entered the meeting.

#### Purchase of Long-Term Sale of Remaining Navajo Surplus Power

Mr. Duckworth, using overhead transparencies, reviewed the background of the *Contracts for Long-Term Sale of Remaining Navajo Surplus Power and Coordinated Operation of Power Systems* between the Western Area Power Administration (WAPA), the Bureau of Reclamation (USBR), the Central Arizona Water Conservation District (CAWCD), and the District which provide for the

purchase by the District of capacity deemed to be in excess of the pumping needs of the Central Arizona Project (CAP). CAWDC purchases from the District the energy for its pumping requirements. He reminded the Committee that, in 1994, CAWCD's electrical load for the CAP was integrated into the District's electrical system, and the District acts as scheduling agent for the CAP resources: USBR Navajo Entitlement (547 MW), Hoover B Entitlement (162 MW), and Waddell (35 MW).

Mr. Duckworth concluded by discussing the benefits derived from the contracts for both CAWCD and the District. He said the District's primary advantage was flexibility in scheduling.

Continuing the presentation, Mr. Martin reviewed the scheduling operations under the contracts, the 1998 water demand, and the scheduling parameters. He discussed CAWCD's objections to the operations, including variances in pump load and surcharges amounts. He stated that CAWCD and the District were meeting later in this month to discuss their differences in operating the system.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. James and Mr. Martin left the meeting.

#### Status of New West Energy (NWE)

Mr. Duckworth, using overhead transparencies, discussed how competition is changing the market as the electric utility industry moves toward customer choice. He reviewed the District's involvement in California with NWE and highlighted key elements of NWE's business plan and marketing efforts.

Continuing, Mr. Duckworth discussed how power costs are calculated and explained the various components of a customer's total bill, including "uplift" charges. He concluded with a review of NWE's plans.

Directors Dobson and Rogers left the meeting.

Using overhead transparencies, Ms. Caldwell continued the presentation with a report on NWE's key accomplishments during the past month, which included securing five new mid-sized customers and the hiring of four additional employees. She reviewed the pending and executed contracts; the executed contracted total 124 megawatts.

Ms. Caldwell reviewed the business and customer operations in process and concluded with information on PG&E Energy Services, an affiliate of Pacific Gas & Electric Company.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Caldwell and Messrs. Duckworth, Soethe and Wardrip left the meeting.

Chairman Arnett requested an Executive Session to discuss the Little Colorado River Adjudication, pursuant to ARS §38-431.03 A.4.

On a motion duly made by Director Rudd and seconded by Director Ash and carried, the Committee voted to go into Executive Session at 11:55 a.m.

The Committee returned to Open Session at 12:24, and as there was no further business to come before the Committee, the meeting adjourned at 12:25 p.m.

Terrill A. Lonon  
Corporate Secretary



NEW WEST ENERGY

# 8

# New West Energy Report of Activities

February 12, 1998

2/12/98

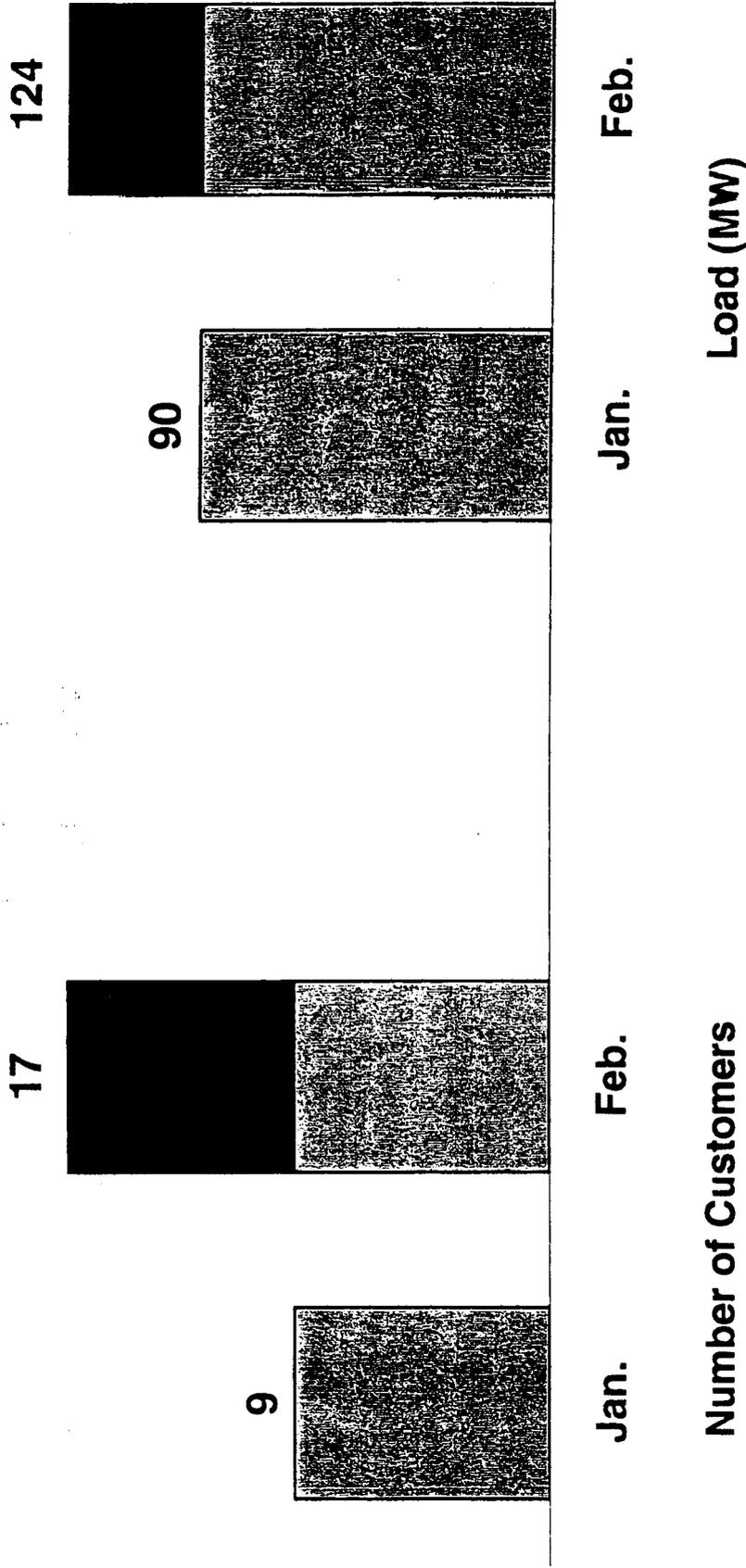
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NWE Update 2-12-98.ppt



**NEW WEST ENERGY**

# Marketing and Sales



Number of Customers

Load (MW)

**These customers represent \$35 million in gross revenue (life of contract)**



**NEW WEST ENERGY**

# Volume Outlook

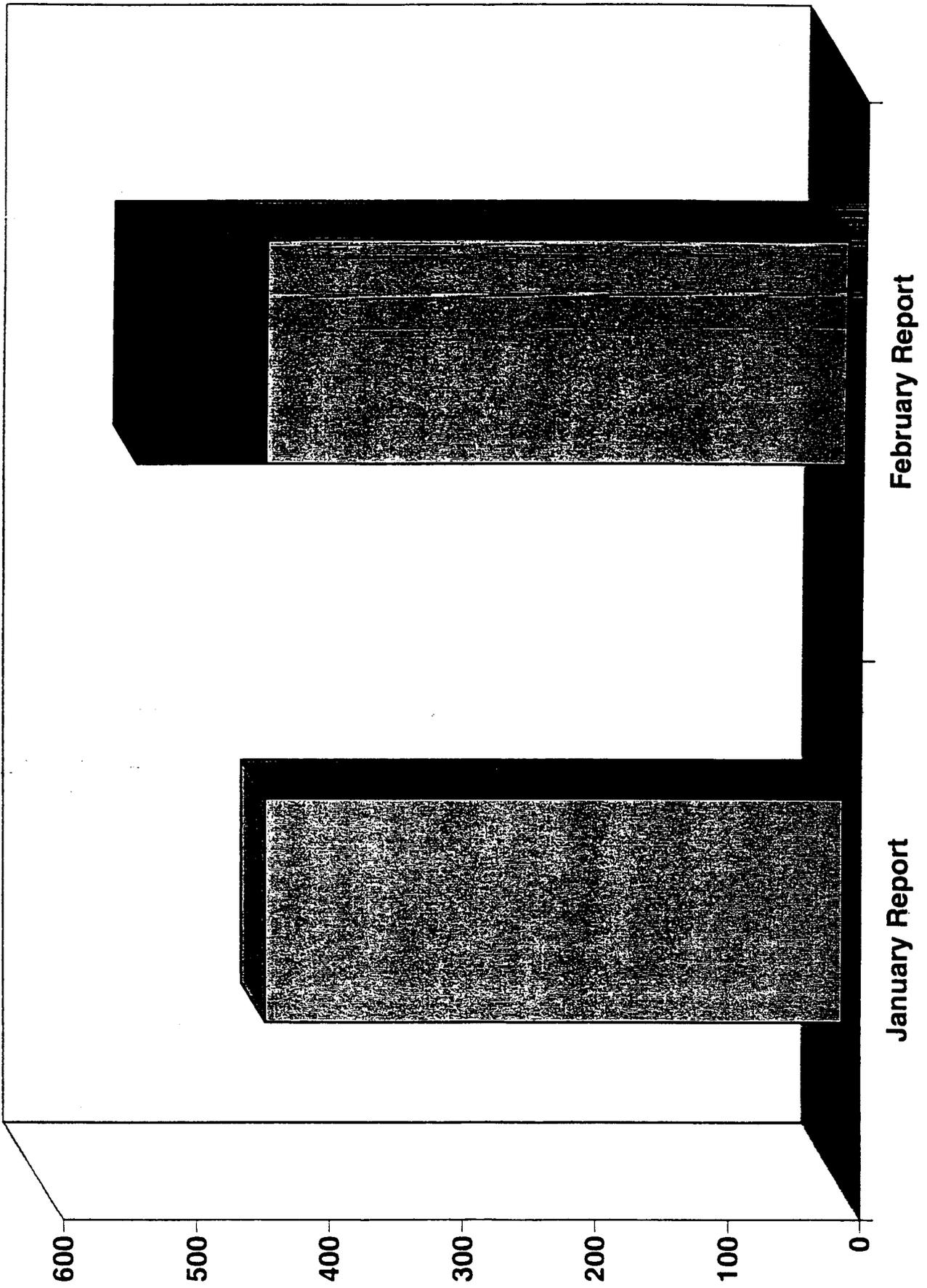
Status	Estimated MW	Probability of Signing Contract	Risk-Weighted MW
Contracted	124	100%	124
Contract Pending	200	80%	160
Proposal Finalist	256	60%	154
Proposal Outstanding	264	10%	26

February 12, 1998



# Accepted Direct Access Service Requests

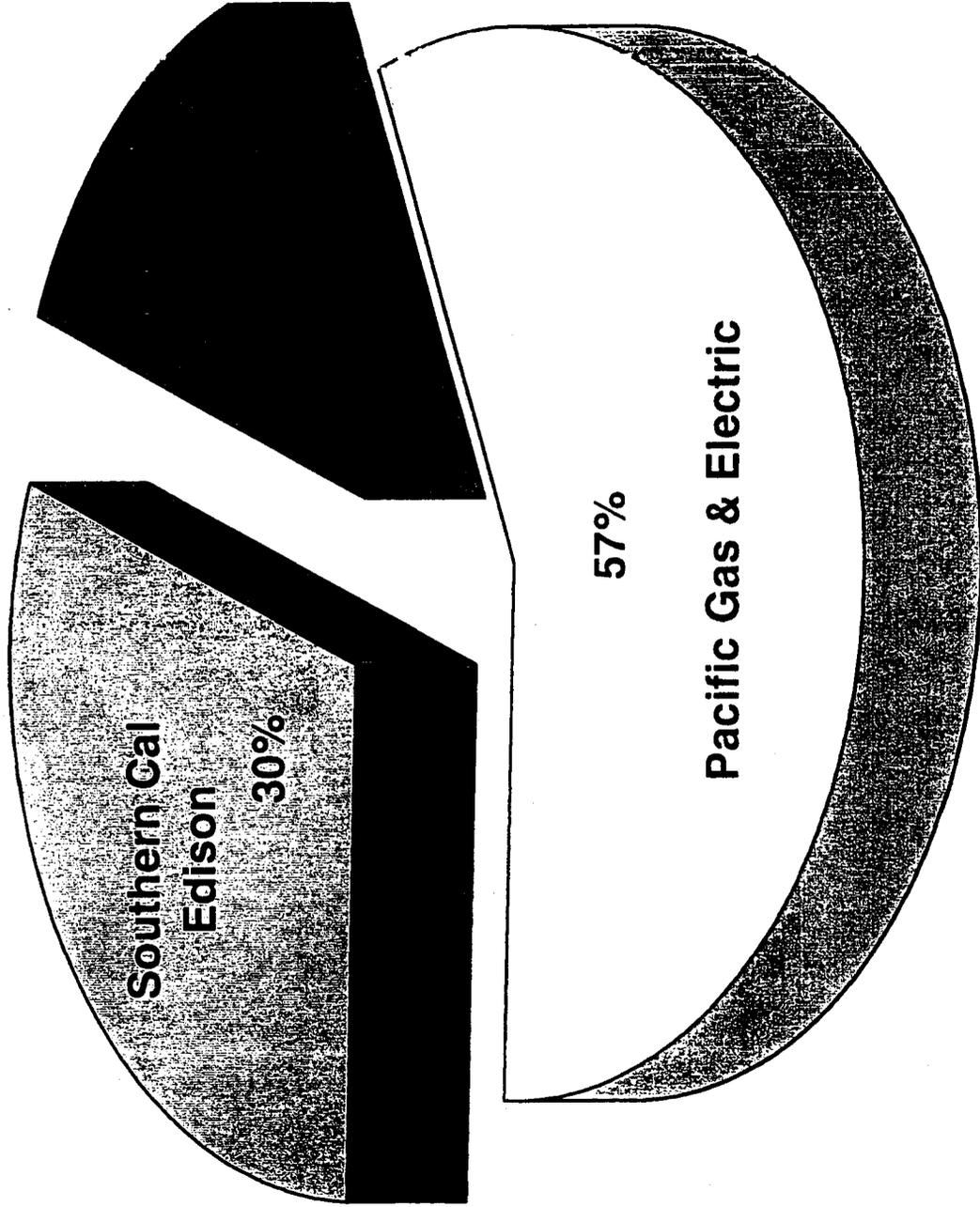
NEW WEST ENERGY





NEW WEST ENERGY

# Direct Access Service Requests by California Service Territory



Total Accepted = 531



NEW WEST ENERGY

# Business and Customer Operations

- Meter provider certification process underway
- 96 meters delivered to Cellnet; 1st customer installation scheduled for March '98
- Developing Information System to interact with UDC's and others (outside vendor)

2/121/98

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NWE Update 2-12-98.ppt



NEW WEST ENERGY

# Supply & Trading

- Developing capability to contract for 3rd party supply
  - Credit
  - WSPPP membership
  - Power Accounting System
- Developing aggregated demand profile
  - Slow data flow from UDC's
  - Process to estimate hourly demand from monthly customer data



NEW WEST ENERGY

## Organization

- Patsy Gwartney selected as Executive Assistant
- Marv Serhan hired as Sales Representative, San Diego area
- Lisa Jacques selected as Power Marketer, Supply & Trading
- Harry Sauthoff selected as Analyst, Risk/Planning
- Organizational/hiring plan undergoing review

2/12/98

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NWE Update 2-12-98.ppt



NEW WEST ENERGY

## Competitor Information

- PG&E Energy Services/Safeway announcement
  - Provide electricity, natural gas & services to 400 Safeway & Von's stores in California
  - Multi-year agreement



NEW WEST ENERGY

## Competitor Information, Cont.

- PG&E Energy Services
  - Goal: Largest in California and top five nationally
  - \$100 million committed to start-up (\$70 million net income loss over next 2 years)
  - Employs 300 associates in 20 U. S. cities. Plan to add 240 more in 1998
  - Say long-term power agreements now exceed \$1 billion revenue, 13 million MWh
  - Other large customers include McDonald's, Neiman-Marcus, and possibly Blockbuster

MINUTES  
POWER COMMITTEE MEETING  
March 12, 1998

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("District") convened at 9:30 a.m. on Thursday, March 12, 1998, in the Board Conference Room at the Project Administration Building.

Members present at roll call were: Chairman Arnett; Directors Dobson, Ash, Kempton and Marshall.

Members absent at roll call were: Directors Riggins Jr. and Rudd.

Other Board members present were: Directors Burton, Diller, Fleming, Rovey and Weiler. Others present were: President Schrader; Vice President Williams Jr.; Council Chairman Rousseau; Mmes. Alfano, Caldwell, Kimberly, Lonon, and Reed; and Messrs. Bonsall, Duckworth, H. Peterson, Silverman and Soethe.

Secretary Lonon stated that in compliance with A.R.S. § 38-431, the Power Committee meeting was duly noticed and posted at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, March 10, 1998, at 9:00 a.m. by Adell Lewis of the Secretary's Office.

Chairman Arnett called the meeting to order and requested Mr. Soethe to continue.

House of Worship Pilot Rider

Mr. Soethe stated that the purpose of his presentation was to review a proposal to implement a House of Worship Pilot Rider, supplemental to the E-35 and E-36 rates, effective May 1, 1998 through December 31, 1998. He said the proposed pilot rider responded to repeated requests from AZ ICE (Arizona Interfaith Coalition on Energy) that SRP offer a House of Worship Rate, which would be a time-of-use rate with weekend hours off-peak year-round.

Using overhead transparencies, Mr. Soethe reviewed the religious organizations who participated in the campaign for a House of Worship Rate and the concerns presented by AZ ICE. He said the proposed pilot rider was almost identical in design to the existing Experimental Demand Rider; the key difference lying in the definition of on/off peak hours.

Mr. Soethe reported that SRP serves about 1,050 accounts associated with the religious community; however, management recommends that participation in the pilot be limited to 100 accounts since limited time-of-use data is available for

these customers. He reviewed the terms of the rider, including on/off peak hours and winter/summer rates, the revenue impact to SRP, and the potential savings to these customers.

Mr. Soethe concluded with management's request that SRP implement a House of Worship Pilot Rider, effective May 1, 1998 through December 31, 1998, with participation limited to the first 100 accounts affiliated with religious organizations.

On a motion duly made by Director Kempton, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

#### Extension of Real Time Pricing (RTP) Pilot

Mr. Soethe, using overhead transparencies, reviewed the background of the RTP pilot program, which was originally implemented in June 1995 and is due to expire on April 30, 1998. He said that six customers currently receive service under the pilot program, which is limited to E-65 and E-63 customers whose RTP account has an annual average demand of no more than 20 megawatts (MW).

Mr. Soethe reviewed the RTP customers served, prospective customers, annual revenues and annual average demand. He compared the current customers' RTP bills to E-65 bills, noting the savings from inception of the RTP through January 1998.

Continuing, Mr. Soethe discussed the benefits derived by SRP and its customers from the RTP pilot rate offering. He reported that the customers served under the pilot program have indicated high satisfaction with the program and are interested in seeing it continued. Therefore, he concluded with management's recommendation that the current RTP pilot program be extended through December 1998.

On a motion duly made by Director Kempton, seconded by Director Ash and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Rappoport entered the meeting.

Extension of Multiple Account Pilot

Using overhead transparencies, Mr. Soethe reviewed the background of the Multiple Account Pilot, which was implemented in May 1997 and is due to expire on April 30, 1998. He said the pilot had been developed in response to requests by customers asking that their multiple accounts be totalized (contiguous site accounts) or aggregated (non-contiguous) for billing purposes.

Mr. Soethe reviewed the terms of the program, the customers served and savings identified. He said that eight customers with 35 accounts are being served under the totalization portion of the pilot, while 11 customers with 311 accounts are being served under the aggregation portion of the pilot.

Mr. Soethe discussed the billing process and perceived benefits to SRP and its customers. He concluded with management's recommendation that the current Multiple Account Pilot be extended through December 1998.

On a motion duly made by Director Ash, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Vice President Williams Jr. and Director Weiler left the meeting.

SRP Guaranty of New West Energy Corporation (NWE) Obligations

Mr. Duckworth, using overhead transparencies, reviewed that NWE is required to provide security or establish creditworthiness for the performance of its obligations under various types of agreements. He reminded the Committee that, in December 1997, the SRP Board had granted approval for the District to guarantee contractual obligations of NWE up to a maximum aggregate of \$10 million. Based on NWE's business plan and assumed sales of 100 megawatts, he said the \$10 million limit had been reached.

Mr. Duckworth continued by stating that, in order to provide sufficient guarantees for anticipated volume up to 350 megawatts, management recommended that the Board approve an increase of the limit on guarantees of NWE contractual obligations to a maximum aggregate of \$40 million.

On a motion duly made by Director Kempton, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

President Schrader left the meeting, and Mr. Peterson entered the meeting.

Status of New West Energy Corporation (NWE)

Ms. Caldwell, using overhead transparencies, updated the Committee on the activities of NWE, including marketing and sales, volume and revenues, operations, and direct access service requests.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Kempton and Messrs. Duckworth and Silverman left the meeting.

SRP Proposed Parallel Process

Ms. Kimberly stated that the purpose of her presentation was to present the proposed process and schedule that would define the terms and conditions for customer choice in SRP's service territory. She said the process was structured to comply with statutory notice requirements, where applicable, and would provide opportunities for comments by the public and by consultants for consideration by SRP's Board of Directors in determining the procedures, price structure, and other terms of retail customer choice.

Using overhead transparencies, Ms. Kimberly stated that the process would take place from March through December 1998 and include the formation of a special committee of SRP Board of Directors who would receive input from staff, consultants and the general public. A series of open public meetings would be held throughout SRP's service territory, and an SRP employee task force would conduct a survey of SRP customers. She discussed the meeting format and topics to be discussed, including rate-related issues such as unbundled charges, stranded costs, and system benefits; and other issues such as customer selection, customer protection, and complaint resolution.

Ms. Kimberly reviewed the schedule of key dates and requirements to begin the process that would meet the December 31, 1998, competition date. She concluded by requesting approval to move forward with the proposed process, under the guidelines presented.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Alfano left the meeting.

RS18 East Valley Project

Mr. Peterson stated that the purpose of his presentation was to provide an overview of the RS18 Public and Environmental Process to be used by the District in determining the site for a new 500/230kV receiving station in the East Valley. The project includes a 230kV transmission line from RS18 to the Santan Generating Station.

Using a map of the area involved, Mr. Peterson reviewed the location under consideration and alternate routes for the transmission line. He said that the public involvement process would be similar to that used in siting the RS16 Project, including mailings, fact sheets, hot lines, and public meetings. In addition, he stated that the District would likely file an amended Certification for Environmental Compatibility. The public process would probably create public interest in the areas of land use, visual environment issues, and any concerns and impacts on surrounding entities.

There being no further business to come before the Committee, the meeting adjourned at 12:00 Noon.

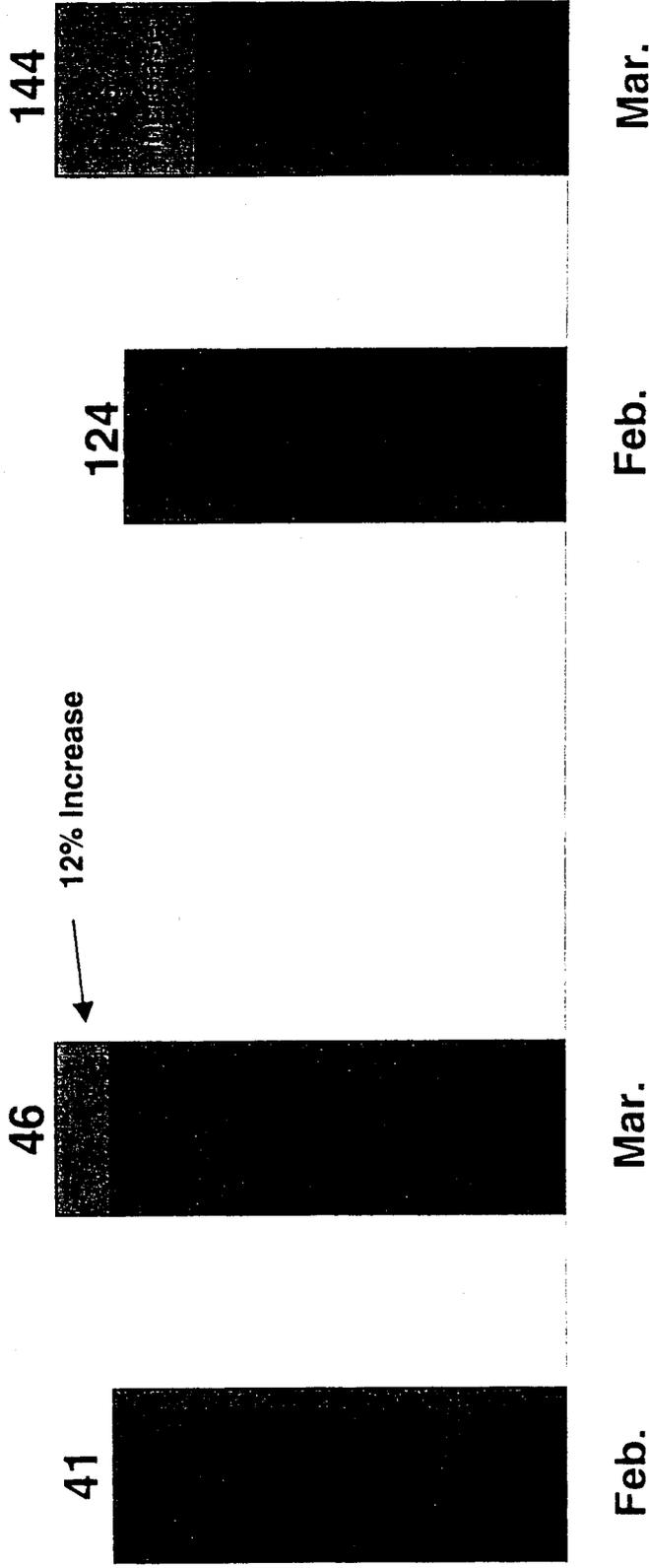
Terrill A. Lonon  
Corporate Secretary



**NEW WEST ENERGY**

# Marketing and Sales

Mobil Franchisees as Distinct Customers



Number of Customers

Load (MW)

**These customers represent \$37 million in gross revenue (life of contract)**

*3/12/98 Power Connection*



**NEW WEST ENERGY**

# Volume and Revenue Summary

CURRENT AS OF 3/5/98

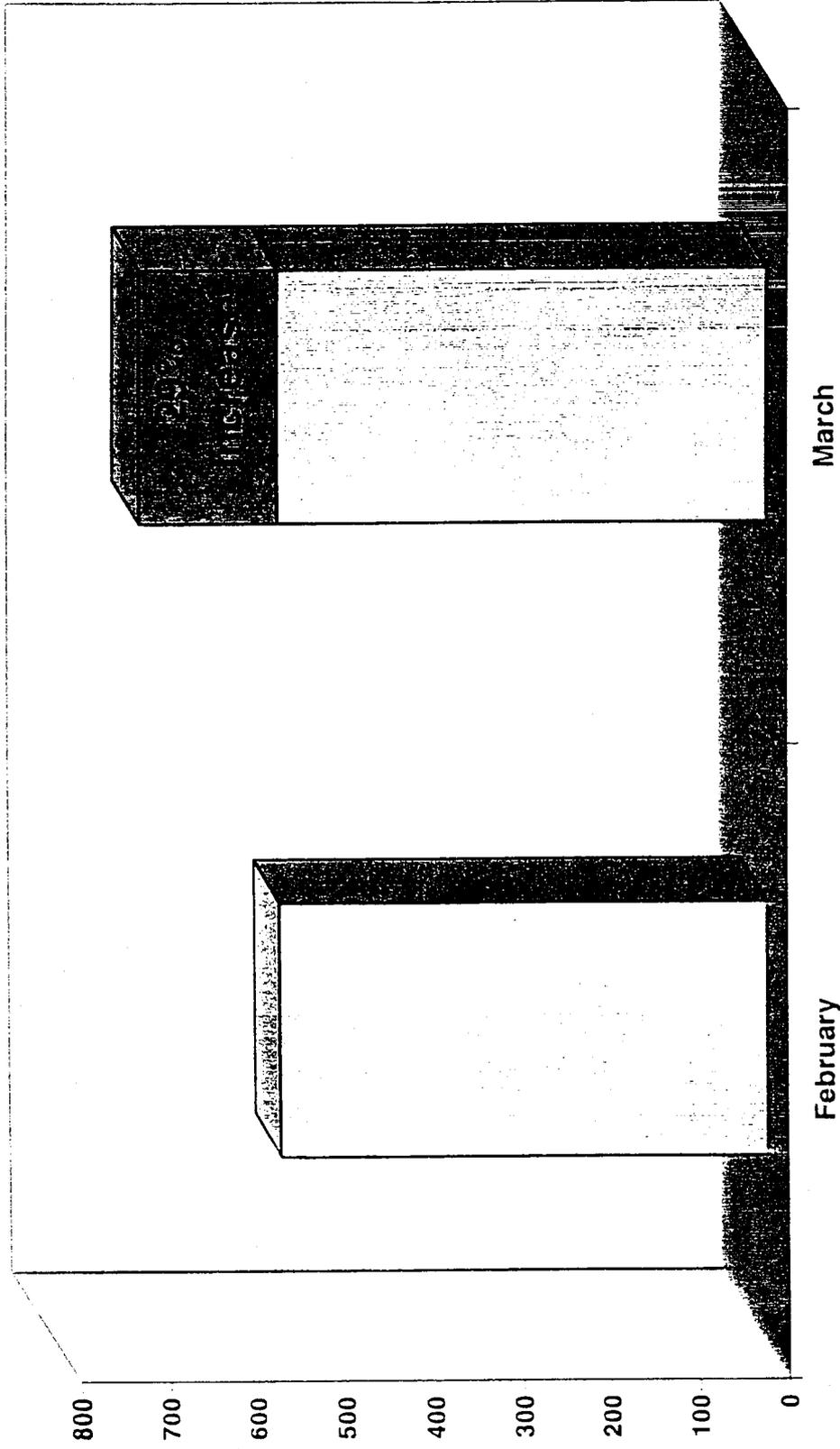
Status	Estimated MW	Probability of Signing Contract	Time to Contract (days)	Risk-Weighted MW
Contracted	144	100%	---	144
Contract Pending	307	80%	30 - 60	246
Proposal Finalist	204	60%	90 - 120	122
Proposal Outstanding	871+	10%	120+	87+
TOTAL	1,526+	---	---	599+

Status	Estimated Revenues (\$ millions/year)	Probability of Signing Contract	Risk-Weighted Pev (\$ millions) / ANNUAL CONTRACT LIFE
Contracted	17.0	100%	17.0 36.5
Contract Pending	47.1	80%	37.7 69.0
Proposal Finalist	29.1	60%	17.5 35.9
Proposal Outstanding	109.2+	10%	10.9+ 22.7+
TOTAL	202.4+	---	83.1+ 164.1+



# Submitted Direct Access Service Requests

NEW WEST ENERGY

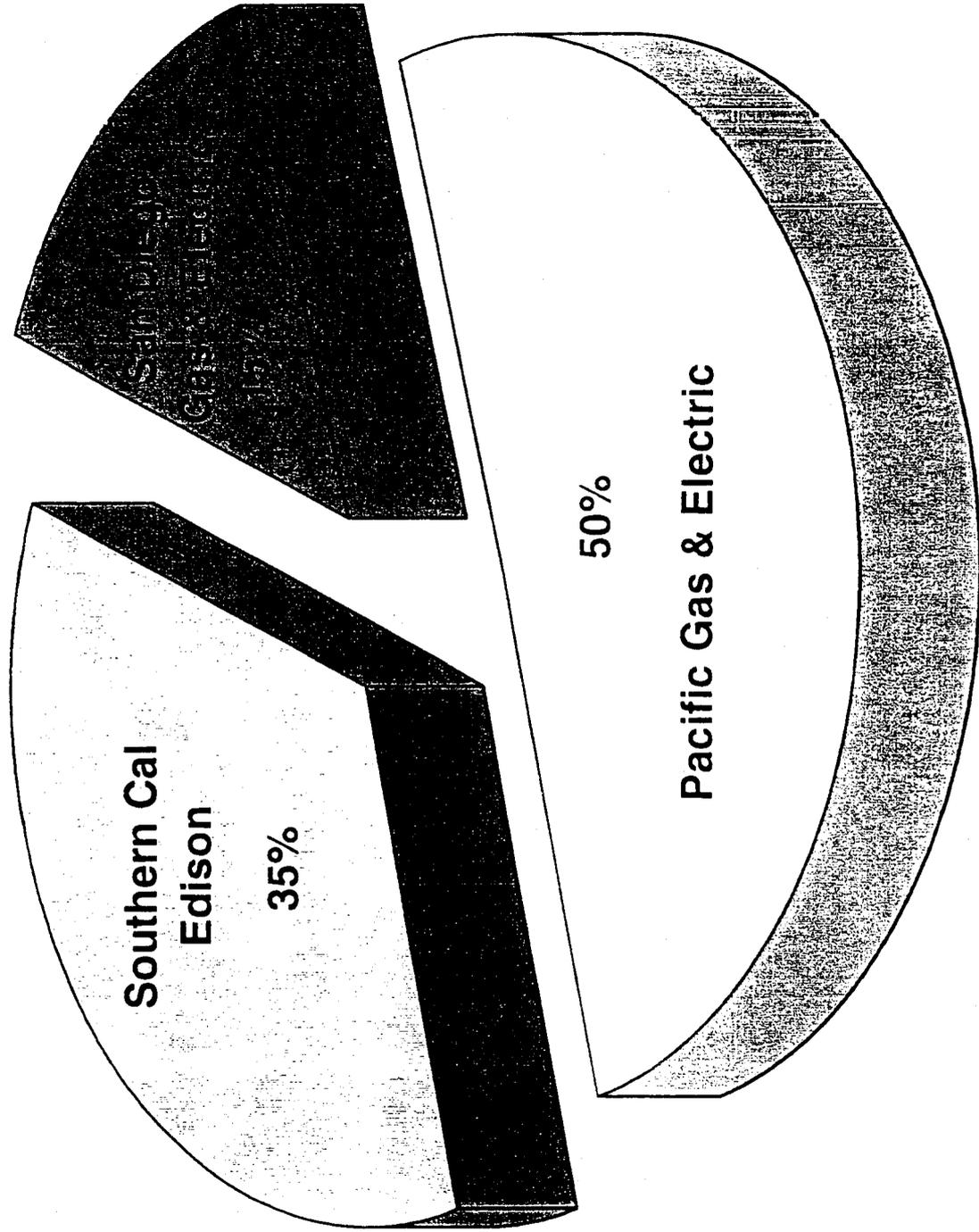


**NWE/CELLNET 3rd Meter Service Provider (MSP)  
Certified in State: 1st Meter Data Management  
Agent (MDMA)**



NEW WEST ENERGY

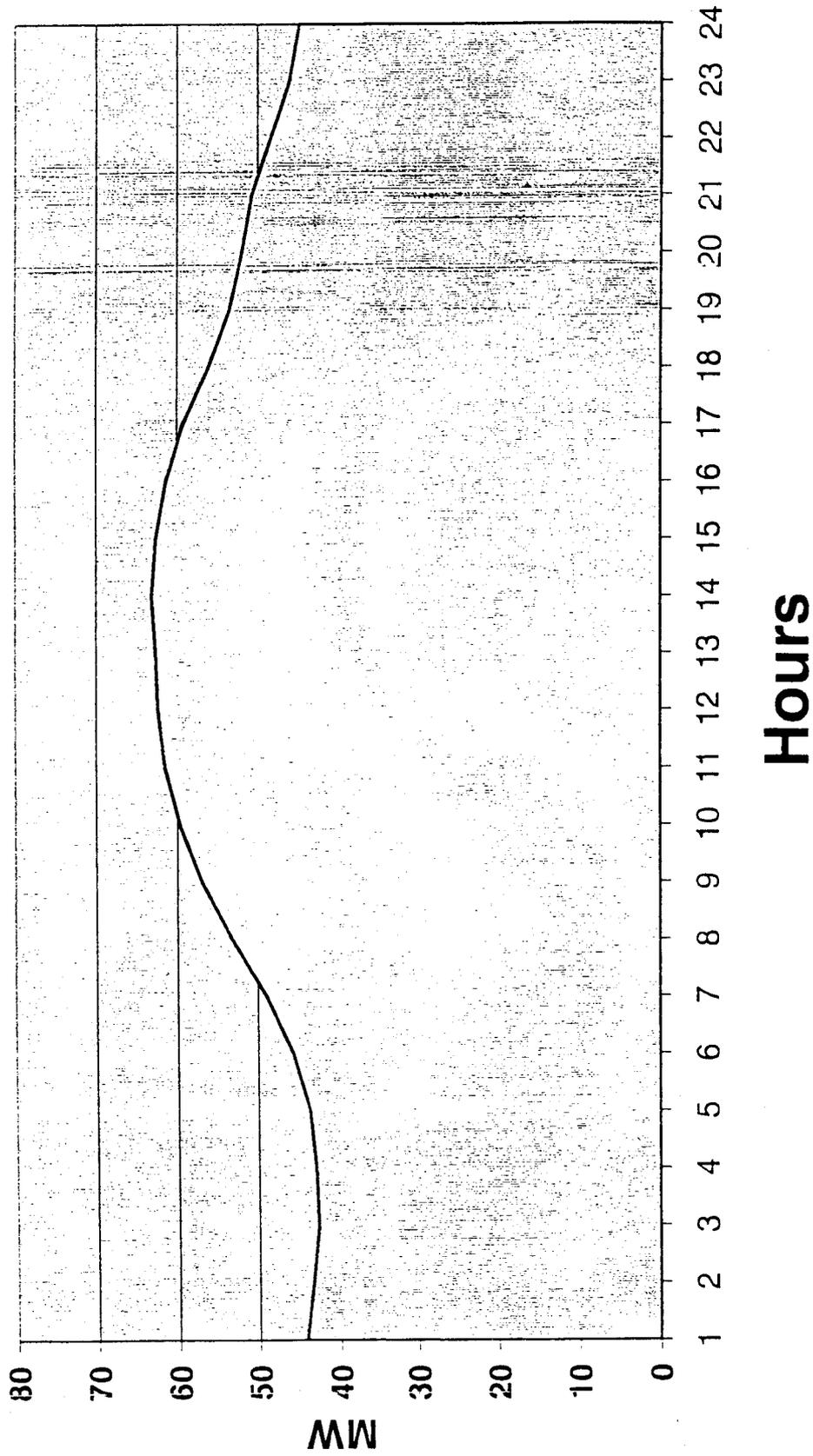
# Direct Access Service Requests by California Service Territory





NEW WEST ENERGY

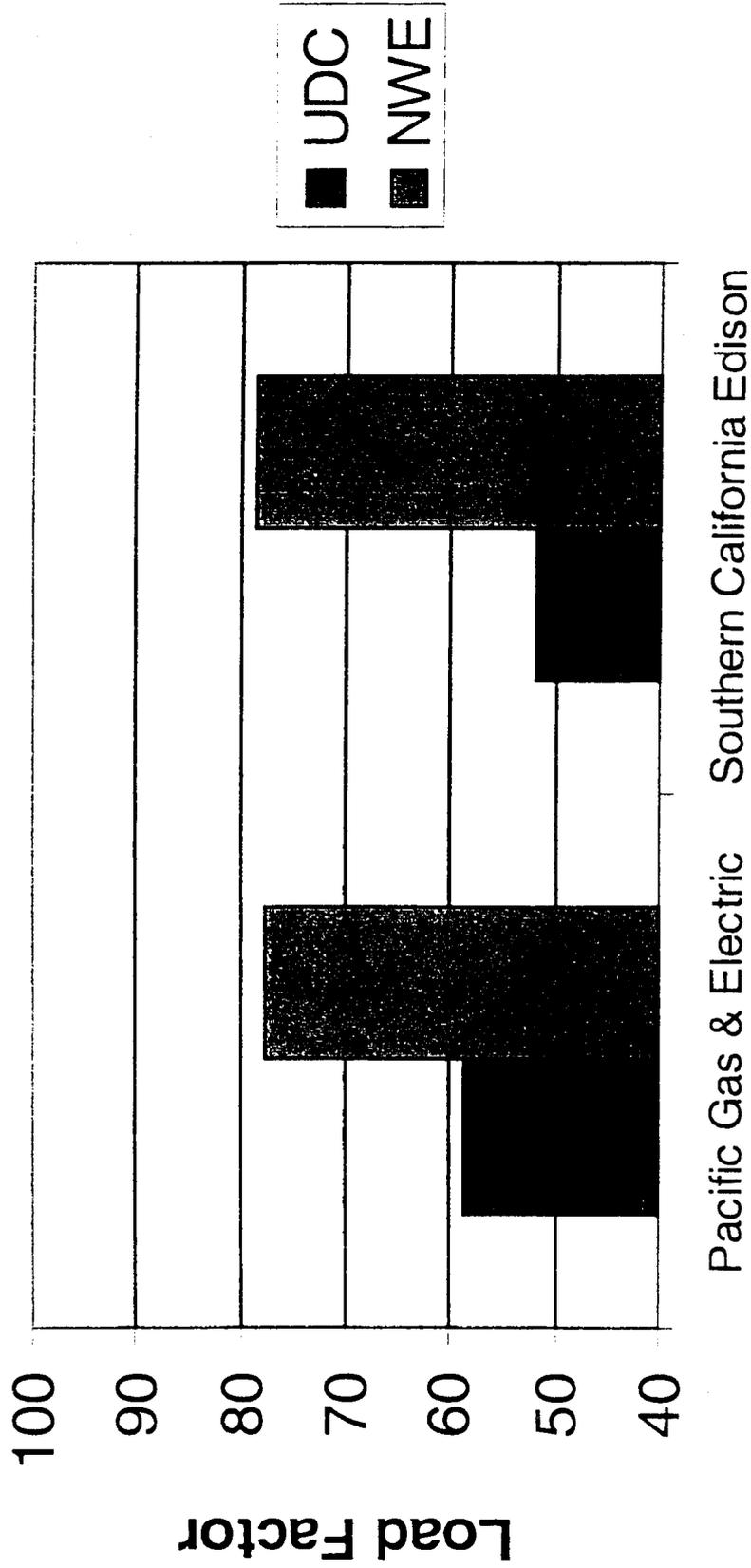
# Typical Average Daily Load Shape Estimate for April





NEW WEST ENERGY

# April Load Factor Comparison

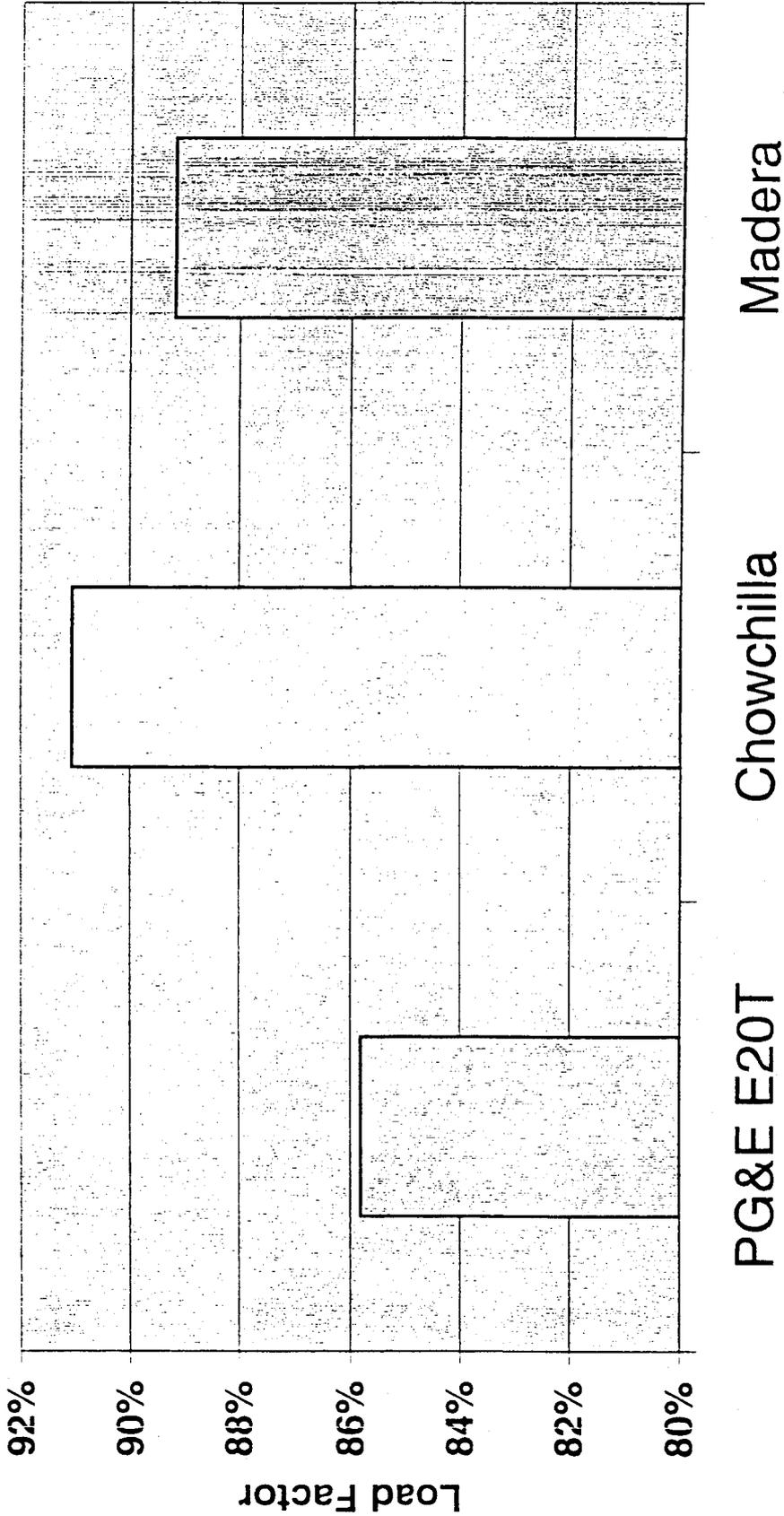


Source: FERC Form No. 1, 1996 Data



NEW WEST ENERGY

# Annual Load Factor Comparisons: PG&E E20T and St. Gobain

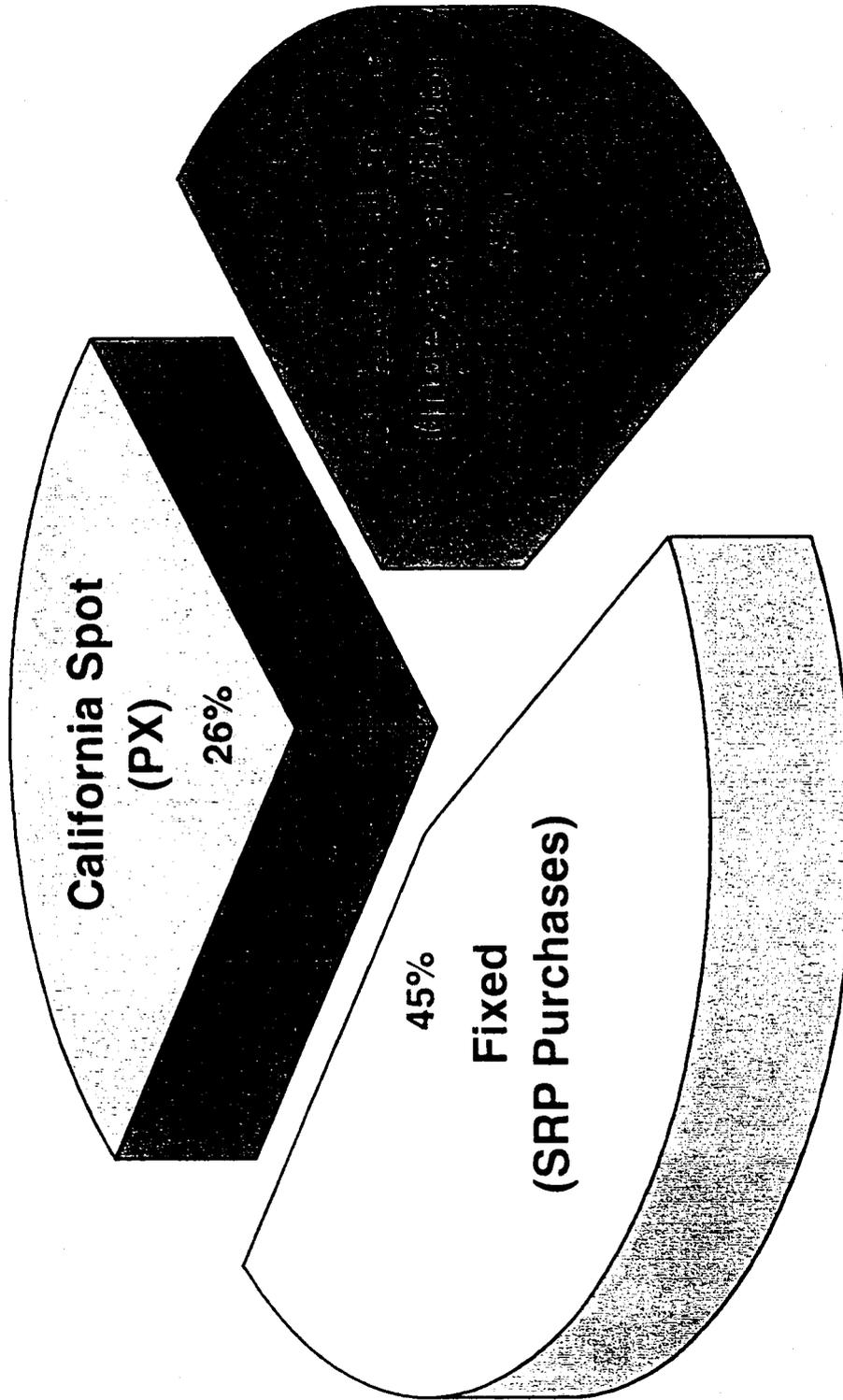


## Rate Class and NWE Customers



NEW WEST ENERGY

# NWE Supply Mix - April 1998



# 8

# *New West Energy*

## PERFORMANCE SECURITY

March 12, 1998



- NWE must provide security for performance or establish creditworthiness under contracts with:
  - Utility Distribution Companies (UDCs)
    - Corporate Guaranty or Letter of Credit
  - Risk Management Partners
  - Power Sellers
  - Customers



- Examples of Performance Security:

- Cash Deposits
- Performance Bonds
- Letters of Credit
- SRP Guaranty



- SRP Board Approved  
Guarantee of NWE  
Contractual Obligations  
Up To \$10 Million

*Aggregate Amount  
\$10 Million*

*Customers*

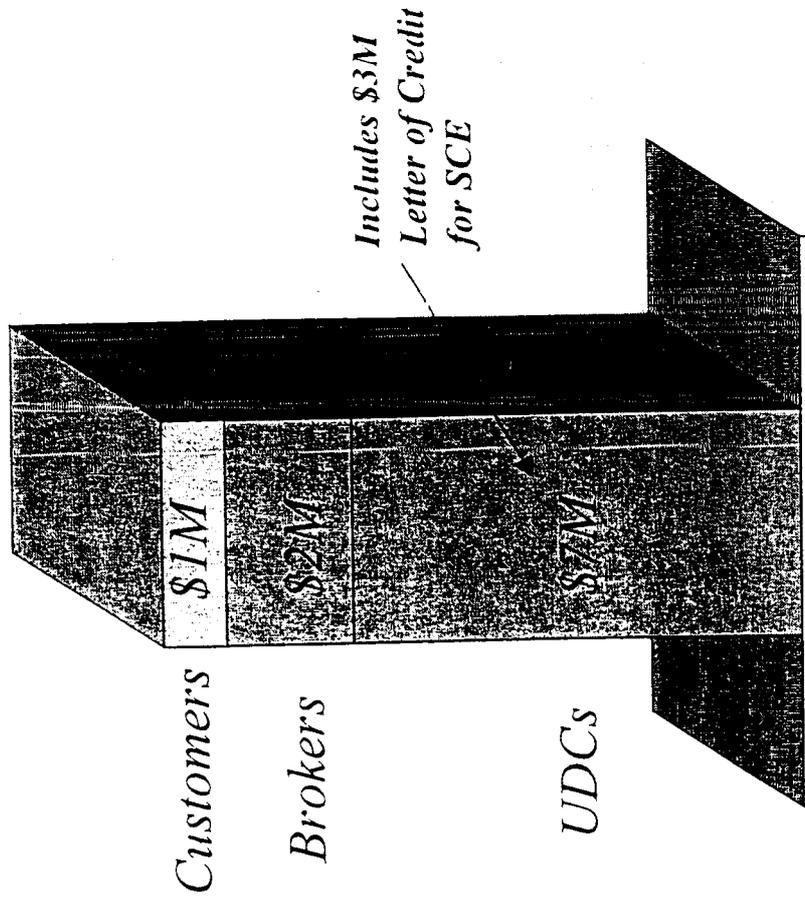
- December 1997 Board Meeting

*Brokers*

- Aggregate amount based on NWE Business Plan

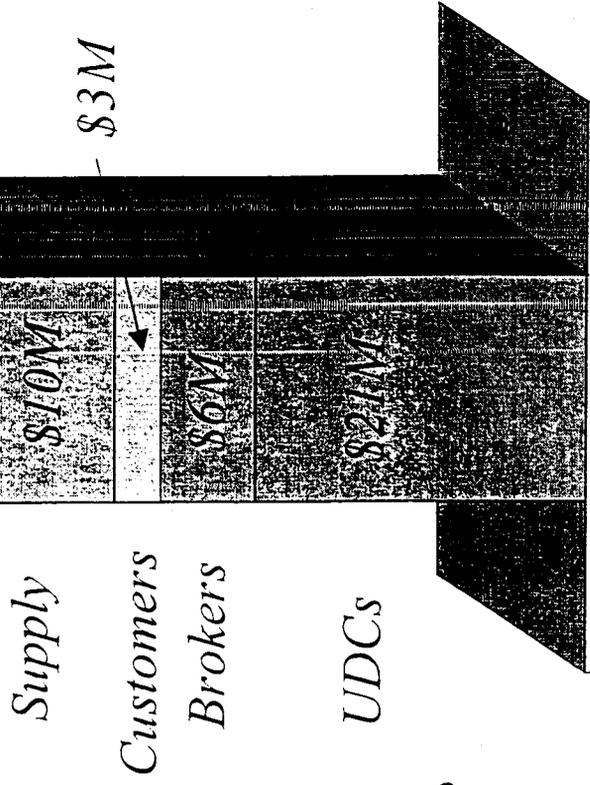
*UDCs*

- Assumed sale of 100 MW
- Assumed substantial supply purchased from SRP



- Anticipate Need for Approval for Guarantee of NWE Contractual Obligations Up To \$40 Million

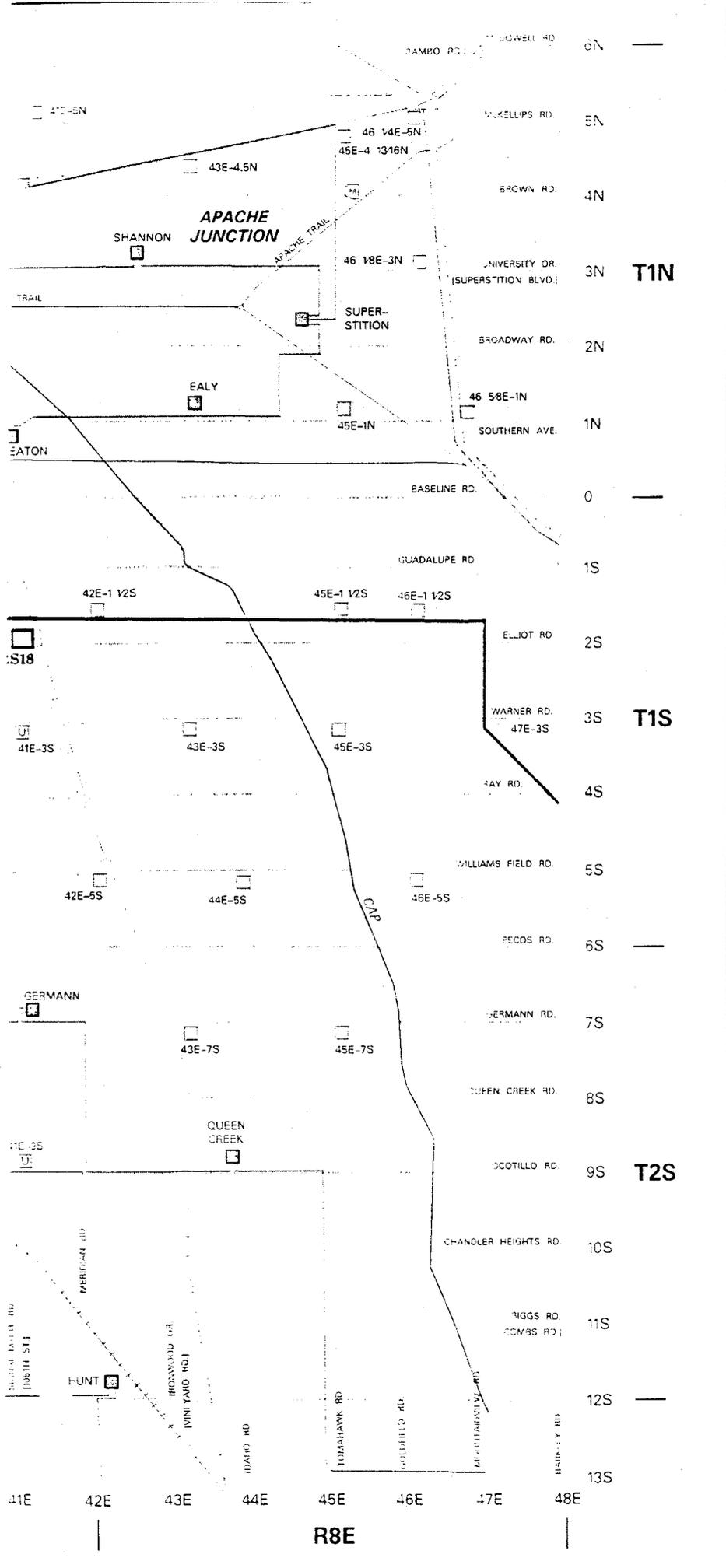
Aggregate Amount  
\$40 Million



- Aggregate amount based on actual and projected sales
- Sufficient for volume of up to 350 MW
- Assumes supply purchased from others in addition to SRP
- NWE Guarantees in the form of Corporate Guaranty and Letter of Credit

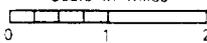


# RS18 STUDY AREA

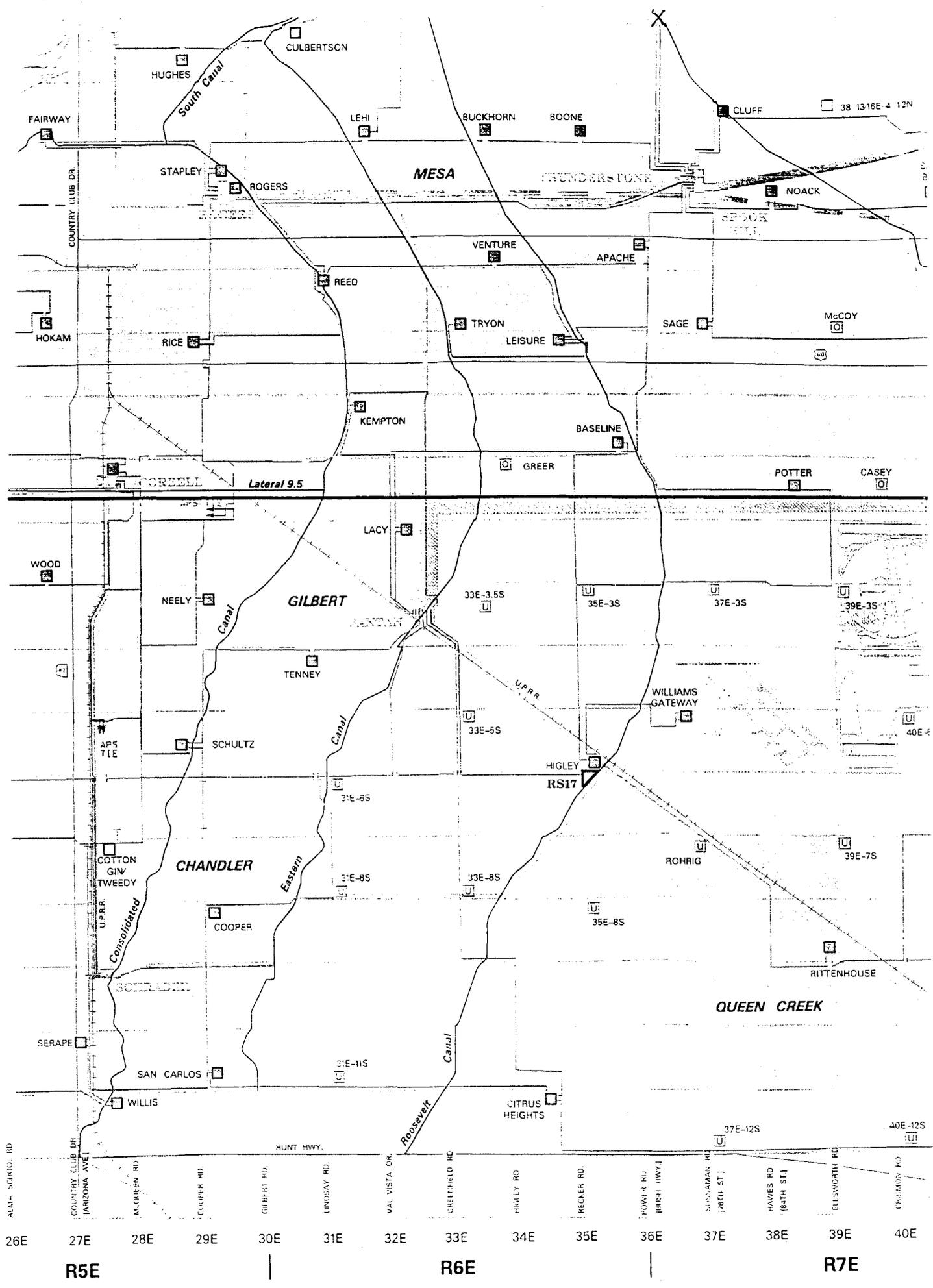


## LEGEND

- Existing Distribution Substation
- Future 230kV Substation (SRP)
- Proposed Substation Owned
- Proposed Substation Unowned
- 230kV Receiving Station
- 230kV Receiving Station Other Utilities
- 230kV Generation Plant With Receiving
- Existing 500kV Transmission Line
- Existing 230kV Transmission Line
- Existing WAPA Transmission Line
- Existing 69kV Transmission Line
- Existing 115kV Transmission Line
- Central Arizona Project
- Preferred Route
- Long Route

  
 NORTH  
 © 1998 Salt River Project (SRP)  
 Scale in Miles  


SRP makes no representation or warranty as to the accuracy of this mapping product or as to its fitness for a particular purpose.  
 3/10/98 CAR:[140,200]RS18SA.DGN



26E 27E 28E 29E 30E 31E 32E 33E 34E 35E 36E 37E 38E 39E 40E

**R5E** | **R6E** | **R7E**

MINUTES  
POWER COMMITTEE MEETING

May 14, 1998

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, May 14, 1998, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Dobson, Kempton, Marshall, Riggins Jr. and Rudd.

Absent at roll call was Director Ash.

Others present were Directors Burton, Diller, Fleming, Pendergast Jr. and Rovey; President Schrader; Vice President Williams Jr.; Council Liaison R. Kempton; Councilman Weiler; Mmes. Alfano, Caldwell and Lonon; Messrs. Bailey, Bonatatti, Bonsall, Duckworth, Harper, Rappoport, Silverman and Slick; and Ken Sundlof of Jennings Strouss and Salmon.

Secretary Lonon stated that in compliance with A.R.S. § 38-431, Karen Umber of the Secretary's Office had posted a notice of the meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, May 12, 1998, at 9:00 a.m.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested a motion for Executive Session to discuss matters authorized under A.R.S. §38-431.03 (A)(4).

Executive Session

On a motion duly made by Director Marshall, seconded by Director Arnett and carried, the Committee convened into Executive Session at 9:31 a.m. to seek advice from counsel concerning a proposed Memorandum of Agreement between SRP and Arizona Public Service Company.

The Committee reconvened into Open Session at 11:00 a.m. with the following members and others present: Directors Arnett, Ash, Burton, Diller, Fleming, Kempton, Marshall, Pendergast Jr., Riggins Jr., Rovey and Rudd; Vice President Williams Jr.; Councilmen Kempton and Weiler; Mmes. Alfano, Caldwell, Kimberly and Lonon; and Messrs. Bailey, Bonatatti, Brumback, Duckworth, Harper, Rappoport, Slick and Wardrip.

SRP/New West Energy (NWE) Supply Plan

Mr. Duckworth stated that the purpose of his presentation was to discuss SRP's strategy for meeting the energy requirements of SRP and NWE.

Using overhead transparencies, Mr. Duckworth reviewed the historical method for developing SRP's supply plan, which included the development of a load forecast, based on economic outlook and population growth within SRP's service area, and a resource plan to cover the projected demand. He said that FY99 presented a new

challenge of how to supply SRP's total retail demand in a "competitive" environment and also meet the generation requirements of NWE.

Mr. Duckworth reviewed key elements of the FY99 plan, which included forecast growth of 2.8% within SRP's service area, potential loss of retail customers in a competitive market, and NWE use of SRP's excess and stranded generation to replace lost retail load in SRP's service area. In summary, he stated that the strategy for meeting SRP and NWE's projected energy requirements through FY2004 included a combination of SRP resources with purchases from the California power exchange and the wholesale market to meet the total demands of NWE customers.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Burton, Ms. Kimberly, and Messrs. Bonatatti, Rappoport and Slick left the meeting following the presentation.

#### Coronado Generating Station (CGS) - Coal Combustion Product Contract

Mr. Harper stated that the purpose of his presentation was to review a request to enter into a five-year agreement with Material Resource Technologies (MRT) for the sale of coal combustion product (fly ash, bottom ash and scrubber sludge) from CGS.

Using overhead transparencies, Mr. Harper reviewed the background of a 1980 agreement for the sale of fly ash from CGS to Boral (formerly Western Ash). He said the agreement included a five-year market development phase to find and develop markets for fly ash, bottom ash and scrubber sludge from CGS, after which time Boral would purchase a minimum of 85% of CGS ash which met certain specifications. He stated that, due to ash quality, transportation and other issues, sales prior to 1995 typically averaged less than 20%. As a result, the agreement was amended in 1995 to allow the removal of fly ash by rail to mitigate transportation costs. He said that following the rail loading addition, 1996 and 1997 sales increased to 65% to 70%.

Mr. Harper reported that the current fly ash production at CGS is about 200,000 tons per year; production is anticipated to increase to 280,000 tons per year over the next five years. Therefore, the issue of sales volume is important to CGS to offset fuel costs and mitigate the cost of transporting the material to a landfill at a present cost of \$1.2 million annually.

Continuing, Mr. Harper stated that the agreement with Boral had expired on December 31, 1997, and requests for proposal (RFP) were issued. He reviewed the RFP process and evaluation criteria, which included fixed price and volume, a business plan, and a willingness to partner with CGS on final products. Following evaluation of the bids received, he reported that MRT was the successful bidder with a fixed price of \$11.1 million over five years and a "take or pay" commitment for 202,000 tons of fly ash per year.

Mr. Harper concluded by requesting authorization for the Associate General Manager of Power, Construction and Engineering Services to execute such documents as necessary in connection with the contract for a five-year agreement with Material Resource Technologies for the sale of coal combustion product from CGS, and stated that renewal of the contract would be based on meeting specific performance requirements.

On a motion duly made by Director Rudd, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Vice President Williams Jr., Director Ash, Council Liaison R. Kempton, and Ms. Alfano left the meeting following the presentation.

#### Navajo Generating Station (NGS) - Railroad Status and Action Plan

Mr. Brumback, using overhead transparencies, reviewed a series of events on the NGS Railroad, including three car derailments, an inordinate increase in number of rail breaks and a runaway train, which led to a complete review of railroad operations and maintenance practices. He stated that SRP had conducted an intensive investigation of the rolling stock and track/track bed, and the results were verified by an independent consultant.

Of particular concern, Mr. Brumback noted that components associated with the railcar truck assemblies were found to have a high number of structural problems (cracks), resulting in 23 cars being withdrawn from service. As a result, he said a bolster and side frame refurbishment program has been put in place. In addition, a track bed assessment indicated that the rail was suffering from high cycle fatigue and near the end of its operational life. As a result, a replacement program for up to 75 miles of track has been developed at a cost of approximately \$20 million over the next 2.5 to 3.5 years.

Mr. Brumback concluded by stating that the road bed ballast had filled with fines from blowing sand which, coupled with undersize ballast and insufficient fractured surfaces, had created "soft" spots in the track assembly. Consequently, a road bed ballast cleaning and replacement program was under consideration.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Brumback and Harper left the meeting following the presentation.

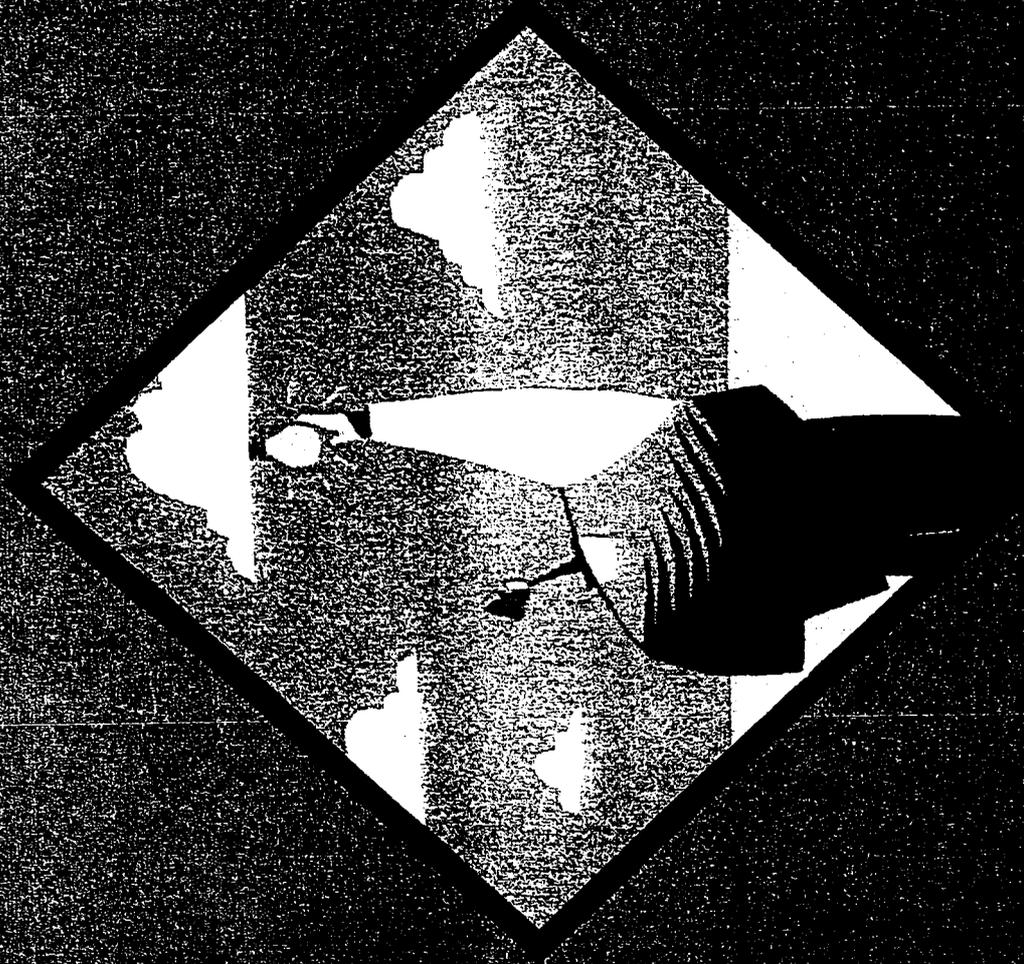
Status of New West Energy Corporation (NWE)

Ms. Caldwell, using overhead transparencies, updated the Committee on the activities of NWE, including marketing and sales, volume and revenues, operations, and direct access service requests.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 12:40 p.m.

Terrill A. Lonon  
Corporate Secretary



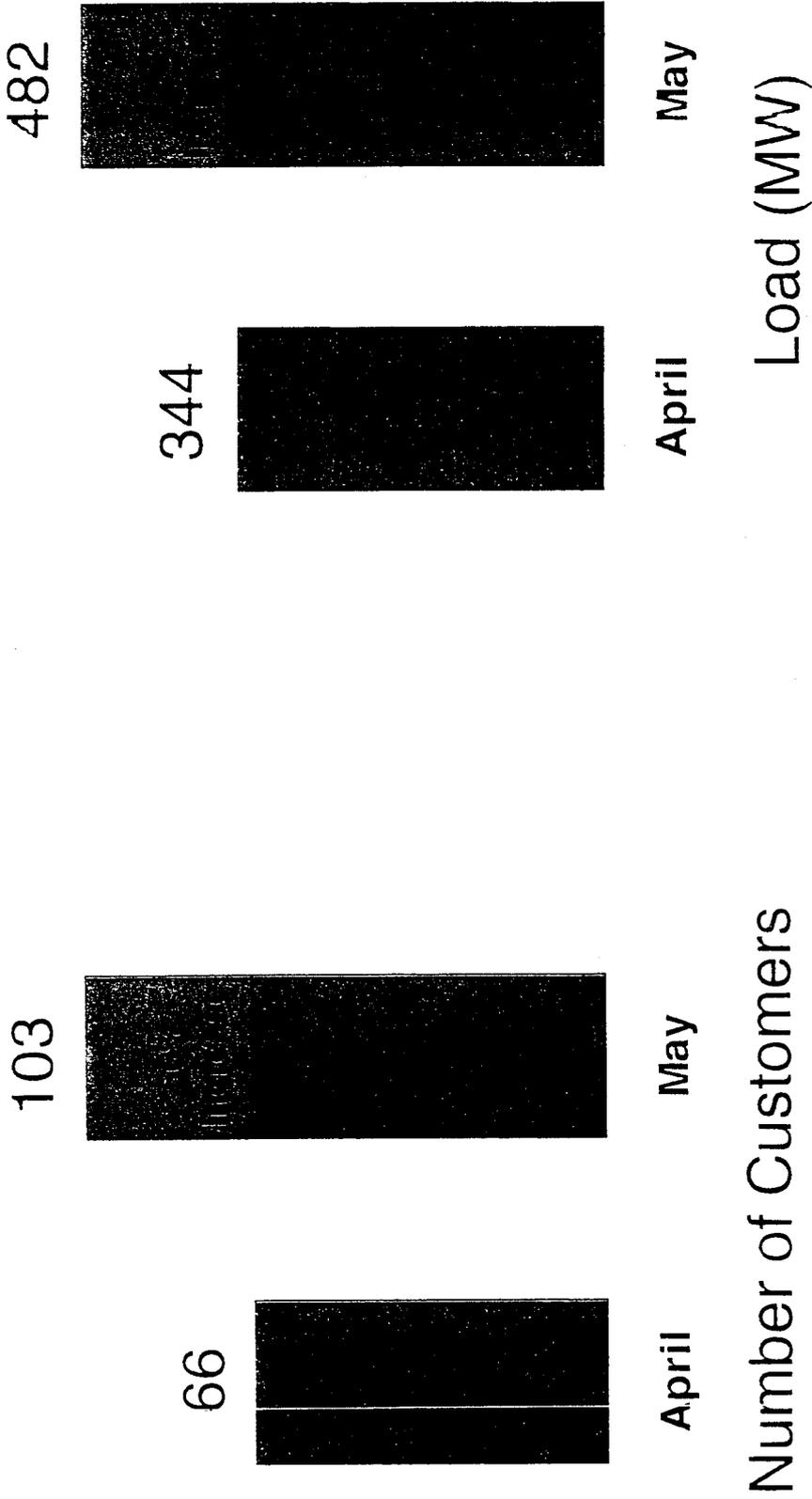
# Presentation to SRP Power Committee

*May 14, 1998*



NEW WEST ENERGY

# Marketing and Sales



**These customers represent \$111 million in gross revenue (life of contract)**



**NEW WEST ENERGY**

# Volume Outlook

**MW                      GWh**

Category	MW		GWh	
	Est.	Risk Wghtd.	Est.	Risk Wghtd.
Contracted	482	482	2,868	2,868
Contract Pending	128	102	721	577
Proposal Finalist	106	64	702	421
Proposal Outstanding	975+	98+	4,208	420
<b>TOTAL</b>	<b>1,691+</b>	<b>746+</b>	<b>8,499</b>	<b>4,287</b>

3/5/13/98

K. Caldwell



**NEW WEST ENERGY**

## **Other Highlights**

- Over 1,000 DASRs processed.
- Tax licenses issued for 150+ cities.
- April break-even on gross margin basis; administrative expenses were \$800M, including \$400M out of period.
- In the process of securing long-term firm supply (500MW).
- Working Parent Guaranty with SCE (replacing letter of credit).



NEW WEST ENERGY

# FY 1998 Expenses

	Budget	Actual
((\$000))		
Labor	\$1,299	\$869
Information Systems	116	227
Office	59	13
Supplies	3	48
Travel	161	125
Marketing/Promotion	120	139
Startup Costs	1,050	553
Other	102	288
Power Purchase	3,212	954
<b>Total Expenses</b>	<b>\$6,122</b>	<b>\$3,216</b>

Projected Actual based on preliminary year-end estimates as of 4/30/98 and are subject to change

5/5/3/98

K. Caldwell



NEW WEST ENERGY

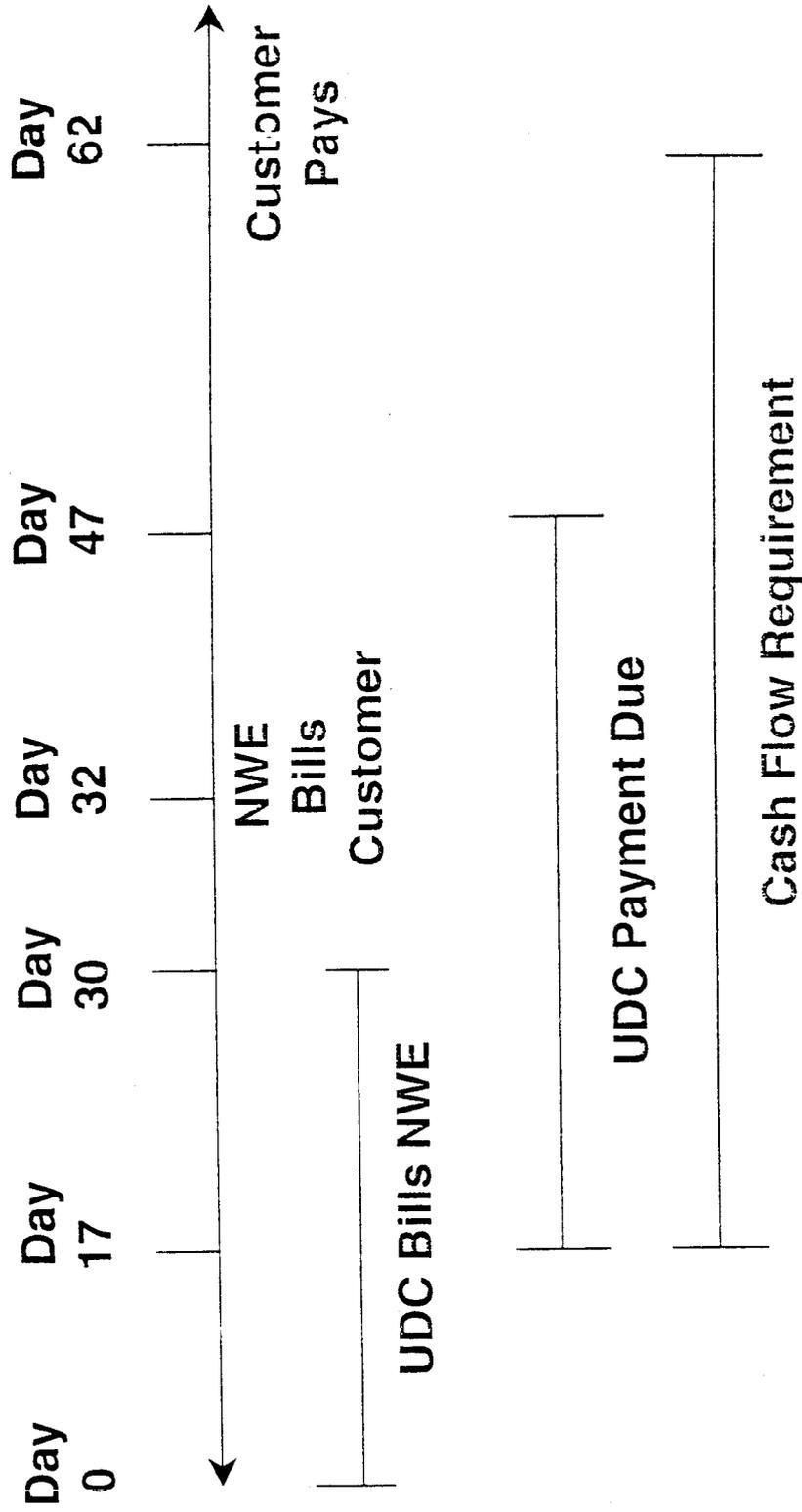
# Current Billing Process

- We bill and collect the UDC's distribution, transmission and stranded investment charges.
- We remit payment to the UDCs before we collect from our customers.
- This requires New West Energy to have funds available to handle these payment schedules.



**NEW WEST ENERGY**

# Sample Timeline





**NEW WEST ENERGY**

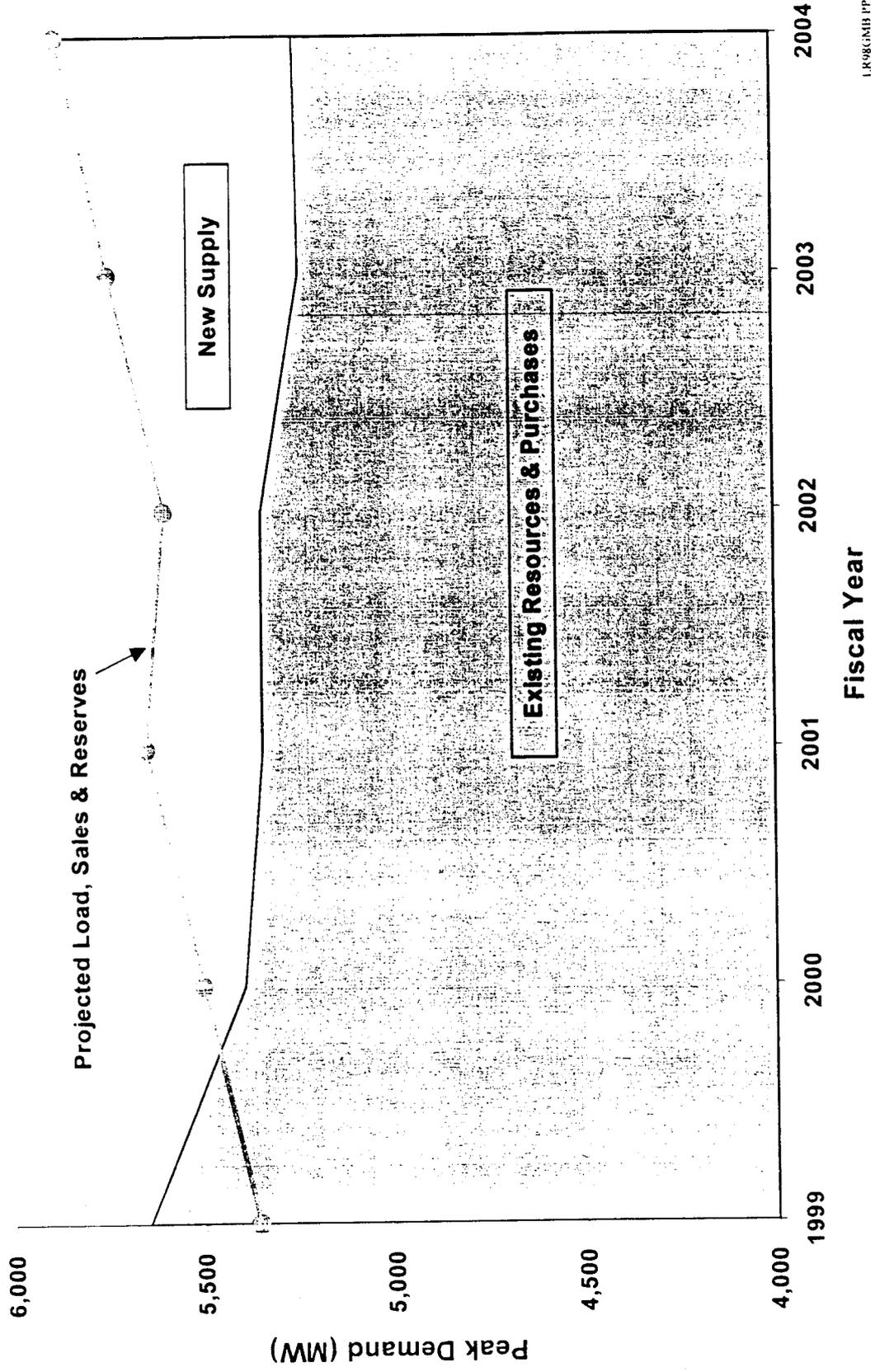
# Funding Plan

- We will seek Audit Committee approval on May 28, 1998 for a \$4MM cash flow fund to facilitate UDC payment.
- We will take steps to reduce future cash flow needs by levelizing payment terms between our customers and the UDCs.

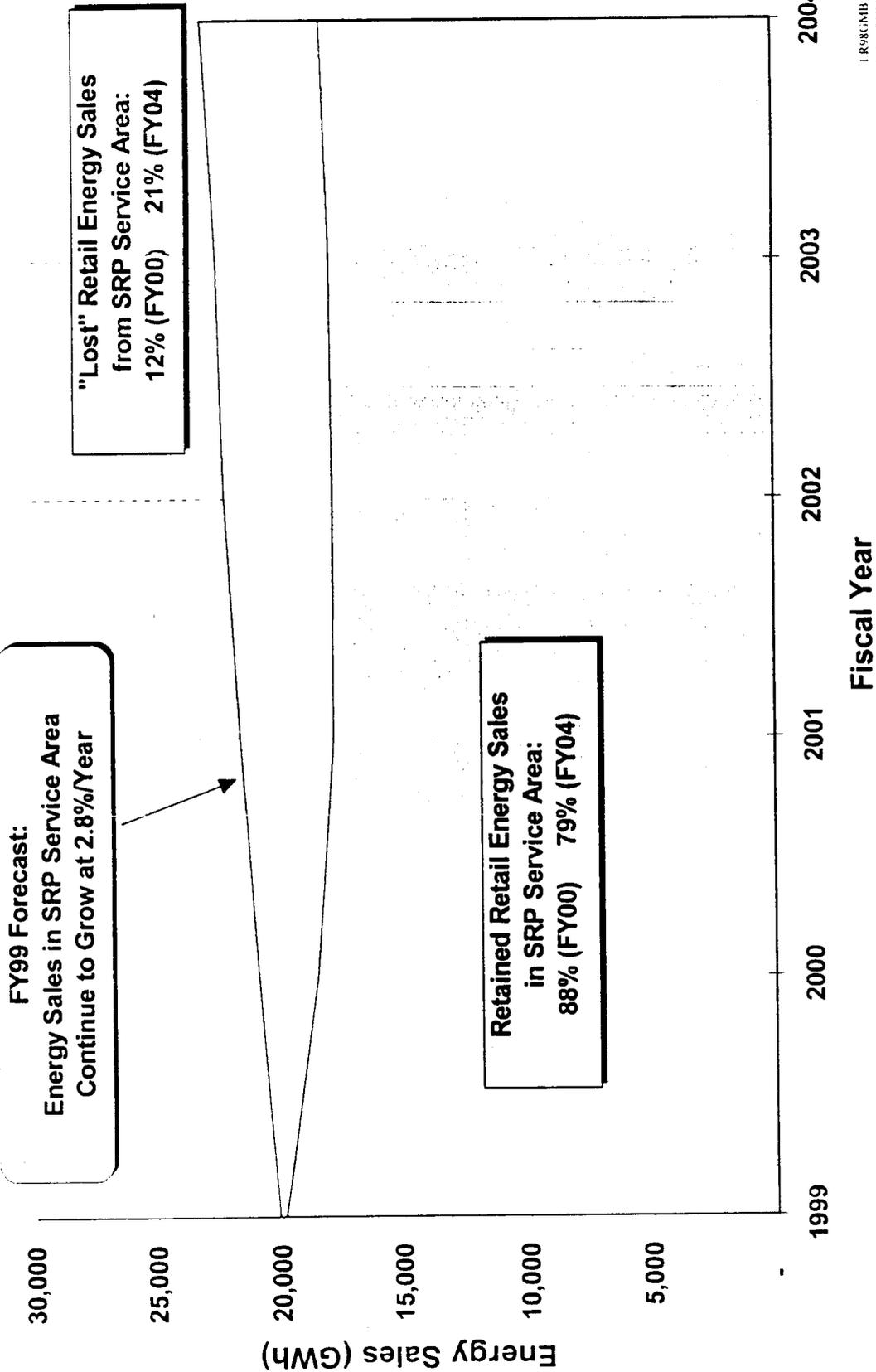
# **SRP & New West Energy Supply Plan**

**Power Committee Meeting  
May 14, 1998**

# Traditional SRP Supply Plan



# Existing SRP Service Area



# Supply Plan Drivers

## Key Questions

- How to best supply SRP's total retail demand in a "choice" environment.....inside and outside traditional area
- Which customers are most attractive (profitable)
  - appropriate total demand
  - desired load shape

## Key Drivers

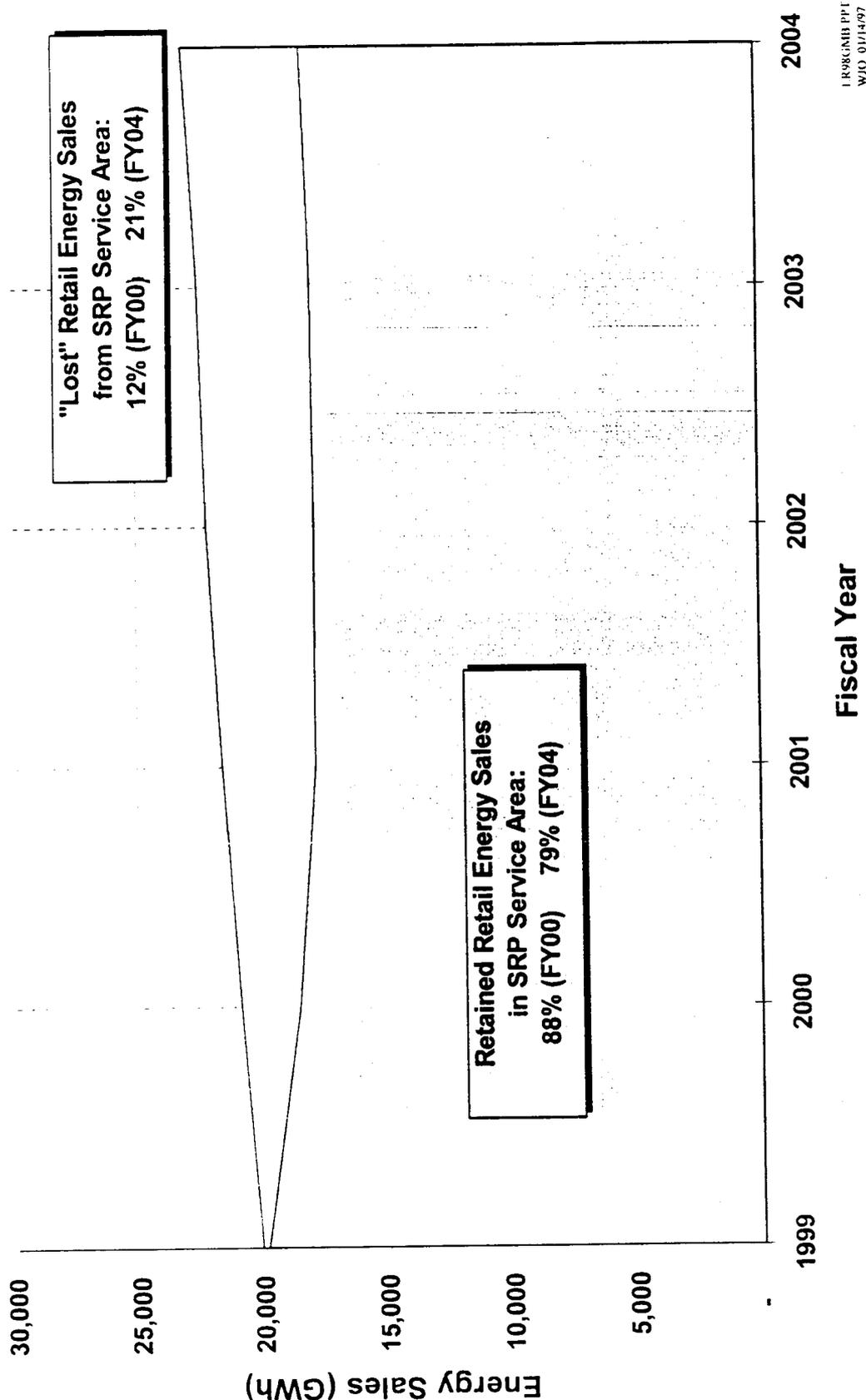
- Maximize the value derived from SRP's existing resources
- Minimize/deal with the risks of supply portfolio and demand uncertainty
- SRP's purposes and charter

# NWE Supply in FY2004 (based on MWh)

- Replace "Lost" Retail Load in SRP Service Area 31%
- SRP Recallable Purchase 29%
- Wholesale Purchases 35%
- California Power Exchange Purchases 5%

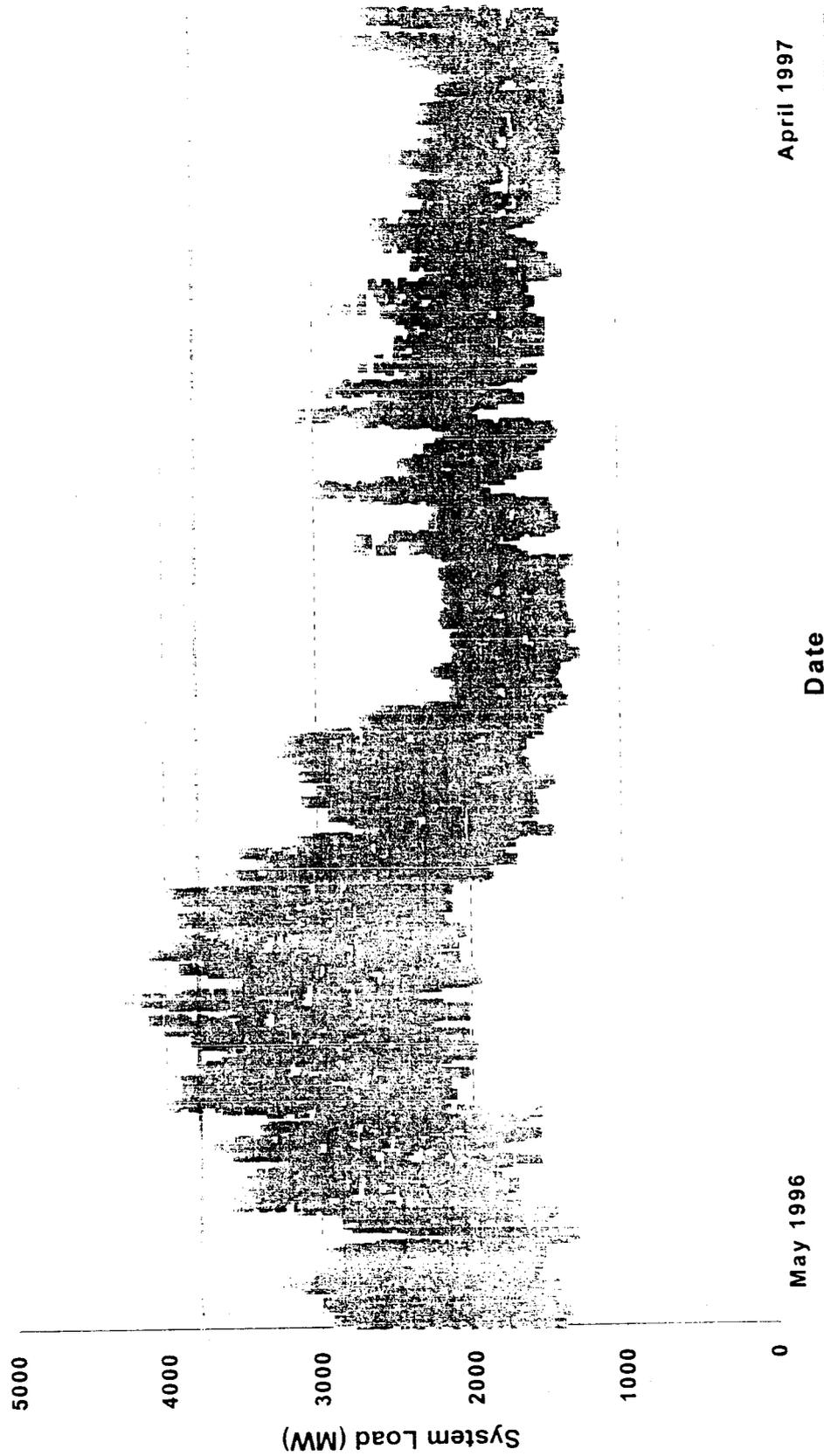
# Elements of NWE Supply

## 1. Replace "Lost" Retail Load in SRP Service Area



# Elements of NWE Supply

## 2. Recallable SRP Purchase



April 1997

Date

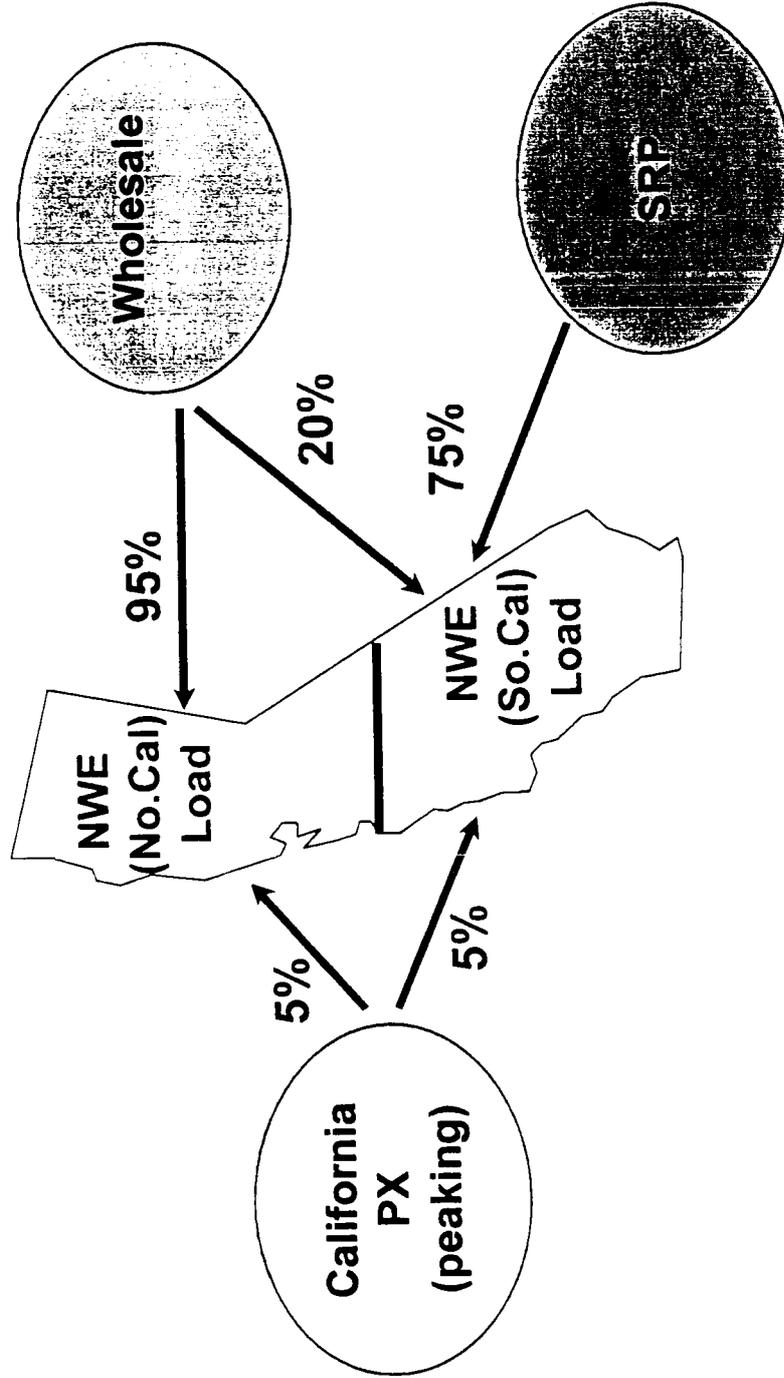
May 1996

NWE Supply Plan 4  
JEP/WJO 05/06/98

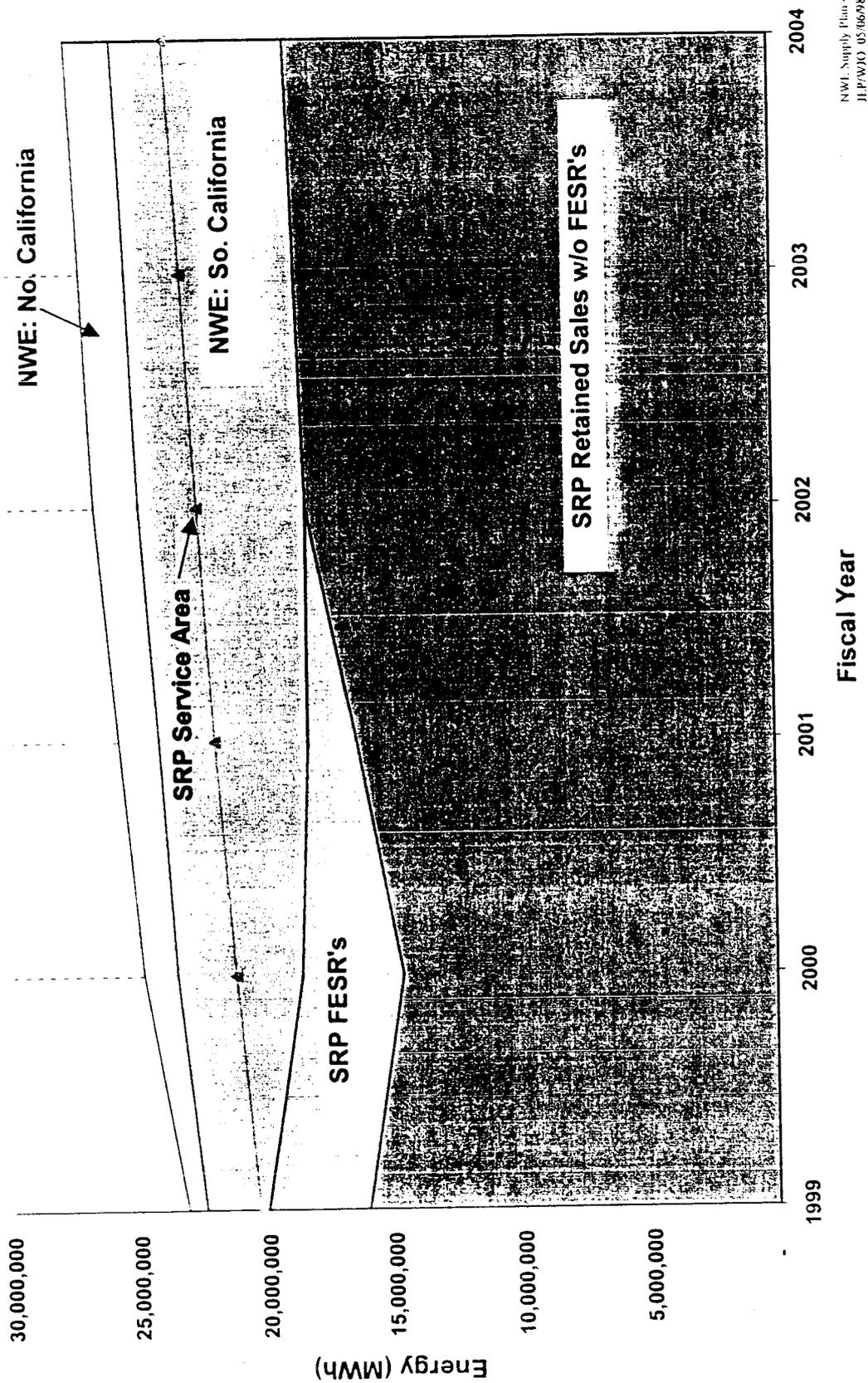
# Elements of NWE Supply

## 3. Wholesale Purchases

### 4. California Power Exchange Purchases



# Projected Energy Requirements for SRP & NWE (1999 - 2004)



MINUTES  
POWER COMMITTEE MEETING

June 11, 1998

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, June 11, 1998, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Ash, Kempton, Marshall and Rudd.

Absent at roll call were Director Dobson and Riggins Jr.

Others present were Director Diller; President Schrader; Vice President Williams Jr.; Council Liaison R. Kempton; Mmes. Caldwell, Foley, Lonon and Oldenkamp; Messrs. Bonsall, S. Farmer, McGinnis, Nowaczyk, H. Peterson and R.M. Rice.

Secretary Lonon stated that in compliance with A.R.S. § 38-431, Karen UMBER of the Secretary's Office had posted a notice of the meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, June 9, 1998, at 3:00 p.m.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Mr. Nowaczyk to proceed.

Trademark License Agreement--Arizona Energy Solutions (AES)

Mr. Nowaczyk stated that the purpose of his presentation was to review a request to enter into a five-year trademark license agreement with Arizona Energy Solutions, LLC. (AES). Under the agreement, AES would perform lighting services, with SRP's endorsement, targeted to mid-size commercial customers.

Mr. Nowaczyk stated that the mid- to large commercial market is the most vulnerable to competitive offers of energy services. Lighting represents 30-50% of energy use, has the shortest payback for consumers, and the marketplace does not have an effective sales effort for high efficiency lighting services.

Using overhead transparencies, Mr. Nowaczyk reviewed the background of AES and the product, which consists of high efficiency indoor and outdoor lighting products, design and installation, and services from cleaning fixtures to changing lamps. Such services could be expanded to other energy service offerings at a later date. He said the objectives of SRP's endorsement of AES include increased customer interaction and brand equity/loyalty.

Continuing, Mr. Nowaczyk reviewed the terms and conditions of the proposed agreement with AES. He stated that SRP would lend its name and support to the services through use of its trademark, billing and collections, and assistance in the development of the marketing, marketing collateral, and sales plans. AES would enter into contracts for lighting services in its own name and would provide the sales force,

Consumer Education Advisory Panel

Ms. Foley stated that the purpose of her presentation was to review the activities of a panel of community representatives which had been formed to assist SRP in communicating with customers about electric utility industry competition. She said the panel's role focused specifically on how to conduct an effective consumer education plan, as opposed to participating in discussions and decisions about other competitive issues.

Ms. Foley reviewed the background of the Consumer Education Panel, which consists of 20 individuals who represent target customer groups – the elderly, ethnic minorities, low income, the disabled, non-English speaking, at-risk populations, business people and residents. She said the panel responds directly to the Consumer Outreach and Education provisions of the Electric Power Competition Act (HB2663), which was recently passed and enacted by the Arizona Legislature. She noted that panel members will assist SRP management in the development, review and execution of a plan whose objective is to educate customers so that they feel they have an opportunity to make the best choice of electric provider for them. She said the consumer education plan will be separate and distinct from SRP's other marketing and corporate communications, and will not "sell" SRP.

Continuing, Ms. Foley discussed the key messages, objectives and communications media specified in the legislation. She said the Consumer Education Panel is still being developed, but tentative plans call for it to begin implementation in August and to extend through January when choice will be extended initially to a portion of SRP's customers. In addition, she stated that the Corporate Affairs Department is responsible for staffing the Consumer Education Advisory Panel with assistance from Legal, Consumer Relations, Communications, Media Relations and Special Projects.

Ms. Foley concluded by stating that general feedback from panel participants has been positive, especially when contrasted to a similar process being initiated by the Arizona Corporation Commission.

Ms. Foley left the meeting.

Summer Preparedness

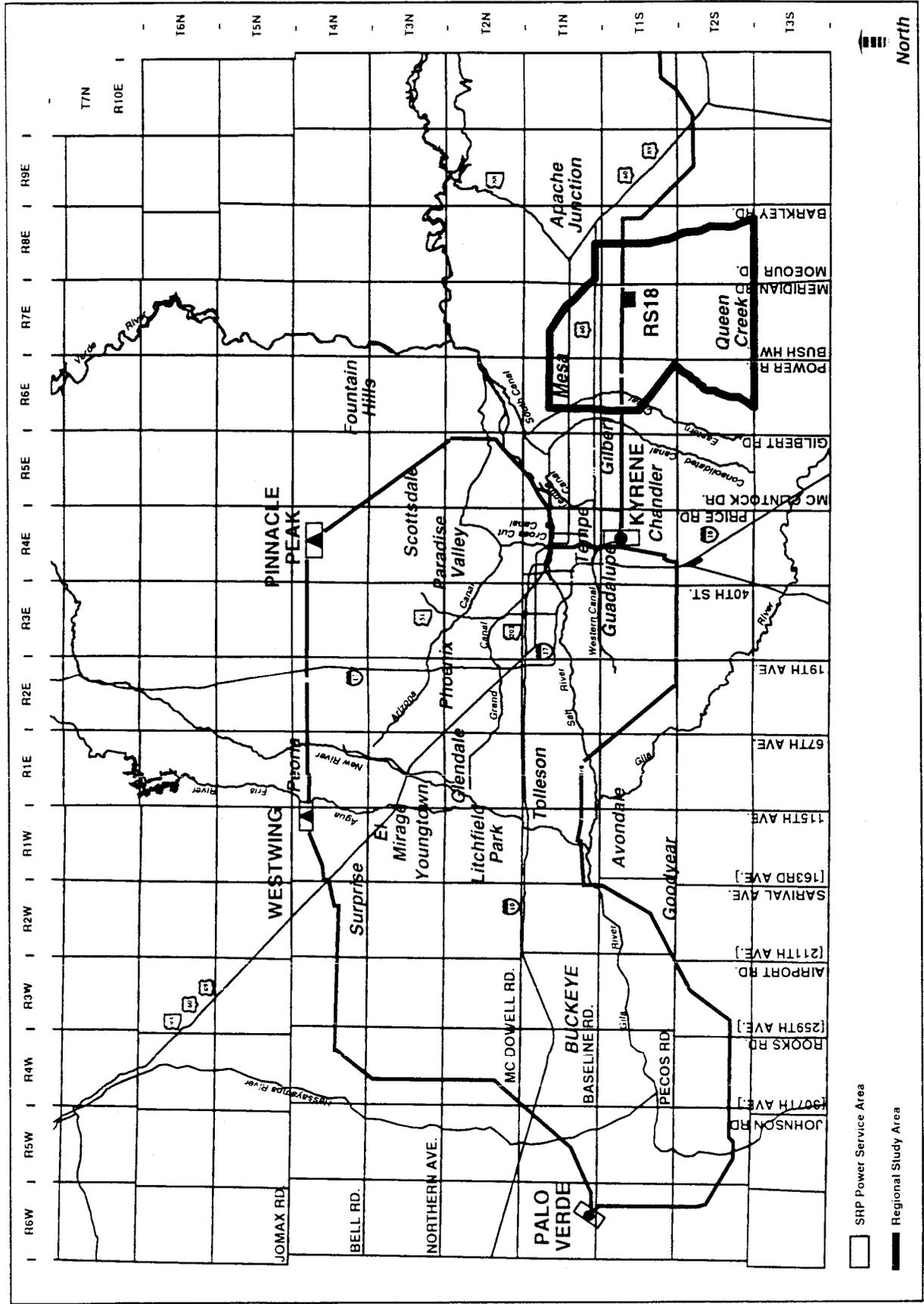
Mr. Underhill stated that the purpose of his presentation was to review SRP's electric system and the planning that has taken place in preparation for the summer of 1998.

Using overhead transparencies, Mr. Underhill reviewed the sources of generating capacity and reserves needed to handle the Valley's peak energy load. He discussed the development of an operations plan to handle the high summer loads and reviewed the operating nomogram used by operations to bring Valley generation on-line to meet the peaks.

# Purpose of this Briefing

- Description of the project
- Description of the facilities
- Update on the public process
- CWG candidates

# SRP POWER SERVICE AREA



# Need

- Southeast Valley is growing
- Limited 230kV from Kyrene to the east
- Support Voltage on east end



## RS18 Facilities Description

- approximately 43 acres
- 500kV yard w/ 3-500kV breakers
- 500/230kV transformer
- 230kV yard w/ disconnect switches
- 230kV transmission line
- future 230/69kV & 69/12kV

## Different than RS16(Schrader)

- 500kV class equipment
- Supports many 230/69kV stations
- Needs only one 230kV line

## What we have today

- CEC granted in early '70's for Coronado Transmission System
- Adequate right of way along Silver King - Kyrene 500kV corridor, and to Santan from corridor
- Booming growth along 500kV corridor and Santan corridor

# Process

- Dames & Moore
  - Environmental Process
  - Public Process
    - Information
    - Involvement
    - Consensus

# Information

- Mailings,
- Paid Ad's,
- Web Page
- Public Service Announcements
- Media Contacts
- Hotline

# Involvement

- Community Working Group (CWG)
- Public Open Houses
- Briefings
  - Municipalities
  - ACC
  - State Siting Committee

# CWCG Candidates

- Government Interests
  - Fil Solano, Arizona State Land Department
  - Neil Urban, Maricopa County
  - Dennis Rittenback, Pinal County
  - Maggie Cathey, Gilbert Town Council
  - George Pettit, Asst Town Manager, Town of Gilbert

# CWG Candidates

- Government Interests (con't)
  - Frank Mizner, Planning Director, City of Mesa
  - Shawny Chadwell, Planner, Town of Queen Creek
  - Kate Morris, Planner, Town of Apache Junction

# CWG Candidates

- Agricultural interests
  - Mike Leonard, RWCD
  - Scott Morrison, Morrison Brothers

# CWG Candidates

- Development interests
  - Craig Ahlstrom, V.P., Farnsworth Development
  - Carolyn Baecker, Advisory Board of  
Megacorp, City of Mesa

# CWG Candidates

- Industry
  - Jack Sellers, Facilities Manager, GM Proving Grounds
  - Trish Shaftstall, Planning Manager, Williams Gateway Airport
  - Bob Szabo, Facilities Manager, Olin Microelectronics (and resident of the area)

# CWVG Candidates

- Schools
  - Dr. Walter Dalecki, Superintendent, Gilbert School District

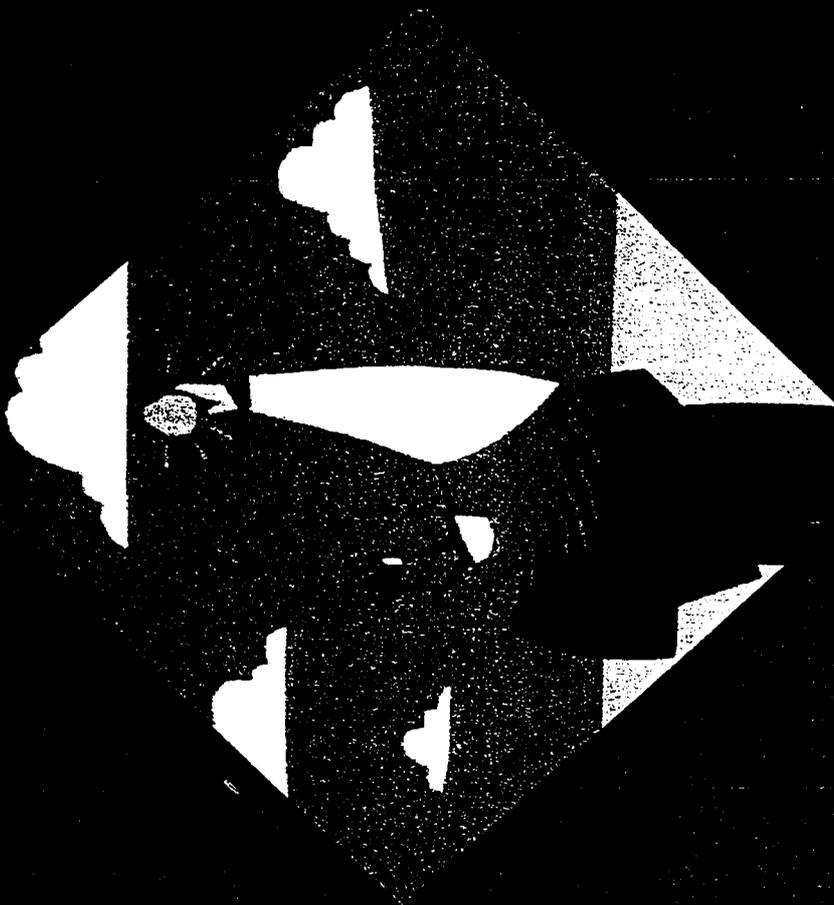
# CWVG Candidates

- Private citizens
  - Jakye Compesino, Pulte Holiday Farms, Gilbert
  - Bobby Johnson, Golden Acres Mobile Home Park, Queen Creek

## Schedule

- Power Committee 6/11
- 1st CWG planned for week of 6/15
- 1st Open House week ending 6/26
- Env and Public Processes by Mid Jan 1999
- Revision to CEC application by 4/2/99
- In service by 5/31/2001

# 3



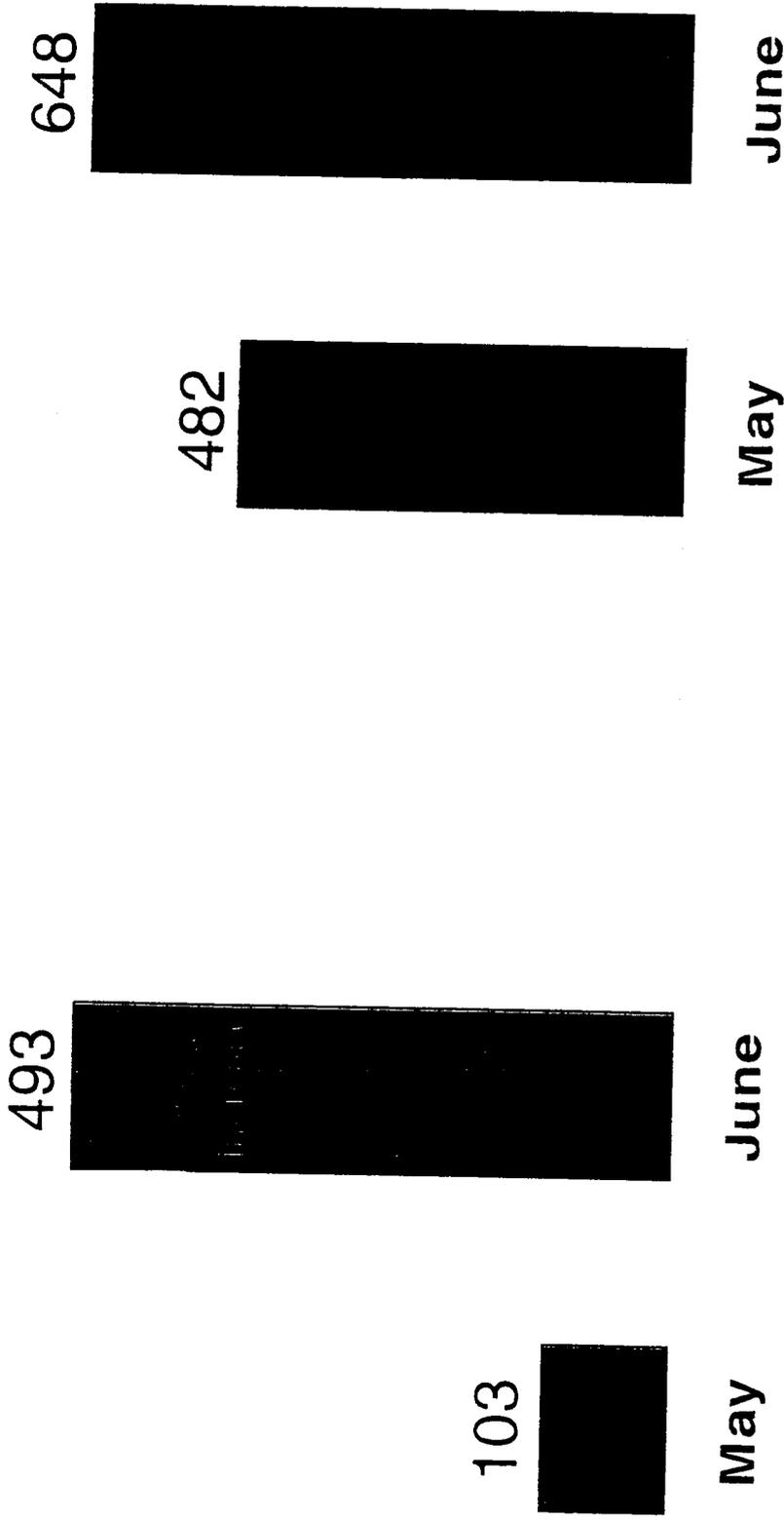
# Presentation to SRP Power Committee

June 11, 1998



NEW WEST ENERGY

# Marketing and Sales



Number of Customers

Load (MW)

**These customers represent \$148 million in gross revenue (life of contract)**

2.5/13/98

K. Caldwell



**NEW WEST ENERGY**

# Volume Outlook

**MW**

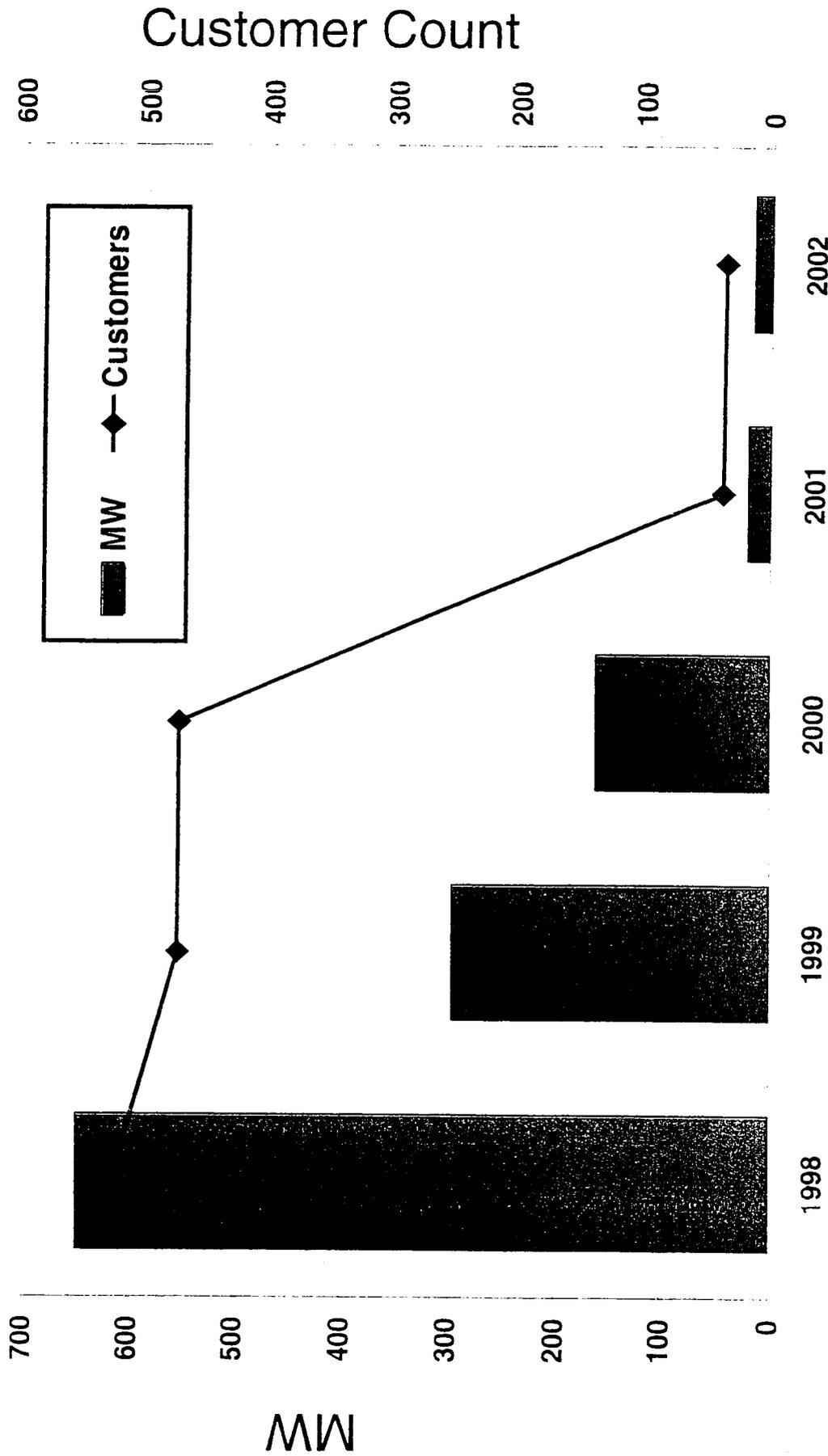
**GWh**

Category	MW		GWh	
	Est.	Risk Wghtd.	Est.	Risk Wghtd.
Contracted	648	648	3,665	3,665
Contract Pending	78	62	347	277
Proposal Finalist	64	38	329	197
Proposal Outstanding	819+	82+	3,491	349
<b>TOTAL</b>	<b>1,609+</b>	<b>831+</b>	<b>7,831+</b>	<b>4,489+</b>



# Contracted Sales by Year

NEW WEST ENERGY



4/5/13/98

K. Caldwell



**NEW WEST ENERGY**

# May Income Statement

**\$Millions**

<b>Revenues</b>	<b>2.4</b>
<b>Supply Cost</b>	<b><u>2.9</u></b>
<b>Gross Profit (Loss)</b>	<b>(0.5)</b>
<b>Operating Expenses</b>	<b><u>0.3</u></b>
<b>Net Income (Loss)</b>	<b>(0.8)</b>

5/5/13/98

K. Caldwell

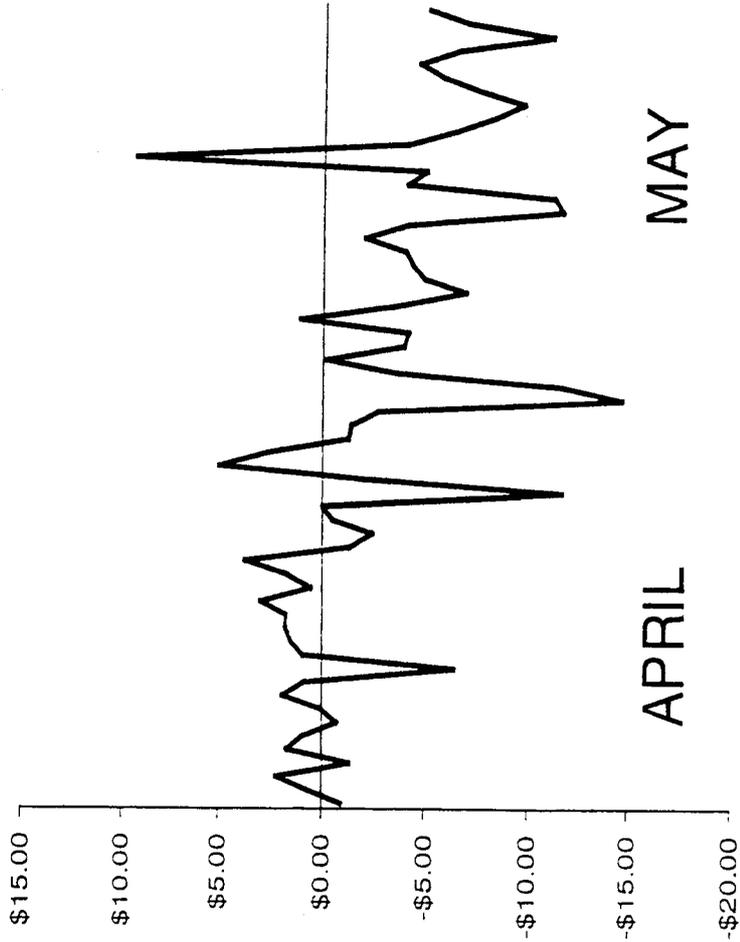


NEW WEST ENERGY

# On Peak California Pricing (Px vs. Palo Verde)

Px is  
Higher

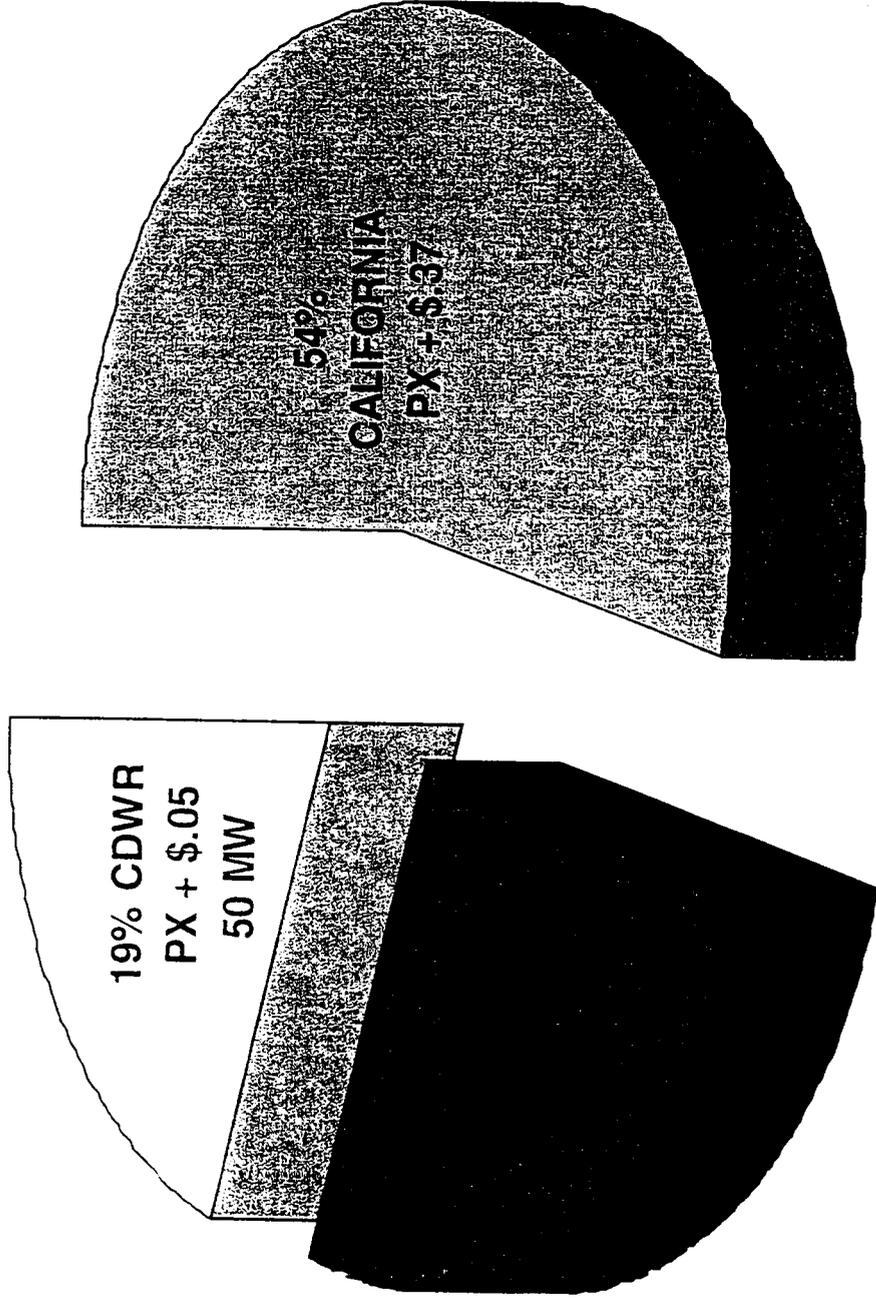
Px is  
Lower





NEW WEST ENERGY

# JUNE SUPPLY PLAN



7/5/13/98

K. Caldwell



**NEW WEST ENERGY**

# **Key Aspects of Supply Plan**

- 1 Consummate term supply agreement with SRP to provide majority of NWE supply needs
  - SRP excess generation
  - interruptible by SRP based on service area demand fluctuations
  - market priced reflecting interruptibility discount
  
- 2 Acquire 3rd party wholesale supply as needed for customers outside SRP's supply network (e.g., at COB)

8/5/13/98

K. Caldwell



# Key Aspects of Supply Plan

NEW WEST ENERGY

- 3 Make additional purchases from the PX to handle supply interruptions or transportation constraints
- 4 Aggregate supply cost will largely offset current customer discounts
- 5 Consummate incremental firm purchase from SRP as generation becomes available (e.g., stranded)

9/5/13/98

K. Caldwell

MINUTES  
POWER COMMITTEE MEETING

July 16, 1998

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, July 16, 1998, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Ash, Dobson, Marshall and Riggins Jr.

Absent at roll call were Directors Kempton and Rudd.

Others present were Vice President Williams Jr.; Directors Burton and Diller; Mmes. Caldwell and Lonon; Messrs. Coggins, Drost, Duckworth, Hitt, Judd, Nowaczyk, W. Powell, Silverman, Slick and Soethe.

Secretary Lonon stated that in compliance with A.R.S. §38-431, Karen Umber of the Secretary's Office had posted a notice of the meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, July 14, 1998, at 9:00 a.m.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Mr. Powell to proceed.

Navajo Generating Station (NGS) - Railroad Incident

Mr. Powell reported on a car/train accident that occurred at a railroad crossing on July 13, 1998. He said the incident marked the first fatality involving the NGS Railroad; the train engineer was not at fault.

SRP/New West Energy (NWE) Power Supply Plan

Mr. Duckworth stated that the purpose of today's presentation was to review the SRP/NWE power supply plan and request approval of an interruptible contract between SRP and NWE for 2,500 to 6,000 GWh per year, with pricing based on the California power exchange (Px) prices. He asked Mr. Coggins to proceed.

Using overhead transparencies, Mr. Coggins reviewed the supply approach for NWE, which focused on two key objectives: (1) NWE development of retail markets; (2) SRP expansion of supply aggregation and trading expertise. He reviewed the terms and conditions of the existing firm supply contract, which backed only 7% of NWE's demand. He continued with the proposed terms and conditions of an interruptible contract that would supply the majority of NWE's load. Under the interruptible contract SRP, at its discretion, would supply 2,500 to 6,000 GWh per year over a three-year period, at a discounted Px price. He stated that the specific terms were contingent upon final legal review.

Mr. Coggins continued by discussing the benefits of the interruptible contract and concluded by requesting approval of the proposed interruptible supply contract between SRP and NWE, subject to final legal review.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Weiler entered the meeting.

### Green Pricing Pilot

Mr. Soethe stated that the purpose of his presentation was to request approval to implement a Solar Choice Pilot Rider, supplemental to all E-20 and E-30 series Residential and General Service rates (not including Pumping or Lighting), effective September 1 through December 31, 1998.

Using overhead transparencies, Mr. Soethe discussed "green pricing," which is a term developed by the electric utility industry to represent premium pricing for cleaner, renewable energy sources such as solar, wind, geothermal, and some hydro and biomass technologies. He reviewed SRP's reasons for pursuing a green program and solar portfolio, in particular.

Mr. Soethe also stated that public policy was developing, not only in Arizona but across the country, that utilities should support, even promote, renewable resources. To this end, SRP needed to be responsive. He stated that Arizona provides an ideal environment for solar energy production; market research indicates customer support of solar power; and the Arizona Corporation Commission (ACC) has proposed a Solar Portfolio Standard for any Electric Service Provider selling electricity under the provisions of the Retail Electric Competition Rules. According to the ACC's proposal, on January 1, 1999, at least ½ of 1% of the total retail energy sold competitively must be derived from new solar resources.

Continuing, Mr. Soethe reviewed a variety of green pricing programs offered at other utilities. He discussed the results of recent focus groups conducted by SRP which indicated positive customer reaction to a solar power plant and a willingness to pay more for green energy.

Mr. Soethe stated that, based on the issues above, SRP management had authorized the construction of a 100 kilowatt solar generating plant at the Santan Generating Station in Gilbert. He said that funding for the plant was partially subsidized by a \$198,000 grant from the Department of Energy (DOE). Construction began in June 1998, and DOE funds are contingent upon the generating plant being fully operational by September 15, 1998.

Mr. Soethe concluded by requesting approval to implement SRP's Solar Choice Pilot Rider, supplemental to all E20 and E30 series rates, effective September 1 through December 31, 1998. He said the proposed rider would provide SRP customers an opportunity to purchase or contribute to solar output in 100 watt increments for an added premium of \$3 per month.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Nowaczyk left the meeting.

#### Kyrene Request for Proposal (RFP) Project

Mr. Slick stated that the purpose of his presentation was to update the Committee on management's efforts to explore an opportunity for new gas-fired generation development at the Kyrene Generating Station site. Using overhead transparencies, he discussed the need to develop additional resource capability to meet projected supply demands. He said that Kyrene is strategically located and as much as 600 MW of additional generating capability could be added at the existing Kyrene site with no additional transmission system investment.

Mr. Slick stated that SRP's objective is to maximize the value of the existing assets at Kyrene. Therefore, SRP would prefer to find a partner that was willing to offer the majority of the required capital investment. SRP would offer the site and existing infrastructure, and develop an agreement structure that preserves flexibility for SRP.

Continuing, Mr. Slick reported that, in April 1998, RFPs had been developed and distributed. He reviewed a list of RFP recipients and stated that initial screening of the proposals had taken place. He summarized the proposals and stated that further assessment of the finalists would take place between July and September.

Mr. Slick concluded by stating that staff is in the process of developing a business perspective on what SRP wants from this project and will make a recommendation to the Board in October 1998.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

President Schrader and Director Kempton entered the meeting. Messrs. Duckworth, Slick and Soethe left the meeting.

New West Energy (NWE)

Ms. Caldwell, using overhead transparencies, updated the Committee on the activities of NWE, including marketing and sales, volume and revenues, operations, and direct access services requests.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:25 a.m.

Terrill A. Lonon  
Corporate Secretary

# Kyrene RFP Project

Dave Slick

Strategic Asset Management

July 16, 1998

## Motives for this Project

- Option for meeting projected SRP & NWE supply needs
- Maximize the value of existing assets at Kyrene
- Valley import challenge
- Strategic location of Kyrene relative to Palo Verde
- Prospective SCE sale of Mohave and Four Corners
- Right time for development
- Build organizational experience in the merchant plant arena
- Mexico

## Project Objectives

- Minimize SRP capital investment
- Successfully manage environmental challenges and public perception
- Develop an agreement structure that preserves flexibility for SRP

## Project Milestones

- April: Solicitation developed and distributed
- May: Kyrene site visits and preliminary meetings
- June: Initial screening of proposals
- July-Sept: Further assessment of finalists
- Sept-Oct: SRP Mgmt and Board approval

# What Does SRP Want From This Project?

- Generation
- Transmission
- Operations
- Risk Management

## *Kyrene RFP Recipients*

ABB	AES Enterprise	American National
Amoco	Aquila	Black & Veatch
Calpine	Chevron	Cinergy Corp.
Citizen's-Lehman	Coastal Electric	Conoco
Coral Energy	Duke Energy	Dynegy
Edison International	Electricite' de France	El Paso Energy
Enron	FPL Group	General Electric
Houston Industries	KN Energy	Koch Power
LG&E	Louis Dreyfus	Morgan Stanley
NorAm	NRG Energy	Sargent & Lundy
Siemens	Sithe Energies	Sonat
Southern Company	Stone & Webster	Tenaska
Texaco	Thermo Ecotek	US Generating Company
Vitol Gas & Electric	Western States Petroleum	Westinghouse

# Summary of Proposals

Finalists	Proposing to Build	Earliest Date	Offered a		Recognized		Offers		
			Variety of Specific	Agreement Structures	Specific Local	Environmental Challenges	Fuel Supply	Strength	
1	Dynegy	700 MW CC	2001	Yes	Yes	Yes	Yes	Yes	
2	El Paso Energy	500 MW CC	2002	Yes	No	No	Yes	Yes	
3	Enova	500 MW CT	2001	No	Yes	Yes	Yes	Yes	
4	U.S. Generating	510 MW CC	2001	Yes	Yes	Yes	Yes	Yes	
<b>Others</b>									
5	ABB	540 MW CC	2002	No	No	No	No	No	
6	Amoco	250-600 MW CT	2000	No	No	No	Yes	Yes	
7	Duke Energy	225 MW CT	2000	No	No	No	Yes	Yes	
8	Enron	166 MW CT - 495 MW CC	2002	No	No	No	Yes	Yes	
9	Houston Industries	500 MW CC	2001	Yes	No	No	No	No	
10	Southern Company	500 MW CC	2001	No	No	No	Yes	Yes	

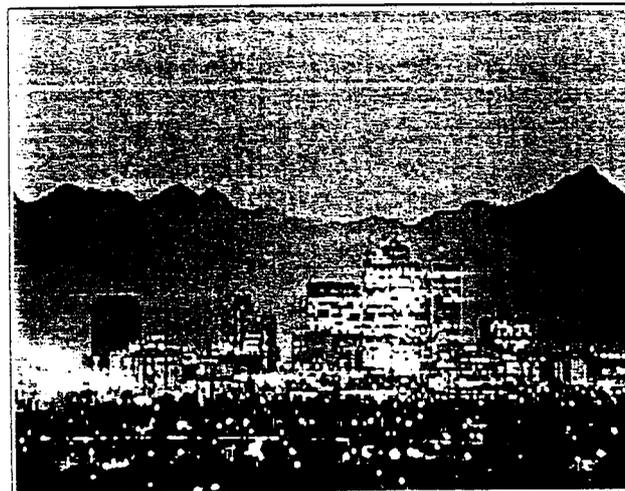
# Kyrene Generating Station Development Opportunity

*Are you interested in developing resource capability in the Western U.S.? SRP - - Salt River Project - - is entertaining offers to develop additional resource capability at its strategically located Kyrene Generating Station in the Phoenix metropolitan area.*

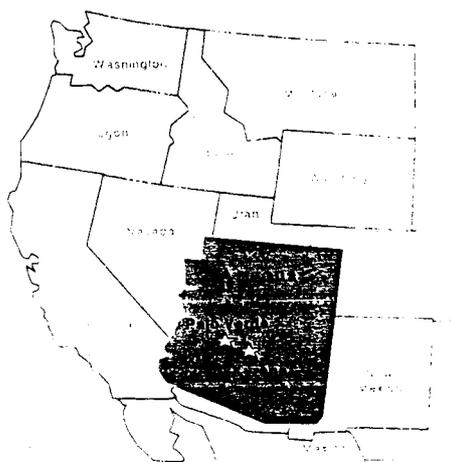
## Phoenix Market Experiencing Phenomenal Growth

The Kyrene Generating Station is located in one of the fastest growing markets in the nation. According to the U.S. Census Bureau, Maricopa county has experienced the largest population increase in the country during 1990 through 1997, an increase of more than 574,000 people. This growth outpaced the fastest growing counties in Nevada, Texas and California, and is expected to continue. Forecasts through 2003 project population growth rates of 2.6 percent per year, three times the national average.

Associated Phoenix metropolitan area electric sales are projected to grow at 3.3 percent per year, also well above the national average.



Phoenix Metropolitan Area  
1997 Population: 2,870,400



Western US Electric Market

## Proximity to the Palo Verde Marketing Hub

Located in the heart of the Phoenix metropolitan area, the Kyrene site is 65 miles east of Palo Verde, the largest electricity trading hub in the Southwest. With SRP's existing 500 KV transmission line from Kyrene to Palo Verde, new generation at Kyrene would enjoy easy access to California and the Phoenix metro area market, and the related NYMEX futures trading opportunities at Palo Verde.

*Kyrene Generating Station Development Opportunity*



## Kyrene Generating Station



Kyrene Generating Station

**Location:** Tempe, Arizona. (Phoenix metro area) Site includes room for as much as 600 MWs of additional generating capacity.

**Existing Generation:** Two 1950s vintage steam units (34 MW and 72 MW), and three 1970s vintage combustion turbines (57 MW, 51 MW, and 50 MW). Total summer season capacity: 264 MWs.

**Current Operation:** Typically dispatched only on-peak or as needed for local area voltage support.

**Transmission/Distribution:** Access to the Phoenix metropolitan area and the Palo Verde marketing hub.

**Fuel:** Natural gas and oil.

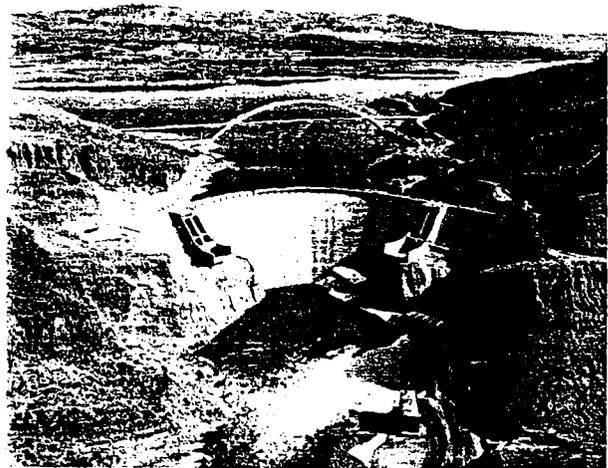
**Water:** Canal and onsite wells.

## About SRP

SRP is one of Arizona's largest electric utilities and water providers. Current electric resources include approximately 4,000 MWs of coal, gas, nuclear, and hydro facilities in the Western U.S. Through its generation, transmission, and distribution systems SRP serves more than 650,000 customers in the Phoenix metropolitan area.

Beyond that, SRP's transmission system also links its plants to other retail markets in the region, such as the recently deregulated California market. The electric side of SRP is a self regulated, public power utility that is organized as a political subdivision of the state of Arizona.

The water side of SRP is a private corporation that was initially formed over 90 years ago to manage water resources in central Arizona. This heritage continues today with SRP delivering more than 1 million acre-feet of water per year.



Roosevelt Dam

SRP plans to continue in all aspects of its current business activities as electric market deregulation unfolds.

*Kyrene Generating Station Development Opportunity*



## What does *SRP* bring to the table?

SRP estimates that as much as 600 MW of additional generating capability could be added at the existing Kyrene site to service the Phoenix area with no additional transmission system investment. Furthermore, the nature of local electric system dynamics is such that the delivery of electricity from Kyrene to Palo Verde would not be constrained at any time of year. SRP believes that these site characteristics constitute significant strategic advantage for new generation resource development in the greater Phoenix metropolitan area.

SRP is a well-known, highly successful business institution in the state of Arizona. SRP has established and maintained successful business relationships throughout the community. With the advent of electric market competition in Arizona next year, this development proposal represents a market entry opportunity partnership via an established, successful incumbent.

### SRP Proposal Preferences

**Resource Size** - 200 MW to 600 MW.

**Resource Type** - New gas-fired generation preferred. SRP will also consider upgrades or refurbishments to existing facilities.

**Timing** - Commercial operation within four years is preferred.

**Investment** - SRP prefers to receive proposals from prospective partners who are prepared to make the bulk of the capital investment in whatever new power plant facilities are required for this project.

### What does SRP bring to the table?

#### **Location, Location, Location!!!**

- Proximity to the Phoenix metropolitan market
- Proximity to Palo Verde

#### **Existing infrastructure**

- Land, Fuel, Water, Transmission, Distribution, Existing Generation, and Rail Access

#### **Integrity**

- A sound financial position
- A long track record of successful western power market operating experience
- Significant local and regional presence

## What does *SRP* want?

SRP's objective is to maximize the value of existing assets at the Kyrene site.

In consideration for the invested value that SRP brings to the prospective development, SRP would prefer to align with a partner that is prepared to offer the majority of the required capital investment.

SRP envisions that a number of different agreements that address resulting power plant output could be created. SRP may be interested in a conventional, long-term power purchase agreement. However, it is more likely that SRP will be interested in agreement structures that preserve a maximum amount of flexibility with respect to SRP's options.

Kyrene Generating Station Development Opportunity



# Initial Proposal Requirements

**Deadline:** All responses are due by May 29, 1998

## Proposal Elements:

- Resource Description:** Please describe the type and size of the project that is being proposed.
- In-Service Date:** Please identify the earliest in-service date or a range of in-service dates, that your firm believes to be reasonable.
- Investment:** Please describe investment options as you see them for both parties.
- Resulting Power Agreement:** Please identify the various types of agreement structures that your firm would be willing to accept in working with SRP.
- Qualifications:** Please include a summary of qualifications that demonstrate your firm's ability to accomplish your proposal.

## Contact for Further Information:

**Jim Petersen**  
Principal Engineer  
Strategic Asset Management  
Phone: (602) 236-3223  
Fax: (602) 236-6565  
Email: jepeters@srp.gov  
SRP website: www.srp.gov

## Mailing Addresses:

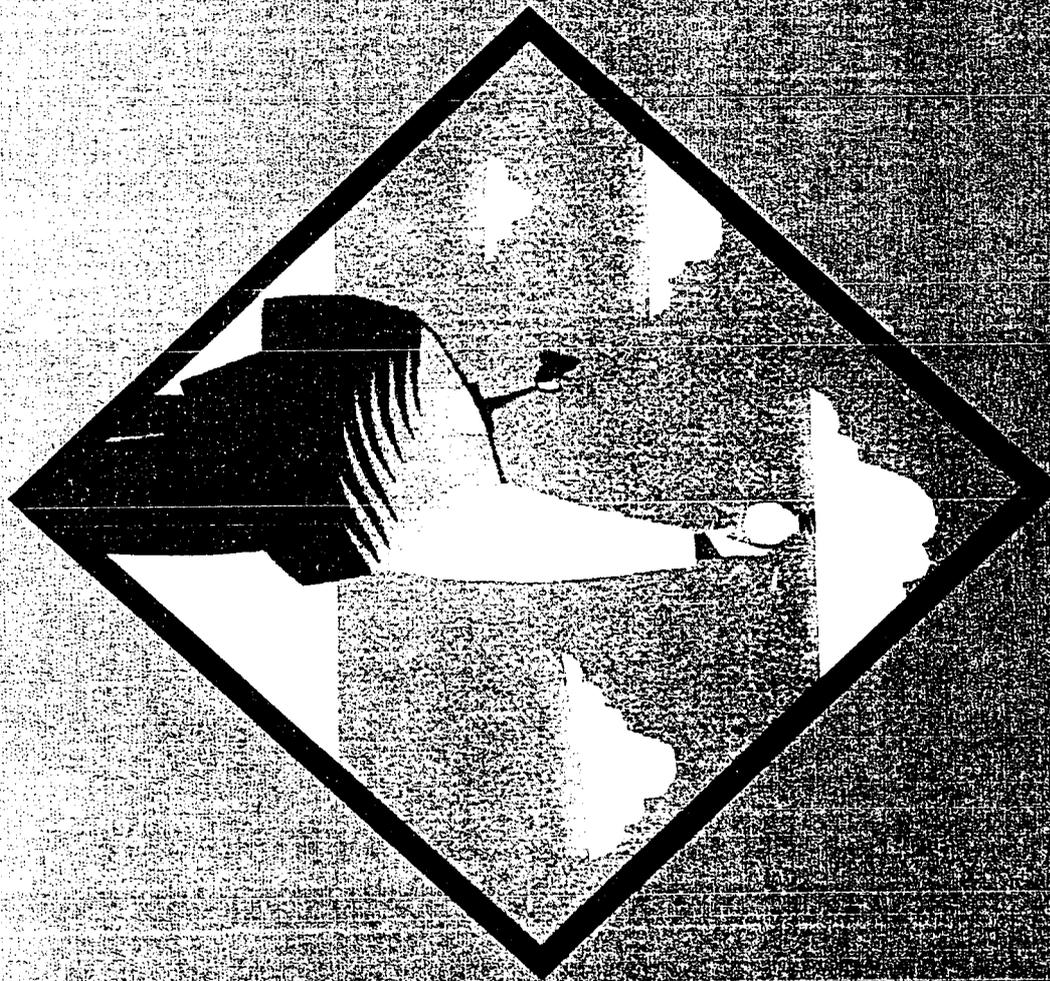
**Regular :** Salt River Project  
Jim Petersen (ISB669)  
P.O. Box 52025  
Phoenix, AZ 85072-2025

**Overnight:** Salt River Project  
Jim Petersen (ISB669)  
1600 N. Priest Dr.  
Tempe, AZ 85281-1213



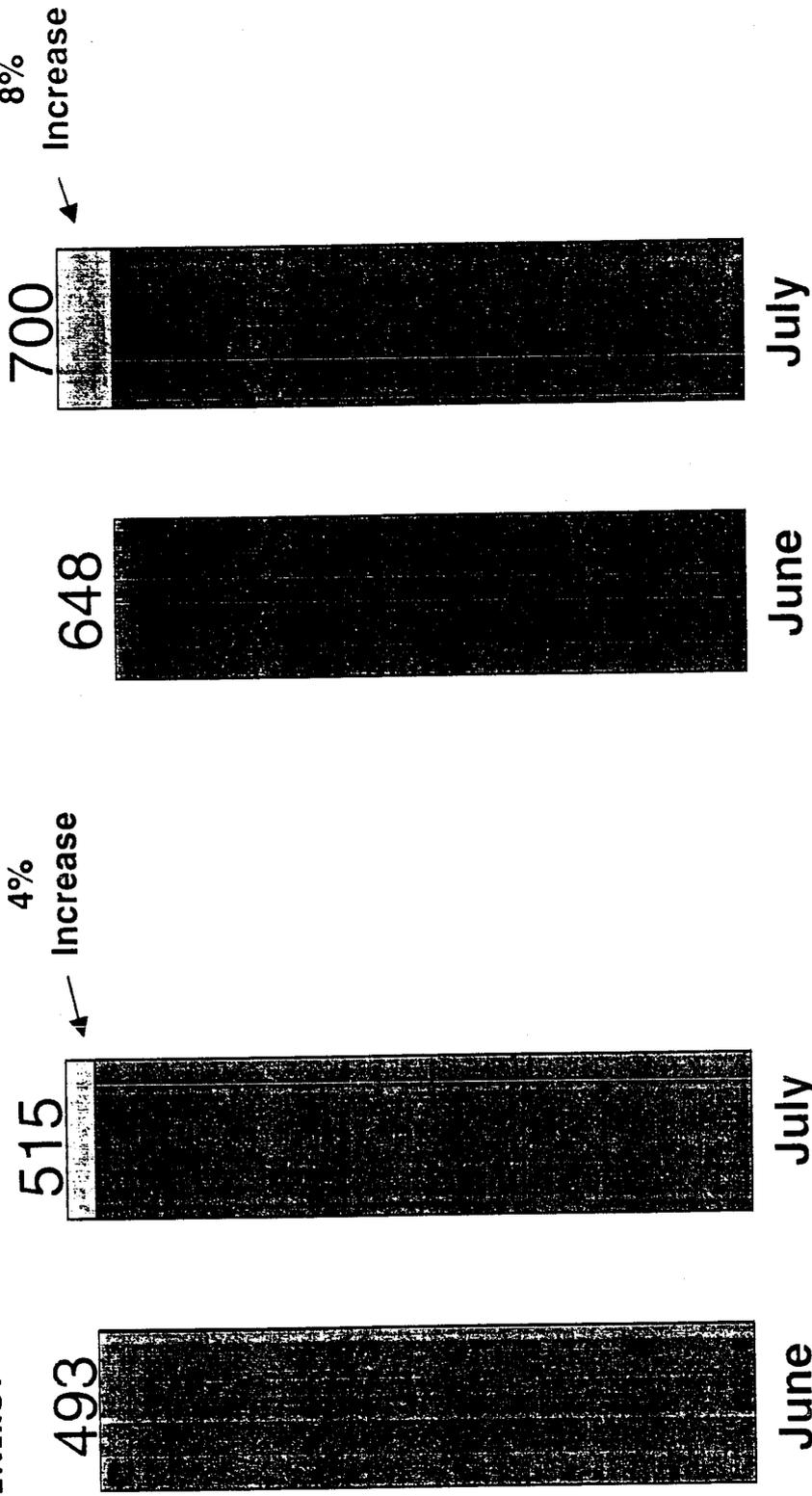
1986

# CONCRETE BUILDING



# Marketing and Sales

NEW WEST ENERGY



Number of Customers

Load (MW)

**These customers represent \$168 million in gross revenue (life of contract)**

# Volume Outlook

NEW WEST ENERGY

**MW**                      **GWh**

	MW		GWh	
	Est.	Risk Wgtd.	Est.	Risk Wgtd.
Contracted	700	700	4,066	4,066
Contract Pending	63	50	259	207
Proposal Finalist	18	11	97	58
Proposal Outstanding	508	51	2,425	243
<b>Total</b>	<b>1,289</b>	<b>812</b>	<b>6,847</b>	<b>4,574</b>

# June Income Statement

NEW WEST ENERGY  
\$Millions

Revenues	2.7
Supply Cost	<u>2.7</u>
Gross Profit (Loss)	0
Operating Expenses	<u>0.3</u>
Net Income (Loss)	(0.3)

# Other Milestones

## NEW WEST ENERGY

- Significant business operations progress
  - 5,016 DASRS submitted to date
  - 2,307 meter orders submitted
  - 139 meters installed
  - billing largely untested
- Business Plan Update on track for August review
- Residential pilot underway
  - 100 customers targeted (Phase I)
- Facility improvements underway

1999

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MINUTES  
POWER COMMITTEE MEETING

January 14, 1999

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, January 14, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Marshall and Rudd.

Members absent at roll call were Directors Ash, Dobson, Kempton and Riggins Jr.

Others present were President Schrader; Vice President Williams Jr.; Directors Burton, Diller and Rogers; Council Vice Chairman Kempton; Mmes. Alfano, L. Jones and Lonon; Messrs. Bonsall, Evancevich, D. Hughes, R. Nichols, J. Petersen, Rappoport, Slick, Trout and Wardrip.

Secretary Lonon stated that in compliance with A.R.S. §38-431, Karen Umber of the Secretary's Office had posted a notice of the meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, January 12, 1999, at 9:00 a.m.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Mr. Slick to proceed.

Kyrene Generation Development Project

Mr. Slick stated that the purpose of his presentation was to update the Committee on the status of the Kyrene Generation Development Project. Using overhead transparencies, he reviewed the background of the project, as presented to the Power Committee on July 16, 1998. He said that, within a relatively short period of time, SRP would need additional resource capability to meet projected customer requirements and developing a new gas-fired generating facility at the Kyrene Generating Station site appeared to be a highly favorable opportunity.

Mr. Slick reviewed the RFP process which had resulted in the selection of Dynegy Power Development Company and its partner, NRG Energy, Inc., to act as the principals for the project and from whom SRP would purchase output. He said that a Memorandum of Understanding (MOU) with Dynegy and NRG will commit SRP to:

- Work exclusively with the partners;
- Share proprietary and confidential information;
- Negotiate and resolve outstanding issues and details;
- Launch environmental and public perception processes;
- Establish milestone dates for project achievements.

He said the MOU will commit SRP to capital investment at this time.

Continuing, Mr. Slick reviewed the project concept, as follows:

- 724 megawatts gas-fired combined cycle plant
- \$391 million construction cost
- Target commercial operation date of First Quarter 2002
- Minority participation by SRP.

He concluded by discussing key elements of the business proposal, including cash and non-cash considerations, SRP's contribution and capacity to be received.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Ash and Mr. Silverman entered the meeting during the presentation. Messrs. Petersen and Slick left the meeting.

#### Contract Renewal for Chilled Water Service to Chris-Town Mall

Ms. Jones stated that the purpose of her presentation was to request approval to enter into a three-year agreement with Grossman Company Properties that would extend and amend SRP's commitment to provide chilled water service and equipment maintenance to Chris-Town Mall.

Using overhead transparencies, Ms. Jones reviewed the background of the original contract for chilled water service to Chris-Town Mall, which was entered into in 1966. She said that SRP has provided chilled water service to Chris-Town Mall for 32 years; SRP owns, operates and maintains the chiller equipment at the mall; the current owner of the property is Grossman Company Properties; and the contract for chilled water service expired in June 1998.

Ms. Jones stated that several options for renewal had been developed and presented to the representatives from Grossman. The options included variations in coverage, term of lease, payments for service, and associated risks. She reviewed key elements of the final negotiated agreement, as follows:

- Three-year term;
- Exclusion of chilled water provisions to JC Penney store;
- SRP to operate only two of the five chiller/cooling tower units;
- Grossman to replace the two operating cooling towers;
- Grossman to pay SRP \$5,000 per month, plus tax, for chilled water service and maintenance;
- Grossman to pay SRP for electric consumption and demand according to SRP's standard electric rate (E-36) instead of ton-hour billing;
- SRP to pay Grossman \$1 per year to lease the building that houses the chiller equipment (previously \$12,000 per year).

Continuing, Ms. Jones discussed the benefits to both parties and stated that projected annual gross revenues to SRP throughout the contract term were \$1.7 million. She concluded by requesting approval to enter into a three-year agreement with Grossman Company Properties that would extend and amend SRP's commitment to provide chilled water service and equipment maintenance to Chris-Town Mall.

On a motion duly made by Director Marshall, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Areghini entered the meeting. Ms. Jones and Messrs. Hughes and Trout left the meeting.

#### Arizona Public Service/Salt River Project (APS/SRP) Joint Cost Savings Agreement

Mr. Rojas stated that the purpose of his presentation was to review the results of a joint cost savings study performed by APS and SRP. Using overhead transparencies, he reminded the Committee that on April 25, 1998, APS and SRP had executed a Memorandum of Agreement that, among other things, called for the execution of "*an agreement or agreements by October 15, 1998, providing for the implementation of various measures that would provide APS and SRP each with net cost savings of at least \$15 million in net present value.*"

Mr. Rojas reported that, in accordance with the APS/SRP agreement, representatives of the parties had met to identify and agree upon various cost savings measures. On October 15, 1998, APS and SRP had executed an agreement that reduced each corporate budget and authorized implementation of various cost saving measures. He summarized the various cost saving measures and stated that total savings for both O&M and capital budgets for APS and SRP over the eight-year period in gross escalated dollars amounted to \$68 million—\$32,655,000 for APS and \$35,346,000 for SRP.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Caldwell entered the meeting. Messrs. Areghini and Rojas left the meeting.

#### New West Energy (NWE)

Mr. Nichols, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

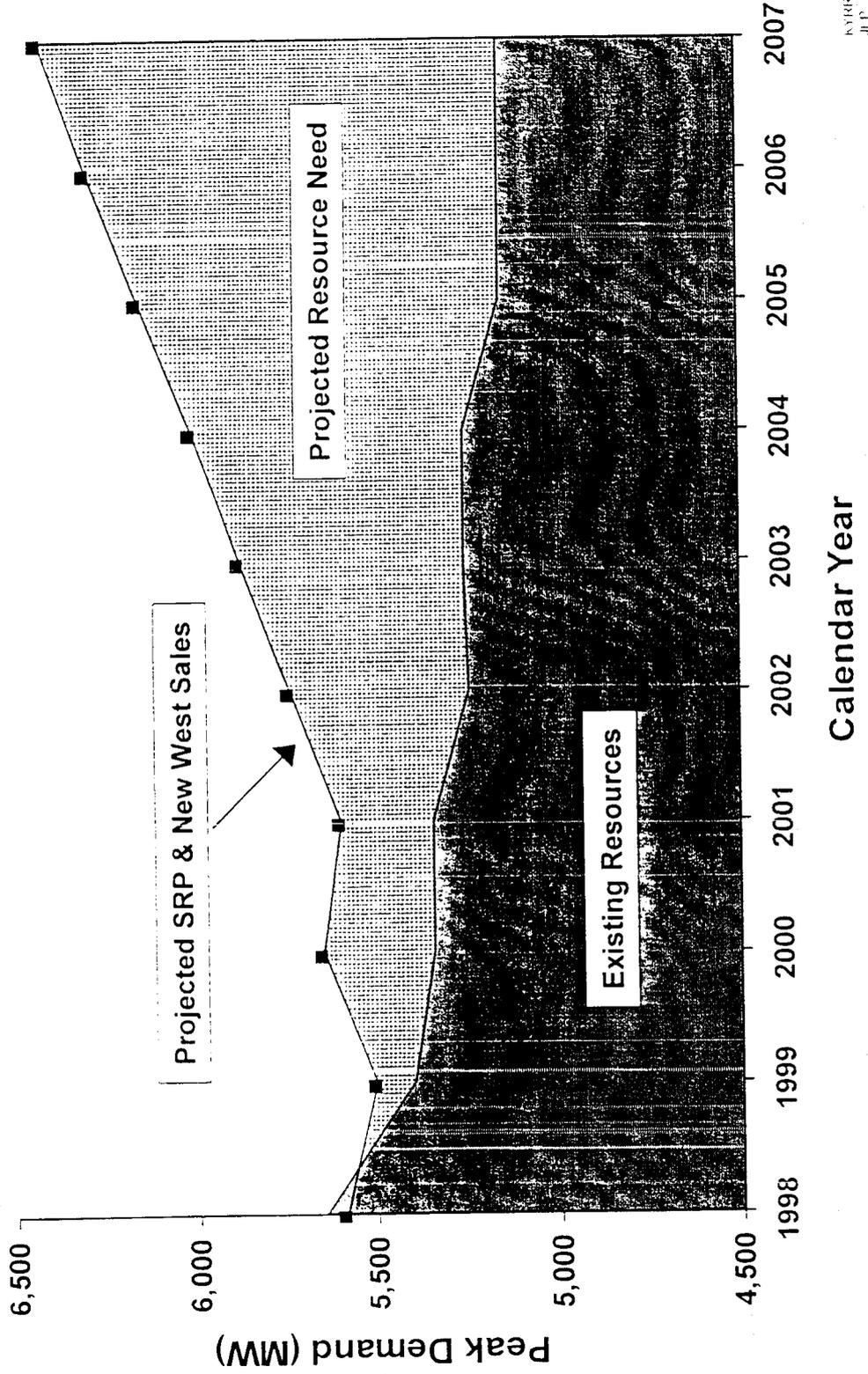
There being no further business to come before the Committee, the meeting adjourned at 11:00 a.m.

Terrill A. Lonon  
Corporate Secretary

# **Kyrene Generation Development Project**

**Dave Slick**  
**Resource Management**  
**January 14, 1999**

# SRP's Resource Need



## Current Project Status

- SRP selected the proposal submitted by Dynegey Power Development Company and its partner NRG Energy Inc
- SRP is developing a Memorandum of Understanding with these companies that would commit SRP to:
  - 1) work exclusively with partners
  - 2) share proprietary and confidential information
  - 3) negotiate and resolve outstanding issues and details
  - 4) launch environmental and public perception processes
  - 5) establish milestone dates for project achievements
- The MOU would not commit SRP to capital investment today

## Who is Dynegy?

- **Dynegy: Natural Gas Clearinghouse**
  - + Electric Clearinghouse Inc + Destec
- **Principal business activities**
  - 1) Natural gas marketing and power marketing
  - 2) Power generation development
  - 3) Natural gas processing and transportation, sales of natural gas liquids and crude oil products
- **Operating Revenues: \$13.4 billion**
- **Total Assets: \$4.5 billion**
- **Successfully developed 14 generation projects within environmentally-sensitive areas**

## Who is NRG

- NRG is a wholly-owned subsidiary of Northern States Power
- NRG holds 3000 MW generation ownership interests in the U.S.
- NRG and Dynegy purchased SCE's Long Beach and El Segundo plants (1580 MW) in April 1998
- More recently, NRG and Dynegy acquired several SDG&E plants (1300 MW)
- In these projects:
  - NRG manages O&M functions
  - Dynegy manages all gas and electric transaction business

## Current Project Concept

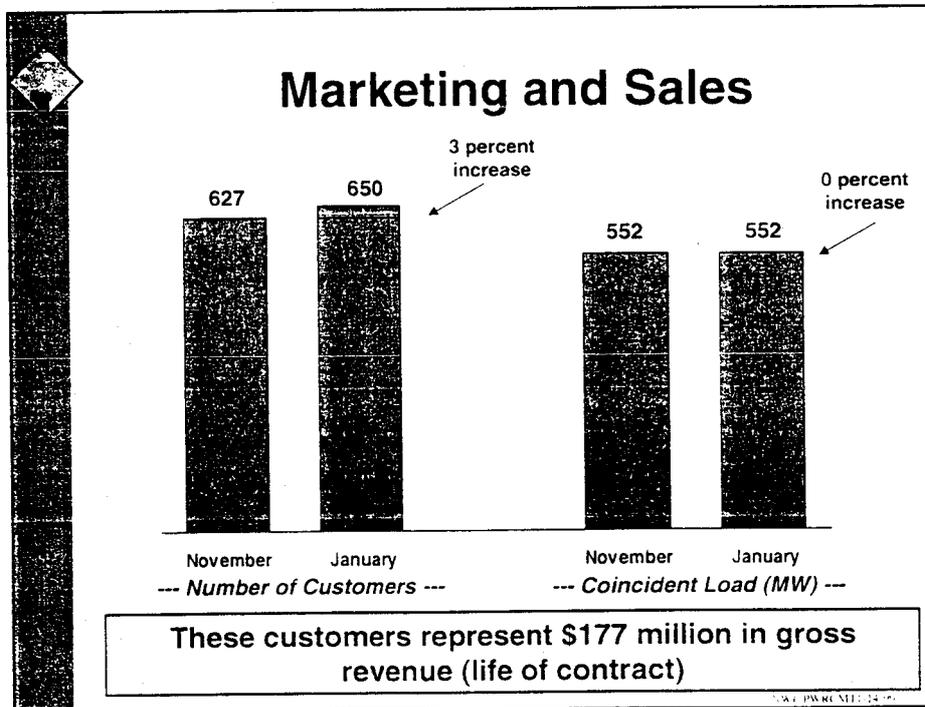
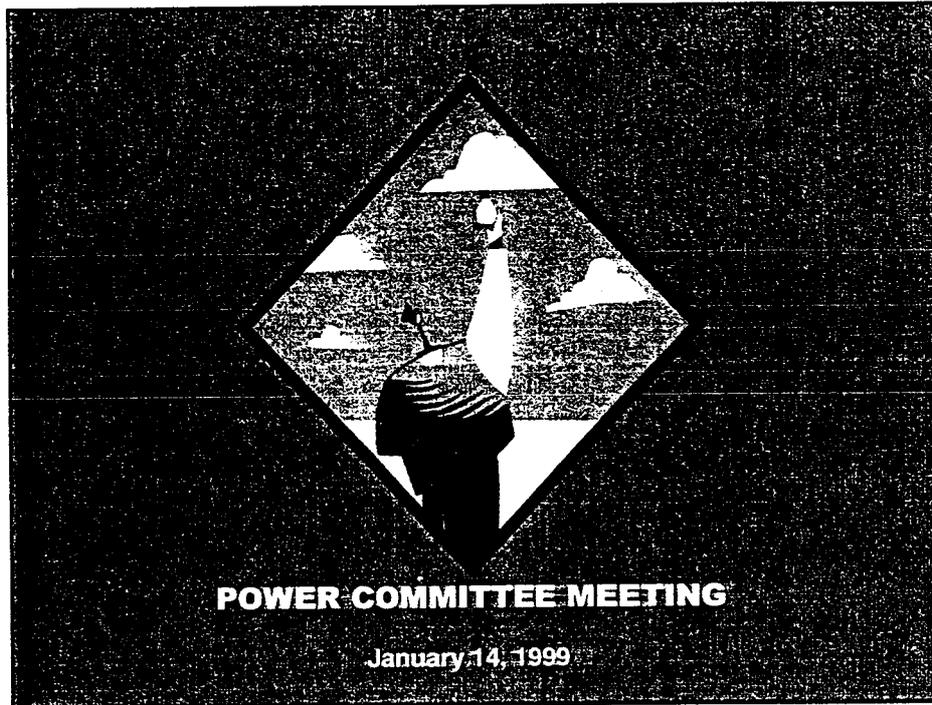
- 724 MW gas-fired combined cycle plant
- \$391 million construction cost
- Target commercial operation date: 1st quarter 2002
- SRP would be a minority participant

# Current Business Proposal

Elements	SRP Contributes	SRP Receives
1 Non-Cash Equity	Existing Infrastructure	75 MW (10%)
2 Cash Equity	\$40-\$80 Million	75-150 MW (10%-20%)
3 Energy Option	Option Fee Energy Charge	150 MW (20%) Summer Only 3 Year Option Increments
4 Other Considerations	Nominal Option Fee	100% Ownership Option

## **Reasons to Pursue Generation at Kyrene**

- **Resource need**
- **Transmission constraint relief**
- **Improved use of existing assets**
- **Sustains our provision of reliable service**



## NWE Income Statement

<i>\$ millions</i>	November	December
Revenues	8.9	9.7
Supply Cost	8.7	9.9
Gross Profit (Loss)	0.2	(0.2)
Operating Expense		
Direct	0.4	0.4
To SRP	0.1	0.1
Operating Income (Loss)	(0.3)	(0.7)
Interest Paid to SRP	0.0	0.1

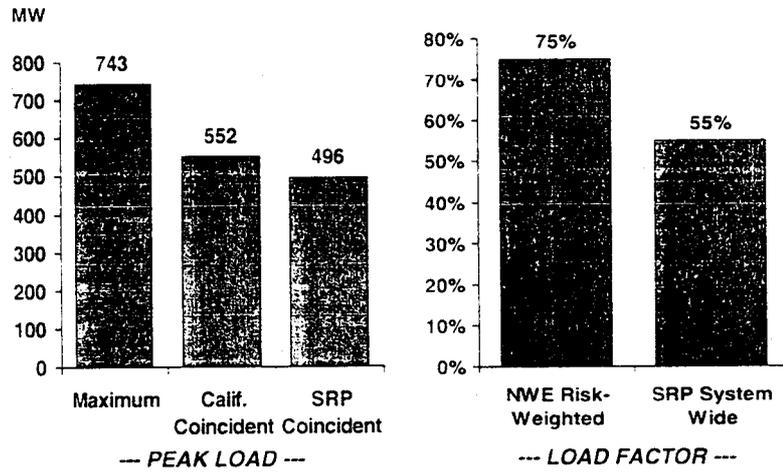
NWE PWRCM11-11-99

## Other Milestones

- Significant Business Operations Progress
  - 8,675 DASRs submitted
  - 5,614 accounts on line
  - 523 meters installed (176 increase)
- Filed CC&N with Az Corporation Commission
- Received Board Approval for Business Plan Update
- Responded to City of Santa Monica RFP for "Green" Power
- Working with Bank One Ballpark
- With SRP Marketing, developed target list for APS and TEP customers

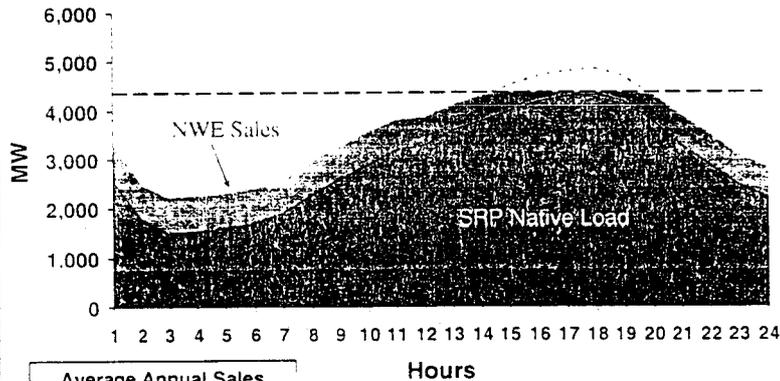
NWE PWRCM11-11-99

## Utilization of SRP Assets



NWE (PWR) M11-11-99

## Increased Utilization of SRP Generating Resources



Average Annual Sales	
SRP & NWE	33,100 GWh's
SRP	29,200 GWh's

NWE (PWR) M11-11-99

MINUTES  
POWER COMMITTEE MEETING

February 11, 1999

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, February 11, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Ash, Dobson, Marshall, Riggins Jr. and Rudd.

Absent at roll call was Director Kempton.

Others present were President Schrader; Vice President Williams Jr.; Directors Burton, Diller and Weiler; Council Vice Chairman Kempton; Mmes. Huber, Lonon, McVicker, L. Taylor and Trimble, Messrs. Hayslip, Lowe, McCoy, McGinnis, McNeill, McSheffrey, Reeves, Silverman and Soethe; Sophie Ras and Roger Gale of Washington International Energy Group (WIEG).

Secretary Lonon stated that in compliance with A.R.S. §38-431, Karen UMBER of the Secretary's Office had posted a notice of the meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, February 9, 1999, at 9:00 a.m.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Ms. Huber to proceed.

Sale of Vacant Land/Casey Substation

Ms. Huber, using overhead transparencies, reviewed a request to sell 2.475 acres of District-owned land, located about 1/2 mile south of Guadalupe Road and west of the alignment with Crismon Road in Mesa, to Continental Homes Inc., Construction Company for \$86,625.

She stated that, in 1996, the District had received the property in an exchange as part of the Coronado to Kyrene Power Corridor Sale. The District has no operational need for the property, since the District purchased the RS18 Site, which will include a distribution substation for the area.

Ms. Huber stated that sale of the property would eliminate maintenance costs for the District. The buyer owns land adjacent to the site and would incorporate the property into a subdivision for residential homes. As a condition of the sale, the District would receive a secondary access point into the power corridor through the subdivision. Continental Homes would construct a wet crossing through the drainage channel within the power corridor, allowing for vehicular access to District facilities.

Ms. Huber concluded with management's request to sell the 2.475 acres of District-owned property to Continental Homes, Inc. for \$86,625.

On a motion duly made by Director Rudd, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. Huber, Taylor and Trimble and Mr. McCoy left the meeting.

#### Supplement No. 9 to Four Corners Fuel Agreement No. 2

Ms. McVicker stated that the purpose of her presentation was to request authority to execute Supplement No. 9 to Fuel Agreement No. 2 for the Four Corners Power Plant with BHP Minerals International, Inc. to allow the parties to implement changes in reclamation cost recovery, as agreed upon in a negotiated settlement.

Using overhead transparencies, Ms. McVicker reported that Arizona Public Service Company, on behalf of the Participants, and BHP had reached agreement on the allocation of costs relating to reclamation and environmental issues. As a result of the settlement agreement, the Four Corners Participants would receive a \$735,000 credit, with future savings estimated at \$700,000 per year.

Ms. McVicker concluded by recommending that the Board authorize the Assistant General Manager of Power, Construction and Engineering Services to execute the necessary documents to implement the Audit Settlement and Supplement No. 9 to Fuel Agreement No. 2.

On a motion duly made by Director Riggins Jr., seconded by Director Rudd and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Fifield and Messrs. Bonsall and Duckworth entered the meeting. Ms. McVicker and Mr. Reeves left the meeting.

#### Washington International Energy Group (WIEG) - 1999 Energy Industry Outlook

Mr. Gale, the President of WIEG, stated that the purpose of his presentation was to discuss the key findings and conclusions in WIEG's 1999 Energy Industry Outlook. WIEG is a Washington, D.C.-based consulting firm which specializes in energy and climate change issues, provides strategic consulting to United States and Canadian electrical and gas utilities, and has developed significant business with public power

entities.

Using a PowerPoint presentation, Mr. Gale reviewed the results of a survey conducted by WIEG of 833 respondents in the North American electric and gas energy business. He discussed key events in 1998 in the global energy industry, new trends, and creative solutions for survival.

A copy of the PowerPoint slides used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Nichols entered the meeting during the presentation. Mmes. Fifield and Ross, and Messrs. Bonsall, Duckworth, Gale, Hayslip, Lowe and McGinnis left the meeting.

#### Open Access Transmission Tariff (OATT)

Mr. Soethe stated that the purpose of his presentation was to review the revisions made to SRP's OATT, prior to filing with the Federal Energy Regulatory Commission (FERC). Using overhead transparencies, he reviewed the background of the OATT and discussed the revisions made to reflect the terms and conditions pertaining to transmission service as approved by the Board in its resolution dated December 7, 1998.

Mr. Soethe concluded by stating that the OATT would be updated to be consistent with the terms and conditions approved by the Board on December 7, 1998.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Reeves and Schmelzer reentered the meeting.

#### New West Energy (NWE)

Mr. Nichols, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Areghini and Harper entered the meeting during the presentation. Directors Ash and Rudd, and Messrs. McSheffery, Nichols and Soethe left the meeting.

Director Arnett requested an Executive Session to obtain legal advice concerning the Coronado Coal Transportation Contract negotiations.

#### Executive Session

Coronado Coal Transportation Contracts

Director Arnett requested an Executive Session to obtain legal advice concerning the Coronado Coal Transportation Contract.

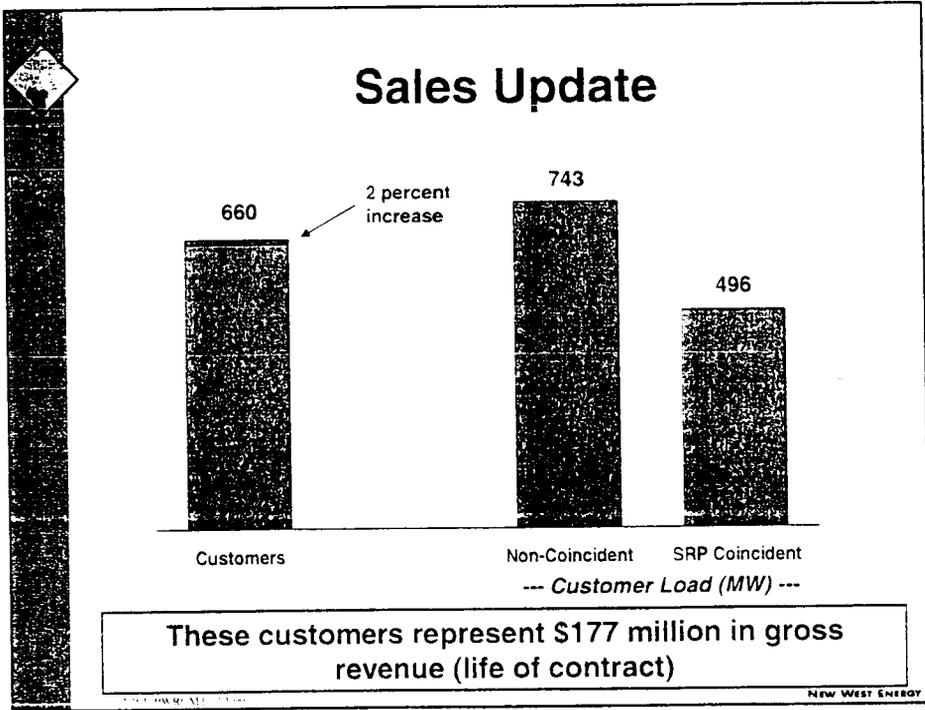
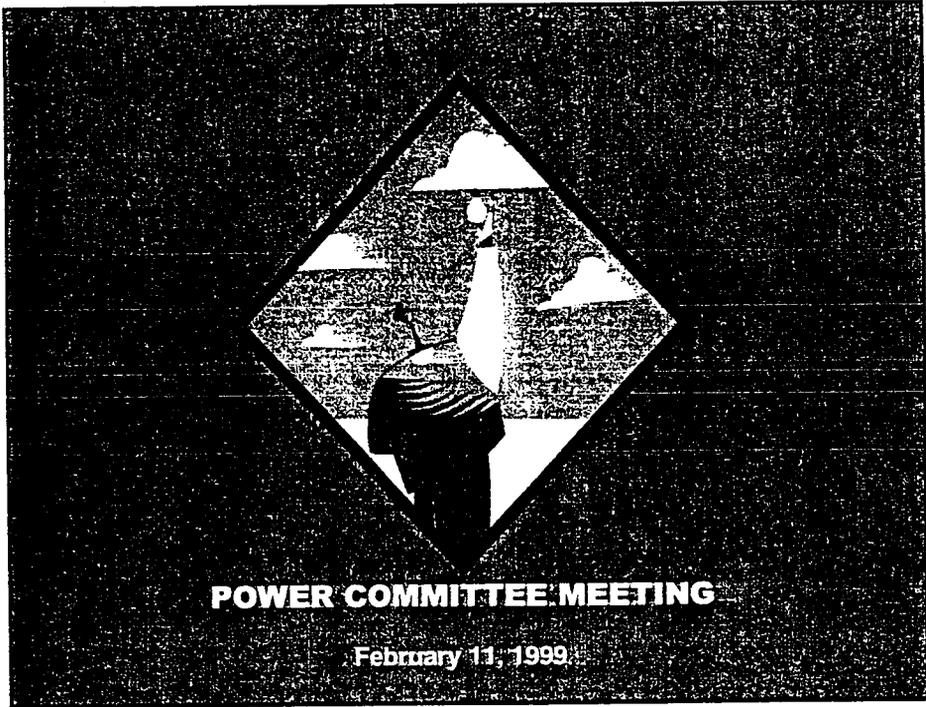
On a motion duly made by Director Ash, seconded by Director Dobson and carried, the Committee convened into Executive Session at 11:30 a.m. pursuant to A.R.S. §38-431.03(A)(4) to discuss potential legal action regarding the Salt River Trackage and Maintenance Agreement and the Railroad Transportation Contract.

The Committee reconvened into Open Session at 12:12 p.m. with the following members and others present: President Schrader, Vice President Williams Jr., Directors Arnett, Burton, Diller, Dobson, Marshall, Riggins Jr. and Weiler; Council Vice Chairman Kempton; staff members: Ms. Lonon and Messrs. McNeil, Reeves, Schmelzer and Silverman.

On a motion duly made by Director Riggins Jr., seconded by Director Dobson and carried, the Committee agreed to recommend Board approval to terminate the Salt River Trackage and Maintenance Agreement dated December 11, 1984, and the Railroad Transportation Contract ICC-ATSF-C-15040 dated July 1, 1993, and to institute proceedings before the Surface Transportation Board, and to take other appropriate action.

There being no further business to come before the Committee, the meeting adjourned at 12:18 p.m.

Terrill A. Lonon  
Corporate Secretary



## NWE Income Statement

<i>\$ millions</i>	December	January
Revenues	9.7	7.9
Supply Cost	9.9	7.8
Gross Profit (Loss)	(0.2)	0.1
Operating Expense		
Direct	0.4	0.4
To SRP	0.1	0.5
Operating Income (Loss)	(0.7)	(0.8)
Interest Paid to SRP	0.1	0.0
Out of Period Rev Adj	0.0	0.8

NWE PWRCELL LLP

NEW WEST ENERGY

## Other Milestones

- Significant Business Operations Progress
  - 9,651 DASRs submitted
  - 6,844 accounts on line
  - 578 meters installed (55 increase)
- Expect to re-signed St. Gobain (25MW) at lower discount
- Rolling out NWE program to Tosco franchisees
- Responding to ACC data request for CC&N

NWE PWRCELL LLP

NEW WEST ENERGY

MINUTES  
POWER COMMITTEE MEETING

March 11, 1999

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, March 11, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Dobson, Kempton, Marshall, Riggins Jr. and Rudd.

Absent at roll call was Director Ash.

Others present were President Schrader; Vice President Williams Jr.; Director Diller; Mmes. Alfano and Lonon, and Messrs. Evancevich, Hulet, Peterson, Russell, Silverman and Wardrip.

Secretary Lonon stated that in compliance with A.R.S. §38-431, Karen UMBER of the Secretary's Office had posted a notice of the meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, March 9, 1999, at 9:00 a.m.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Ms. Alfano to proceed.

Board Resolution of December 7, 1998

Ms. Alfano stated that the purpose of her presentation was to compare the terms and conditions for competition as stated in the Board Resolution setting forth a Final Decision Adopting terms and Conditions for Competitive Electric Services dated December 7, 1998, (hereafter the "Terms and Conditions Resolution") with the protocols and other operational provisions that management had implemented, or would be implementing. She explained that, due to the deadline of December 31, 1998, imposed by the Electric Power Competition Act, some of the operational procedures had to be implemented prior to adoption of the terms and conditions for direct access.

Using overhead transparencies, Ms. Alfano reviewed the schedule of events that began on May 29, 1998, and concluded on December 7, 1998, with adoption of the Terms and Conditions Resolution and a resolution regarding unbundled electric prices unbundled electric price plans. She said that, following Board adoption, a working group of SRP employees had been assembled to determine if any of the operational procedures that had been implemented or were planned for implementation conflicted with the Terms and Conditions Resolution.

Ms. Alfano noted that the working group had identified one issue, relative to the energy imbalance provision, that had been resolved. The majority of the issues were minor and had been or would be handled by clarification in the protocols, Direct Access Rules and Regulations, or both. She also identified issues that might require future action by the Board, depending on external factors, such as customer confidentiality, code of conduct reporting, and provider of last resort for low-income customers.

Ms. Alfano concluded by stating that, overall, the review had confirmed that the terms and conditions for direct access had been or were being implemented in accordance with the Terms and Conditions Resolution.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash and Burton, Mmes. Caldwell and Oldenkamp, and Messrs. Garlyn Bergdale and Paul Trentor of Dames & Moore entered the meeting.

#### RS-18 Project

Mr. Peterson stated that the purpose of his presentation was to update the Committee on the study efforts to date for the proposed 500/230kV receiving station in the East Valley and the 230kV transmission line to be built from RS-18 to the Santan Generating Station. He said the RS-18 project was needed to serve the rapidly growing Southeast Valley. The station would occupy approximately 43 acres.

Using overhead transparencies, Mr. Peterson reviewed the area to be served and the potential routes for a receiving station and transmission line. He said the siting study was 85% complete, and the majority of the public interaction to date had been through the Community Working Group (CWG). He reminded the Committee that the environmental consulting firm of Dames & Moore had been retained to conduct the public involvement process and asked Mr. Trentor of Dames & Moore to proceed.

Using a map of the area involved, Mr. Trentor discussed the alternative locations for the transmission line and receiving station. He noted which alternatives would be carried forward for comparison and ranking based on environmental criteria, electrical system standards, and comments from the CWG and public. He concluded by reviewing the planning activities completed to date and the schedule of future project activities.

Copies of the overhead transparencies used in the above presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Hayslip entered the meeting. Ms. Oldenkamp and Messrs. Bergdale, Hulet, Trentor, Peterson and Russell left the meeting.

#### New West Energy (NWE)

Ms. Caldwell, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Frerichs and Rappoport entered the meeting.

#### Toxics Release Inventory (TRI)

Mr. Hayslip stated that the purpose of his presentation was to review the legal requirements of TRI reporting, the public relations challenges, and SRP's plan for managing the external communications. Using a PowerPoint presentation, he reported that the Emergency Planning and Community Right-to-Know Act (the "Act") had been passed in 1986 to inform communities and citizens of the chemical hazards in their areas. He noted that Section 313 of the Act requires manufacturers to report releases of toxic chemicals to the environment. He said the reports are submitted to the Environmental Protection Agency (EPA) and state governments; EPA then compiles the data into a national on-line, publicly accessible inventory listing.

Mr. Hayslip stated that TRI reporting was initially limited to traditional manufacturing sectors like the chemical, automobile and paper product industries. However, the EPA had amended the rules for Section 313 and expanded the list of industries to include electric utilities and others.

Mr. Hayslip reported that, by July 1, 1999, SRP must submit TRI reports for Navajo and Coronado Generating Stations. As a result, SRP may receive attention from the media and environmental public interest groups. He discussed the public relations issues for SRP and concluded by reviewing the key points of the TRI communications plans.

Copies of the PowerPoint presentation used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Goodrich, Jussila and R.M. Rice entered the meeting. Mr. Hayslip left the meeting.

#### Year 2000 (Y2K) Project

Mr. Rice stated that the purpose of the presentation was to provide an overview of the Y2K Project and SRP's efforts to be Y2K "ready" by June 30, 1999. He introduced Ray Jussila and Dan Goodrich, who would discuss the Y2K issue and the steps being taken by SRP to ensure that all of its critical systems would be suitable for continued use in the year 2000. He asked Mr. Jussila to proceed.

Mr. Jussila distributed a special issue of *Tech Talk*, an information technology

newsletter published by SRP's Information Systems Marketing and Communications Department. The special issue was devoted exclusively to the topic of the Y2K Project. He also presented a videotape on the Y2K issue.

Continuing with overhead transparencies, Mr. Jussila reviewed key elements of the Y2K issue, SRP's objectives, and the actions taken to date. He said the Y2K program was a multi-part process which consisted of inventory, assessment, testing, remediation (if necessary) and testing again, contingency planning, and clean management. He discussed the highlights of each part of the process and asked Mr. Goodrich to proceed.

Mr. Goodrich reviewed the details of SRP's extensive testing plan and concluded with a videotape of the Y2K test conducted at Coronado Generating Station on January 8, 1999.

Mr. Jussila summarized the results of the Y2K tests to date and reviewed a schedule of upcoming milestones. He stated that, given the efforts SRP has put and continues to put into Y2K preparedness, no problems were anticipated when the year 2000 arrives. However, part of the preparations included the creation of a formal contingency plan in case something unexpected were to occur. He concluded by stating that a draft contingency plan had been submitted to the North American Electric Reliability Council on December 31, 1998, and the plan would be finalized by June 30, 1999.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:50 a.m.

Terrill A. Lonon  
Corporate Secretary

# RS18 Project Status

SRP Board Power Committee

March 11, 1999

# Why we are here today

- Study effort update
- Public feedback
- What's next

# Need

- **When**
  - 2001
- **Why**
  - Southeast valley is growing
  - Limited 230kV from Kyrene to the east
  - Support voltage on east end

# Project Description

- Initial Development
  - 500/230kV station
  - 230kV transmission line
- Future Development
  - 230/69kV station
  - 69/12kV station
  - 230kV transmission lines
  - 69kV transmission lines

# RS18 Status

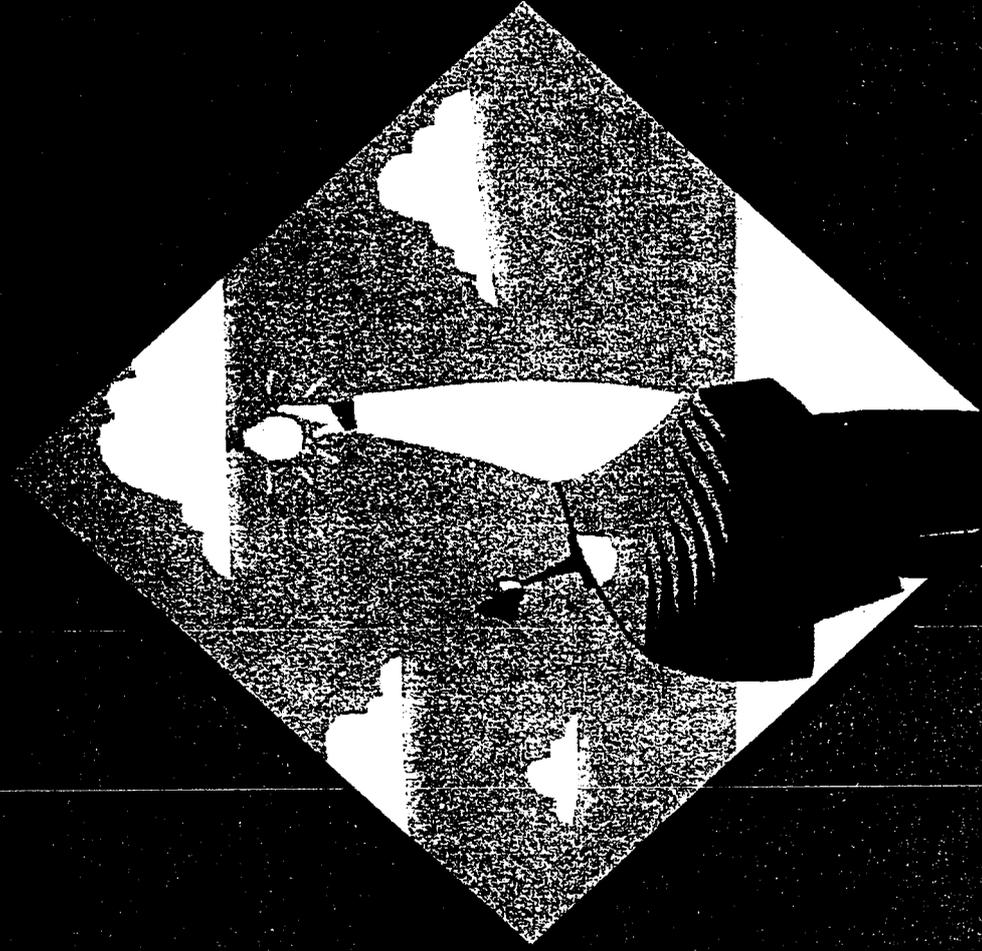
- Started siting study in March 1998
- 85% complete
- Have identified line route and station site alternatives
- Major public interaction to date has been through CWG
- Open House yesterday, 3/10/99

# RS18 Status

- CWG Meetings - 5
- Public Communications
  - Newsletters - 4, the last mailed to over 16000 addresses
  - Newspaper articles - 5
  - New releases - 3
  - SRP bill stuffers - 3
  - Web site & Phone line

# What's Next

- Last Open House Saturday, 3/13
- Power Committee 4/15
- CWG #6 week of 4/19

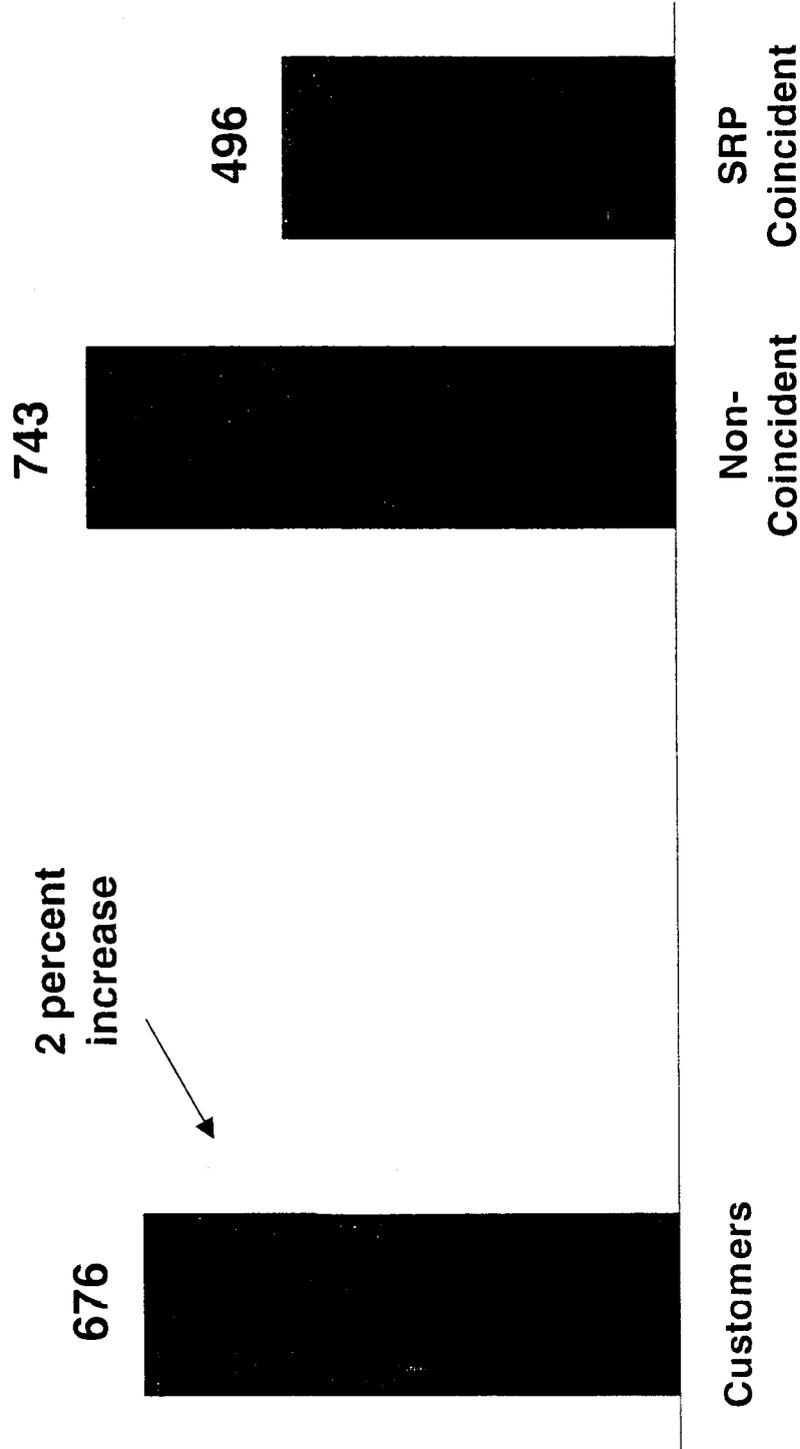


# **POWER COMMITTEE MEETING**

**March 11, 1999**



# Marketing and Sales



**These customers represent \$177 million in gross revenue (life of contract)**



# NWE Income Statement

<i>\$ Millions</i>	January	February
Revenues	7.9	7.0
Supply Cost	7.8	6.1
Gross Profit (Loss)	0.1	0.9
Operating Expense		
Direct	0.4	0.2
To SRP	0.5	0.2
Operating Income (Loss)	(0.8)	0.5
Interest Paid to SRP	0.0	0.0



# California Sales Activity

- Discounts in CA are in the 1-2% range, vs. 3% or more 1 year ago.
- NWE's larger customers and aggregators want to renew their agreements:
  - Boeing - 1 year at 100MW
  - St. Gobain - 1 year at 27MW
  - CEUC - Up to 3 years at 25MW (incremental per quarter)

# California Sales Activity

(Continued)

•Some ESP-to-ESP Switching Underway

COMPANY

Robinson's-May

Newark Group

CA Mfg. Association

City of Palm Springs

ESP

NEV

MP&L

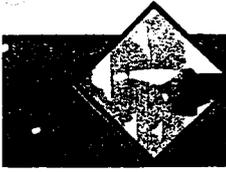
MP&L

Enron

VOLUME

33MW

8MW



# California Sales Activity

## (Continued)

- First-time switching interest still strong
  - The Gap
  - Texas Instruments
  - Air Products
- Smaller business customers anxious to renew/switch for small savings
- Residential customers still inactive
  - Boeing pilot expansion



# **New Small Business Customers**

- Foasberg Laundry & Cleaners, Inc.
- Omega Extruding Corp. of CA
- Plastics Engineering & Development, Inc.
- Smile Care Dental Group
- Electrolux L.L.C.
- Petersen Precision Engineering Co.
- Phototronics Inc.

# Arizona Sales Activity

- **NWE “introduction” underway**
  - Chambers of Commerce
  - Targeted Sponsorships
  - Advertising Plan
- **Switching interest seen in larger customers/associations**
  - Bank One Ballpark
  - Tosco
  - Fry’s/Kroger
  - Association of AZ Industries



# Arizona Sales Activity

(Continued)

- Residential Inquiries Manageable
- Anticipating May ACC Hearing



# Other Milestones

- Cash flow and finances in order
- April audit scheduled
- Supply agreement working well
- Billing system automation in progress
- Metering pilot being readied
- California "Post CTC" task force being formed

MINUTES  
POWER COMMITTEE MEETING

April 15, 1999

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, April 15, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Dobson, Kempton and Marshall.

Absent at roll call were Directors Ash, Riggins Jr. and Rudd.

Others present were Vice President Williams Jr.; Director Diller; Mmes. Lonon and Wade, and Messrs. Areghini and Dietrich.

Secretary Lonon stated that, in compliance with A.R.S. §38-431.02, Karen Umber of the Secretary's Office had posted a notice of a meeting of the Power Committee meeting at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, 9:00 a.m. on Tuesday, April 13, 1999, and an agenda was available in the Secretary's Office.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Mr. Dietrich to proceed.

Preference Power

Mr. Dietrich stated that the purpose of his presentation was to request approval of the processes used to ensure that SRP does not use any Federal Preference Power for wholesale sales or deliveries of energy to New West Energy (NWE), and to measure SRP's private use limitations as related to wholesale sales to taxable entities.

Mr. Dietrich, using overhead transparencies, discussed the problem of how to identify the sources of energy once the energy has entered the transmission system. He stated that SRP's solution was to utilize a cost allocation method to ensure that Preference Power was delivered only to those entitled to receive it. The process involved the review of transactions on an after-the-fact basis and allocation of the costs associated with Preference Power to SRP's retail load. Since SRP's minimum retail load was greater than the sum of Preference Power and generation financed with tax-exempt debt, the cost allocation method ensured that Preference Power was not delivered to those not entitled to receive it.

Mr. Dietrich reviewed SRP's dispatchable resources, which included market purchases, Valley gas-fired generation, purchases from Tucson Electric Power Company and Arizona Electric Power Cooperative, and coal-fired generation. He noted that the dispatchable resources did not include federal hydropower or energy from Central

Arizona Water Conservation District.

Continuing, Mr. Dietrich stated that the term "private use" was in reference to the energy produced by generating assets from tax-exempt debt. He discussed the qualifications for receiving private use, the private use issues under review by tax counsel, and the methodology used by SRP to measure private use.

Mr. Dietrich concluded by requesting approval of the processes described relative to Federal Preference Power and private use.

On a motion duly made by Director Kempton, seconded by Director Dobson and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

President Schrader; Directors Ash, Rovey and Rudd; Mmes. Alfano, Caldwell and Oldenkamp; and Messrs. Duckworth, Harper and Peterson entered the meeting during the presentation. Messrs. Garlyn Bergdale and Paul Trentor of Dames & Moore entered the meeting.

#### Receiving Station 18 (RS-18)

Mr. Peterson stated that the purpose of his presentation was to update the Committee on SRP's recommendation on primary and alternate route/site preferences for the proposed 500/230kV receiving station in the East Valley and the 230kV transmission line to be built from RS-18 to the Santan Generating Station. Using overhead transparencies and a map of the area involved, he reviewed the factors considered by staff in evaluating proposed routes for the new electrical facilities, including environmental criteria, public opinion, engineering and system considerations, right-of-way, land use studies, and economics.

Mr. Peterson stated that, based upon the criteria evaluated, SRP would prefer to use the existing 500kV corridor originally contemplated in the early 1970s and certified by the Arizona Corporation Commission as part of the Coronado Transmission System. He said the right-of-way for the new line would parallel an existing SRP 230kV transmission tower line that runs north from the Santan Power Plant to Elliot Road, then would turn east, parallel to an exiting 500kV transmission line, to the proposed 40-acre site near Elliot and Signal Butte Roads. The preferred site was designated Site #1.

Mr. Peterson reviewed the major issues with the preferred and alternate site (Site #2) and concluded with a schedule of future project activities.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. Caldwell and Oldenkamp, and Messrs. Bergdale, Duckworth, Peterson and Trentor left the meeting.

Navajo Generating Station – Railroad Repair

Mr. Harper, using overhead transparencies, reviewed the equipment and methods being used to replace the rail, railroad ties and ballast on the railroad line from the coal mine to the Navajo Generating Station. He concluded by reviewing the construction budget and schedule of approximately \$25.5 million through Fiscal Year 2002.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Caldwell re-entered the meeting.

New West Energy (NWE)

Ms. Caldwell, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:45 a.m.

Terrill A. Lonon  
Corporate Secretary

## Cost Allocation

Done on after the fact basis

Identify block of wholesale sales  
(includes deliveries to New West)

If those sales had not occurred, which dispatchable  
generating resources would we have backed down.

Back down dispatchable stack of resources in  
order of decreasing cost

Process permits allocation of generating resources  
and their associated costs to the block of wholesale sales.

Remaining resources and their associated costs are,  
by default, allocated to SRP retail load.

Dispatchable stack of resources

Starts with market purchases

Valley gas fired generation

TEP and AEPCO purchases

Coal fired generation

Stack does not include CAWCD energy or  
Federal hydropower purchases

## Objective:

Insure that no Preference Power is being used for delivery to New West Energy, or to other wholesale customers.

Insure that SRP minimum retail load is greater than sum of Preference Power and generation financed with tax exempt debt.

**Problem:** Can't color or identify the MW separately

**Solution:** Allocate costs associated with Preference Power ONLY to SRP retail load.

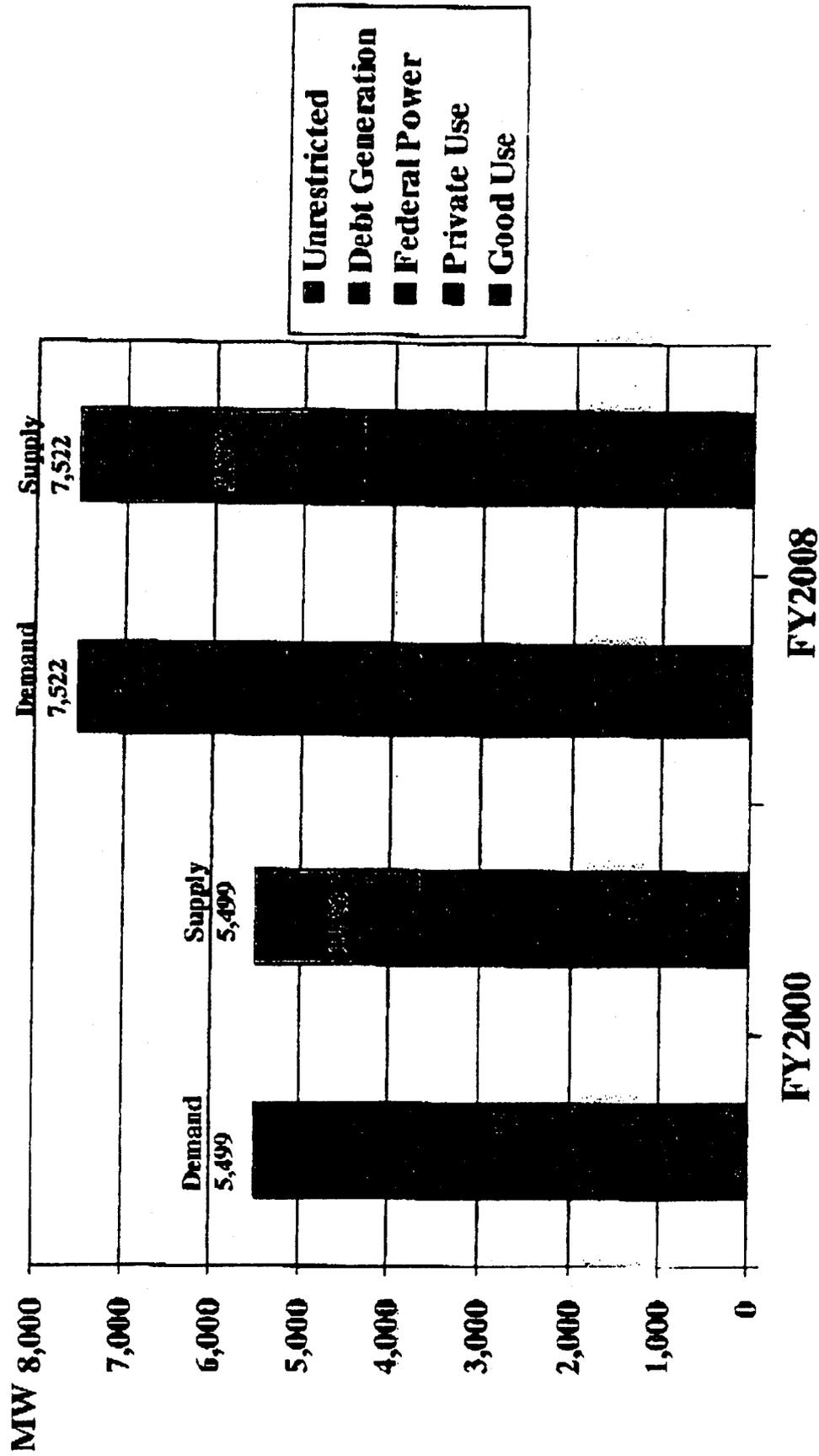
## Measurement Process

- **Equity First Concept - Apply equity to all “private use”**
  - IRS regulations are pending
  - If adverse ruling, reduce SRP flexibility by 75%
- **Tax Counsel Review**
  - Summer peaking methodology - favorable
  - Annual measurement due to “gaming” concerns (-)
  - Reviewing power purchases (+)
- **Tax Legislation Uncertain in Congress**

## What is Private Use?

- Bond proceeds used in trade or business
  - Private companies, Association, New West
  - Federal and foreign governments, co-ops
- Concept includes wholesale contracts, loans and leases
- No private use
  - Member of general public service under general price schedules
  - State and Local Governments

# Private Use - Generation Resources



- 1  **RS18 Project Status**
  - SRP Board Power Committee
  - April 15, 1999
- 2  **Why we are here today**
  - Staff recommendation on Route/Site selection
  - What's next
- 3  **SRP Staff Preference**
  - 500kV route, Site 1
    - Most Muni/Govt. support
    - Uses existing corridor
    - Least exposure to fissures
    - Lowest cost
    - More effective way to interconnect w/ WAPA line
- 4  **Evaluation Factors**
  - Environmental
  - Public Opinion
  - System Considerations
  - Engineering/ Right of Way/Land/Economics
- 5  **Environmental**
  - Land use compatibility
    - existing and future
  - Visual impacts
    - poles and station structure mitigation
- 6  **Public Opinion**
  - Landowners immediately adjacent
    - visual impact
    - ability to sell
    - lessen value of property
  - Municipalities
    - maintain general plan zoning
    - retain "gateway" appearance
- 7  **System considerations**
  - Reliability
    - Schedule delay
  - Opportunity
    - ability to use existing facilities near or adjacent to proposed facility
- 8  **Engineering/Right of Way/Land**
  - Cost

- Longer lines and lines with more turns cost more
- Site 2 will require protection against fissuring

- Schedule

9  Major Opposition to Preferred Route

- Transmission line

- Day care immediately adjacent to corridor
- Gilbert Schools - new elementary school next to corridor
- Circle G Ranches - Santan corridor issues
- Triple D Ranches - at corner of 500 corridor and Santan corridor

10  Major Opposition to Sites

- Site 1

- Farnsworth Development
- Continental Homes Development
- Warren Steffe

- Site 2

- Apache Junction

11  Major Issues with Site 2

- Fissuring
- Schedule

12  What's Next

- CWG #6 week of 4/21
- Initial siting process wrap up with State entities

# RS18 Project Status

SRP Board Power Committee

April 15, 1999

# Why we are here today

- Staff recommendation on Route/Site selection
- What's next

# SRP Staff Preference

- 500kV route, Site 1
  - Most Muni/Govt. support
  - Uses existing corridor
  - Least exposure to fissures
  - Lowest cost
  - More effective way to interconnect w/ WAPA line

# Evaluation Factors

- Environmental
- Public Opinion
- System Considerations
- Engineering/ Right of Way/Land/Economics

# Environmental

- Land use compatibility
  - existing and future
- Visual impacts
  - poles and station structure mitigation

## *Public Opinion*

- *Landowners immediately adjacent*
  - *visual impact*
  - *ability to sell*
  - *lessen value of property*
- *Municipalities*
  - *maintain general plan zoning*
  - *retain “gateway” appearance*

4/14/99

HRP/CSR - Transmission Planning

# System considerations

- Reliability
  - Schedule delay
- Opportunity
  - ability to use existing facilities near or adjacent to proposed facility

# Engineering/Right of Way/Land

- Cost
  - Longer lines and lines with more turns cost more
  - Site 2 will require protection against fissuring
- Schedule

# Major Opposition to Preferred Route

- Transmission line
  - Day care immediately adjacent to corridor
  - Gilbert Schools - new elementary school next to corridor
  - Circle G Ranches - Santan corridor issues
  - Triple D Ranches - at corner of 500 corridor and Santan corridor

# Major Opposition to Sites

- Site 1
  - Farnsworth Development
  - Continental Homes Development
  - Warren Steffey
- Site 2
  - Apache Junction

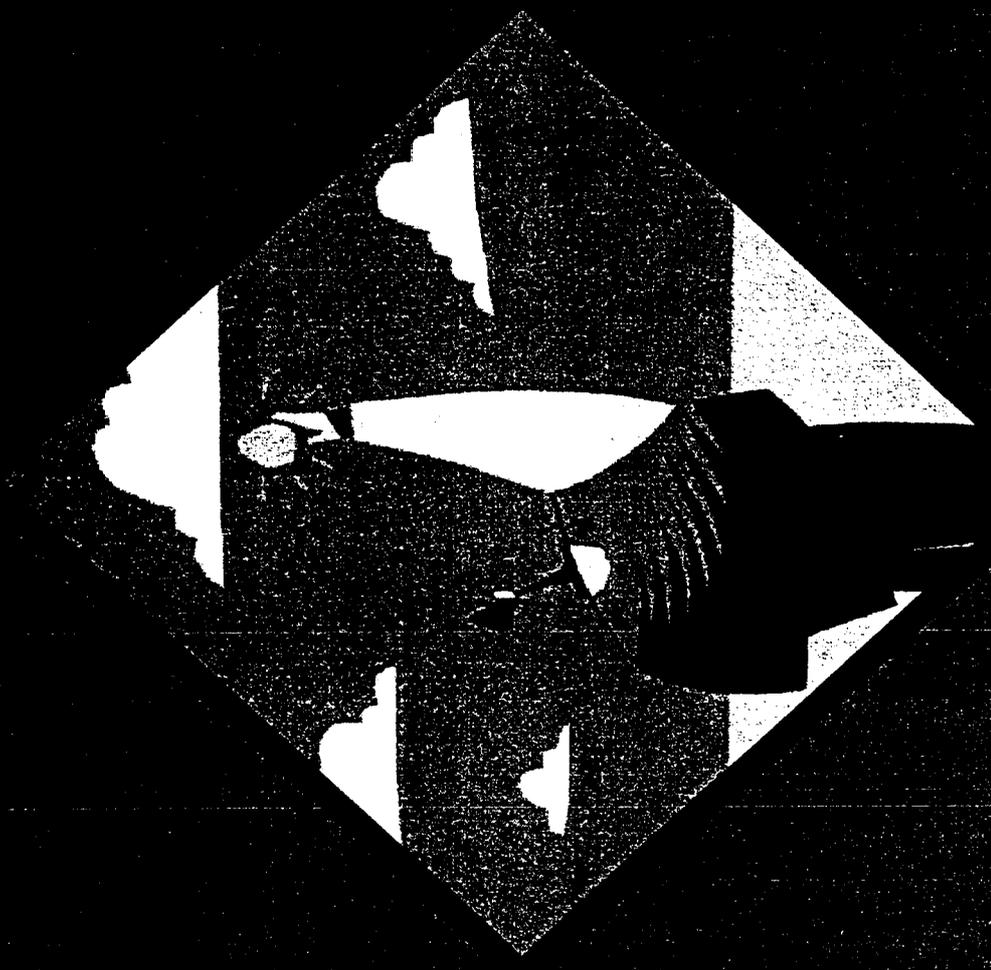
# Major Issues with Site 2

- Fissuring
- Schedule

# What's Next

- CWG #6 week of 4/21
- Initiate siting process wrap up with State entities

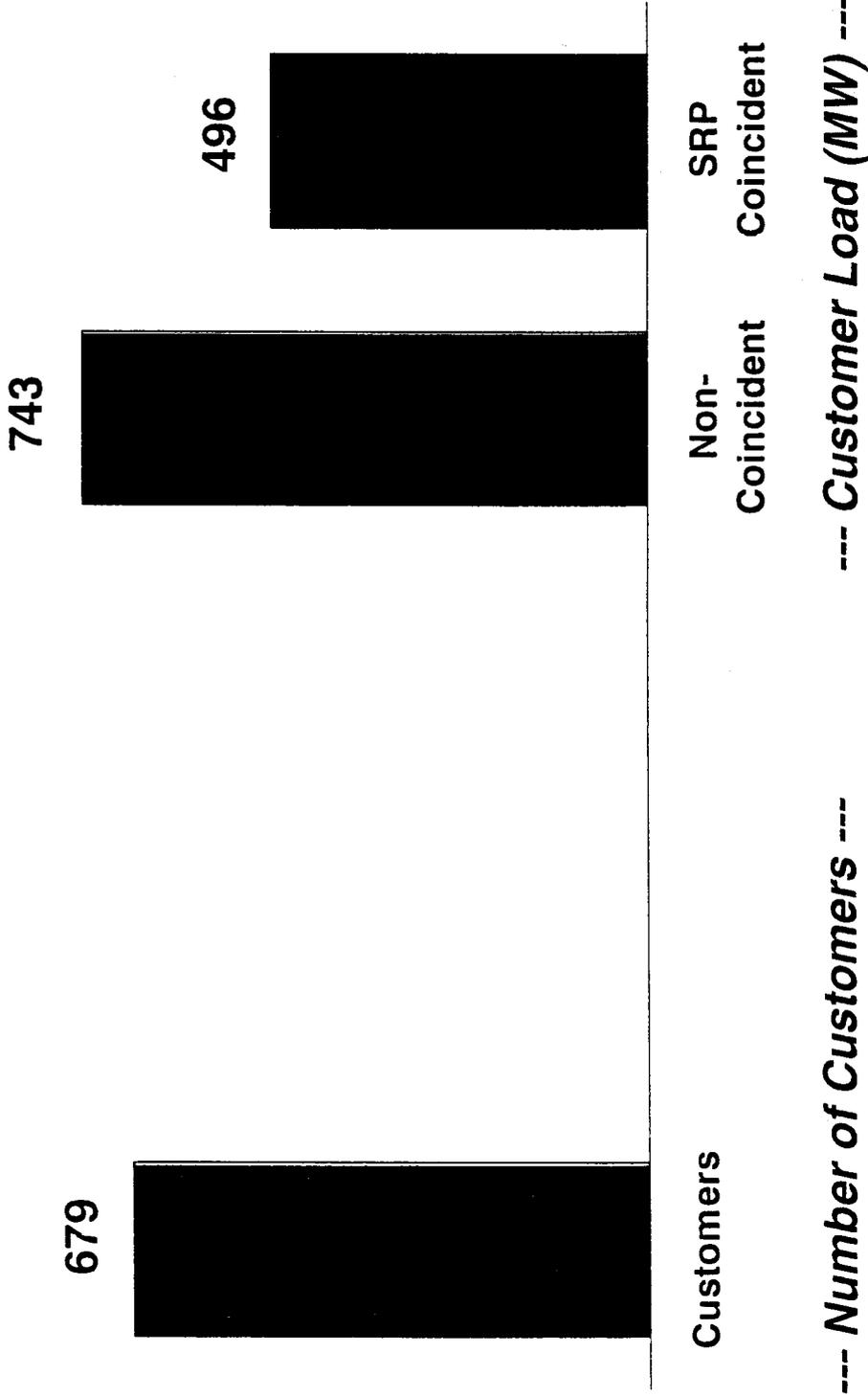
18-15-99



# POWER COMMITTEE MEETING

April 15, 1999

# Sales Overview



--- Number of Customers ---

--- Customer Load (MW) ---

**These customers represent \$177 million in gross revenue (life of contract)**



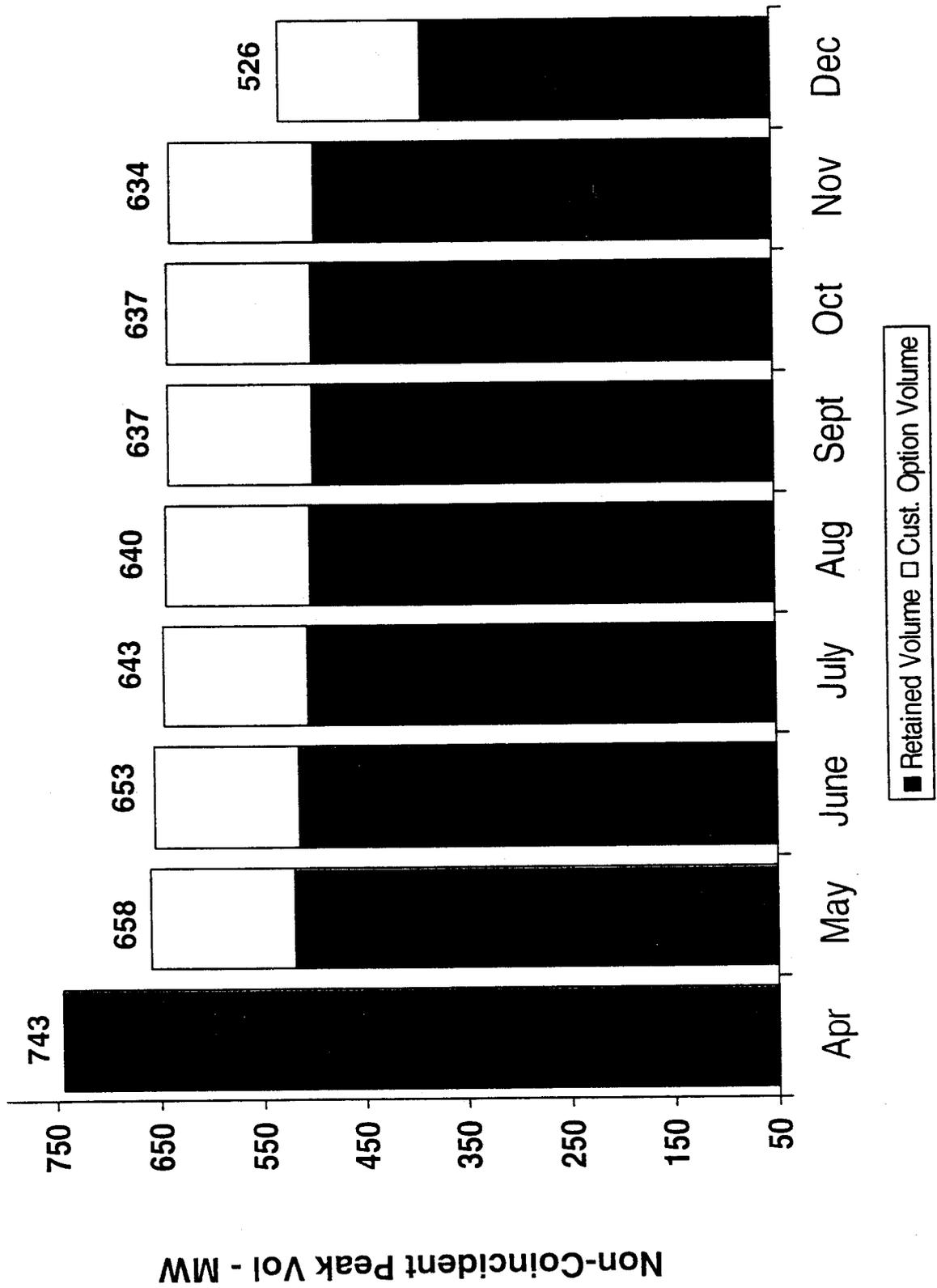
# NWE Income Statement

<i>\$ Millions</i>	February	March
Revenues	7.0	7.3
Supply Cost	6.1	7.3
Gross Profit (Loss)	0.9	0.0
Operating Expense		
Direct	0.3*	0.4
To SRP	0.1	0.4
Operating Income (Loss)	0.5	(0.8)
Interest Paid to SRP	0.0	0.0

\*February Operating Expense reallocated between Direct and SRP



# 1999 Volume Expiration Exposure



\* Unilateral customer option

NWE PWR/CMT 4-15-99

# California Sales Portfolio

## Anticipated Renewals

Customer	Term-Yrs	Volume*	Prev.		Curr.	
			Disc. %	Disc. %	Disc. %	Disc. %
Boeing	1	100	2.65	2.65	2.65	2.65
Costco	1	40	2.0	2.0	2.0	2.0
St. Gobain	1	27	3.25	3.25	1.5	1.5
PPG	1	6	2.75	2.75	1.5	1.5
RXI Plastics	1	1	2.75	2.75	1.5	1.5
Petro Diamond	1	0.5	3.25	3.25	1	1
Nibco	1	0.5	2.75	2.75	1.25	1.25
Georgetown Manor	1	0.2	2.0	2.0	0	0

\*Volume quoted on non-coincident peak MW basis



# California Sales Portfolio

## Non-Renewals

Customer	Volume*	Comment
California Steel	55 MW	Unattractive load shape
Misc. Small Retailers (5)	0.5 MW	No discount offered (too small)

\*Volume quoted on non-coincident peak MW basis

# California Sales Portfolio

## New Customers

Customer	Term - Yrs	Volume*	Disc. %	Comment
The Gap	3	6	2.0	1 <sup>st</sup> "Green" sale
City of Palm Springs	1 year evergreen	N/A	2.0	Residential pilot; 1 <sup>st</sup> back office sale
Robinson's May	1	44	1.0 plus RTP pilot	Switched from NEV; no new meters
Apple Plastics	1	3.5	2.25	Aggregation account

\*Volume quoted on non-coincident peak MW basis

# California Contract Discussions

Customer	Term-Yrs	Volume*	Disc. %	Comment
BOB	3-5	5	?	Esco Tie-In; Mktg. Pkg.?
Kroger/Fry's	1-3	10	1.5	350 MW Potential
Wal-Mart	1-3	5	RTP	100 MW Potential
Calaveras Cement	1	40	1.75	Referred by Coral
CSK Auto	5	5	5.5	Reneg. Pricing
Walgreen's	5	10	5.5	Reneg. Pricing
Petsmart	1	5	1.5	Energy Mgmt. Opp.

\*Volume quoted on non-coincident peak MW basis



# California Sales Portfolio

## Summary of Activity

**MW**

**Current Non-Coincident Volume**

**743**

**Non-Renewals**

**- 55**

**New Customers**

**+57**

---

**745**

**Strong Prospects**

**+55**

**Est. 2nd Quarter Volume**

---

**800**



## Other Milestones

- April audit underway
- Arizona launch plan under development
- Metering pilots being readied
  - Meter installations 5/1
  - Meter data management 7/1
- California “Post CTC” task force formed
  - SRP strategic oversight
- Facility “interim” move underway

MINUTES  
POWER COMMITTEE MEETING

May 13, 1999

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:35 a.m. on Thursday, May 13, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Dobson, Marshall and Rudd.

Absent at roll call were Directors Ash, Kempton and Riggins Jr.

Others present were President Schrader; Vice President Williams Jr.; Director Diller; Mmes. Alfano, K. Caldwell and Lonon; Messrs. Duckworth and Silverman.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen Umber of the Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, May 11, 1999, at 9:00 a.m., and an agenda was available in the Secretary's Office.

Chairman Arnett called the meeting to order at 9:35 a.m. and requested Mr. Duckworth to proceed.

Director Ash entered the meeting.

Unified Marketing Plan

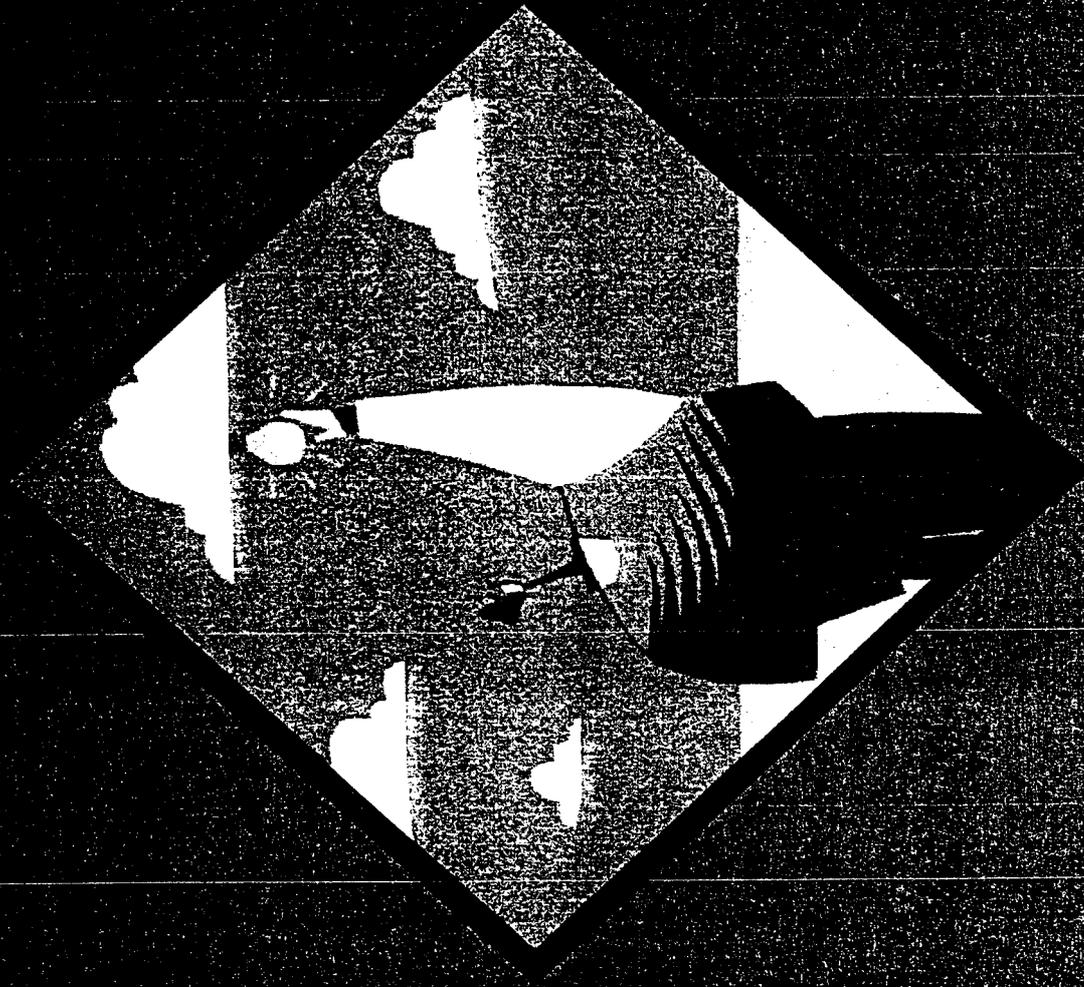
Mr. Duckworth stated that the purpose of the Unified Marketing Plan for SRP/New West Energy Plan was to maintain or improve SRP's ability to meet its public purposes in a competitive environment. Using overhead transparencies, he reviewed the goals of the plan and concluded by discussing the plan for where retail energy will be sold; customer classes to be targeted in each state/area; sources of energy to be sold; guidelines for selecting specific customers in each area; major external factors that might impact the plan; and how progress will be assessed periodically.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Weiler and Messrs. Bonsall and Lowe entered the meeting during the presentation.

New West Energy (NWE)

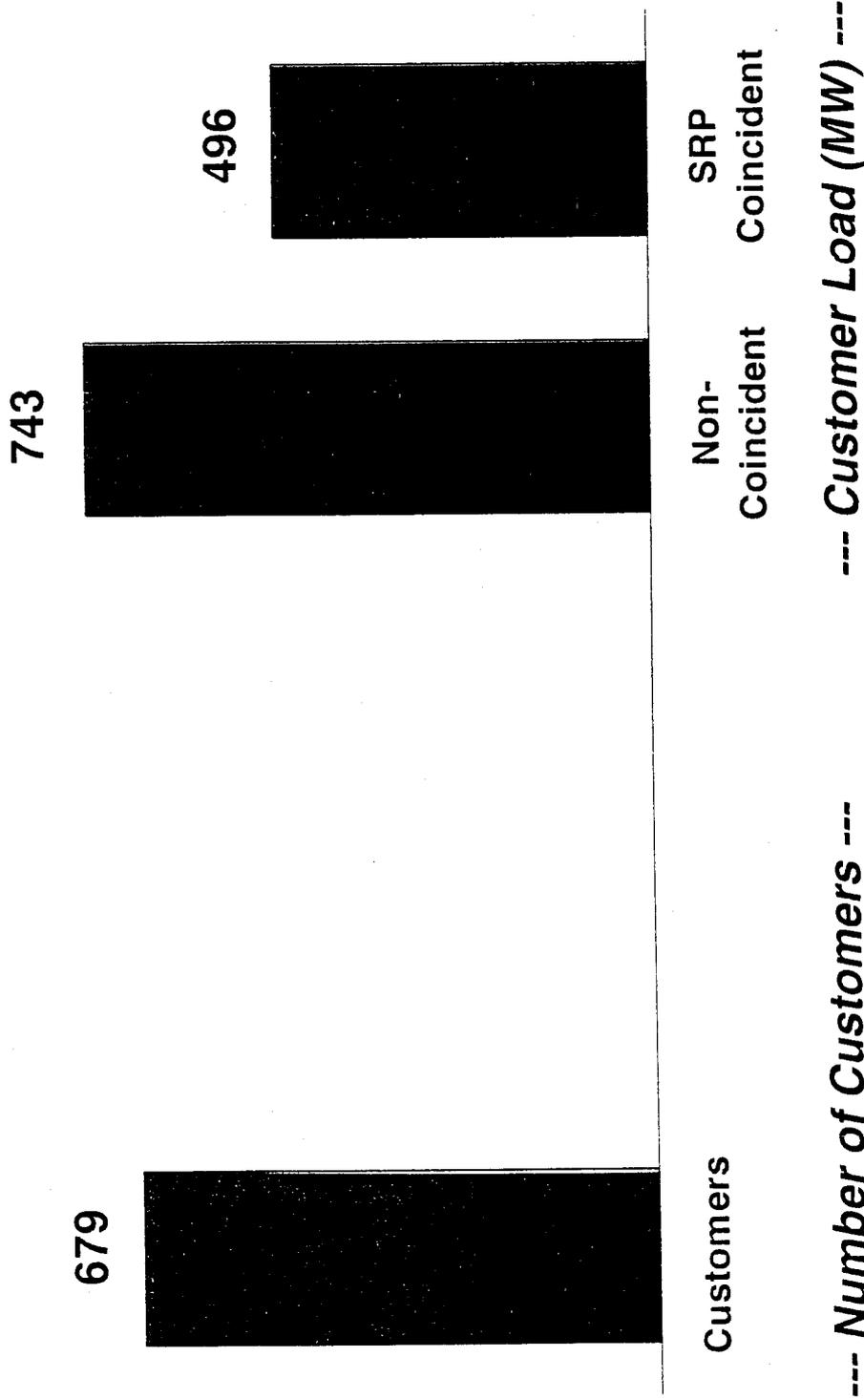
Ms. Caldwell, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.



# POWER COMMITTEE MEETING

May 13, 1999

# Sales Overview



These customers represent \$177 million in gross revenue (life of contract)

# NWE Income Statement

<i>\$ Millions</i>	March	April
Revenues	7.3	8.1
Supply Cost	7.3	8.0
Gross Profit (Loss)	0.0	0.1
Operating Expense		
• Direct	0.4	0.4
• To SRP	0.4	0.4
• Special items	0.0	0.3
Operating Income (Loss)	(0.8)	(1.0)
Interest Paid to SRP	0.0	0.0

# California Sales Portfolio

## Anticipated Renewals

Customer	Term-Yrs	Volume*	Prev.		Curr.	
			Disc. %	Disc. %	Disc. %	Disc. %
Boeing Complete	1	100	2.65	2.65	2.65	2.65
Costco Pending	1	40	2.0	2.0	2.0	2.0
St. Gobain Complete	1	27	3.25	3.25	1.5	1.5
PPG Complete	1	6	2.75	2.75	1.5	1.5
RXI Plastics Complete	1	1	2.75	2.75	1.5	1.5
Petro Diamond Complete	1	0.5	3.25	3.25	1	1
Nibco Complete	1	0.5	2.75	2.75	1.25	1.25
Georgetown Manor Complete	1	0.2	2.0	2.0	0	0

\*Volume quoted on non-coincident peak MW basis



# California Sales Portfolio

## New Customers

Customer	Term - Yrs	Volume*	Disc. %	Comment
The Gap Delayed until June	3	6	2.0	1 <sup>st</sup> "Green" sale
City of Palm Springs Complete	1 year evergreen	N/A	2.0	Residential pilot; 1 <sup>st</sup> back office sale
Robinson's May Delayed until July	1	44	1.0 plus RTP pilot	Switched from NEV; no new meters
Apple Plastics Complete	1	3.5	2.25	Aggregation account
Specialty Minerals Complete	1	3.5	1.5	Customer Referred

\*Volume quoted on non-coincident peak MW basis



# California Sales Portfolio Summary of Activity

	MW
Current Non-Coincident Volume	743
Non-Renewals	- 55
New Customers	+57
	745
Strong Prospects	+55
Est. 2nd Quarter Volume	800

MINUTES  
POWER COMMITTEE MEETING

June 17, 1999

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:35 a.m. on Thursday, June 17, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Ash, Dobson and Rudd.

Absent at roll call were Directors Kempton, Marshall and Riggins Jr.

Others present were President Schrader; Director Diller; Mmes. Alfano, K. Caldwell and Lonon; Messrs. Duckworth, Hull, Lamphere, M. W. Lowe, Silverman and Trout.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen UMBER of the Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, June 15, 1999, at 9:00 a.m., and an agenda was available in the Secretary's Office.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Ms. Caldwell to proceed.

Status of New West Energy (NWE)

Ms. Caldwell, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date. She continued by reviewing a proposed joint venture between NWE/SRP, the Arizona Diamondbacks, and NRG/Energy Masters International to develop a district cooling loop in Phoenix. She discussed the key components of the cooling loop, possible legal structures, strategic benefits to SRP and NWE, and the project economics.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Kempton, Rovey and Weiler, Council Chairman Rousseau, Ms. Fifield, and Messrs. Bonsall and Rappoport entered the meeting during the presentation.

Gilbert Unified School District No. 41

Mr. Lowe stated that the purpose of his presentation was to discuss a proposed long-term utility services agreement with the Gilbert Unified School District No. 41 and related agreements with J.B. Rodgers Performance Contracting, Inc. and Norwest Investment Services, Inc. He reminded the Board that, in 1998, SRP and J.B. Rodgers had formed an alliance to market an Energy Service and Performance Contracting Program to school districts located in the SRP distribution service area. The purpose of

the program was to identify and implement major facility improvements that would lower the annual utility costs of operation for school districts and improve the classroom environment.

Using overhead transparencies, Mr. Lowe reviewed the background of J.B. Rodgers and Norwest Investment Services, as well as the efficiency upgrades proposed at 17 sites in the Gilbert School District. He discussed the contractual arrangement between the Gilbert School District, SRP, J.B. Rodgers and Norwest Investment Services, which would provide the long-term financing for the energy efficient equipment. He concluded by reviewing the terms of the proposed agreements and the potential benefits to SRP.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mmes. Caldwell and Fifield and Mr. Lamphere left the meeting.

#### Closed Session

Chairman Arnett requested a motion for a Closed Session, pursuant to A.R.S. §30-808, to discuss confidential and proprietary information pertaining to a proposed long-term energy and steam agreement with the United Dairymen of Arizona.

On a motion duly made by Director Kempton, seconded by Director Rudd and carried, the Committee convened into Closed Session at 10:25 a.m.

The Committee reconvened into Open Session at 10:36 a.m. with the following members and others present: President Schrader; Directors Arnett, Ash, Diller, Dobson, Kempton, Rovey, Rudd and Weiler; Council Chairman Rousseau; Mmes. Alfano and Lonon; Messrs. Bonsall, Hull, M.W. Lowe, Rappoport, Silverman and Trout.

Messrs. Dietrich and Slick entered the meeting. Messrs. Hull, Lowe and Trout left the meeting.

#### Executive Session

Chairman Arnett requested a motion for an Executive Session, pursuant to A.R.S. §38-431.03(A)(7), to discuss negotiations for the lease of real property for the addition of generation or transmission capacity to SRP's Valley electric system.

On a motion duly made by Director Dobson, seconded by Director Rudd and carried, the Committee convened into Executive Session at 10:37 a.m.

The Committee reconvened into Open Session at 11:10 a.m. with the following members and others present: President Schrader; Directors Arnett, Ash, Diller, Dobson, Kempton, Rovey, Rudd and Weiler; Council Chairman Rousseau; Mmes. Alfano and Lonon; Messrs. Bonsall, Rappoport and Silverman.

There being no further business to come before the Committee, the meeting adjourned at 11:15 a.m.

Terrill A. Lonon  
Corporate Secretary

## Air Emissions Plan

- **Offset requirements:**
  - **NOx and VOC:** 1.2 tons offset for each ton produced.
  - **CO and PM10:** 1.1 tons offset for each ton produced.
- **NOx:** Control SRP valley units or obtain offsets from other sources. No immediate action required.
- **CO, VOC, and PM10:** Outside of SRP's control. Negotiate offset purchases as soon as possible.
- **General:** Support desirable regulatory changes.

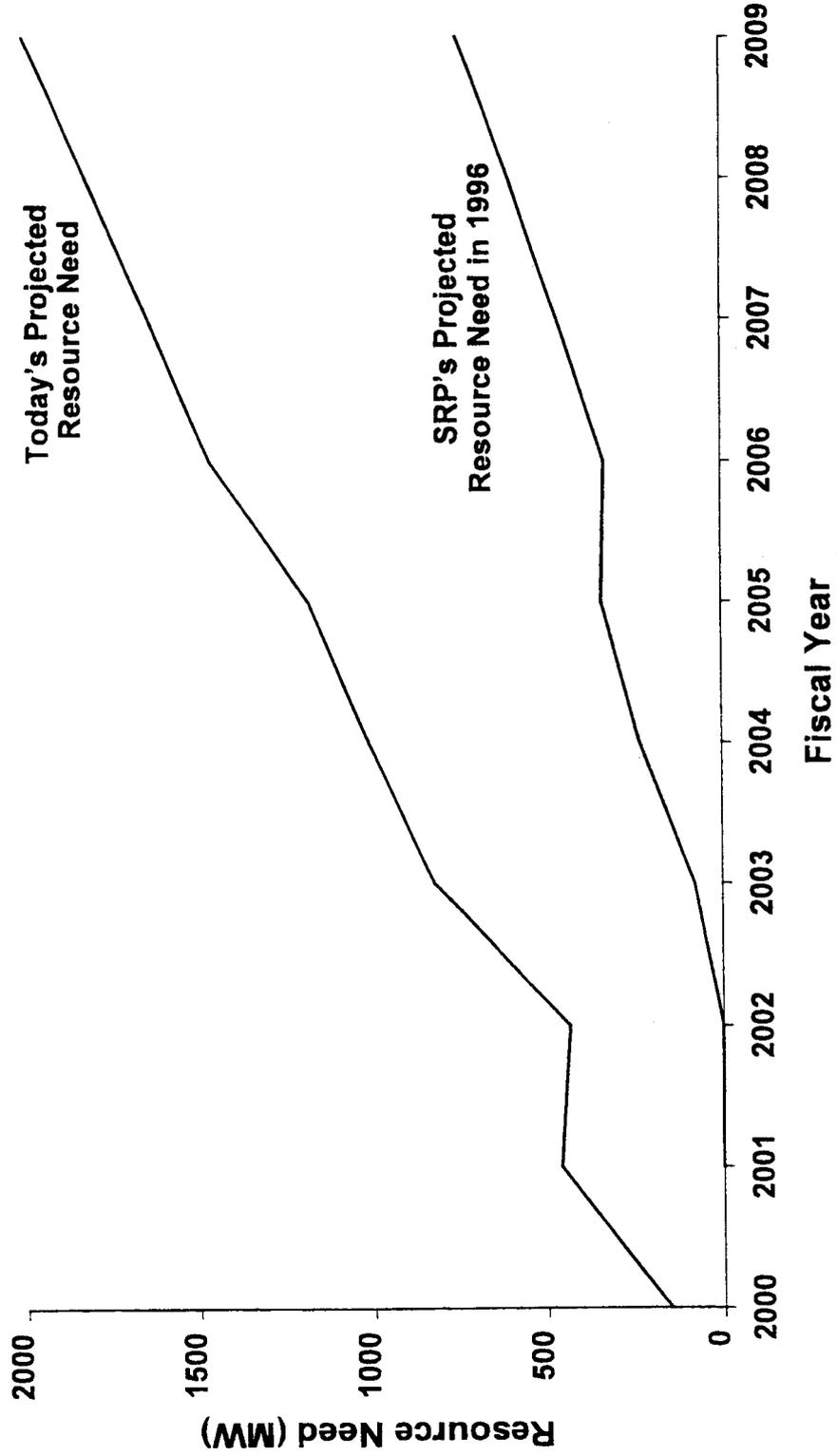
## **MOU Status**

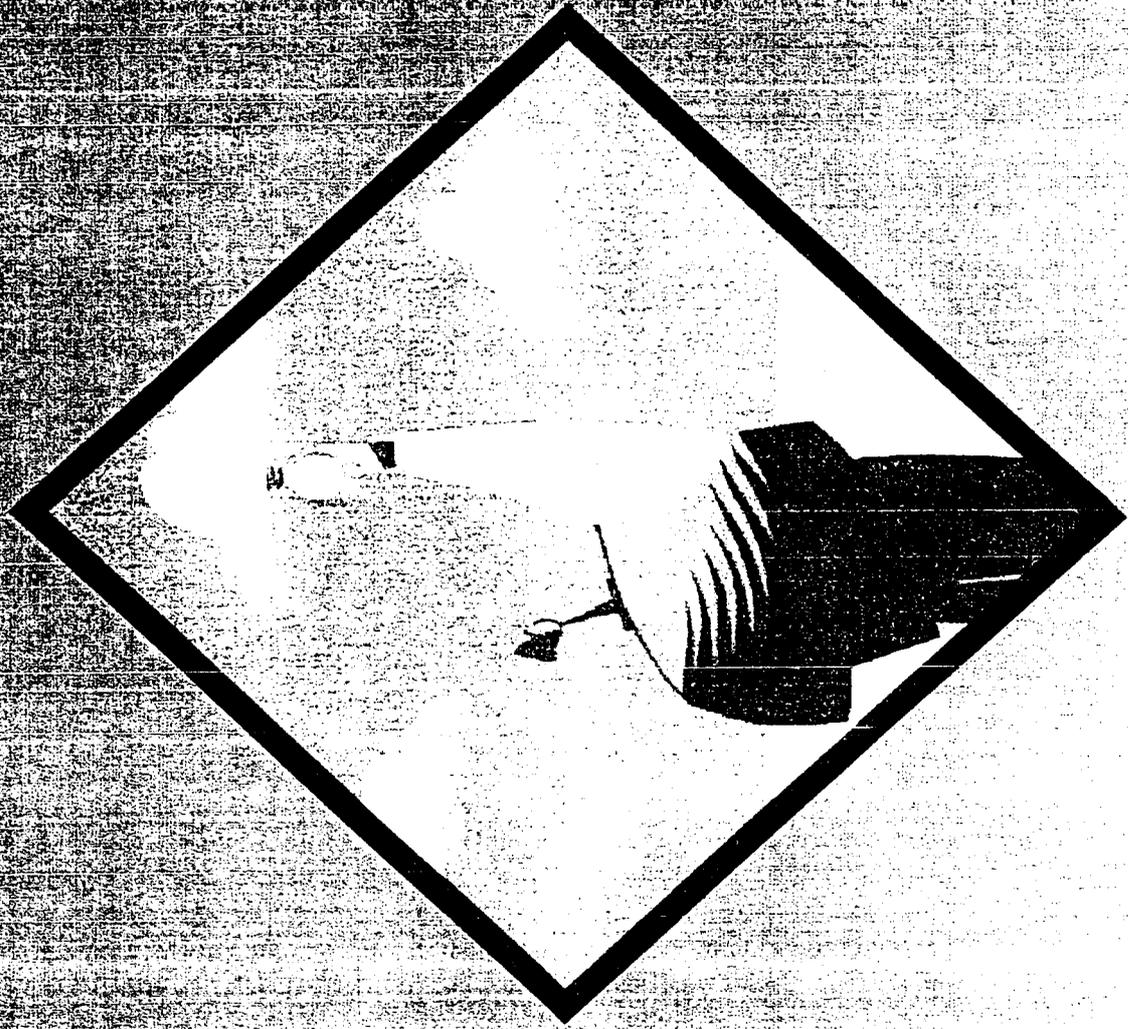
- **Last week negotiated satisfactory language with Dynegy.**
- **This week announced merger between Dynegy and Ilinova.**
- **Currently assessing impact of this merger.**
- **Looking at alternative partners.**

## **Currently Envisioned Business Deal 500-750 MW Project Concept**

- SRP: a partner in the “Desert Center Energy Station” LLC
- SRP gets 225 MW year round at market price
- SRP gets an additional 150 MW summer season option at market price plus an option fee
- SRP gets a 30% equity position in the project
- SRP makes an \$88 million capital investment
- SRP makes “contributions in kind” valued at \$38 million (land, transmission, water, etc)
- All non-SRP energy is “exchanged” at Palo Verde

# We have a problem....

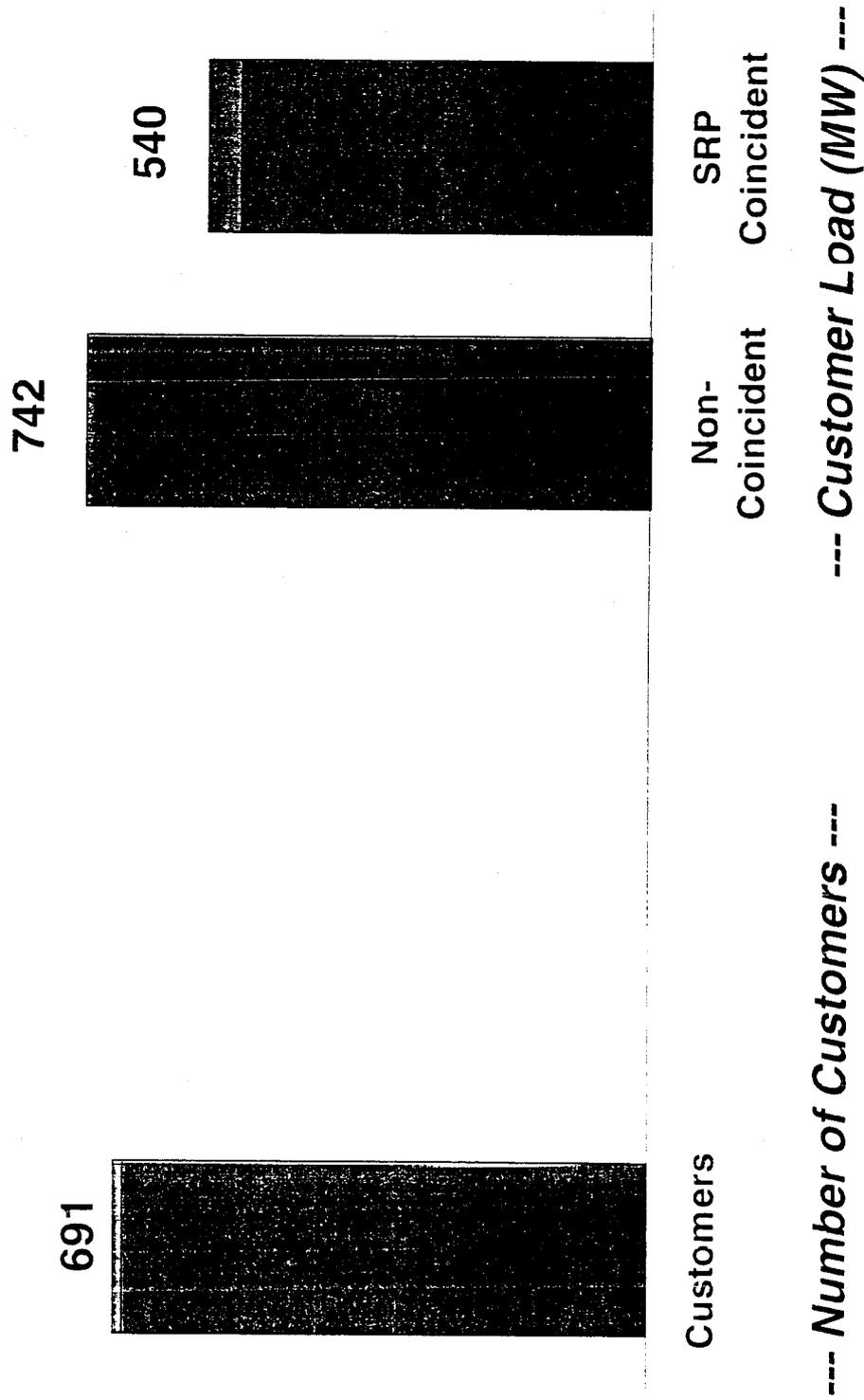




MEMBERSHIP INFORMATION

1998-1999

# Sales Overview



**These customers represent \$181 million in gross revenue (life of contract)**

# California Sales Portfolio

## Contract Renewals

Customer	Term-Yrs	Volume*	Prev. Disc. %	Curr. Disc. %
Boeing Complete	1	100	2.65	2.65
Costco Complete	1	40	2.0	2.0
St. Gobain Complete	1	27	3.25	1.5
PPG Complete	1	6	2.75	1.5
RXI Plastics Complete	1	1	2.75	1.5
Petro Diamond Complete	1	0.5	3.25	1
Nibco Complete	1	0.5	2.75	1.25
Georgetown Manor Complete	1	0.2	2.0	0

\*Volume quoted on non-coincident peak MW basis

# California Sales Portfolio

## New Customers

Customer	Term - Yrs	Volume*	Disc. %	Comment
The Gap Complete	3	6	2.0	1 <sup>st</sup> "Green" sale
City of Palm Springs Complete	1 year evergreen	N/A	2.0	Residential pilot; 1 <sup>st</sup> back office sale
Calaveras Cement Complete	1	30	1.75	Referred by Coral Energy
Apple Plastics Complete	1	3.5	2.25	Aggregation account

\*Volume quoted on non-coincident peak MW basis

# California Sales Portfolio

## New Customers

Customer	Term - Yrs	Volume*	Disc. %	Comment
Specialty Minerals Complete	1	3.5	1.5	Customer Referred
Sony Pictures Complete	3	13	2.75	Aggregation account

Total: 56.0 MW

Robinson's May Delayed until July	1	30	1.5	Switched from NEV; no new meters
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# California Sales Portfolio Summary of Activity

**MW**

**Current Non-Coincident Volume**

**743**

**Non-Renewals**

**- 55**

**New Customers**

**+56**

**744**

**Strong Prospects**

**+56**

**Est. 2nd Quarter Volume**

**800**

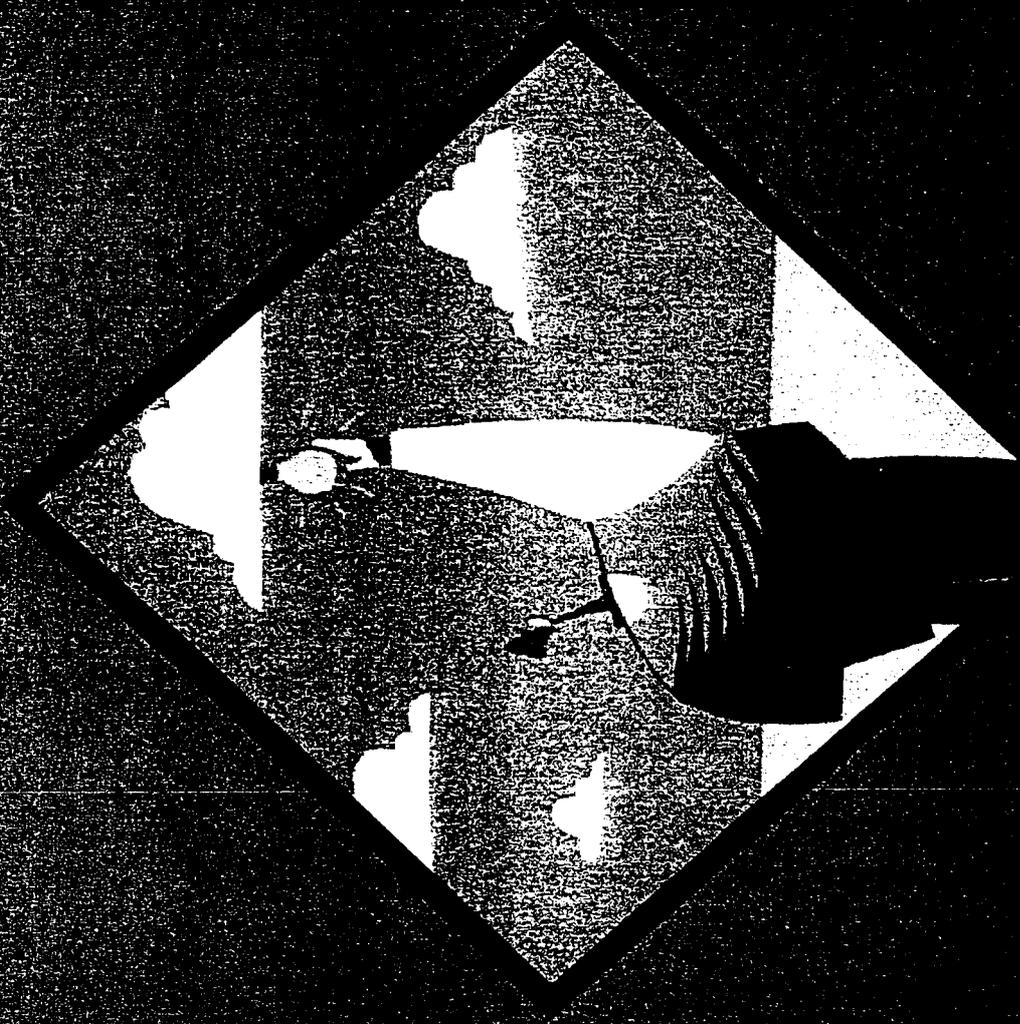
# NWE Income Statement

## Full Year

<i>\$ Millions</i>	<b>FY99-Actual</b>
<b>Revenues</b>	<b>95.0</b>
<b>Supply Cost</b>	<b>93.8</b>
<b>Gross Profit (Loss)</b>	<b>1.2</b>
<b>Other Operating Expense</b>	<b>8.1</b>
<b>Interest Expense</b>	<b>0.1</b>
<b>Net Income (Loss)</b>	<b>(7.0)</b>
<b>Remitted to SRP</b>	<b>2.8</b>

## Other Milestones

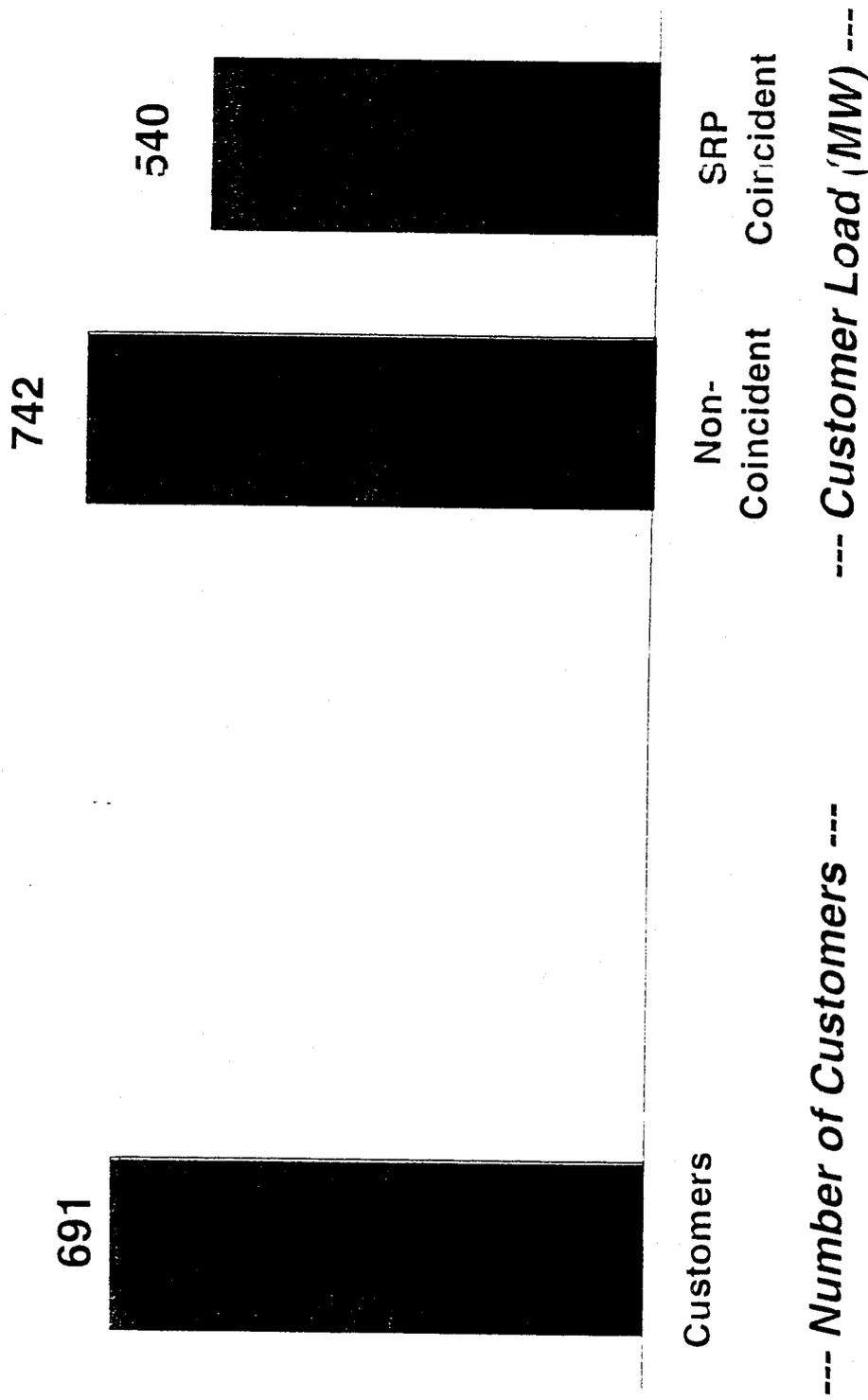
- July 15 ACC hearing date set
- Nancy Loder to provide testimony
- San Diego's "Post CTC" tariff effective 7/1
  - Floating Energy prices
- Marketing products and services under development
  - Spatia pilots
- Metering pilot progressing
  - Electrical contractor's license secured
  - MSP certification by July
  - Meter installations 8/1
- Bank One Ballpark discussions proceeding



# **POWER COMMITTEE MEETING**

**June 17, 1999**

# Sales Overview



These customers represent \$181 million in gross revenue (life of contract)

# California Sales Portfolio

## Contract Renewals

Customer	Term-Yrs	Volume*	Prev.		Curr.	
			Disc. %	Disc. %	Disc. %	Disc. %
Boeing Complete	1	100	2.65	2.65	2.65	2.65
Costco Complete	1	40	2.0	2.0	2.0	2.0
St. Gobain Complete	1	27	3.25	3.25	1.5	1.5
PPG Complete	1	6	2.75	2.75	1.5	1.5
RXI Plastics Complete	1	1	2.75	2.75	1.5	1.5
Petro Diamond Complete	1	0.5	3.25	3.25	1	1
Nibco Complete	1	0.5	2.75	2.75	1.25	1.25
Georgetown Manor Complete	1	0.2	2.0	2.0	0	0

\*Volume quoted on non-coincident peak MW basis

# California Sales Portfolio

## New Customers

Customer	Term - Yrs	Volume*	Disc. %	Comment
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# California Sales Portfolio

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--------------------------------------	---	----	-----	----------------------------------



# California Sales Portfolio

## Summary of Activity

**MW**

**Current Non-Coincident Volume**

**743**

**Non-Renewals**

**- 55**

**New Customers**

**+56**

---

**744**

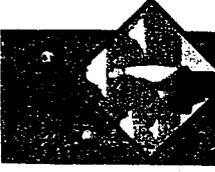
**Strong Prospects**

**+56**

**Est. 2nd Quarter Volume**

---

**800**



# NWE Income Statement

## Full Year

<i>\$ Millions</i>	<b>FY99-Actual</b>
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<b>Net Income (Loss)</b>	<b>(7.0)</b>
<b>Remitted to SRP</b>	<b>2.8</b>



## Other Milestones

- July 15 ACC hearing date set
  - Nancy Loder to provide testimony
- San Diego's "Post CTC" tariff effective 7/1
  - Floating Energy prices
- Marketing products and services under development
  - Spatia pilots
- Metering pilot progressing
  - Electrical contractor's license secured
  - MSP certification by July
  - Meter installations 8/1
- Bank One Ballpark discussions proceeding

MINUTES  
POWER COMMITTEE MEETING

July 1, 1999

A meeting of the Power Committee of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, July 1, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Director Arnett, Chairman; Directors Ash, M. Kempton and Rudd.

Absent at roll call were Directors Dobson, Marshall and Riggins Jr.

Others present were President Schrader; Vice President Williams Jr.; Director Diller; Council Vice Chairman R. Kempton Mmes. Alfano, Fifield and Lonon; Messrs. Bonsall, Dietrich, Hayslip, Rappoport, Ross, Sarkisian, Silverman and Wardrip.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen UMBER of the Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, June 30, 1999, at 9:00 a.m., and an agenda was available in the Secretary's Office.

Chairman Arnett called the meeting to order at 9:35 a.m. and requested Mr. Bonsall to proceed.

Local Generating Project – Public Management Plan

Mr. Bonsall stated that the purpose of today's meeting was to review the public management process which SRP intends to launch in Tempe and Gilbert regarding the development of a new gas-fired generating facility in the Southeast Valley, and to discuss the impacts of a merger between Dynegy Power Development Company and Illinova Energy Company.

Mr. Bonsall discussed the need for additional generation or transmission capacity to SRP's Valley Electric System to meet projected customer requirements, as reviewed with the Power Committee in May and June 1999. He reminded the Committee that Dynegy and its partner, NRG Energy, Inc., had been selected to act as the principals for the generation project and from whom SRP would purchase output. He said that a Memorandum of Understanding with Dynegy and NRG had been negotiated; however, the announced merger between Dynegy and Illinova Energy Company had raised concerns about entering into the transaction with Dynegy.

Continuing, Mr. Bonsall reviewed key elements of the proposed transaction with Dynegy and discussed management's concerns with Dynegy. He reviewed the risks involved in looking for a new joint venturer and concluded by stating that SRP would continue to pursue its options while proceeding with Dynegy.

Mr. Dietrich, using overhead transparencies, reviewed the public management issues surrounding the development of new generation projects at the Kyrene or Santan Generating Stations, or other Southeast Valley sites. He presented the details of SRP's public management plan, including target audiences, key messages, and timing of the delivery of information.

Copies of the overhead transparencies used in the above presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:25 a.m.

Terrill A. Lonon  
Corporate Secretary

# **Local Generation Project Public Management Initiative**

**Power Committee**

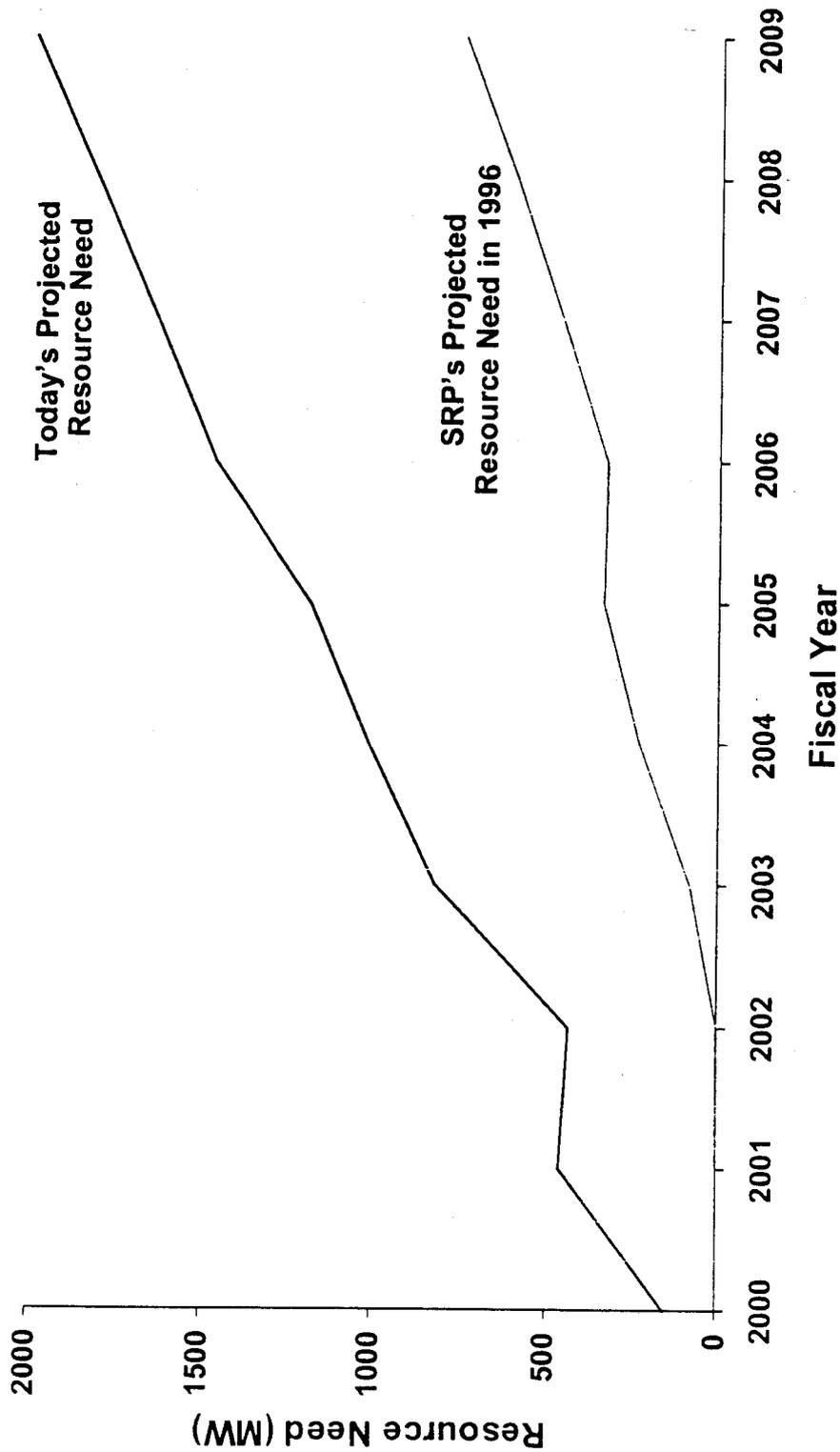
**July 1, 1999**

**Randall G. Dietrich**

# Today's Topics

- **Statement of need**
- **Alternative sites**
- **Key messages**
- **Target audiences**
- **Timing**

# Statement of Need

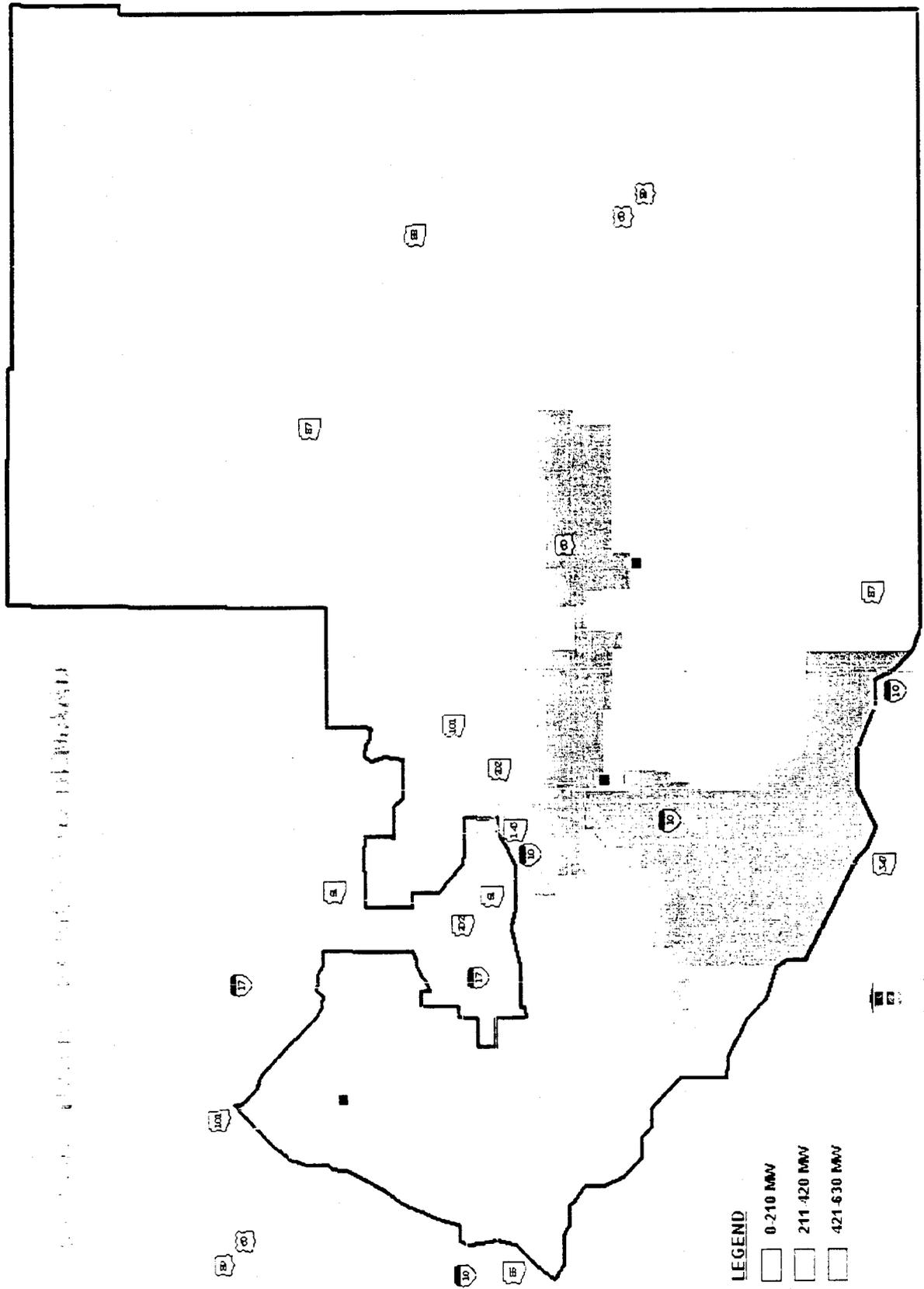


# Alternative Sites

- **Kyrene**
- **Santan**
- **Other southeast valley sites**







**LEGEND**

- 0-210 MW
- 211-420 MW
- 421-630 MW

Scale 1:50,000

North

6/30/1999 09019 1-6

Map of the region showing power generation capacity by area. The map includes a legend with three categories: 0-210 MW, 211-420 MW, and 421-630 MW. The map shows a large shaded area in the center and east, and several smaller shaded areas scattered throughout. Major roads are marked with route numbers like 10, 17, 20, 22, 24, 26, 28, 30, 32, 34, 36, 38, 40, 42, 44, 46, 48, 50, 52, 54, 56, 58, 60, 62, 64, 66, 68, 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, 92, 94, 96, 98, 100.

# Key Messages

- Local generation is needed to maintain reliability
- SRP peak demand has grown 26% over the past 5 years
- Valley transmission system “congestion” problems have emerged
- Best available technology which meets or exceeds all regulatory standards
- Air emission offset requirements result in overall air shed improvement
- Minimal visual, noise and aesthetic impacts
- Economic benefits for SRP’s customers
- Project development at Kyrene or Santan requires no transmission additions
- Project development at other southeast valley sites would require significant transmission additions

# Target Audiences

- Local government officials
- County government officials
- State officials
- SRP employees
- News media
- Community action groups
- Business allies
- Immediate community
- SRP customers

# Timing

- **Delivering messages in July and August 1999**
- **Complete permitting by January 2001**
- **Target in service by summer 2002**

MINUTES  
POWER COMMITTEE MEETING  
August 12, 1999

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, August 12, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Chairman Arnett; Directors Marshall, Riggins Jr., and Rudd.

Absent at roll call were Directors Ash, Dobson and Kempton.

Others present were President Schrader; Directors Diller, Fleming and Weiler; Mmes. Alfano, K. Caldwell, Hawkins and Lonon; Messrs. McGinnis, McSheffrey, Soethe and Yee.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen Umber of the Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, August 10, 1999, at 9:00 a.m., and an agenda was available in the Secretary's Office.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Mr. Soethe to proceed.

Flexible Pricing Pilot

Mr. Soethe stated that the purpose of his presentation was to request approval to implement a Flexible Pricing Pilot supplemental to all General Service (E-30s), Pumping (E-40s), Lighting (E-50s) and Large General Service (E-60s) Price Plans, effective September 14, 1999 through December 31, 2000. He said that participation in the pilot would be limited to 150 megawatts (MW) of coincident peak load.

Mr. Soethe stated that the proposed pilot would give SRP the tools to systematically refine its standard offer energy prices to reflect costs more accurately. Using overhead transparencies, he reviewed the methodology for determining whether individual customers or customer segments were paying a fair price for energy when measured against the costs to serve those customers. He said that, if the standard offer energy component did not accurately reflect the cost to serve, the pilot would provide management the flexibility to offer a price adjustment to those customers to bring the energy price more in line with the cost to serve.

In addition, Mr. Soethe stated that the pilot would allow SRP to "repackage" existing standard bundled price plans to respond to customer requests for alternative pricing structures. These alternative structures could be offered in conjunction with, or separate from, any refinements in the standard offer energy price. If offered separate from any price refinements, the overall structure would reasonably yield revenues that the standard bundled offer would yield. The flexible pricing structures could apply to

one or more accounts so long as the overall package is consistent with the aforementioned: 1) price refinements, and 2) revenue yields.

Mr. Soethe offered examples of flexible pricing structures which included seasonal pricing, time-of-use pricing, load factor pricing, load growth pricing, and commodity index pricing. He reviewed the terms of the pilot and concluded by requesting approval to implement the Flexible Pricing Pilot, effective September 14, 1999 through December 31, 2000, with participation limited to 150 MW. This pilot will be available to both customers wanting "choice" and non-competitive customers.

On a motion duly made by Director Riggins, Jr., seconded by Director Rudd and carried, the Committee agreed to recommend Board approval of the Flexible Pricing Pilot, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Fifield entered the meeting during the presentation.

#### Monthly Energy Index Pilot

Mr. McSheffrey stated that the purpose of his presentation was to request approval to implement a Monthly Energy Index Pilot applicable to all customers with annual consumption greater than 100,000 kilowatt-hours (kWh), effective September 14, 1999 through December 31, 2000. Participation in the pilot would be limited to 100 MW of coincident peak load. In addition, he said he would review a request to offer certain financial products in association with the pilot to mitigate the customer risk associated with market prices.

Using overhead transparencies, Mr. McSheffrey stated that the proposed pilot would address two issues as a result of the opening of SRP's distribution service territory to competitive energy service providers (ESPs). He said the first issue related to provisions in the Electric Power Competition Act (the "Act") which, with a few exceptions, requires SRP to act as the "provider of last resort" for customers within its service territory if other ESPs are unwilling or unable to supply electric generation service. He stated that the Act allows customers whose annual usage is 100,000 kWh or less to return to SRP's standard bundled price plans regardless of whether the plans are above or below the current market price. The cost of providing this service, to the extent that SRP is subject to market prices, is to be borne by the customers benefiting from this provision.

Mr. McSheffrey stated that the Act does not entitle customers with an annual consumption of more than 100,000 kWh to automatically return to SRP's standard price plans. In order to allow customers in that class to continue to receive service but not at a loss to SRP, he said that management had developed the Monthly Energy Index Pilot which would allow customers to return at a market-based energy price. In addition, the pilot would provide management with a tool to respond to competitors who had begun to target specific customers within SRP's distribution service territory. He reviewed the

key elements of the proposed pilot and sample calculations of the monthly average energy charge for June 1999.

Continuing, Mr. McSheffrey stated that, in association with the Monthly Energy Index Pilot, management wanted to offer certain financial products to mitigate the customer risk associated with market prices. Examples of such products included price caps and collars. He said the products would be offered to customers as stand-alone products and would be sold for a fee in addition to the charge for energy service. Such products were now available with SRP's Real Time Pricing Pilot.

Mr. McSheffrey concluded by requesting approval to implement the Monthly Energy Index Pilot and associated financial products.

On a motion duly made by Director Marshall, seconded by Director Riggins Jr. and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Ash and Messrs. Bonsall and Silverman entered the meeting during the presentation. Messrs. Soethe and Yee left the meeting.

#### Strategic Direction

Mr. Silverman stated that the purpose of the presentation was to discuss a long-range strategic direction for SRP that would guide SRP for the next 10 years. He said that, for the past six months, the General Manager's Staff had been involved in a strategic planning process regarding SRP's future business strategies to help to ensure SRP's success. He said that management had utilized a consultant, Roger Gale of the Washington International Energy Group, to facilitate the process. In addition, a number of outside speakers had been invited to discuss their views on the changing utility industry. He asked Mr. McGinnis to provide an overview of SRP's strategic planning process.

Mr. McGinnis, using PowerPoint slides, stated that the strategic planning process included looking at the business environment, refining SRP's strategic focus, and developing strategies to accomplish specific goals. He said that developing SRP's strategic direction was the first major effort in a process that culminates with a six-year financial plan and annual budgets. The strategic direction is the driver for developing strategies for all of SRP's related businesses, which include water, transmission, distribution, energy (generation, supply and trading), and retail sales and services.

Mr. McGinnis continued by reviewing the key assumptions, imperatives for SRP's success and potential obstacles, as well as the strategic direction and business strategies for each of SRP's business segments. He stated that, as a result of the planning process, management had modified the corporate mission to focus on SRP's contributions to the community. The new mission calls for SRP to "deliver ever-improving contributions to the people we serve through the provision of low cost,

reliable water and power, and community programs, to ensure the vitality of the Salt River Valley.”

Mr. McGinnis concluded by reviewing the basic timeline for translating the strategic planning process into business plans and budget requirements.

Copies of the PowerPoint slides used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Ms. Darnell and Messrs. Areghini, Duckworth, Mendoza and Toutloff entered the meeting. Messrs. Bonsall, Duckworth and McGinnis left the meeting.

#### Customer Growth

Mr. Mendoza, using a PowerPoint presentation, reviewed the workload and performance of SRP's Electric System Design and Construction groups during fiscal year 1999, including jobs issued and completed, labor hours, and actual versus budgeted dollars. He concluded by reviewing the design and construction workload that is forecast to meet the high customer growth in fiscal year 2000.

Copies of the PowerPoint slides used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Weiler, Ms. Darnell, and Messrs. Areghini, Mendoza and Toutloff left the meeting.

#### Status of New West Energy

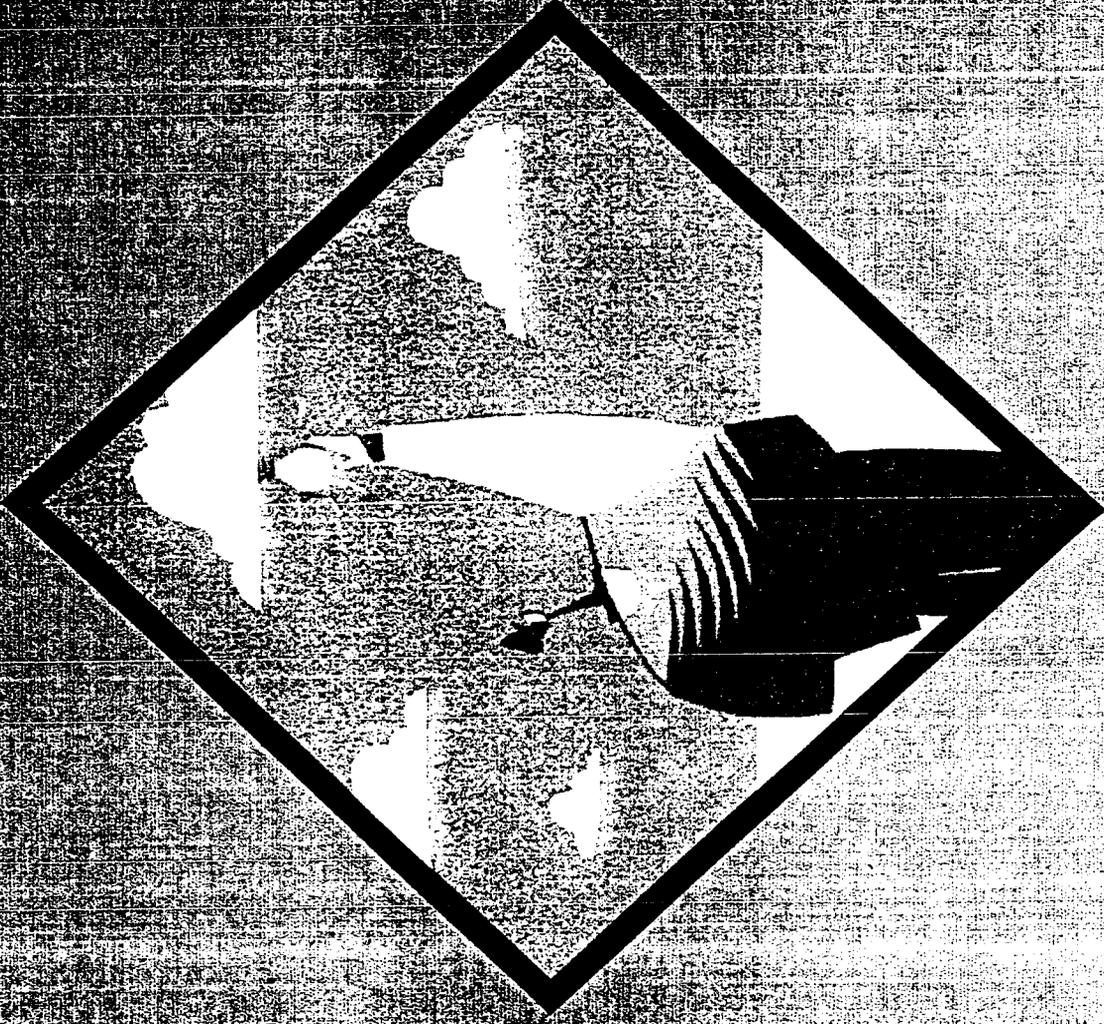
Ms. Caldwell, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date. She concluded with a status report on the proposed District Cooling Loop Project.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Marshall and Rudd left the meeting during the presentation.

There being no further business to come before the Committee, the meeting adjourned at 12:00 p.m.

Terrill A. Lonon  
Corporate Secretary

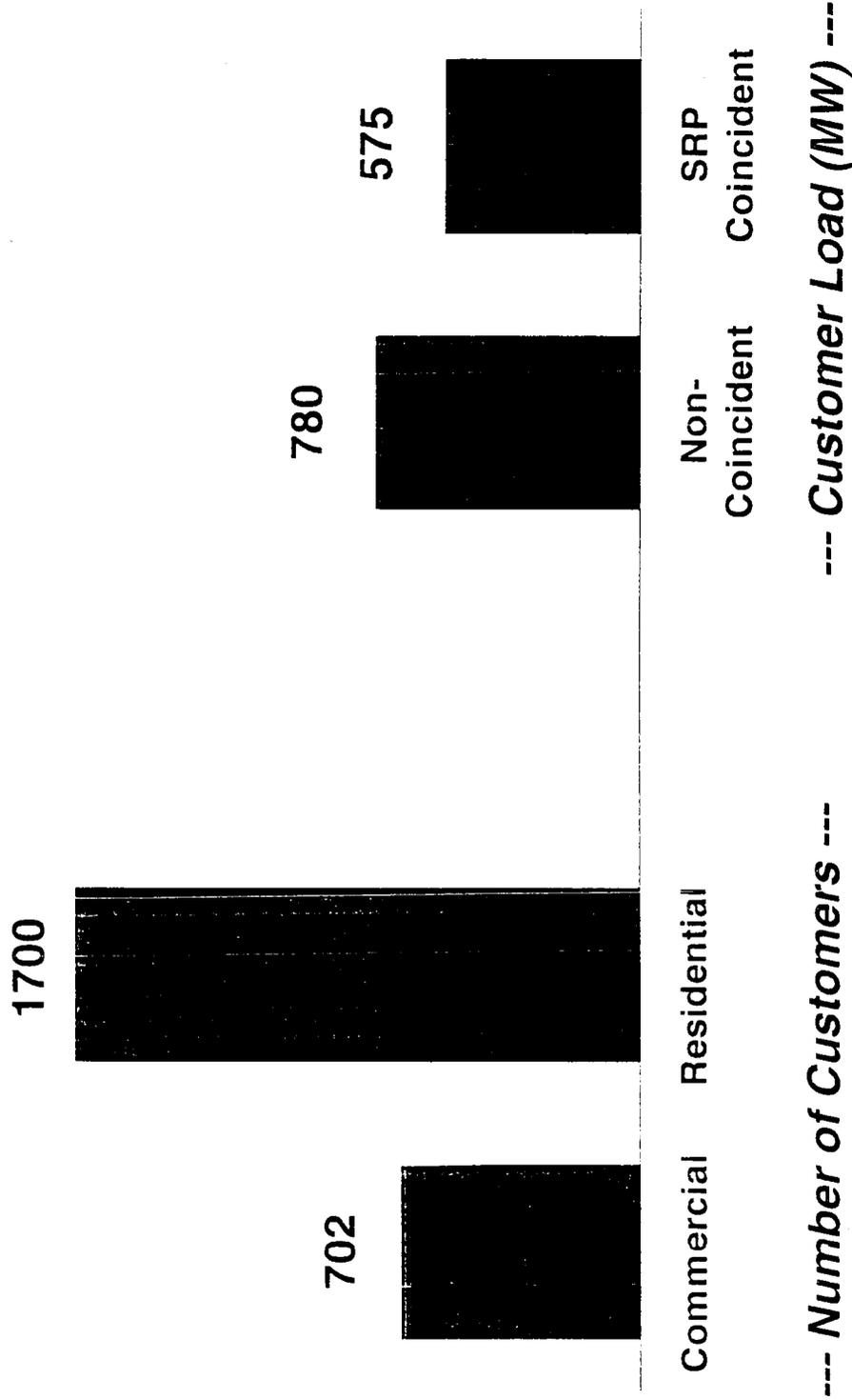


**POWER COMMITTEE MEETING**

August 12, 1999



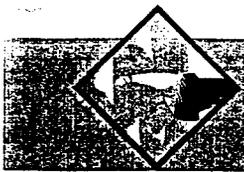
# Sales Overview



**These customers represent \$213 million in gross revenue (life of contract). Value restated to reflect current market prices.**

# California - New Customers

- 8 San Diego area resorts and hotels
  - Loew's Coronado      Bahia Resort
  - Paradise Point Resort      Catamaran Hotel
  - Sunstone La Mirada      Holiday Inn Bayside
  - Four Seasons Resorts      Humphrey's Half Moon Inn
- 5-7 MW load for 1 year
- 1.5% discount
- Customers own the meters



# NWE Income Statement

<i>\$ Millions</i>	July 1999
Revenues	11.2
Supply Cost	11.4
Gross Profit (Loss)	(0.2)
Other Operating Expense	0.7
Interest Expense	0.1
Net Income (Loss)	(1.0)
Remitted to SRP	0.5

# How Big is California?

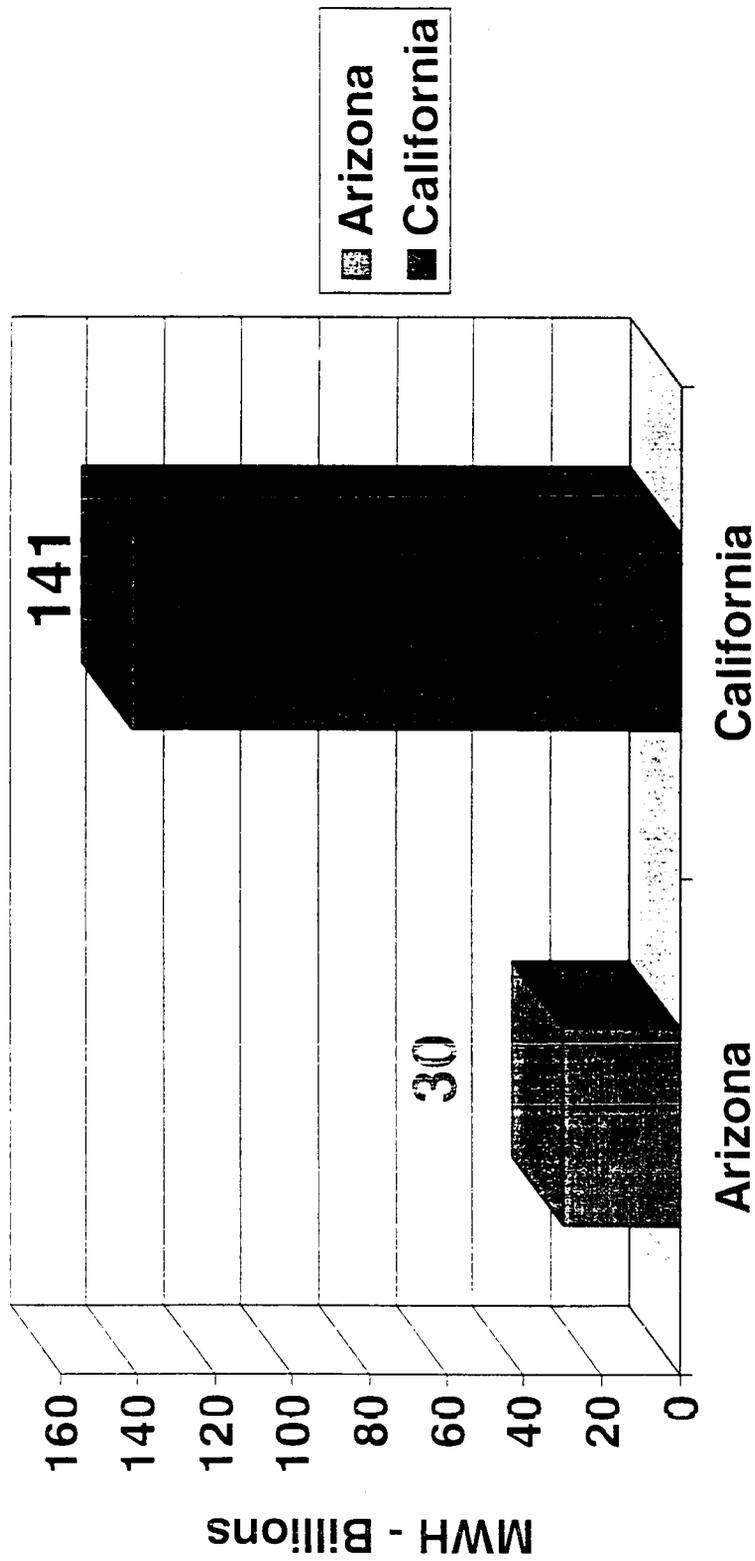
## World Gross Product Ranking, 1996

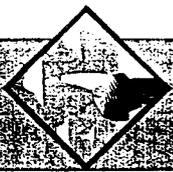
<u>Rank</u>	<u>Area</u>	<u>\$B</u>
1	United States	7,434
2	Japan	5,149
3	Germany	2,365
4	France	1,534
5	United Kingdom	1,152
6	Italy	1,140
7	<b>CALIFORNIA</b>	<b>963</b>
8	China	906
9	Brazil	710
10	Canada	570



# How Big is California's Market?

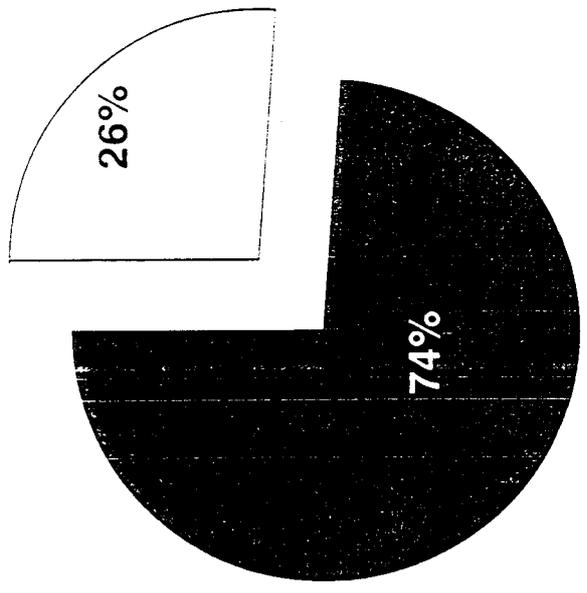
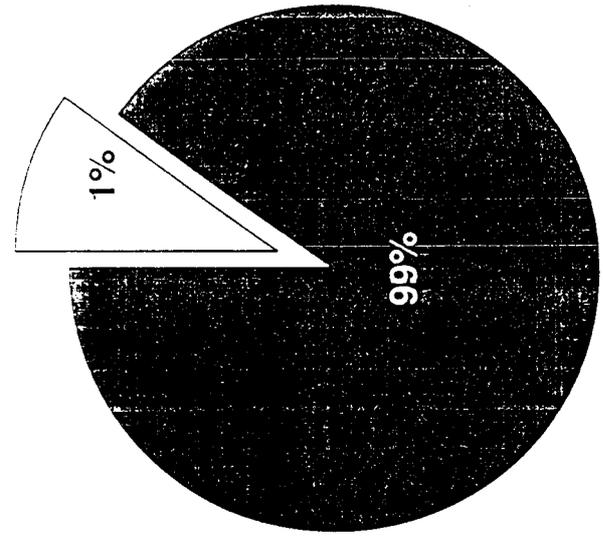
## Retail Sales - C&I



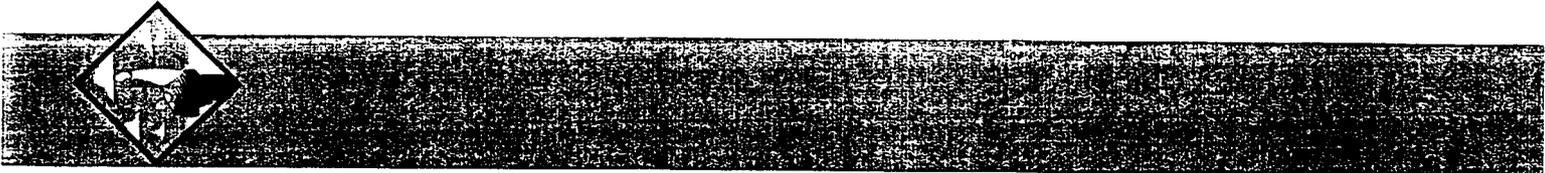


# NWE Market Share

## California Direct Access Customers & Load

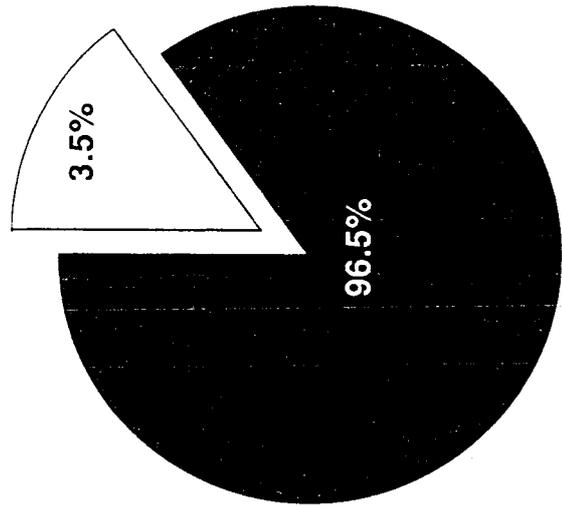
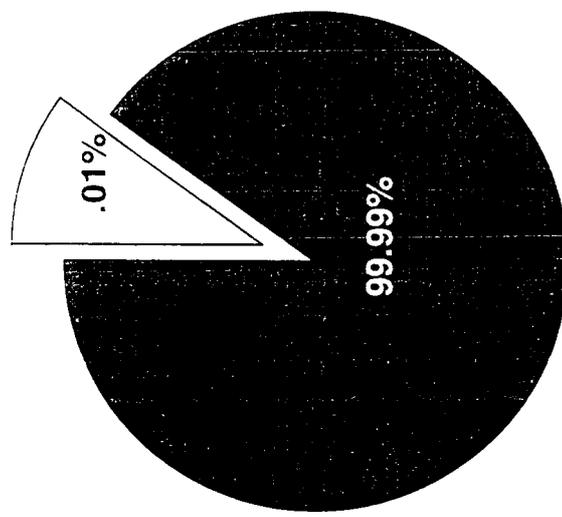


□ NWE  
■ All Others

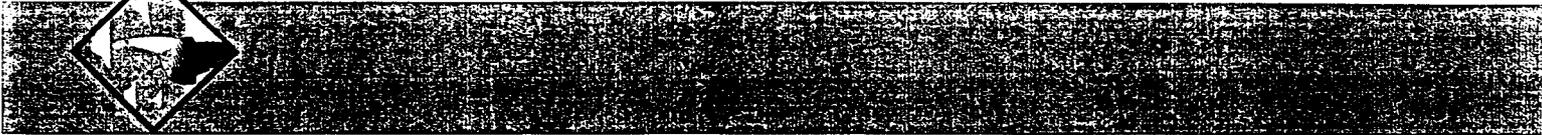


# NWE Market Share

## California Customers & Load



□ NWE  
■ All Others



# How ESPs in California Compete for Business

- Commodity Discounts (1.5%)
  - May be below “spot”
- Products & Services
  - Consolidated billing
  - Energy efficiency
  - Information management
- Customized Responses



# Energy Cost Savings

1 MW = \$ 1 million/year

savings = \$15,000/year

30 MW = \$ 30 million/year

savings = \$450,000/year

80 MW = \$ 90 million/year

savings = \$1.4 million/year



# Why Utilities Don't Respond

- Regulations forced them toward “wires” business
  - Divest generation
  - No motivation below spot
- Rates frozen
- Some regulatory limits regarding products and services



# Can ESPs Make Money?

## Short term

- If own generation... yes
- If not, maybe
  - Enron (trading)
  - PG&E (natural gas products & services)
  - Commonwealth (CEC credits)
  - Green Mountain (CEC credits)

NWE/SRP

NEV/AES

APS ES/APS



# Can ESPs Make Money?

## Longer term

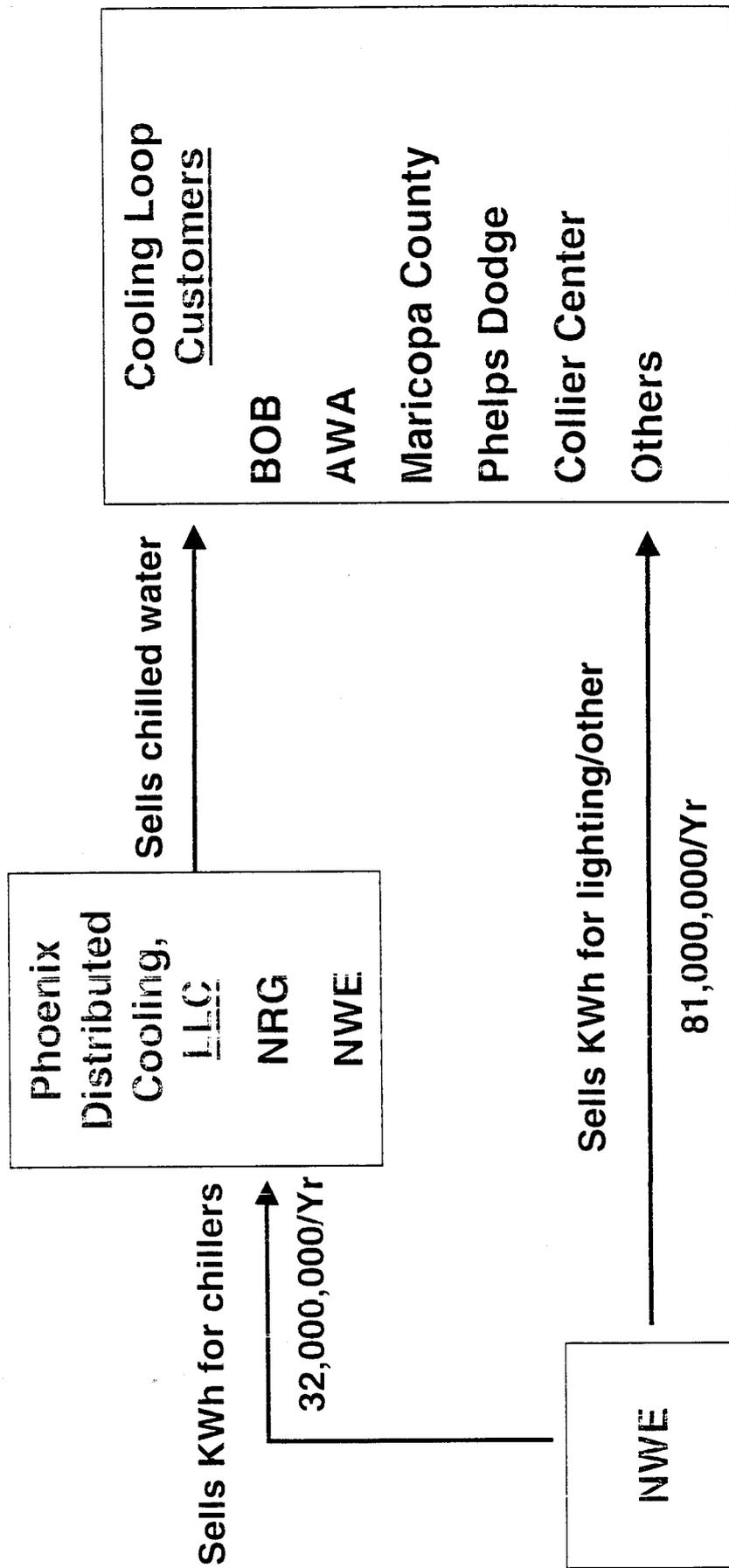
- Strategic position
- Market share
- Economies of scale
- Mergers and Acquisitions
- More product services
- Post-CTC pricing

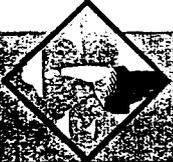


# District Cooling Loop Project Purpose

Position SRP to address  
Arizona competition by creating  
significant opportunity for NWE  
electricity sales in downtown  
Phoenix

# District Cooling Loop Value Chain





# District Cooling Loop Project Structure & Scope

- Requires formation of limited liability company “Phoenix Distributed Cooling LLC”
- NRG and NWE equity owners in Phoenix Distributed Cooling LLC
- Utilizes excess capacity at BOB, AWA, &MCC to supply new construction projects
- \$7-8 million total base capital investment required for pipes, pumps and connections

# District Cooling Loop Project Structure & Scope

- Capital invested over 5-year period
- Revenues secured through 20-year sales contracts of chilled water
- Project is break-even at 8.89% discount rate
- Incremental sales of electricity for lighting load not part of Phoenix Distributed Cooling LLC

# District Cooling Loop Project

## Next Steps

<u>Action</u>	<u>Timeframe</u>
• Consummate Memorandum of Understanding between BOB/AWA and Phoenix Distributed Cooling LLC	• Week of August 16
• Review activities/plan with SRP Board of Directors	• September 13
• Form Phoenix Distributed Cooling LLC	• By September 15
• Receive CC&N authorizing NWE to conduct business in Arizona	• By September 15

# District Cooling Loop Project

## Next Steps

### Action

- Consummate contracts with BOB/AWA and Phoenix Distributed Cooling LLC

- Consummate contracts with Maricopa County and Ryan Construction

- Commence engineering and permitting activities

- Commence initial pipeline construction

- Begin initial operations

### Timeframe

- By September 30

- By October 15

- By 4th Quarter '99

- By 1st Quarter '00

- By 2nd Quarter '00

MINUTES  
POWER COMMITTEE MEETING

September 16, 1999

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, September 16, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Chairman Arnett, Directors Ash, Riggins Jr. and Rudd.

Absent at roll call were Directors Dobson, Kempton, and Marshall.

Others present were President Schrader; Vice President Williams Jr.; Directors Diller, Fleming and Weiler; Ms. Lonon; Messrs. Bonsall, Coggins, G. Harper, W.G. Hull, M.W. Lowe and Silverman.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen Umber of the Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, September 14, 1999, at 9:00 a.m., and an agenda was available in the Secretary's Office.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Mr. Coggins to proceed.

Amendment No. 5 to Firm Electric Service Contract between  
SRP and U. S. Western Area Power Administration (WAPA) -  
Colorado River Storage Project (CRSP)

Mr. Coggins stated that the purpose of his presentation was to request approval to execute Amendment No. 5 to SRP's contract with WAPA for the purchase of energy from the CRSP.

Using overhead transparencies, Mr. Coggins reviewed the background of the contract. He stated that SRP has been purchasing CRSP power from WAPA since 1965; the current contract expires in September 2004; and the CRSP customers have worked with WAPA to extend the contract for another 20 years. In exchange for the extension, he said that, in order to have a resource pool from which to allocate CRSP power to new preference customers, WAPA would reduce each customer's allocation by 7%. This reduction would reduce SRP's allocation from 103.2 to 96 megawatts in the summer, and from 52 to 48.5 megawatts in the winter.

Continuing, Mr. Coggins reviewed the economics and terms of the agreement, as well

as the benefits and net value to SRP. He said this is a one-time opportunity to extend the contract for another 20 years and concluded by recommending approval.

On a motion duly made by Director Ash, seconded by Director Rudd and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Dobson and Rovey entered the meeting during the presentation.

#### Special Recognition Award

Mr. Bonsall reviewed the success of SRP's customer service programs, including the billing and payment options, and the improved performance of the call center. He stated that the overall satisfaction of SRP's customers was due, in large part, to the efforts of Mike Lowe, Manager of Customer Services. He thanked Mike for making things better for the customer as well as SRP, and presented him with a Special Recognition Award.

Mmes. Caldwell and Fifield, Mr. Kondziolka, Director M. Kempton, and Councilman R. Kempton entered the meeting.

#### E-61 and E-63 Term Energy Discount Pilot

Mr. Lowe stated that the purpose of his presentation was to request approval to increase the subscription limit from 75 to 100 megawatts (MW) for the E-61 and E-63 Term Energy Discount Pilot program. Using overhead transparencies, he reported that the Board had approved the pilot program in June 1999; the program allows selected E-61 and E-63 customers to receive a discount off the generation price of energy. He said the pilot was limited to a maximum of 75 MW and, to date, 36 of the 75 MW have been subscribed. He anticipated that the full 75 MW would be subscribed by mid-October.

Mr. Lowe concluded by requesting approval to increase the subscription limit from 75 to 100 MW for the E-61 and E-63 Term Energy Discount Pilot Program.

On a motion duly made by Director Ash, seconded by Director Riggins Jr. and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

On a motion duly made by Director Arnett, seconded by Director Dobson and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Lowe left the meeting.

#### Wood Pole Replacement Program

Director Riggins Jr. requested a report on the damages sustained in SRP's electric service territory due to the recent monsoon activity and resulting high winds which snapped a number of wood utility poles. Mr. Kondziolka, Manager of Transmission Planning, provided an update on the storm damages and reviewed SRP's program for inspecting, treating, reinforcing and/or replacing wood poles with steel poles in SRP's transmission and distribution system.

Following discussion, the Committee directed management to revisit SRP's policy on wood pole replacement and to report back to the Committee with alternatives for hastening the replacement and increasing funding to the program.

Ms. Alfano and Mr. Duckworth entered the meeting. Messrs. Hull and Kondziolka left the meeting.

#### Navajo Project Electric Coal Haul Railroad ("Navajo Project Railroad")

Mr. Coggins stated that the purpose of his presentation was to review the terms and conditions of two new power agreements related to the power supply for the Navajo Project Railroad: (1) a Wholesale Power Sale Agreement with the Navajo Tribal Utility Authority (NTUA), and (2) a Retail Power Purchase Agreement with the NTUA for the same amount of power to supply the electric requirements of the railroad.

Using overhead transparencies and a map of the transmission area involved, Mr. Coggins reviewed the background of the power supply for the Navajo Project Railroad. He discussed the issues negotiated by SRP on behalf of the Navajo Participants and reviewed the terms and prices of the two agreements. He concluded by stating that an issue of right-of-way for the transmission path will be pursued with the Tribe beginning in October 1999.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Harper left the meeting.

#### Status of New West Energy

Ms. Caldwell, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Trout entered the meeting, and Mr. Lowe re-entered the meeting.

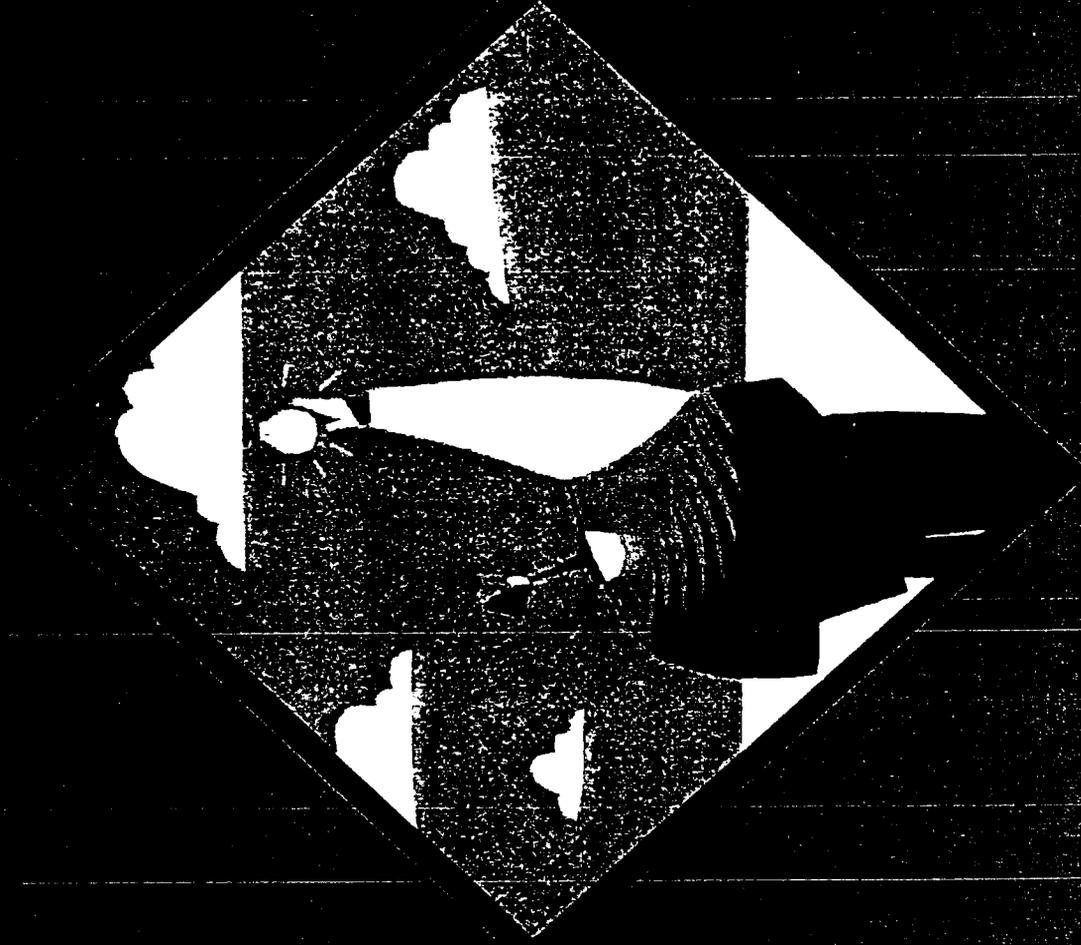
Closed Session

Chairman Arnett requested a motion for a Closed Session, pursuant to A.R.S. §30-808, to discuss a proposed steam and energy agreement with United Dairymen of Arizona and to review the findings of research studies on customer loyalty.

On a motion duly made by Director Marshall, seconded by Director Riggins Jr. and carried, the Committee convened into Closed Session at 11:10 a.m.

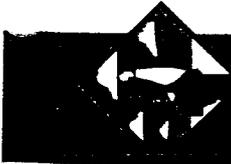
The Committee reconvened into Open Session at 11:59 a.m. There being no further business to come before the Committee, the meeting adjourned at Noon.

Terrill A. Lonon  
Corporate Secretary



# **POWER COMMITTEE MEETING**

**September 16, 1999**



# Sales Overview



--- Number of Customers ---

--- Customer Load (MW) ---

These customers represent \$213 million in gross revenue (life of contract). Value restated to reflect current market prices.

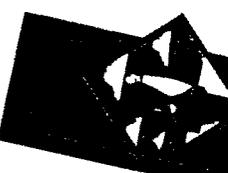


# Key Milestones

- ACC approved NWE CC&N 9/14
  - Not “conditional”
  - Requires ACC approval of Code of Conduct
  - News Release issued
- Arizona residential plan under development
  - Recommended delay in offering general service until first quarter 2000
  - Interim testing of back office capabilities on SRP employees
  - Focus on reducing cost to serve by leveraging SRP capabilities
- California portfolio improvements under review

# NWE Income Statement

<i>\$ Millions</i>	<u>August 1999</u>	<u>Actual</u>
Revenues	16.3	44.0
Supply Cost	<u>14.6</u>	<u>42.7</u>
Gross Profit (Loss)	1.7	1.3
Other Operating Expense	0.8	2.6
Interest Expense	0	0.3
Net Income (Loss)	0.9	(1.6)
Remitted to SRP	0.4	1.6



# Downtown Cooling Loop Update

- BOB/AWA proceeding with competing APS project
  - County may object
- NWE/NRG developing stand-alone plant option
  - 5,000 - 8,000 tons initially
  - 14 month construction time
  - Viable economics
  - Reduced distribution complexity
- Next Steps
  - Secure marquee customers with “options” contracts
  - Work distribution rights with City
  - Form Phoenix Distributed Cooling LLP with NRG

# CANCELLATION

## ATTENTION BOARD MEMBER

The Power Committee Meeting scheduled for Tuesday, October 26, 1999, has been cancelled.

The next Power Committee Meeting is:

Thursday, November 4, 1999

*Terrill A. Lonon*

Corporate Secretary



If you have any questions, please call the Corporate Secretary's Office: 602-236-5005

MINUTES  
POWER COMMITTEE MEETING

November 4, 1999

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, November 4, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Chairman Arnett and Directors Kempton, Marshall and Riggins Jr.

Absent at roll call were Directors Ash, Dobson and Rudd.

Others present were President Schrader; Vice President Williams Jr.; Directors Burton, Diller, Rovey and Weiler; Council Vice Chairman Kempton; Mmes. D. Jamieson and Lonon and Messrs. Dietrich and Silverman.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen UMBER of the Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, November 2, 1999, at 9:00 a.m., and an agenda was available in the Secretary's Office.

Chairman Arnett called the meeting to order at 9:30 a.m. and requested Mr. Dietrich to proceed.

Status of Local Generation Project Development

Mr. Dietrich updated the Committee on the status of the Kyrene Expansion Project, including the public involvement process, water and gas supply issues, environmental studies, permitting and zoning activities, site preparation, and contract development.

Mr. R. Nichols entered the meeting during the presentation. Ms. B. Gray and Messrs. Areghini, Bevier, Bonsall and Rojas entered the meeting.

Approval to File an Application with the Arizona  
Power Plant and Transmission Line Siting Committee

Mr. Silverman stated that, in order to build a power plant anywhere in the state, the location must be approved by the Arizona Power Plant and Transmission Siting Committee and the Arizona Corporation Commission. He recommended that SRP file an application with the Power Plant and Transmission Line Siting Committee to obtain permits to construct new generating plants at the locations of the existing Kyrene and Santan Generating Plants in Tempe and Gilbert, respectively.

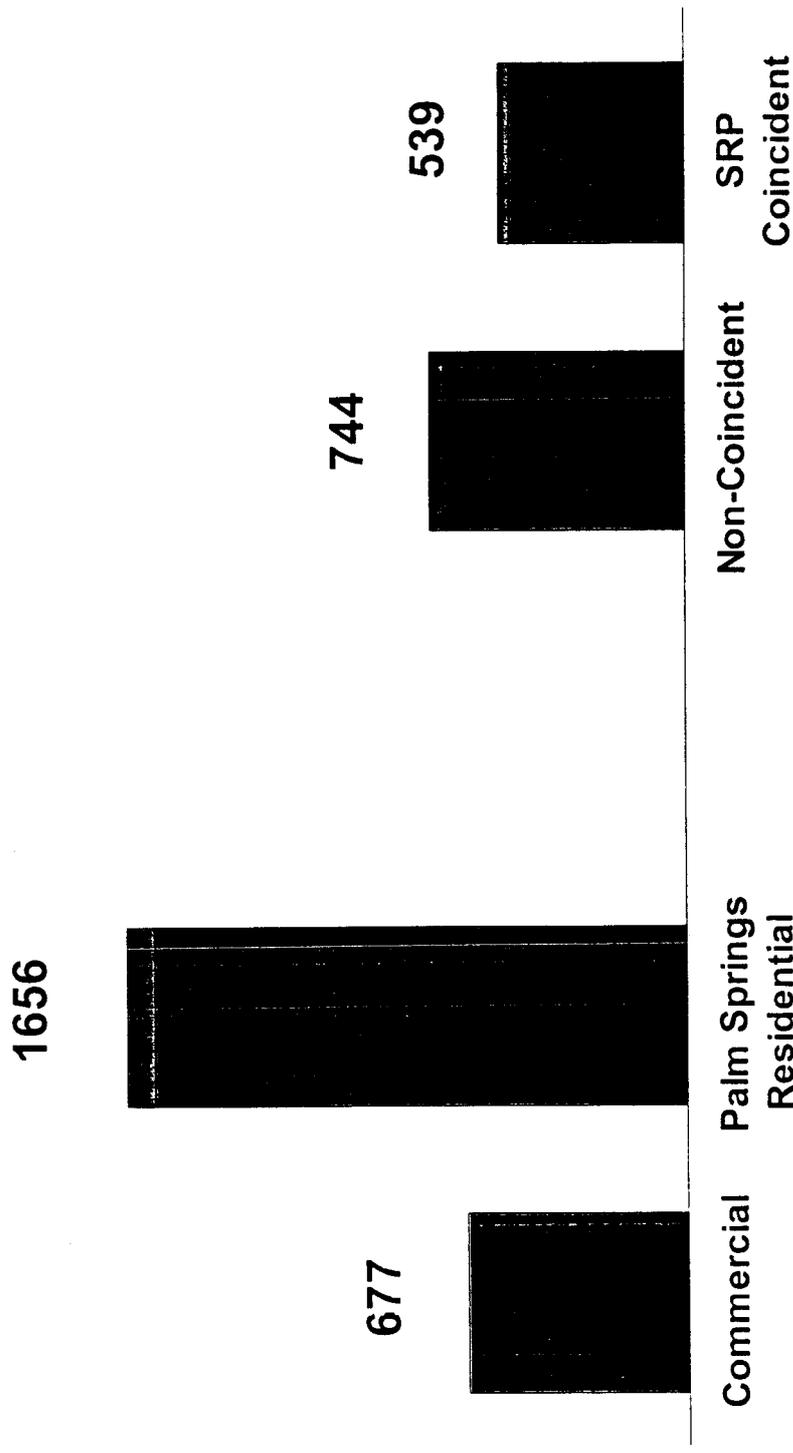


# **POWER COMMITTEE MEETING**

**November 4, 1999**



# Sales Overview



--- Number of Customers ---

--- Customer Load (MW) ---

**These customers represent \$200 million in gross revenue  
(life of contract).**

# NWE Income Statement

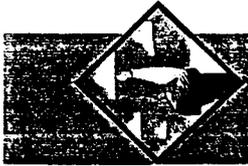
**\$ Millions**                      **September 1999**                      **Actual YTD**

Revenues	13.2	57.2
Supply Cost	<u>12.9</u>	<u>55.6</u>
Gross Profit (Loss)	0.3	1.6
Other Operating Expense	1.2	3.9
Interest Expense	0.0	0.3
Net Income (Loss)	(0.9)	(2.6)
Out of Period Revenue Adj.	1.0	
Remitted to SRP	0.7	2.3



# Key Milestones - California

- **California portfolio improvements**
  - Boeing and Calmat returned to utility distribution company
  - Volume redirected to more profitable customers in Arizona and California
  - Renewing target customers at lower discounts
  - Improved annual margins by over \$200K
  - Selling information services to existing customers
  - Over \$40,000 in annual revenues
  
- **Metering Service Provider Project**
  - Installed our first customer meter



# California Renewal Customers

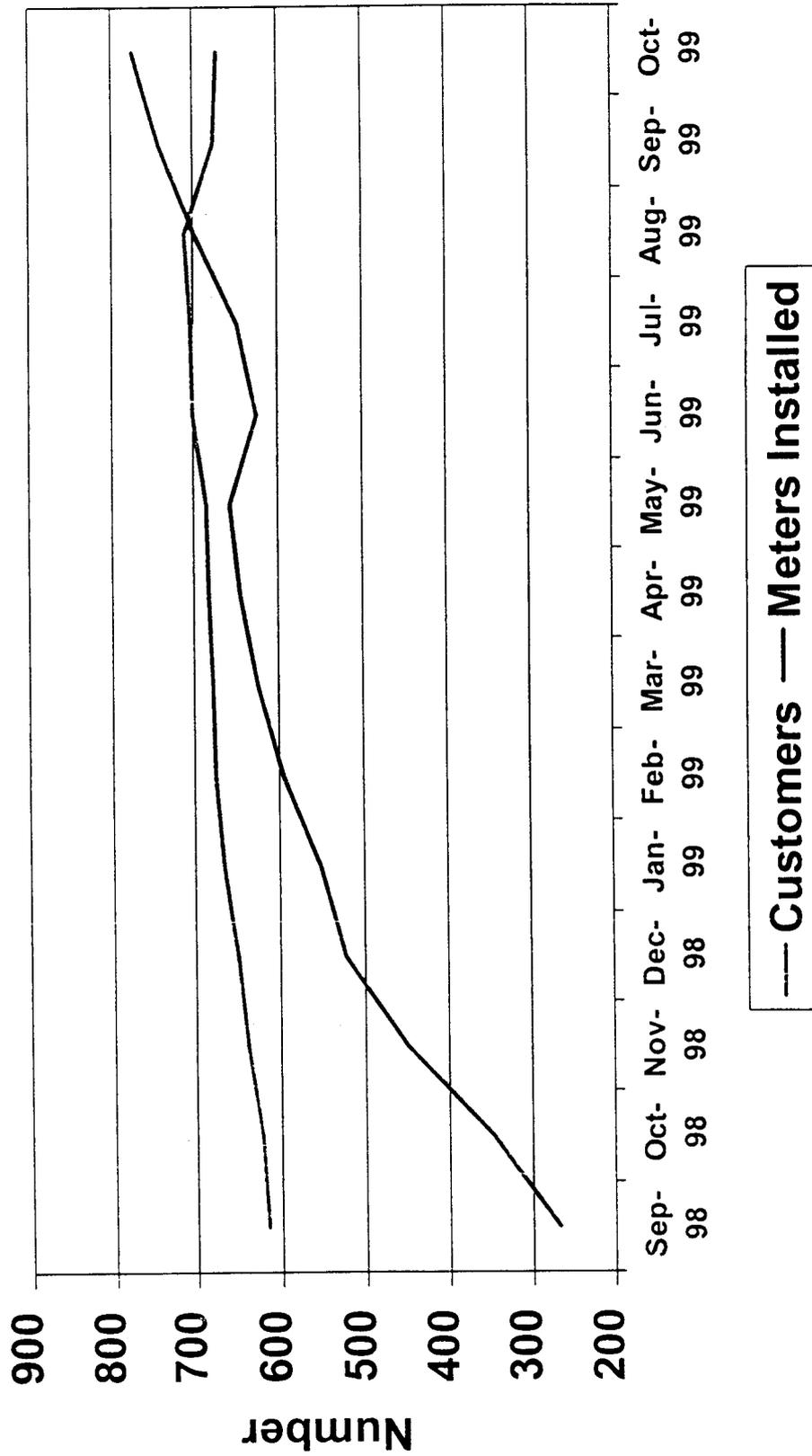
Customer	New Discount	Old Discount
Vitasoy	0.5%	3.0%
Salinas Tallow Co.	0.0%	3.0%
Salz Leathers	0.5%	2.75%
Allied Foods	0.0%	2.75%
Northern State Rendering	0.25%	2.75%
SeaTel Incorporated	0.0%	2.50%

# Key Milestones - Arizona

- **Submitted required CC&N documents to ACC**
  - NWE Code of Conduct
  - Tax Licenses
- **Setting up to do business with APS**
  - Signed service acquisition agreement
  - Completed DASR compliance testing
  - Working on scheduling issues
- **Signed first Arizona customers**
  - Retention for both NWE and SRP
  - Represents 20MW of load
  - DASRS to be submitted once APS and TEP declared open
- **Business customer interest continues**
  - Submitted over 70 customer information service requests to APS
- **Residential pilot launch**

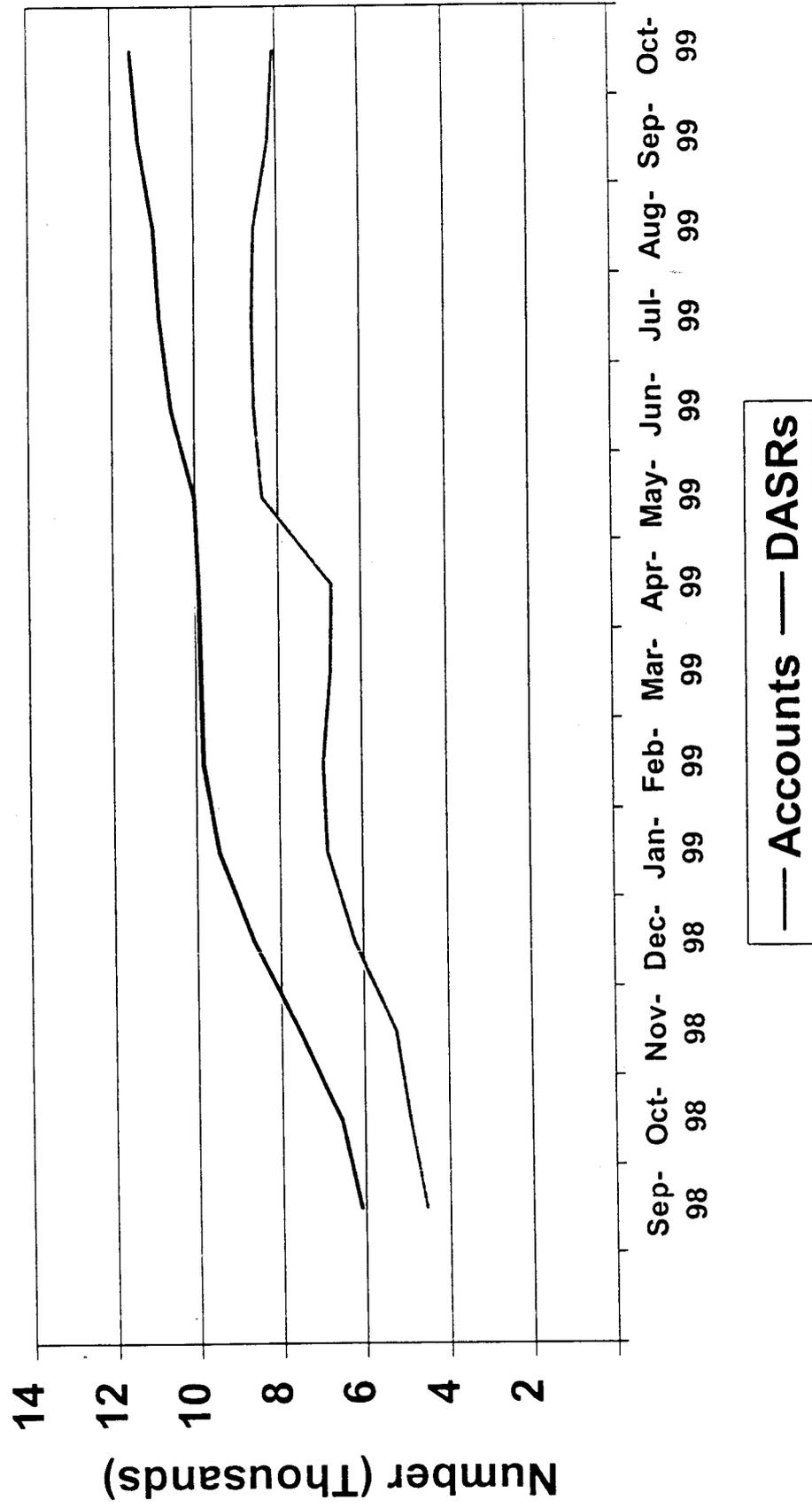


# NWE Customers and Meters Installed





# NWE Customer Accounts and DASRs Filed



MINUTES  
POWER COMMITTEE MEETING

December 9, 1999

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, December 9, 1999, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Chairman Arnett and Directors Dobson, Kempton, Marshall, and Riggins Jr.

Absent at roll call were Directors Ash and Rudd.

Others present were President Schrader; Vice President Williams Jr.; Directors Diller, Fleming, and Rovey; Mmes. Alfano and Lonon; and Messrs. Bonsall, Rappoport, Silverman, and U'Ren.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen UMBER of the Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, December 7, 1999, at 9:00 a.m., and an agenda was available in the Secretary's Office.

Executive Session

Chairman Arnett called the meeting to order at 9:30 a.m. and requested a motion for an executive session, pursuant to A.R.S. §38-431.03(A)(4), to consult with attorneys regarding the Coronado Generating Station Coal Transportation Agreement and the Hayden Generating Station-Peabody Settlement and Coal Supply Agreement and, pursuant to A.R.S. §38-431.03(A)(5), to discuss negotiations with the International Brotherhood of Electrical Workers Union Local 266.

On a motion duly made by Director Dobson, seconded by Director Marshall and carried, the Committee convened into executive session at 9:31 a.m.

The Committee reconvened into open session at 10:28 a.m. with the following members and others present: Vice President Williams Jr.; Directors Arnett, Ash, Burton, Diller, Dobson, Fleming, Kempton, Marshall, Riggins Jr., and Weiler; Mmes. Alfano and Lonon; and Messrs. Bonsall, Linn, McNeill, Rappoport, Reeves, and Silverman

Hayden-Peabody Coal Settlement

On a motion duly made by Director Marshall, seconded by Director Dobson and carried, the Committee agreed to recommend that the Board authorize the President or Vice President and the Secretary or Assistant Secretary to execute an agreement and

related documents with the Peabody Coal Sales Company, or its affiliates or parent company, for supplying coal to the Hayden Generating Station, subject to final negotiation and development of contract terms, in accordance with the Tentative Settlement Agreement presented in executive session.

Messrs. Linn, McNeill, and Reeves left the meeting. Messrs. Goodrich, Jussila, McGinnis, Nichols, and Rice entered the meeting.

#### Electric System – Y2K Update

Mr. Goodrich, using overhead transparencies, reviewed the steps taken to ensure that SRP's electric system is Y2K ready. He concluded with a discussion of the final preparations and remaining concerns.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Burton, Kempton, and Weiler; Vice President Williams Jr.; and Messrs. Goodrich, Jussila, and Rice left the meeting. Mr. Duckworth entered the meeting.

#### J. D. Power and Associates

Mr. McGinnis, using a PowerPoint presentation, reviewed the research findings from the 1999 J. D. Power and Associates Electric Utility Residential Customer Satisfaction Study. In the study, SRP had ranked number one (in a tie) for customer satisfaction in the West. He discussed the methods used by J. D. Power and Navigant Consulting, Inc. to collect and analyze data on customer satisfaction. He concluded with an indepth review of the key points of the survey, noting in particular SRP's ranking in each of the customer satisfaction indices.

Copies of the PowerPoint slides used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Director Rovey re-entered and Mr. Dieterich entered the meeting.

#### Local Generation Project Development

Mr. Dietrich updated the Committee on the status of the Kyrene and Santan Expansion Projects, including the public involvement processes and gas supply issues.

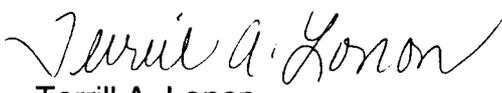
Ms. Alfano and Messrs. Duckworth, McGinnis, and Rappoport left the meeting.

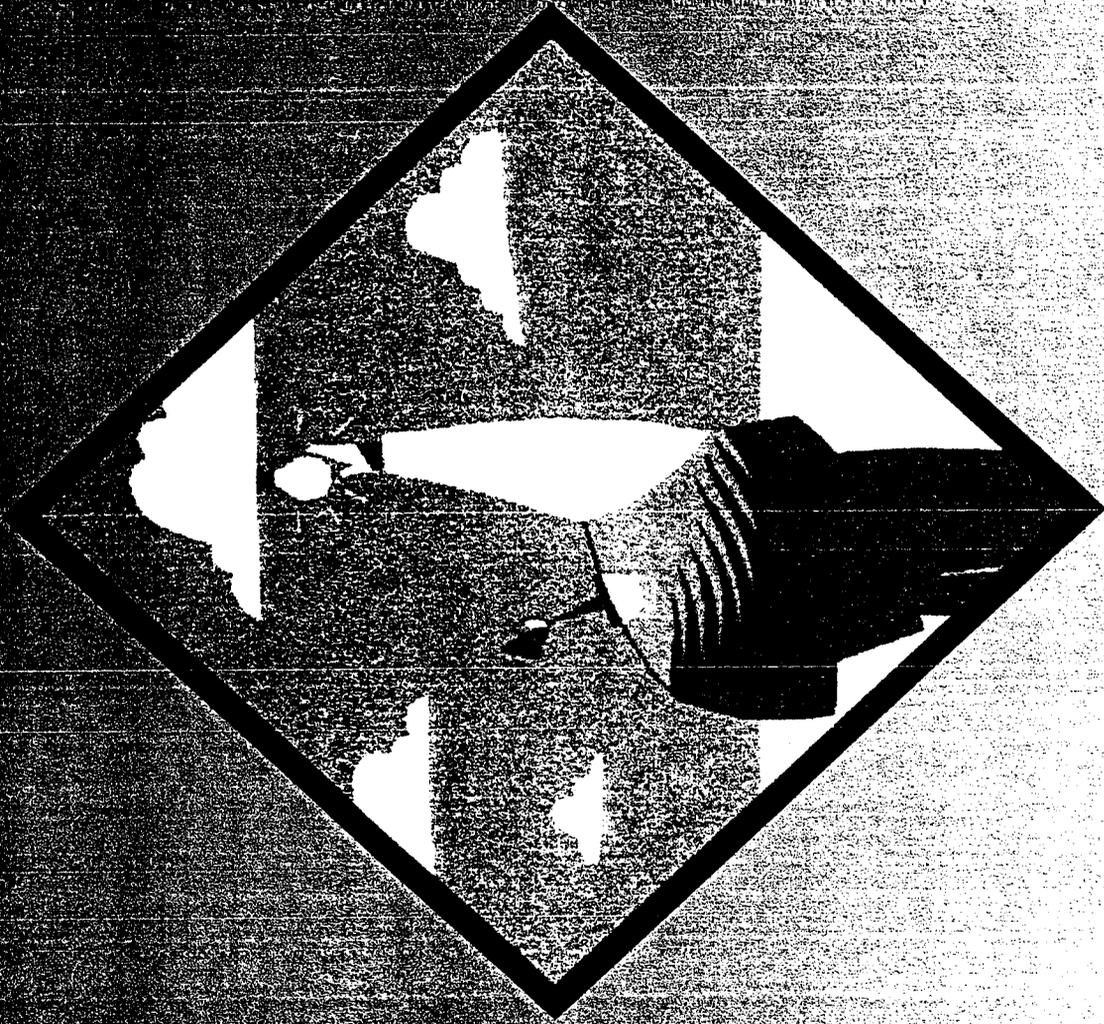
Status of New West Energy

Mr. Nichols, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 12:08 p.m.

  
Terrill A. Lonon  
Corporate Secretary

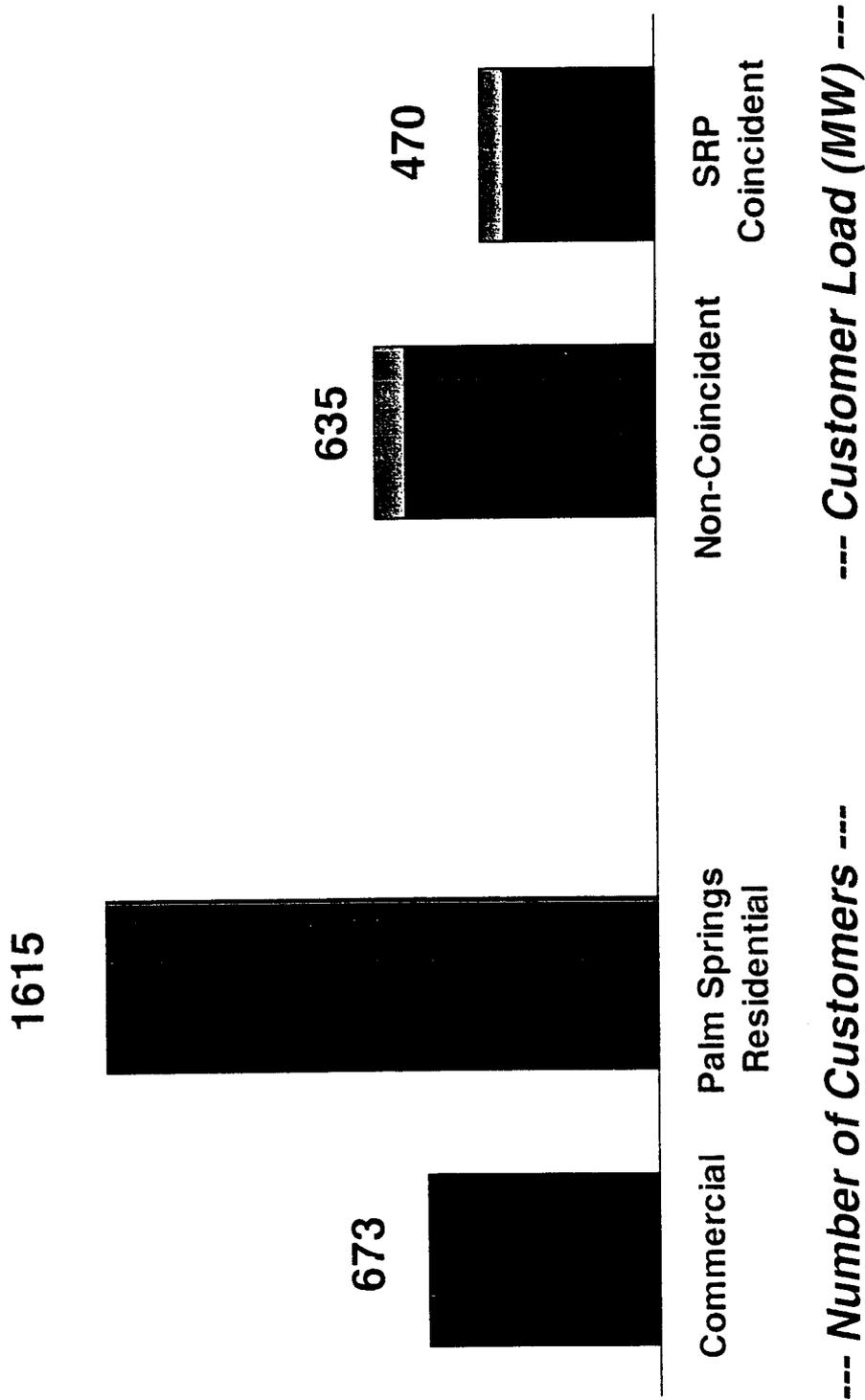


**POWERK COMMITTEE MEETING**

**December 9, 1988**



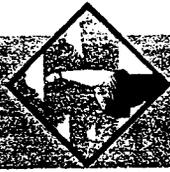
# Sales Overview





# NWE Income Statement

<i>\$ Millions</i>	<u>October 1999</u>	<u>Actual YTD</u>
Revenues	19.5	76.6
Supply Cost	<u>18.1</u>	<u>73.7</u>
Gross Profit (Loss)	1.4	2.9
Other Operating Expense	0.8	4.6
Interest Expense	0.0	0.3
Net Income (Loss)	0.6	(2.0)
<i>Remitted to SRP</i>	<i>0.2</i>	<i>2.5</i>



# Key Milestones - California

## Signed California Oil Producers Energy Coop (COPE)

Association of independent oil producers

Attractive load shapes - pumps and pipelines

Deal structured to give discount from 2.25% for most attractive loads to 0% for least attractive loads

Includes opportunity to sell energy services and green power

## Continue to renew customers in mid-size market at lower discounts

Average discount improved from 2.5% to 0.3%

## Metering Service provider project



# Key Milestones - Arizona

**Submitted first DASRs to APS**

**On target for 60MW of sales this fiscal year**

Customers include PetsMart, Walgreens, Tosco and Thornwood Furniture

Prospects include Kroger, Westile, Rawhide and Karsten Manufacturing

**Submitted proposal to University of Arizona**

Joint proposal with Onsite Energy and GLHN Engineering

Comprehensive proposal that includes energy efficiency projects as well as electric commodity

**Residential Pilot launched December 2nd via Pera Club  
TEP settlement agreement approved by ACC**

Expected to open late January 2000

**ACC staff requested NWE Code of Conduct be  
submitted to hearing prior to Commission approval**



# Arizona Residential Pilot

**Undertaking residential pilot program to assess what it takes to serve direct access residential customers**

**Goal of pilot is to understand operational capability and readiness**

Capability of providing service excellence and characteristics  
Economics and characteristics of residential market

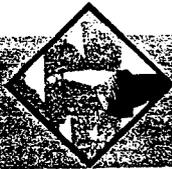
**PERA Club is offering program to PERA members**

Invitation sent to all ACC-certified ESPs

NWE only ESP to respond

Marketing includes e-mail solicitation, PERA Christmas event and General Store

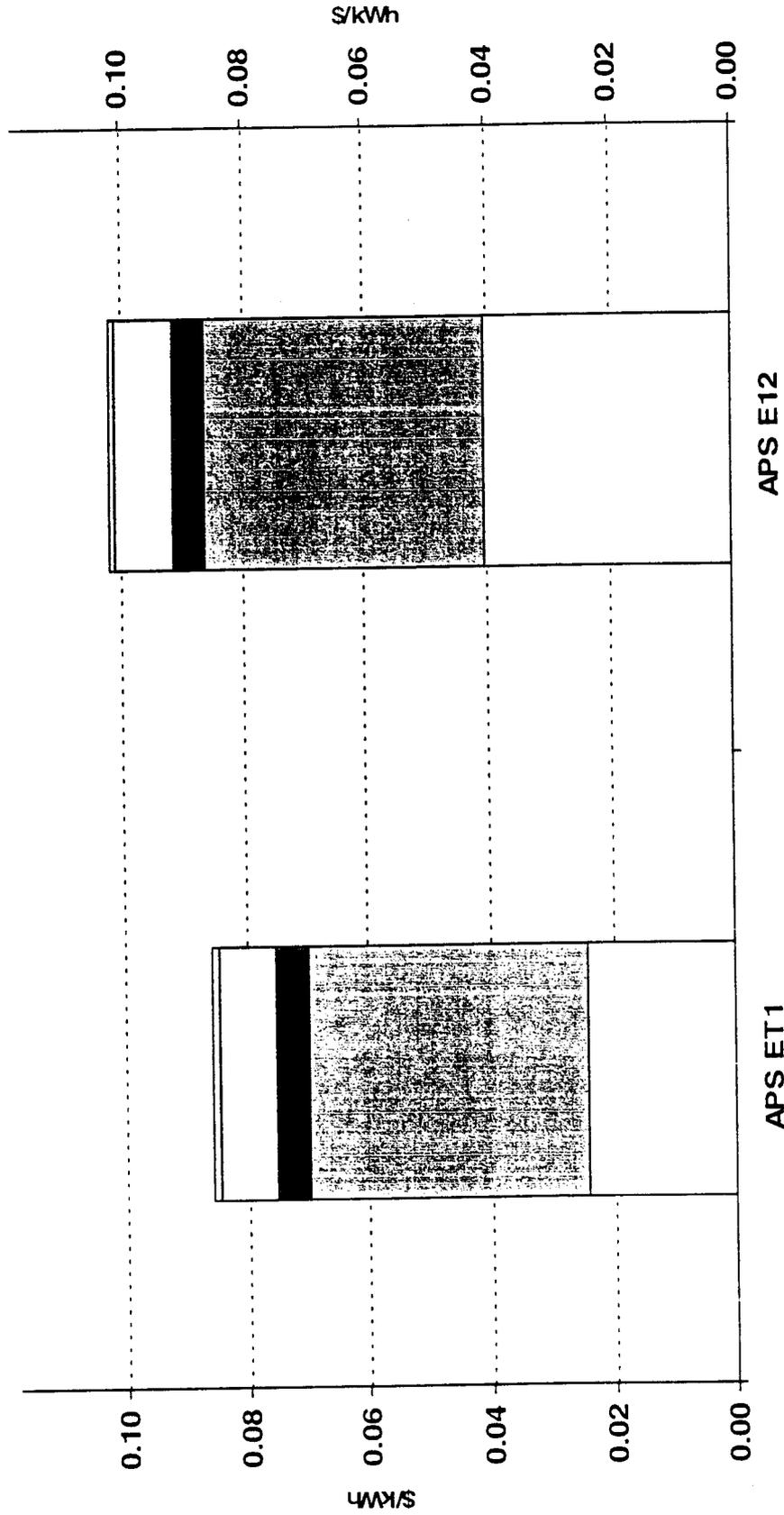
Participation limited to Valley PERA members



# Arizona Residential Pilot

**Demand: 4.66kW**

**Consumption: 16,255 kWh**



**Savings of approximately 10% for APS-E12 customers. No savings for time-of-use customers.**

MINUTES  
POWER COMMITTEE MEETING

January 13, 2000

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, January 13, 2000, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Chairman Arnett and Directors M. Kempton, Riggins Jr. and Rudd.

Absent at roll call were Directors Ash, Dobson and Marshall.

Others present were Vice President Williams Jr.; Director Diller; Council Vice Chairman R. Kempton; staff members Mmes. Alfano and Lonon; and Messrs. T. Roberts, Silverman and Underhill.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen Umber of the Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, January 11, 2000, at 9:00 a.m., and an agenda was available in the Secretary's Office.

Director Arnett called the meeting to order and asked Mr. Yee to proceed.

Supply and Trading Policies and Procedures, and Wholesale Trading Authority

Mr. Yee reminded the Committee that, in 1997, the Board had approved the formation of a program for Price Risk Management (PRM), had established a Risk Oversight Committee (ROC), and had enacted a set of policies and procedures to define the framework for SRP to manage price risk using financial tools. Since then, he said that changes in the electric utility industry had generated the need for additional controls and procedures to manage risk and the performance of future financial and physical energy trading activity. In response to that need, management had updated the existing PRM Policies and Procedures, which would be presented to the Board for approval in the near future.

Using overhead transparencies, Mr. Yee provided an overview of the newly-revised Energy Risk Management Policies and Procedures that will provide a framework for the financial and physical trading activity within Supply and Trading. As part of the updates, he said the Board will be asked for approval to move certain levels of existing authorizations for wholesale energy transactions from the Associate General Manager of Commercial and Customer Services to the Risk Oversight Committee. In addition, management will be requesting approval to increase the energy-related financial trading

limits to parallel the physical limits already in place.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash, Marshall and Reeves, Ms. DeMarr, and Messrs. Duckworth and Hayslip entered the meeting. Messrs. Roberts and Yee left the meeting.

#### Authorization to Enter into Transmission and Related Agreements

Mr. Underhill reminded the Committee that, on June 9, 1999, the Board had approved a resolution authorizing certain SRP executives to enter into transmission and related agreements on behalf of SRP. Since that time, he said the responsibilities for certain transmission contracting functions had been reassigned. As a result, management was requesting approval to expand the delegation of authority for these transactions to include the Associate General Manager in charge of planning and operating the SRP transmission system, or delegates, to make, execute and deliver agreements for non-firm transmission transactions of any duration, and firm transmission transactions up to one year in duration.

On a motion duly made by Director Kempton, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval.

Ms. Barr entered the meeting.

#### Mohave Generating Station - Coal Slurry Pipeline Agreement

Mr. Reeves stated that the purpose of his presentation was to request approval to execute an option agreement to extend the term of the Amended Coal Slurry Pipeline Agreement. Using overhead transparencies, he reviewed the background of the current agreement which provides for the transportation of coal slurry to Mohave from Peabody's Black Mesa Mine. The current agreement is through December 31, 2005, with no provision for a term extension.

Mr. Reeves stated that work had been performed, and additional work was anticipated, which would extend the operational life of the pipeline. Since the Mohave Participants had shared in the cost of those investments, the Participants wanted the right or option to extend the life of the contract as well.

Continuing, Mr. Reeves reviewed the terms and conditions of the proposed 20-year extension option to be executed in conjunction with an agreement to settle cost allocation disputes concerning pipeline repairs and modifications. He concluded by requesting that the President or Vice President, and Secretary or Assistant Secretary, be authorized to execute the Option Agreement to extend the term of the Amended Coal Slurry Pipeline Agreement for the Mohave Generating Station.

On a motion duly made by Director Ash, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Nichols entered the meeting. Messrs. Reeves and Underhill left the meeting.

### SRP Renewable Portfolio

Mr. Hayslip stated that the purpose of his presentation was to request approval to fund a proposed four-year Renewable Portfolio. Using a PowerPoint presentation, he reviewed the background of SRP's Renewable Energy Program and discussed key elements of the proposal, including a cap on expenditures, funding from SRP's system benefits charge, and measurable goals and objectives. He said the program would utilize a variety of renewable technologies to realize the greatest cost effectiveness and environmental benefit; i.e., solar dish, solar hot water heating, landfill gas, and other "clean" technologies such as fuel cells.

Continuing, Mr. Hayslip stated that, under the proposal, SRP would fund the program at the levels shown in the table below. Extension of the program beyond 2003 would be contingent upon review and evaluation of performance measured against the goals and objectives.

Funding Levels for SRP Renewable Portfolio

Year	Funding Level	Year	Funding Level
2000	\$8,200,000	2004	\$12,000,000
2001	\$7,000,000	2005	\$12,000,000
2002	\$7,000,000	2006	\$12,000,000
2003	\$7,000,000	2007	\$12,000,000

Mr. Hayslip reviewed the projects to be funded in 2000 and 2001 and concluded by requesting approval to allocate \$8.2 million for Year 2000 and \$7 million for each of the following three years to fund SRP's Renewable Portfolio.

On a motion duly made by Director Marshall, seconded by Director Kempton and carried, the Committee agreed to recommend Board approval.

Mmes. Barr and DeMarr, and Messrs. Duckworth and Hayslip left the meeting.

### Status of New West Energy

Mr. Nichols, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Secretary's Office and, by reference, are made a part of these minutes.

Mr. Dietrich entered the meeting, and Mr. Nichols left the meeting.

Local Generation Project Development

Mr. Dietrich updated the Committee on the status of the Kyrene and Santan Expansion Projects, including the public involvement process, gas supply issues, and emissions offsets.

There being no further business to come before the Committee, the meeting adjourned at 11:25 a.m.

Terrill A. Lonon  
Corporate Secretary

# Supply and Trading Issues

## Today's Objectives

- Information/Preview
  - 2/17 Power Committee for Approval
  - 3/6 Board for Approval
- Changes Needed
  - Formalize the Energy Risk Management Policies and Procedures
  - More duties to the Risk Oversight Committee (ROC)
  - Refine the Framework for Financial & Physical Trading Authority
    - Increase Level of Financial Trading Authority

## Why Do We Need to do This?

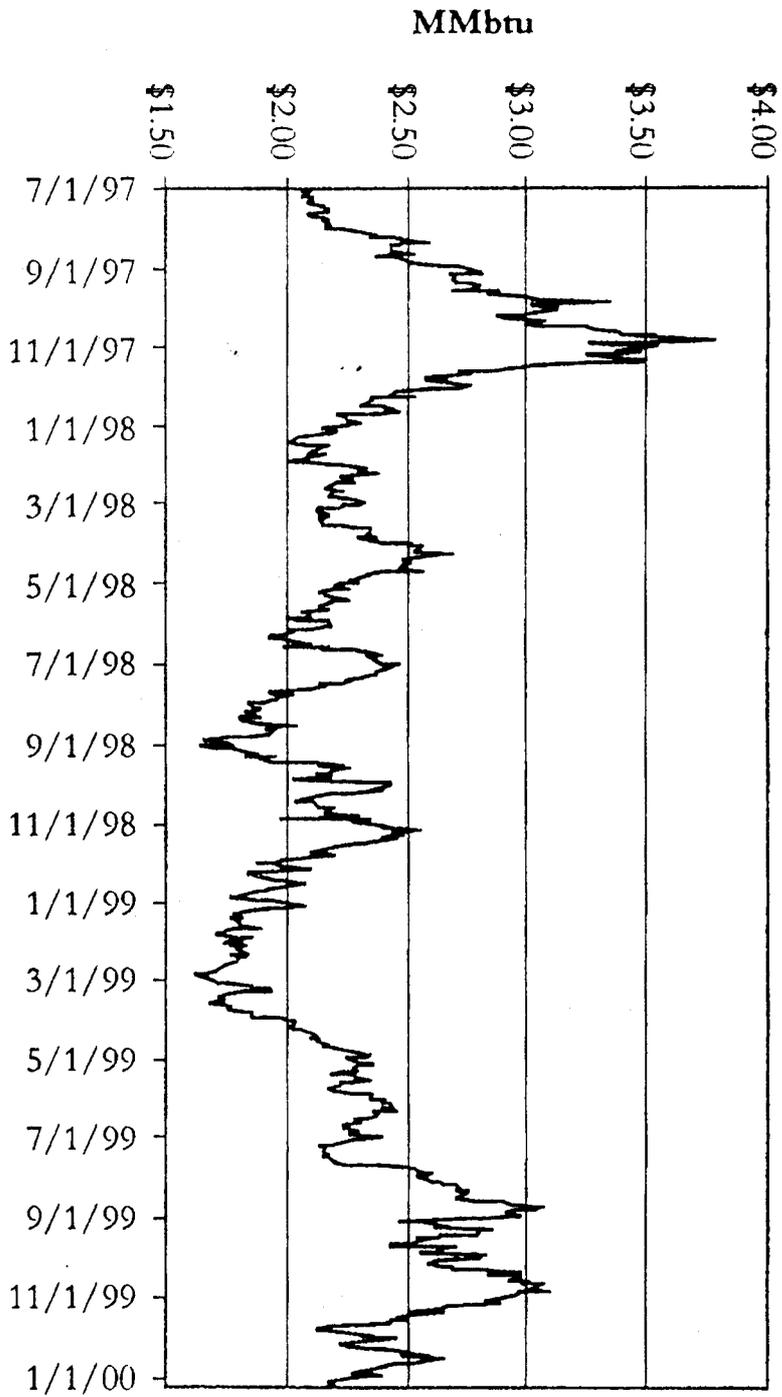
- Changes in the Utility Business and Players
  - Look at our Top 10 Wholesale Customers
- Manage our Business Risks
  - Price Volatility in Gas Prices
- Strategic Directions Places More Emphasis on Trading Activities
  - Wholesale sales are integral to SRP
- Improve the Efficiency of Operations
  - Integrate physical and financial trading

# Top Ten Wholesale - 1999

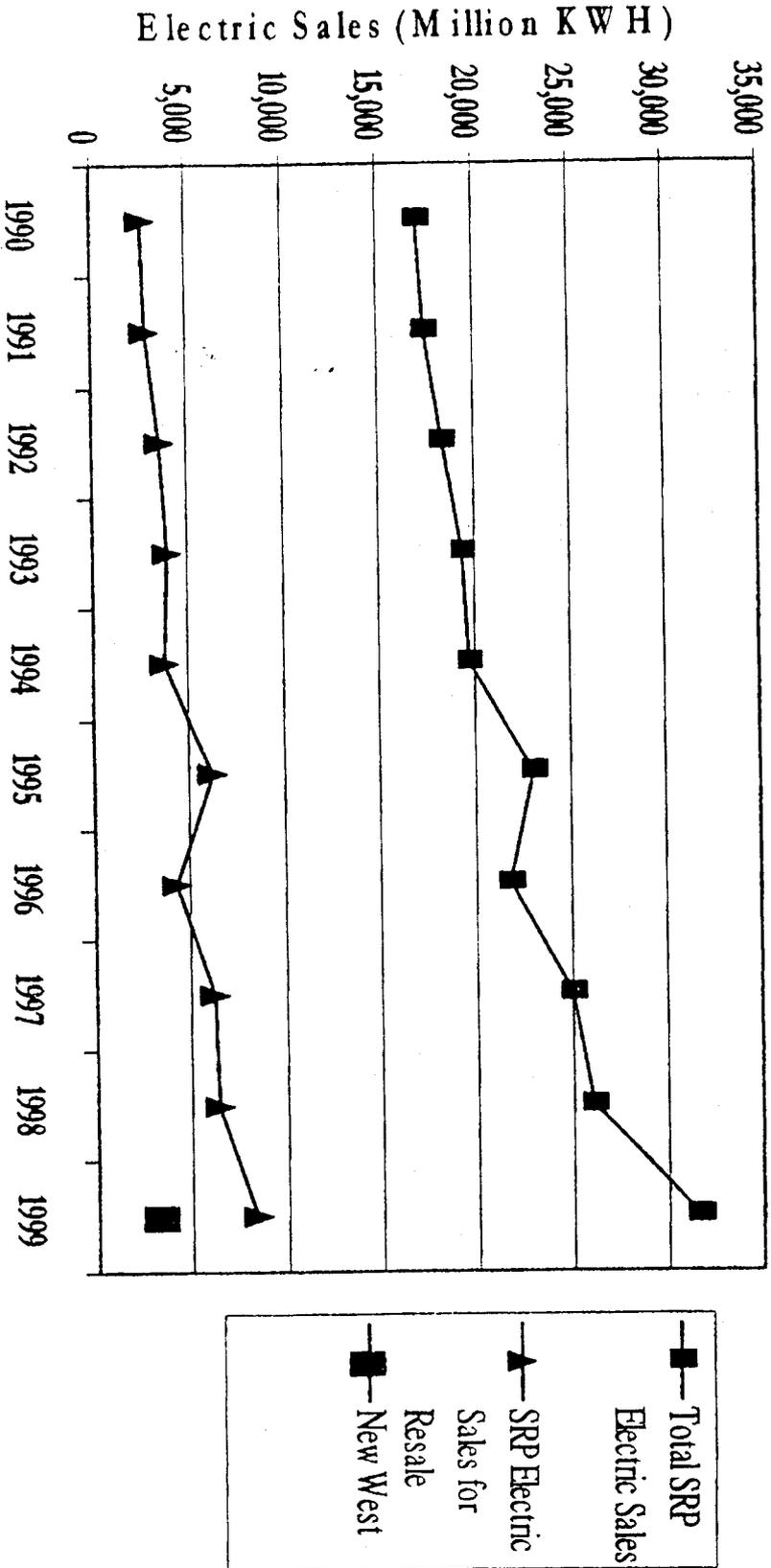
## Do You Recognize Me?

1	Aquila Power Corp	1,279 mm kwhs
2	PG&E Trading	936
3	Southern Company	491
4	Nevada Power	342
5	Enron	268
6	Reliant Energy Services	249
7	Los Angeles Dept of Water & Power	215
8	American Electric Power Services	210
9	Duke Energy & Trading	208
10	APS	181

# Natural Gas Prices



# SRP Electric Sales 1990-1999



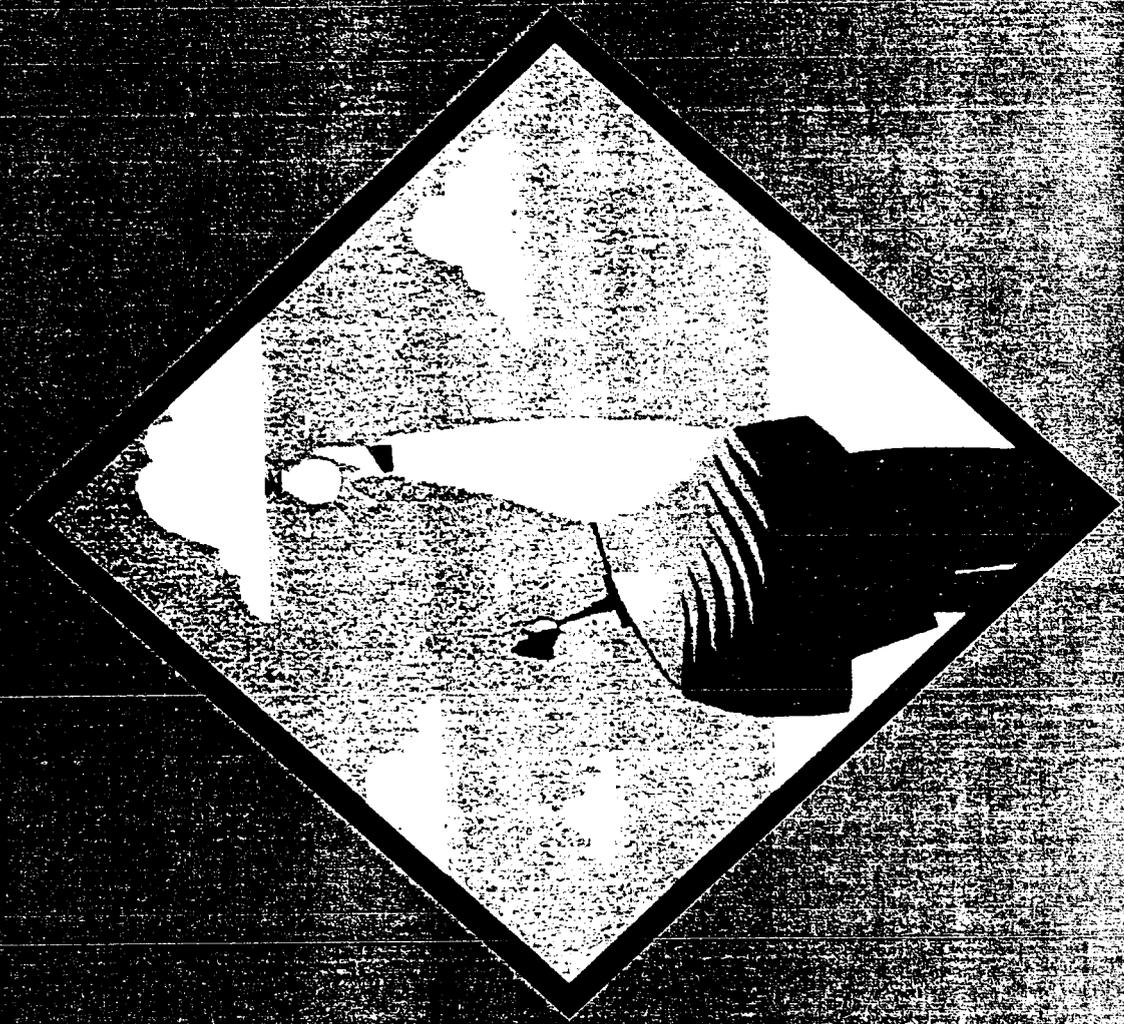
## Next Month's Power Committee

- Provide you with specific write-ups on Policies and Procedures
- Point out and discuss specific changes
- Go over more details
- Ask for your approval
  - Two resolutions
  - Approval at following Board meeting

Back-up

# Wholesale Transactions - Growth

<b>Factor</b>	<b>FY 99</b>	<b>FY 90</b>
<b>Operating Revenues</b>	\$1.7 Billion	\$1.1 Billion
<b>Wholesale Revenues</b>	\$250 Million	\$78 Million
<b>Purchase Power</b>	\$339 Million	\$30.7 Million
<b># of Counterparty</b>	68	17

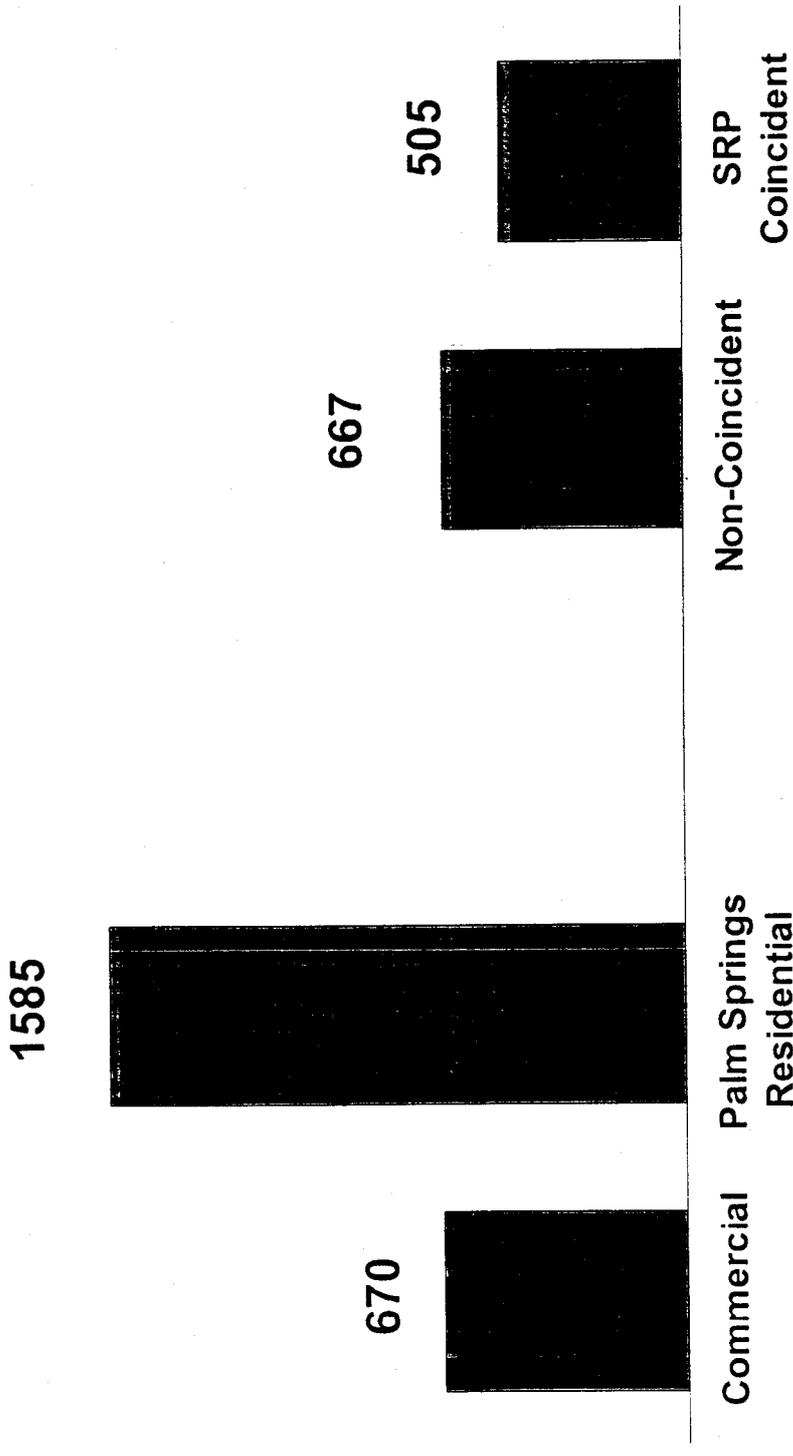


**POWER COMMITTEE MEETING**

**January 13, 2000**

# Sales Overview

(as of December 31, 1999)



--- Number of Customers ---

--- Customer Load (MW) ---

# NWE Income Statement

<i>\$ Millions</i>	<u>Nov 1999</u>	<u>Dec 1999</u>
Revenues	16.6	12.9
Supply Cost	<u>13.4</u>	<u>11.1</u>
Gross Profit (Loss)	3.2	1.8
Other Operating Expense	1.2	0.8
Interest Expense	0.0	0.0
Net Income (Loss)	2.0	1.0
Remitted to SRP	0.4	0.4

# Key Milestones - California

- **Renewed contract with Mobil**
  - Refinery and corporate convenience stores
  - Moved refinery from 4.0% discount to a 2.75% discount
- **Selected by California Manufacturer's Association as exclusive ESP**
  - Access to over 900 member manufacturing companies
  - Negotiate deals with individual customers based on NWE targets
- **Invited to participate in CPUC-sponsored roundtable discussion in San Diego**
  - Focus on post-CTC market issues
  - Commissioners and Legislators will participate
  - New West Energy only ESP invited
- **Metering Service Provider Pilot**
  - Completed installation of 20 meters
  - Currently assessing lessons learned

# Key Milestones - Arizona

- **On target for FY00 Arizona Sales Plan**
  - Plan for 60MW in sales
  - 39MW under contract
  - 35MW under final negotiations
- **Signed Kroger in Arizona**
  - Fry's and Fred Meyers
  - 25 MW of load in APS, TEP territories
  - Maintained on SRP tariff
  - Includes SPATIA in Arizona and California
  - Includes first right of refusal for DSM in Arizona
- **Arizona Restaurant Association**
  - In final contract negotiations
  - Reduces cost to acquire attractive customers in APS territory
  - Anticipate approximately 20MW of load

MINUTES  
POWER COMMITTEE MEETING

February 17, 2000

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, February 17, 2000, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Chairman Arnett and Directors Dobson, Kempton, Marshall, Riggins Jr., and Rudd.

Absent at roll call was Director Ash.

Others present were President Schrader; Directors Diller, Fleming and Weiler; staff members Mmes. Alfano and Lonon, and Messrs. Areghini, Duckworth, G. Harper, Kondziolka, Lehman, T. Roberts, and Silverman.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen UMBER of the Corporate Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, February 15, 2000, at 9:00 a.m., and an agenda was available in the Corporate Secretary's Office.

Director Arnett called the meeting to order and asked Mr. Harper to proceed.

Amendments to Four Corners Project Operating Agreement and Co-Tenancy Agreement

Mr. Harper stated that the purpose of his presentation was to request approval to amend the Four Corners Project Operating Agreement and Co-Tenancy Agreement. He said the amendments would allow the transfer of a Participant's interests to a parent or wholly-owned subsidiary without triggering rights of first refusal; would shorten the notice to transfer or sell the asset from three years to six months; and would clarify that Participants may only vote on actions that relate to portions of the Project they own.

Using overhead transparencies, Mr. Harper reviewed the background of the Four Corners Project, located 15 miles west of Farmington, New Mexico, on the Navajo Nation. The operating agent is Arizona Public Service Company. APS owns 100 percent of the three small units (540 MW). The two large units (1480 MW) are owned by Southern California Edison, Arizona Public Service Company, Public Service Company of New Mexico, SRP, Tucson Electric Power Company, and El Paso Electric Company.

Mr. Harper compared the current language in the two contracts to the proposed language. He stated that the changes were prompted by a directive from the State of California that Southern California Edison divest its ownership in the Four Corners Project. He concluded with a request for approval to execute Amendment No. 6 to the Four Corners Project Co-Tenancy Agreement and Amendment No. 11 to the Operating Agreement which would allow the transfer of a Participant's interests to a parent or wholly-owned subsidiary without triggering rights of first refusal; would shorten the notice to transfer or sell the asset from three years to six months; and would clarify that Participants may only vote on actions that relate to portions of the Project they own.

On a motion duly made by Director Kempton, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval, as presented.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Director Ash entered the meeting.

#### Sierra Pacific Resources

Mr. Duckworth stated that the purpose of his presentation was to inform the Committee about a potential business opportunity with Sierra Pacific Resources (Sierra), a recently formed holding company whose principal subsidiaries are Nevada Power Company, and Sierra Pacific Power Company, two electric utilities with service areas in Nevada. He stated that Nevada Power Company is a Participant in the Mohave and Navajo Generating Stations in which SRP also participates. The State of Nevada has ordered Nevada Power Company to divest its generation as a condition of Nevada's approval of the merger between Sierra and Nevada Power Company.

Using overhead transparencies, Mr. Duckworth reviewed the key elements of a proposal that would help Sierra divest generation owned by its subsidiaries and implement a plan to form a Regional Transmission Organization (RTO). The proposal involves a swap of generation assets (158 megawatts of SRP's share in Mohave Generating Station for 255 megawatts of Nevada Power Company's share of Navajo Generating Station, plus incremental value).

Mr. Duckworth discussed the value of the proposal and concluded by stating that SRP would proceed with discussions with Sierra.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Directors Burton and Rovey; Mmes. Buck, Fifield, and Rohovit; and Messrs. Bonsall, Evancevich, Nichols, Wardrip, and Wilkening entered the meeting.

Messrs. Duckworth, Harper, and Lehman left the meeting.

Energy Risk Management Policies and Procedures, and  
Wholesale Power Trading Authority

Mr. Roberts stated that the purpose of his presentation was to request approval of two resolutions—one that establishes policies and procedures for wholesale trading activities and expands the responsibilities of the Risk Oversight Committee, and one that updates existing approval authorities regarding wholesale energy transactions.

Using overhead transparencies, Mr. Roberts reminded the Committee that, at its meeting in January, management had discussed SRP's supply and trading situation and had previewed the Energy Risk Management Policies and Procedures that would provide a framework for integration of SRP's energy-related financial and physical trading activity. The policies called for implementation of certain controls that would be used to quantify the risk and performance of the financial and physical trading activity. The controls would include a wholesale credit policy and expanded trading limits. The responsibilities of the Risk Oversight Committee would also be expanded to risk oversight for both the energy-related financial and physical trading activity.

Mr. Roberts continued by reviewing key elements of the proposed resolutions, including financial trading limits, risk controls, wholesale credit policy, trading controls, and delegation of authority to execute certain wholesale power agreements, energy-related financial agreements, and transmission service agreements. He concluded by requesting approval of the resolutions establishing the Energy Risk Management Policies and Procedures and delegating authority to enter into wholesale power transactions.

Following discussion, the Committee directed management to amend the resolution establishing the Policies and Procedures to incorporate, by reference, the resolution that establishes the limits for the financial and physical energy-related trading activity.

On a motion duly made by Director Ash, seconded by Director Dobson and carried, the Committee agreed to recommend Board approval of the resolutions, as amended.

Copies of the overhead transparencies used in this presentation, as well as copies of the Energy Risk Management Policies and Procedures, are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Mr. Wardrip left the meeting.

Transmission-Related Agreements

Mr. Kondziolka stated that the purpose of his presentation was to request approval of the principles of agreement negotiated with Arizona Public Service Company (APS) to

resolve ongoing transmission-related issues.

Using overhead transparencies, Mr. Kondziolka reviewed the background of previous APS/SRP agreements, including Service Schedule A (Long Term Sale of Power), Service Schedule N (Northwest Phoenix Area 230kV), and Service Schedule P (Gilbert/Chandler Area 69kV). He discussed the transmission-related issues associated with the agreements and reported that, in November 1998, discussions had been initiated with APS to resolve the issues.

Mr. Kondziolka announced that APS and SRP had reached agreement on the issues, and he continued by reviewing the principles to be incorporated into new APS/SRP agreements. He concluded with a request for approval of the principles negotiated and for authorization to prepare and execute Service Schedule Agreements which would incorporate the principles of agreement.

On a motion duly made by Director Marshall, seconded by Director Ash and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Mr. Wardrip re-entered the meeting. Ms. Fifield and Messrs. Kondziolka, Roberts, and Wilkening left the meeting.

#### Parker Substation 69kV Transmission Line

Ms. Rohovit, using overhead transparencies, reviewed the need for a 69kV transmission line to serve a new substation at South 40<sup>th</sup> Street and East Wier Avenue in Phoenix. She reported that, after considering input from city officials and property owners in the area, SRP had selected a route for the line.

Using a map of the area involved, Ms. Rohovit announced that the new overhead 69kV transmission line would be located on the north side of Broadway Road, from 36<sup>th</sup> to 40<sup>th</sup> Streets, and on the west side of 40<sup>th</sup> Street from Broadway Road to the Parker Substation. Along this route, SRP intends to rebuild the existing 12kV distribution line on the structures used for the 69kV line. She concluded by stating that the use of steel poles along the entire line route would allow SRP to reduce the number of pole structures by approximately half.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Mmes. Buck and Rohovit left the meeting.

MINUTES  
POWER COMMITTEE MEETING  
June 15, 2000

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, June 15, 2000, in the Board Conference Room at the SRP Administration Building.

Members present at roll call were Chairman Arnett and Directors Ash, Burton, and Marshall.

Absent at roll call were Directors Dobson, Kempton, Riggins Jr., and Rudd.

Others present were Director Fleming; staff members Ms. Lonon and Messrs. Linn, Beeson, G. Harper, and Silverman; and Lisa McKnight of Salmon, Lewis and Weldon.

Corporate Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Nicole Simmons of the Corporate Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, June 13, 2000, at 9:30 a.m., and an agenda was available in the Corporate Secretary's Office.

Executive Session

Chairman Arnett called the meeting to order at 9:30 a.m. and requested a motion for an executive session, pursuant to A.R.S. §38-431.03.(A)(4), to consult with attorneys regarding potential impacts as a result of the *Southwest Center for Biological Diversity v. Bruce Babbitt, et al.*, lawsuit and related cases on operations of dams and reservoirs.

On a motion duly made by Director Marshall, seconded by Director Burton and carried, the Committee convened into executive session at 9:31 a.m.

The Committee reconvened into open session at 10:15 a.m. with the following members and others present: Directors Arnett, Ash, Burton, Dobson, Fleming, and Marshall; Mmes. Lonon and McKnight; and Messrs. Areghini, Barras, Beeson, Harper, Linn, Rihs, and Silverman.

Messrs. Duckworth, Schleuter, and Slick entered the meeting. Ms. McKnight left the meeting.

Intergovernmental Agreement with the City of Tempe

Mr. Silverman stated that the purpose of his presentation was to request approval to enter into an Intergovernmental Agreement (IGA) with the City of Tempe for improvements to the Kyrene Generating Station, pursuant to A.R.S. § 11-952.

Using overhead transparencies, Mr. Silverman reviewed the mediation process between SRP and Stop Tempe Oasis Project ("STOP"), a group of area residents in opposition of the proposed expansion of Kyrene Generating Station in south Tempe. He reminded the Committee that a settlement agreement with STOP had been reached, the terms of which had been included in the proposed IGA with the City of Tempe, as follows:

- The capacity of the new generating facility will be 250 megawatts, using combined cycle technology.
- SRP will install equipment to reduce nitrogen oxide emissions from the existing steam units at Kyrene.
- Operation of existing Kyrene units will be limited, in aggregate, to 1 percent capacity factor upon completion of the new generating facility.
- The new facility will comply with Tempe's noise ordinance.
- SRP will implement a series of mitigation efforts upon receiving approvals to proceed.
- SRP will comply with all relevant clean air standards and will diligently pursue emission offsets in the immediate area.
- STOP will support SRP's Kyrene Expansion Project as proposed and will not become involved in SRP's other expansion plans outside the City of Tempe.

Additional provisions negotiated with the City of Tempe included:

- Mitigation – Site plan and design review.
- Air Offsets – "Immediate area" includes the airport and Town of Guadalupe.
- Zoning Variance – Will permit 150 foot stacks.
- Support of SRP Applications – Siting Committee, Arizona Corporation Commission, Environmental Protection Agency, Maricopa County.
- Tempe Cooperation – Fuel supply, wastewater drainage, cooling water.
- No Precedent for Any Other Project – 1974 stipulation not affected.

Mr. Silverman concluded by recommending approval of the proposed IGA with the City of Tempe, under the terms and conditions presented.

On a motion duly made by Director Ash, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Areghini and Rihs left the meeting.

#### Closed Session

Chairman Arnett called for a closed session of the Power Committee, pursuant to A.R.S. §30-808, to discuss confidential information relative to the ownership interest of Nevada Power Company in the Navajo Generating Station and the supply of wholesale power for the East valley.

The Committee convened into closed session at 10:25 a.m. and reconvened into open session at 11:20 a.m. with the following members and others present: Directors Arnett, Ash, Burton, Dobson, Fleming, and Marshall; Ms. Lonon and Messrs. Barras, Beeson, Duckworth, Harper, Linn, Schleuter, Silverman, and Slick.

Mr. Dietrich entered the meeting. Messrs. Duckworth, Harper, Linn, Schleuter, and Slick left the meeting.

#### Local Generation Project Development

Mr. Dietrich discussed the status of the permitting and application process relative to the Kyrene Expansion Project. He concluded with an update on the public involvement process concerning the Santan Expansion Project.

Ms. Maloney entered the meeting, and Mr. Dietrich left the meeting.

#### Status of New West Energy (NWE)

Ms. Maloney, using a PowerPoint presentation, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:48 a.m.



Terrill A. Lonon  
Corporate Secretary

Request Resolution Approving  
Intergovernmental Agreement (IGA)

with

City of Tempe

for

Kyrene Generating Station

Improvements

(Pursuant to A.R.S. § 11-952)

# **Kyrene Expansion Project**

**Power Committee**

**May 11, 2000**

## **Highlights of the Tentative Agreement**

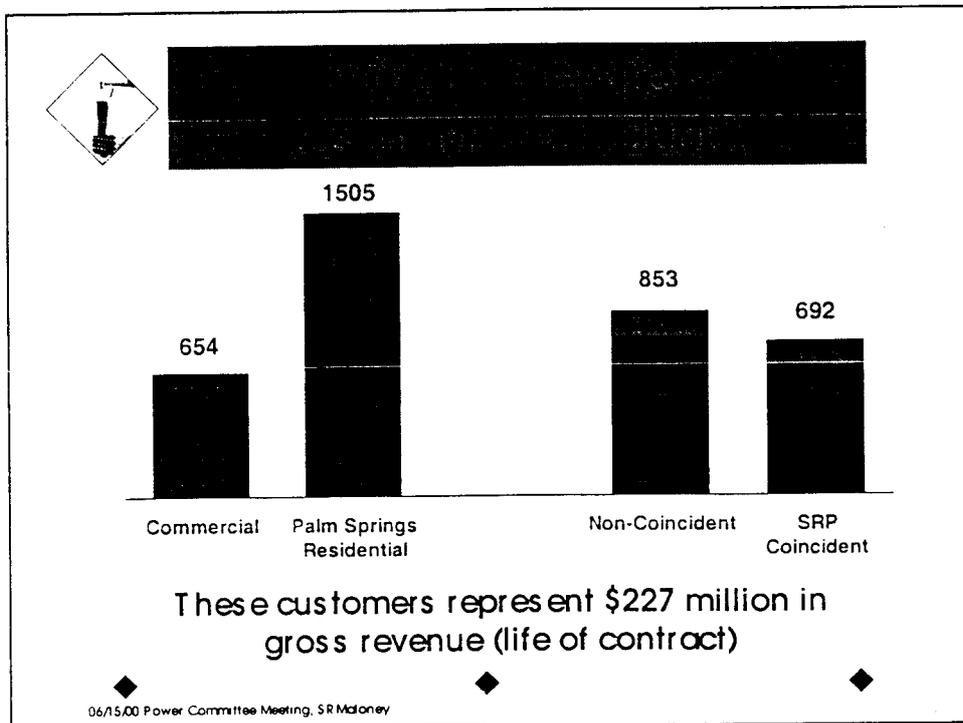
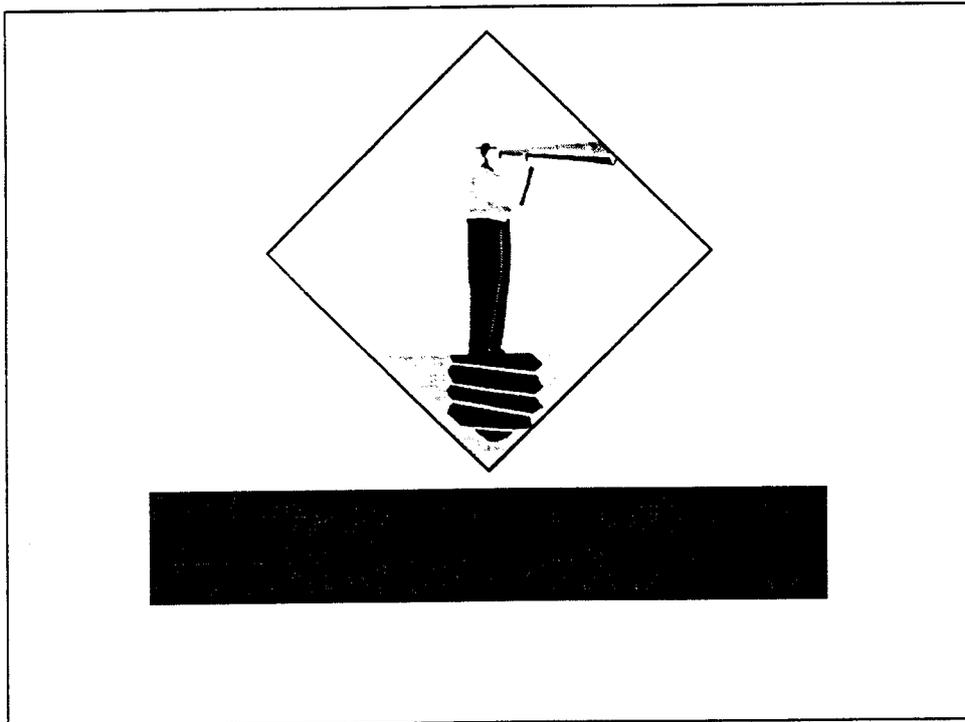
- ❖ **The capacity of the new generating facility will be 250 megawatts, using combined cycle technology**
- ❖ **SRP will install equipment to reduce nitrogen oxide emissions from the existing steam units at Kyrene**
- ❖ **Operation of existing Kyrene units will be limited in aggregate, to 1 percent capacity factor**

# **Highlights of the Tentative Agreement (cont.)**

- ❖ **The new facility will comply with Tempe's noise ordinance**
- ❖ **SRP will implement a series of mitigation efforts upon receiving approvals to proceed**
- ❖ **SRP will comply with all relevant clean air standards and will diligently pursue emission offsets in the immediate area**
- ❖ **Parties agree to support SRP's Kyrene project as proposed, and the STOP organization will not become involved in SRP's other expansion plans outside the City of Tempe**

# Additional IGA Provisions

- Mitigation - Site Plan & Design Review
- Air Offsets - "Immediate Area" - Includes Airport and Guadalupe
- Zoning Variance - 150 Foot Stack
- Support of SRP Applications - Siting Committee, ACC, EPA, Maricopa County
- Tempe Cooperation - Fuel Supply - Wastewater Drainage - Cooling Water
- No Precedent for Any Other Project - 1974 Stipulation Not Affected

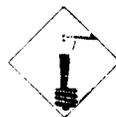


06/15/00, Power committee, S.  
Mcdoney



\*Includes results of revenue and expense true-up

06/15/00 Power Committee Meeting, SRMaloney



◆ **Implemented NWE load curtailment program**

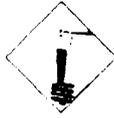
- Developed program to provide additional curtailable load
- Three customers in final contract consideration
- NWE's program represents almost half of the additional curtailable load in the market

◆ **Developed fixed pricing product**

- CTC ended in San Diego and customer's subject to market
- Fixed price provides certainty and margin opportunity
- Targeted 25 MW for fixed pricing

06/15/00 Power Committee Meeting, SRMaloney

06/15/00, Power committee, S.  
Maloney



◆ **Continued development of Cord Energy alliance**

- Customers selected to explore opportunities

◆ **CE UC resolution**

- Targeted for improvement
- Collaborative strategy under development

◆  
06/15/00 Power Committee Meeting, SR Maloney



◆ **Completed target for FY00 Arizona Sales Plan**

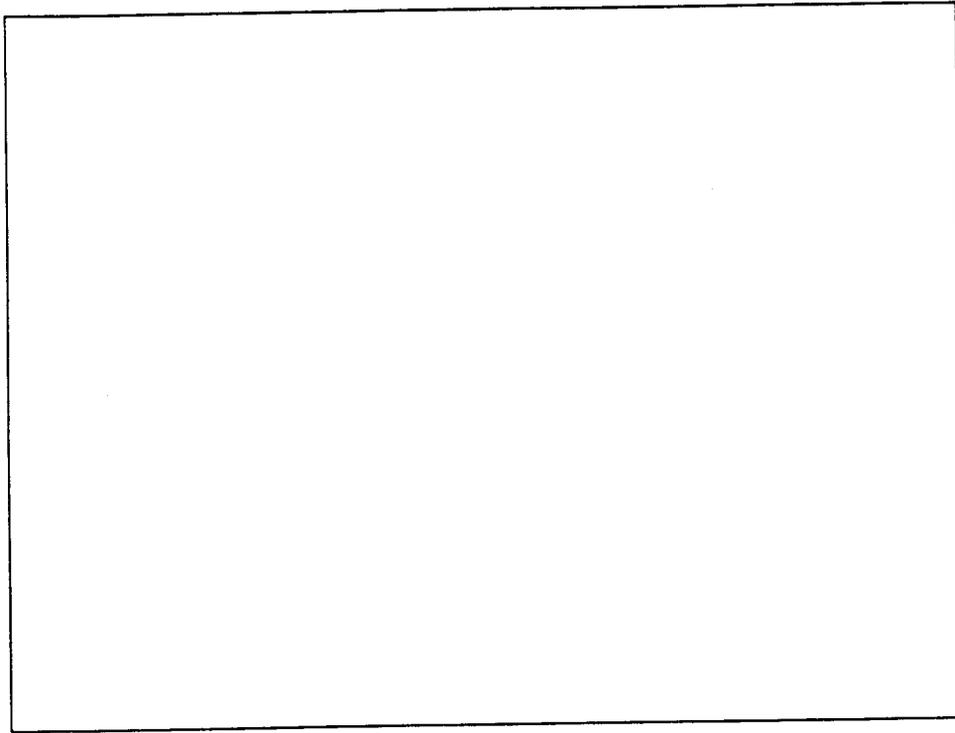
- Plan for 60MW in sales
- Further prospecting for commodity on hold

◆ **NWE Code of Conduct**

- Final submitted to ACC
- Approval expected
- Policies and procedures to be submitted

◆  
06/15/00 Power Committee Meeting, SR Maloney

06/15/00, Power committee, S.  
Maloney



06/15/00, Power committee, S.  
Mdoney

# DISTRICT AGENDA

Meeting Date – Tuesday, July 25, 2000

**AMENDED**

## POWER COMMITTEE

1. Transfer of Mohave 500kV Switchyard.....JOHN UNDERHILL  
  
Request for approval to execute documents to provide for the transfer of the Mohave 500 kV Switchyard from the Mohave Project to the Eldorado System
2. Purchase of Effluent from the City of Tolleson ..... BOB TALBOT  
  
Request for approval of the Agreement for Sale and Purchase of Wastewater Effluent; and authorization to execute the companion agreements
3. Status of New West Energy..... ROB NICHOLS
4. Status of Local Generation Projects ..... RANDY DIETRICH
5. Closed Session, Pursuant to A.R.S. §30-808, for Records and Proceedings Relating to Competitive Activities.....CHARLIE DUCKWORTH  
  
Discussion of Resource Alternatives

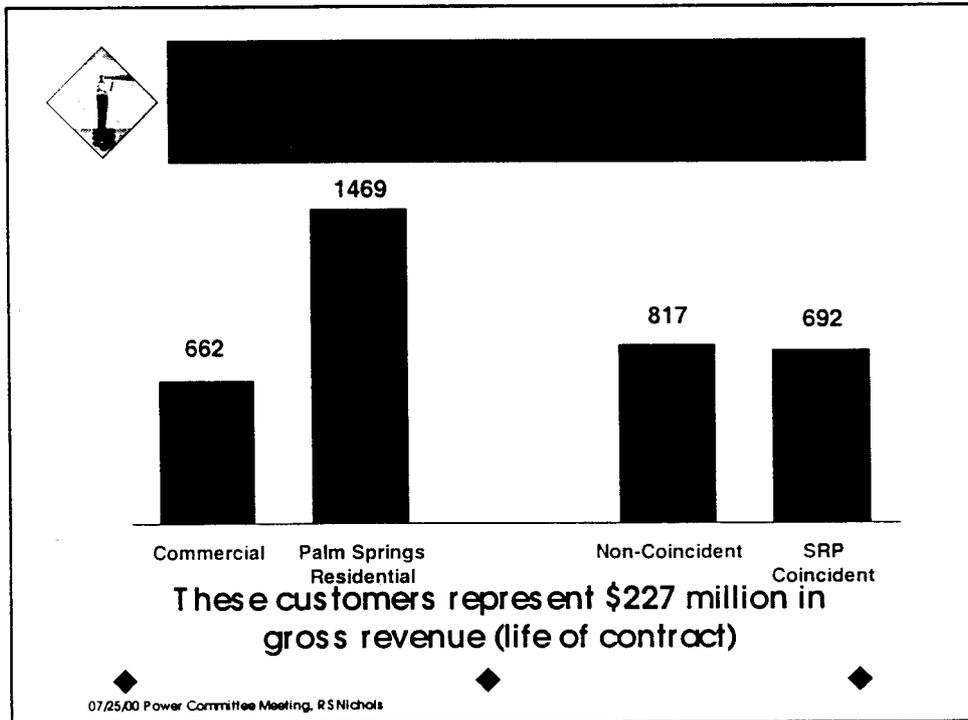
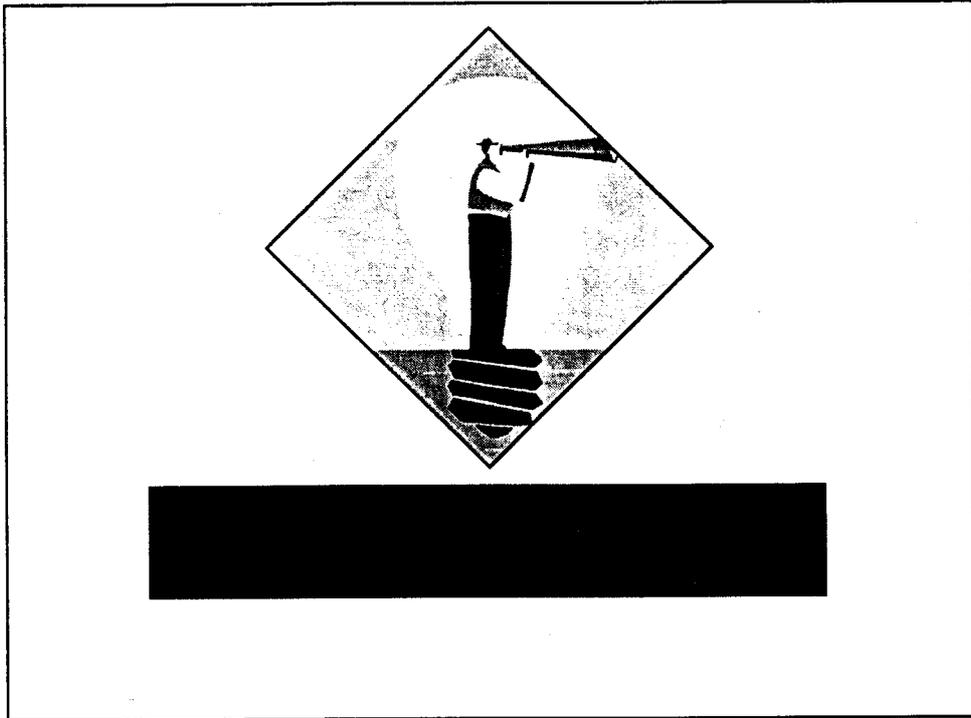
The Committee may vote during the meeting to go into Executive Session for the purpose of discussion or consultation for legal advice with legal counsel to the Committee on any of the matters listed on the agenda pursuant to A.R.S. §38-431.03 (A)(3).

The Committee may vote during the meeting to go into Closed Session pursuant to A.R.S. §30-808 for records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.



THE NEXT POWER COMMITTEE MEETING IS  
SCHEDULED FOR AUGUST 17, 2000

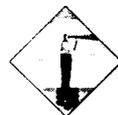
07/24/2000





\*Includes results of revenue and expense true-up

07/25/00 Power Committee Meeting, RSNichols



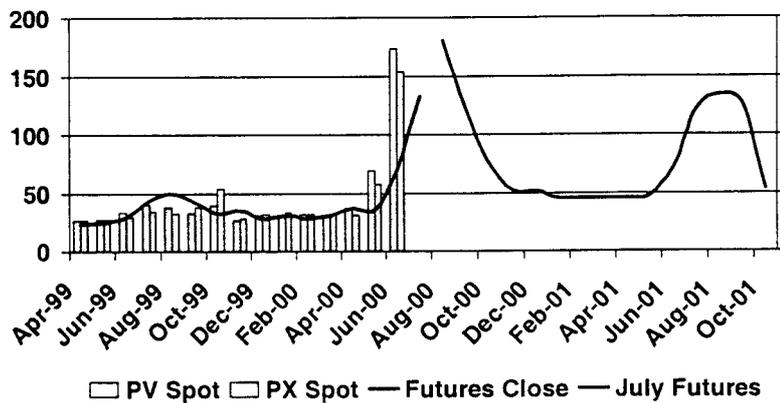
◆ **Market prices have substantially increased**

- SDG&E customers fully exposed
- Regional impacts on customers
- ISO reduced price caps
- Impact on deregulation

◆ **Competitors are exiting**

- New Energy
- PG&E Energy Services
- Sempra starting up

07/25/00 Power Committee Meeting, RSNichols



07/25/00 Power Committee Meeting, RSNichols



◆ **Customer needs are changing**

- Moving away from discount to price certainty
- Impact on New West Energy

07/25/00 Power Committee Meeting, RSNichols



◆ **Completed target for FY00 Arizona Sales Plan**

- Plan for 60MW in sales
- Further prospecting for commodity on hold

◆ **NWE Code of Conduct**

- Find submitted to ACC
- Approval expected
- Policies and procedures to be submitted

Local Generation Project Development

Mr. Bonsall updated the Committee on the status of the Kyrene Expansion Project, including the public involvement process, emissions offsets, archaeological testing, noise and air modeling, and status of key contracts.

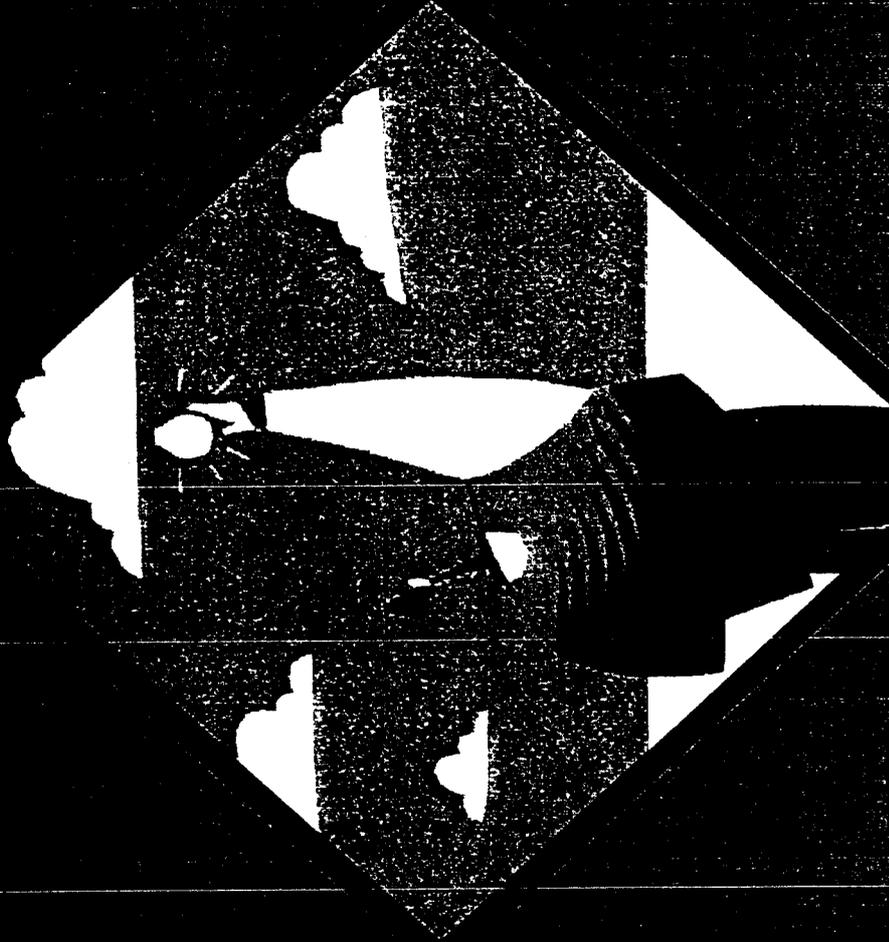
Status of New West Energy (NWE)

Mr. Nichols, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at Noon.

Terrill A. Lonon  
Corporate Secretary



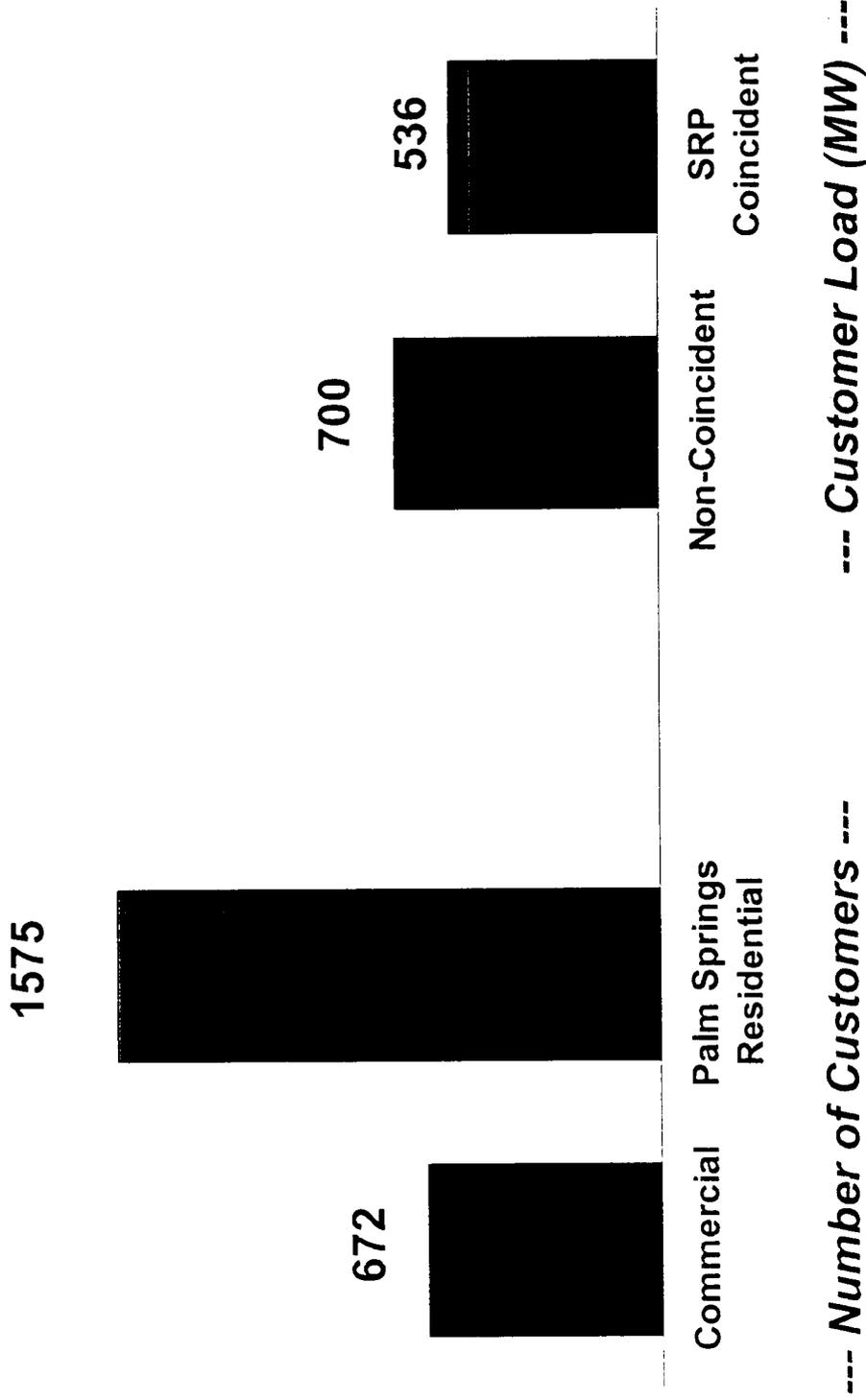
# **POWER COMMITTEE MEETING**

**February 17, 2000**



# Sales Overview

(as of January 31, 2000)



**These customers represent \$199 million in gross revenue (life of contract)**

# NWE Income Statement

<i>\$ Millions</i>	<b>Jan 2000</b>	<b>Actual YTD</b>	<b>Budget YTD</b>
<i>MWH</i>	344	3,194	5,000
Revenues	13.9	120.0	120.1
Supply Cost	12.0	110.3	118.8
Gross Profit (Loss)	1.9	9.7	1.3
Other Operating Expense	0.8	7.2	5.4
Interest Expense	0.0	0.4	0.5
Net Income (Loss)	1.1	2.1	(4.6)
<i>Remitted to SRP</i>	0.3	3.2	1.7



# Key Milestones - California

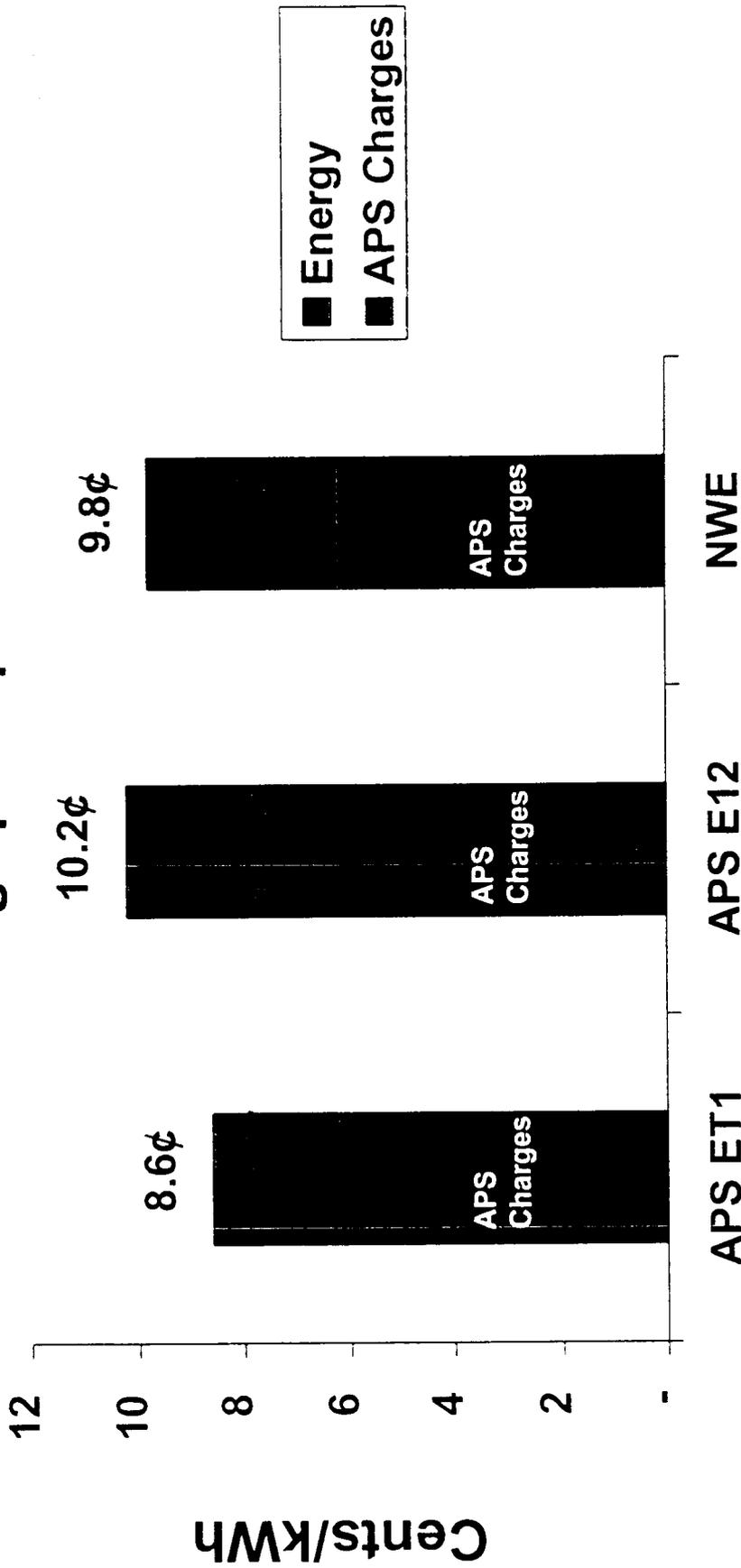
- **Signed contract with Hanson Permanente**
  - Attractive cement manufacturer
  - Approximately 32MW
  - Potential for demand-side responsiveness
- **Continuing focus on “upselling” value added products and services to existing customers**
  - Energy Efficiency Projects
    - Sheraton Harbor Island - \$1.5 million
    - Pacific Gateway Properties - \$1.5 million
  - Energy Information Services
    - San Diego Power and Cooling
  - These projects have profit potential of \$120K

# Key Milestones - Arizona

- **On target for FY00 Arizona Sales Plan**
  - Plan for 60MW in sales
  - Signed Chapparral Suites, approximately 1 MW
- **Serving first Arizona Customers**
  - Installed first meters this week in APS territory
  - Expect to install 106 meters by mid-March
  - TEP territory open, but procedures and protocols yet to be implemented
- **District Cooling**
  - Submitted proposal to County for certain downtown facilities
  - Signed option agreement with downtown office building
- **Arizona Residential Pilot**
  - Only 18 customers signed up to date
  - Low response due to majority of target prospects on APS TOU rates
  - Currently evaluating alternatives to expand customer base

# APS RESIDENTIAL PILOT

Average price per kWh



APS time-of-use customers will pay more by choosing another provider



# Arizona Meters

	<u>APS</u>	<u>TEP</u>
Petsmart	9	2
Walgreen's	48	34
Thornwood	2	0
Kroger	38	0
VMC	1	0
Westile	1	0
Chapparal Suites	<u>6</u>	<u>0</u>
	106	36

MINUTES  
POWER COMMITTEE MEETING

March 16, 2000

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, March 16, 2000, in the Board Conference Room at the Project Administration Building.

Members present at roll call were Chairman Arnett and Directors Kempton, Marshall, Riggins Jr., and Rudd.

Absent at roll call were Directors Ash and Dobson.

Others present were Vice President Williams Jr.; Directors Diller, Fleming and Weiler; staff members Ms. Lonon and Messrs. Bonsall, Daer, McSheffrey, Silverman, Slick and Soethe.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Karen UMBER of the Corporate Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, March 14, 2000, at 9:00 a.m., and an agenda was available in the Corporate Secretary's Office.

Director Arnett called the meeting to order and asked Mr. McSheffrey to proceed.

SRP's Open Access Transmission Tariff (OATT)

Mr. McSheffrey stated that the purpose of his presentation was to request approval to change prices associated with Schedules 1 through 8 and Attachment H of SRP's Open Access Transmission Tariff (OATT) to be consistent with SRP's "Proposed Adjustments to Standard Price Plans Effective May 2000."

Using overhead transparencies, Mr. McSheffrey reminded the Committee that SRP's OATT pertained to wholesale customers only. He said the proposed price changes related to point-to-point transmission service, the revenue requirement for network integration transmission service, and five of six ancillary services.

Continuing, Mr. McSheffrey reviewed the current and proposed prices for the following:

- Point-to-Point Transmission Service
- Revenue Requirement for Network Integration Transmission Service
- Scheduling, System Control, and Dispatch Service

- Reactive Supply and Voltage Control Service
- Regulation and Frequency Response Service
- Operating Reserve – Spinning
- Operating Reserve – Supplemental

He concluded by requesting approval to update SRP's OATT to be consistent with the "SRP's Proposed Adjustments to Standard Price Plans Effective May 2000." If approved, he said the changes would be filed with the Federal Energy Regulatory Commission and would be effective coincident with the proposed price plans.

On a motion duly made by Director Kempton, seconded by Director Marshall and carried, the Committee agreed to recommend Board approval.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Directors Ash and Rovey; Ms. Alfano; Messrs. Dietrich and Evancevich entered the meeting during the presentation. Director Burton and Mr. Rappoport entered the meeting following the presentation.

#### Executive Session

Director Arnett requested a motion to convene into Executive Session, pursuant to A.R.S. §38-431.03(A)(3), for advice from counsel concerning negotiations with Dynegy and NRG Energy to develop new generating facilities.

On a motion duly made by Director Marshall, seconded by Director Kempton and carried, the Committee convened into executive session at 9:45 a.m.

The Committee reconvened into open session with the following members and others present: President Schrader; Vice President Williams Jr.; Directors Arnett, Ash, Burton, Diller, Fleming, Kempton, Marshall, Riggins Jr., Rovey, Rudd and Weiler; Mmes. Alfano and Lonon; Messrs. Bonsall, Dietrich, Rappoport, Silverman and Slick; and Jim Huntwork of Salmon, Lewis & Weldon PLC.

#### Kyrene Expansion Project

On a motion duly made by Director Kempton, seconded by Director Ash and carried, the Committee agreed to recommend Board approval to share the cost exposure associated with a preliminary notice to proceed with engineering work and up-front charges associated with ordering certain major pieces of equipment for the Kyrene Expansion Project (SRP share is approximately \$1.2 million).

Messrs. Dietrich, Huntwork and Rappoport left the meeting. Mr. Bergdale of EPG and

Messrs. Kondziolka, R. Nichols, C.S. Russell and Trentor entered the meeting.

Market Outlook and Resource Plan

Mr. Slick, using a PowerPoint presentation, reviewed the outlook for electricity markets in the Western United States, particularly the Phoenix metropolitan area, within the next ten years. He discussed the assumptions included in the development of SRP's resource plan, as follows:

- Absent new generation development, demand is expected to exceed supply in California and the Southwest within ten years.
- Absent new transmission or generation development in the Phoenix metropolitan area, demand is expected to exceed supply within five years.
- The projected new generation development in and around Arizona could significantly impact the operation of existing facilities.
- The market price of electricity has been moving steadily upward and is expected to continue to do so until some of the planned new generation comes to market.
- The Valley import problem appears to be SRP's foremost deliverability challenge.

Mr. Slick continued by reviewing the projected resource needs for SRP and New West Energy. He discussed the factors considered in developing SRP's plan to meet those needs, including conclusions about the supply for New West Energy, resource portfolio considerations and alternatives, reliability, risk and economics. He concluded by reviewing the proposed ten-year resource plan for SRP, which includes the Kyrene Expansion Project.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Bonsall and Slick left the meeting. Mr. Areghini entered the meeting.

Southwest Valley 500kV Transmission Project

Mr. Russell stated that the purpose of his presentation was to introduce the Southwest Valley 500kV Transmission Project (formerly known as Estrella).

Using overhead transparencies and a map of the area involved, Mr. Russell discussed the need to expand SRP's system by building new facilities to meet the growing demands for electrical service in the West Valley; the new facilities are needed within the next three years. He reviewed the issues associated with meeting the increasing demands, including resource availability, import limits, and planned generation. He said that SRP had analyzed the issues and identified opportunities for partnering with

Arizona Public Service Company (APS) to build the following new electrical facilities: (1) a receiving station, (2) a 500kv transmission line, and (3) a 230kv system interconnection.

Continuing, Mr. Russell reviewed the preliminary transmission line alternatives and substation siting areas. He said that SRP has owned the substation property since the mid-1960s, and several lines had been sited subsequent to the site purchase. He stated that APS would manage the siting and environmental processes for the 500kv transmission lines; SRP would manage the Palo Verde termination and new substation activities; APS and SRP would manage their own 230kv transmission requirements.

Mr. Russell discussed the major steps in the environmental and public planning process, including key activities and schedule for completion. He stated that the public process had begun in October 1999 and is expected to continue into 2001. Construction is planned to start in 2002, with operations beginning in June 2003.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Messrs. Areghini, Bergdale, Russell and Trentor left the meeting.

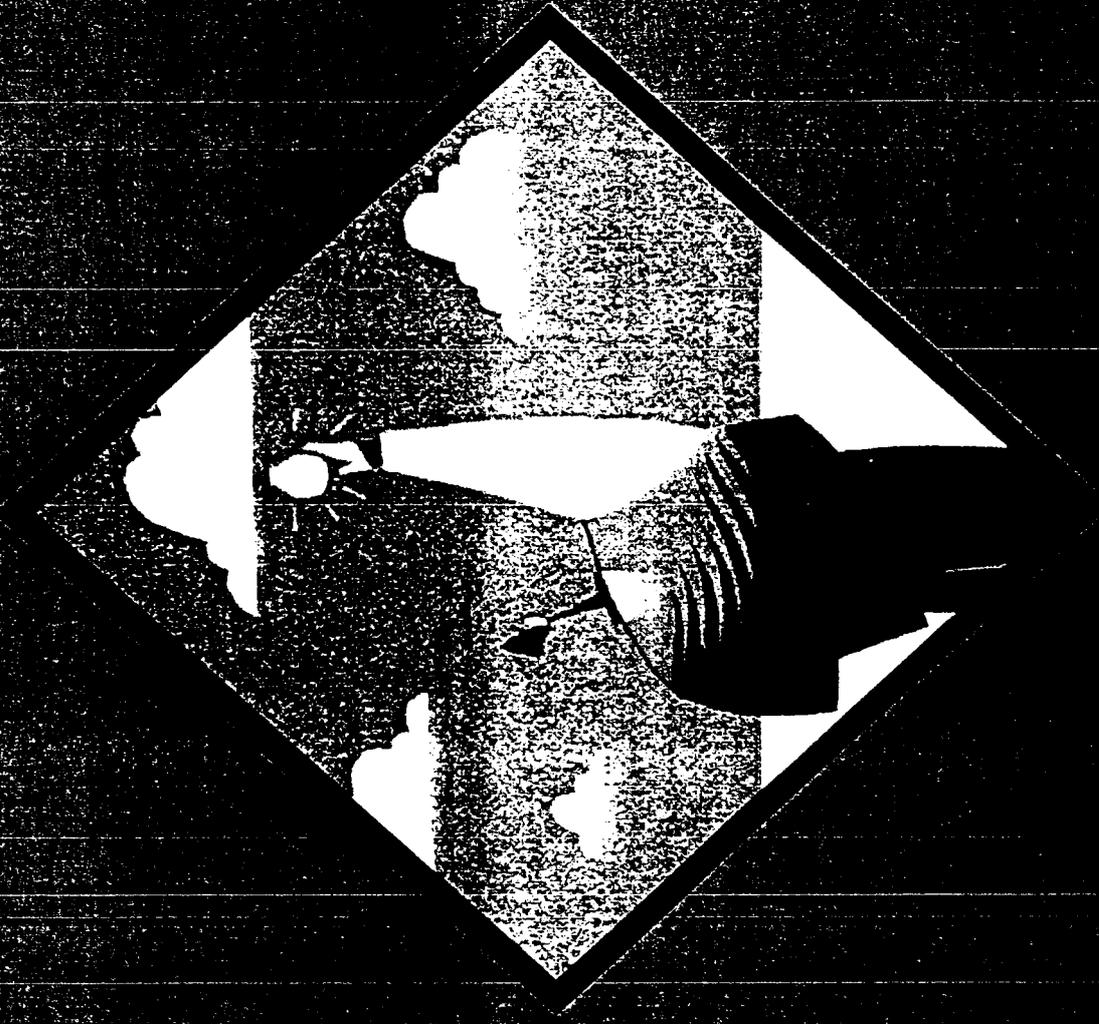
#### Status of New West Energy

Mr. Nichols, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 12:07 p.m.

Terrill A. Lonon  
Corporate Secretary



**POWER COMMITTEE MEETING**

**March 16, 2000**



# Sales Overview

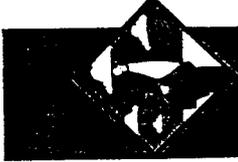
(as of February 19, 2000)



--- Number of Customers ---

--- Customer Load (MW) ---

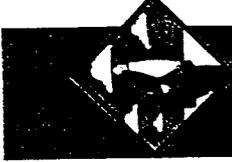
**These customers represent \$200 million in gross revenue (life of contract)**



# NWE Income Statement

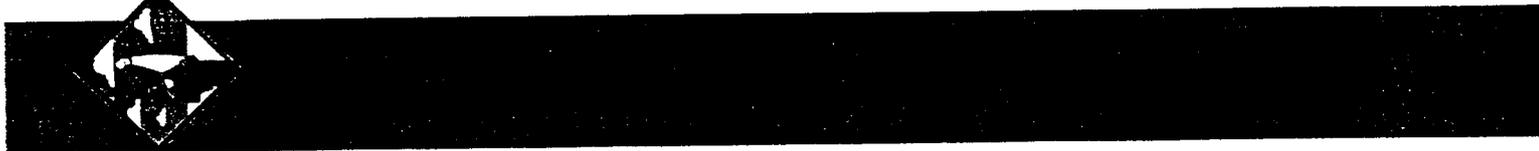
	Feb 2000	Actual YTD
<i>\$ Millions</i>		
MWH	337	3,531
Revenues	15.8*	135.8
Supply Cost	12.5*	122.8
Gross Profit (Loss)	3.3	13.1
Other Operating Expense	0.8	8.0
Interest Expense	0.0	0.5
Net Income (Loss)	2.5	4.6
Remitted to SRP	0.1	3.3

\*Includes results of revenue and expense true-up

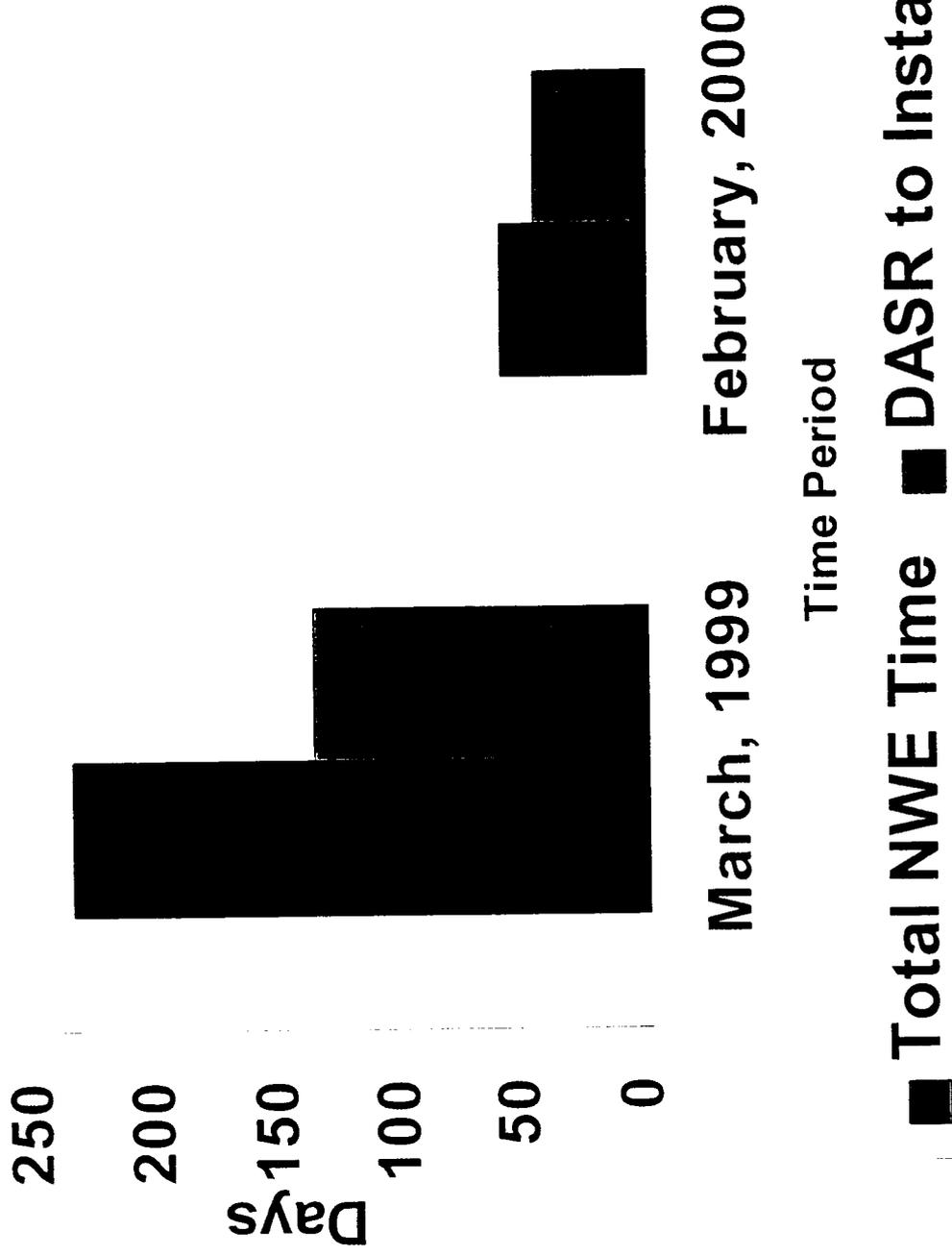


# Key Milestones - California

- **Implemented NWE load curtailment program**
  - California facing similar supply concerns
  - New West Energy is supplying 10% of California interruptible load
  - Developed program to provide additional curtailable load
- **Developed fixed pricing product**
  - CTC ended in San Diego
  - Customers subject to variable (index) prices
  - Fixed price provides greater certainty
  - Provides greater opportunity for margin
- **Exploring alliance opportunities with Coral Energy**
- **Improved back office efficiency**



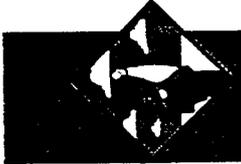
# Meter Installation Progress





# Key Milestones - Arizona

- **On target for FY00 Arizona Sales Plan**
  - Plan for 60MW in sales
  - Assessing next steps given market uncertainty
  
- **Submitted proposal to Arizona Association of Industries**
  - Energy efficiency services
  - Electric commodity at later date
  
- **Meter installations continue**



# Arizona Meters

	<u>APS</u>	<u>TEP</u>
Petsmart	9	2
Walgreen's	48	34
Thornwood	2	0
Kroger	38	0
VMC	1	0
Westile	1	0
Chapparal Suites	<u>6</u>	<u>0</u>
	106	36

**Outlook for Western U.S. Electricity Markets  
and  
The Proposed Ten Year SRP Resource Plan**

Power Committee  
March 16, 2000  
David P. Slick  
Resource Planning

© 16-2000 Power Committee Meeting, D.P. Slick  
Presentation: SRP Resource Plan, 03-16-00

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Fall 1999 Market Outlook & Resource Plan Presentation

**Today's Subjects**

Market Outlook

- Supply versus demand in the West
- New generation
- Market price of electricity
- Transmission

Resource Plan

- Projected need for SRP and New West Energy
- Conclusions about supply for New West Energy
- Resource portfolio considerations and alternatives
- Proposed resource plan

© 16-2000 Power Committee Meeting, D.P. Slick  
Presentation: SRP Resource Plan, 03-16-00

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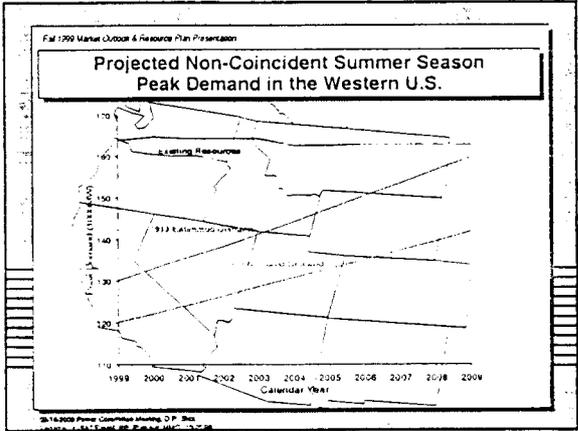
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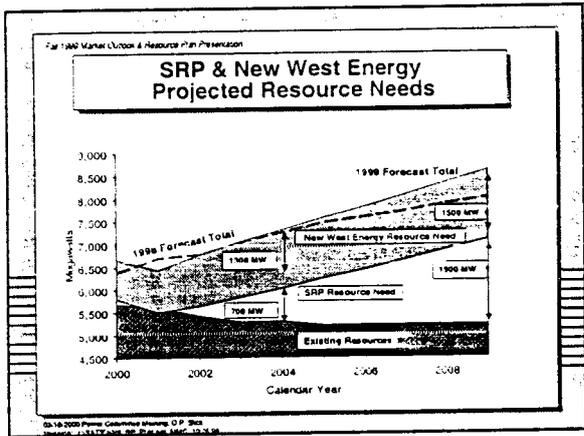
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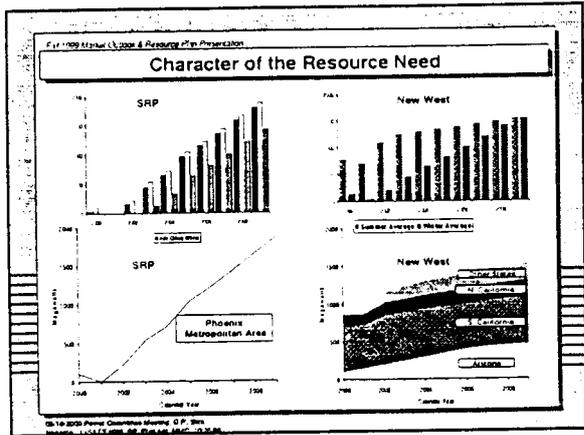
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Fal 1999 Market Outlook & Resource Plan Presentation

### Conclusions About Resource Acquisition for New West Energy

- Use existing SRP resources to the extent that it is economically practical to do so

SRP 2000 Power Generation Planning, D.P. 9/99  
 10/16/99 Phoenix, AZ  
 SRP Energy Services, Inc. 10/16/99

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### Conclusions About Resource Acquisition for New West Energy

- Use existing SRP resources to the extent that it is economically practical to do so
- Purchase additional resources in those markets where the needs exist

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### Conclusions About Resource Acquisition for New West Energy

- Use existing SRP resources to the extent that it is economically practical to do so
- Purchase additional resources in those markets where the needs exist
- Planned reserves = 6%
- No capital investment
- No long term resource acquisition

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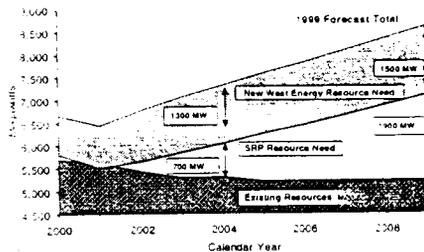
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### SRP & New West Energy Projected Resource Needs




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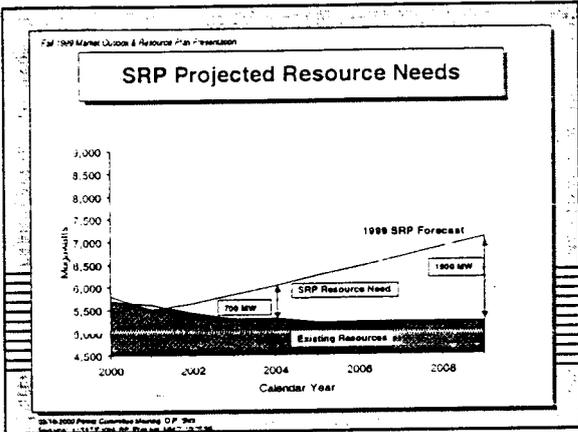
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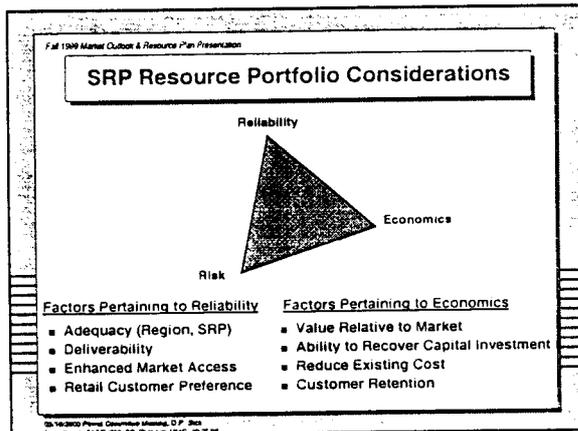
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- Fall 1999 Market Outlook & Resource Plan Presentation
- ### Factors Pertaining to Resource Acquisition Risk
- Political Risk
  - Legislative Risk
  - Environmental Risk
  - Regulatory Risk
  - Investment Risk
  - Electric Market Risk
  - Project Development Risk
  - Market Access Risk
- 10-16-2000 Power Committee Meeting, D.P. 360  
 Presentation - Fall 1999 Market Outlook & Resource Plan

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# **Kyrene Expansion Project**

**Power Committee**

**May 11, 2000**

## **Agenda**

- ❖ **The mediation process**
- ❖ **The Agreement**
- ❖ **Where we go from here?**

## **Mediation Participants**

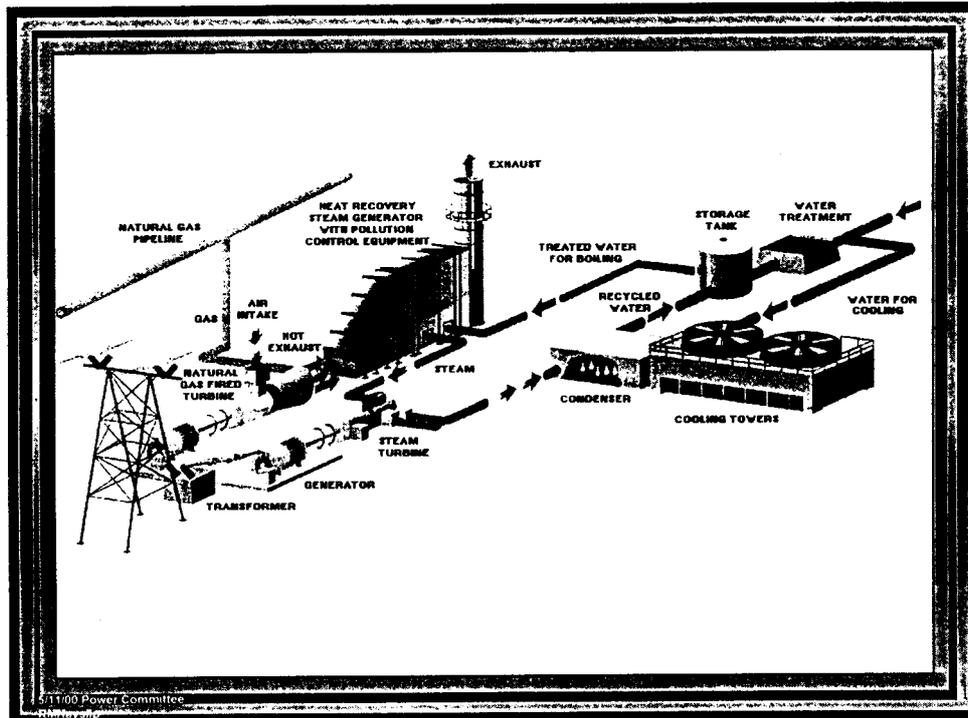
- ❖ **Grant Woods - Mediator**
- ❖ **STOP**
- ❖ **SRP**
- ❖ **Mayor Giuliano - Observer**
- ❖ **Councilman Hallman - Observer**
- ❖ **Two Neighborhood Representatives**

11700 Power Committee

## **Highlights of the Tentative Agreement**

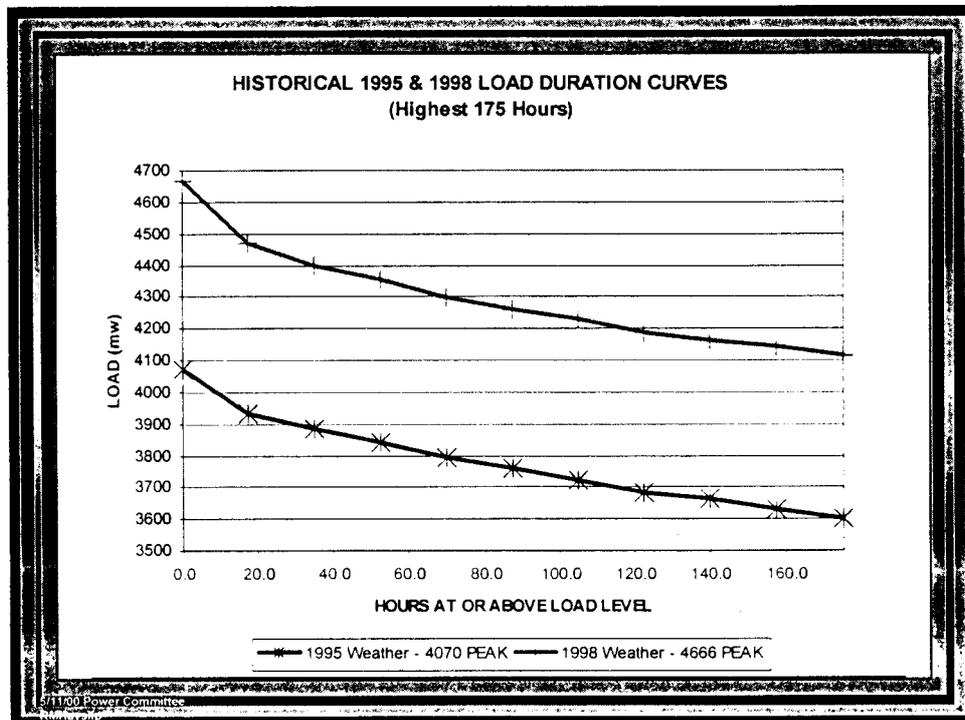
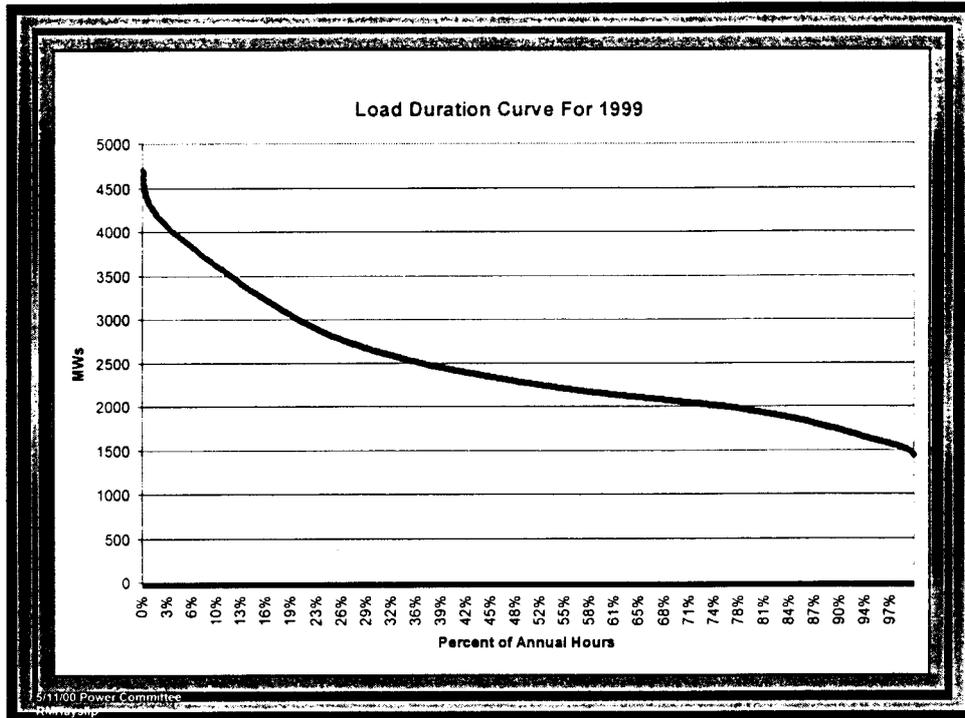
- ❖ **The capacity of the new generating facility will be 250 megawatts, using combined cycle technology**

11700 Power Committee



## Highlights of the Tentative Agreement

- ❖ The capacity of the new generating facility will be 250 megawatts, using combined cycle technology
- ❖ SRP will install equipment to reduce nitrogen oxide emissions from the existing steam units at Kyrene
- ❖ Operation of existing Kyrene units will be limited in aggregate, to 1 percent capacity factor



## **Highlights of the Tentative Agreement (cont.)**

- ❖ **The new facility will comply with Tempe's noise ordinance**
- ❖ **SRP will implement a series of mitigation efforts upon receiving approvals to proceed**
- ❖ **SRP will comply with all relevant clean air standards and will diligently pursue emission offsets in the immediate area**
- ❖ **Parties agree to support SRP's Kyrene project as proposed, and the STOP organization will not become involved in SRP's other expansion plans outside the City of Tempe**

**Where Do We Go From Here?**

MINUTES  
POWER COMMITTEE MEETING

May 11, 2000

A meeting of the Power Committee of the Board of Directors of the Salt River Project Agricultural Improvement and Power District ("SRP") convened at 9:30 a.m. on Thursday, May 11, 2000, in the Board Conference Room at the SRP Administration Building.

Members present at roll call were Chairman Arnett and Directors Ash, Burton, Marshall, Riggins Jr., and Rudd.

Absent at roll call were Directors Dobson and Kempton.

Others present were President Schrader; Vice President Williams Jr.; Directors Diller, Fleming, and Weiler; staff members Ms. Lonon and Messrs. Areghini, Barras, Coggins, Kondziolka, R.M.Rice, Silverman, Vroom, and Wardrip.

Secretary Lonon stated that in compliance with A.R.S. §38-431.02, Diane Wert of the Corporate Secretary's Office had posted a notice of a meeting of the Power Committee at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, on Tuesday, May 9, 2000, at 9:00 a.m., and an agenda was available in the Corporate Secretary's Office.

Director Arnett called the meeting to order and asked Mr. Areghini to proceed.

Underground Cable Replacement Program

Mr. Areghini introduced Jim Vroom, who reviewed the status of SRP's Underground Cable Replacement Program.

Mr. Vroom reviewed the historical, present, and projected budgets for replacement of SRP's direct-buried underground primary distribution cable and associated hardware. He discussed the causes for cable failure and the impacts on customer reliability. He concluded with a review of the replacement work that has been completed to date and estimated schedule for replacement of the remaining cable.

Councilmen Kempton, Rovey, and Woods; Ms. Barr; and Messrs. Bonsall, Duckworth, G. Harper, Hayslip, R. Nichols, and Rappoport entered the meeting.

Summer Preparedness

Mr. Areghini stated that the purpose of this presentation was to review the status of SRP's electric system and the actions taken to prepare for peak energy loads in the

summer of 2000.

Using a PowerPoint presentation, he discussed the readiness of SRP's generating plants and summarized the projected conditions, as follows:

- Transmission is adequate to meet the forecasted peak load and reserves;
- SRP's generation and purchases are adequate to meet the forecasted demand;
- SRP's generating units will be ready to operate over peak periods; and
- Emergency plans are in place to handle contingency events.

Continuing the presentation, Mr. Coggins discussed the energy supply issues, including forecasted peak loads and operating reserves required to handle the Valley's high summer loads. He reviewed the actions taken by SRP to maximize reserves in the Valley and to acquire additional resources to eliminate reserve deficiencies

Mr. Rice reviewed the transmission and distribution issues. He discussed the activities taken to improve the electrical system and to prepare for summer peak loads, including completion of the Substation and Line Maintenance Plan. He concluded by reviewing the key elements of an Emergency Operations Plan that had been developed to prepare for extended periods of high loads, equipment outages, or storm conditions.

Copies of the PowerPoint slides used in the above presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Mr. Dietrich entered the meeting; Messrs. Areghini, Barras, Rice, and Vroom left the meeting.

#### Kyrene Expansion Project

Mr. Hayslip, using a PowerPoint presentation, reviewed the mediation process between SRP and Stop Tempe Oasis Project ("STOP"), a group of area residents in opposition of the proposed expansion of Kyrene Generating Station in south Tempe. He stated that a settlement agreement had been reached and reviewed the highlights of the agreement, as follows:

- The capacity of the new generating facility will be 250 megawatts, using combined cycle technology.
- SRP will install equipment to reduce nitrogen oxide emissions from the existing steam units at Kyrene.
- Operation of existing Kyrene units will be limited, in aggregate, to 1 percent capacity factor.
- The new facility will comply with Tempe's noise ordinance.

- SRP will implement a series of mitigation efforts upon receiving approval to proceed.
- SRP will comply with all relevant clean air standards and will diligently pursue emission offsets in the immediate area.
- The parties agree to support SRP's Kyrene Expansion Project as proposed, and the STOP organization will not become involved in SRP's other expansion plans outside the City of Tempe.

Vice President Williams Jr. and Messrs. Bonsall, Coggins, Dietrich, Duckworth, Harper, Hayslip, Rappoport, Silverman, and Wardrip left the meeting.

#### Status of New West Energy

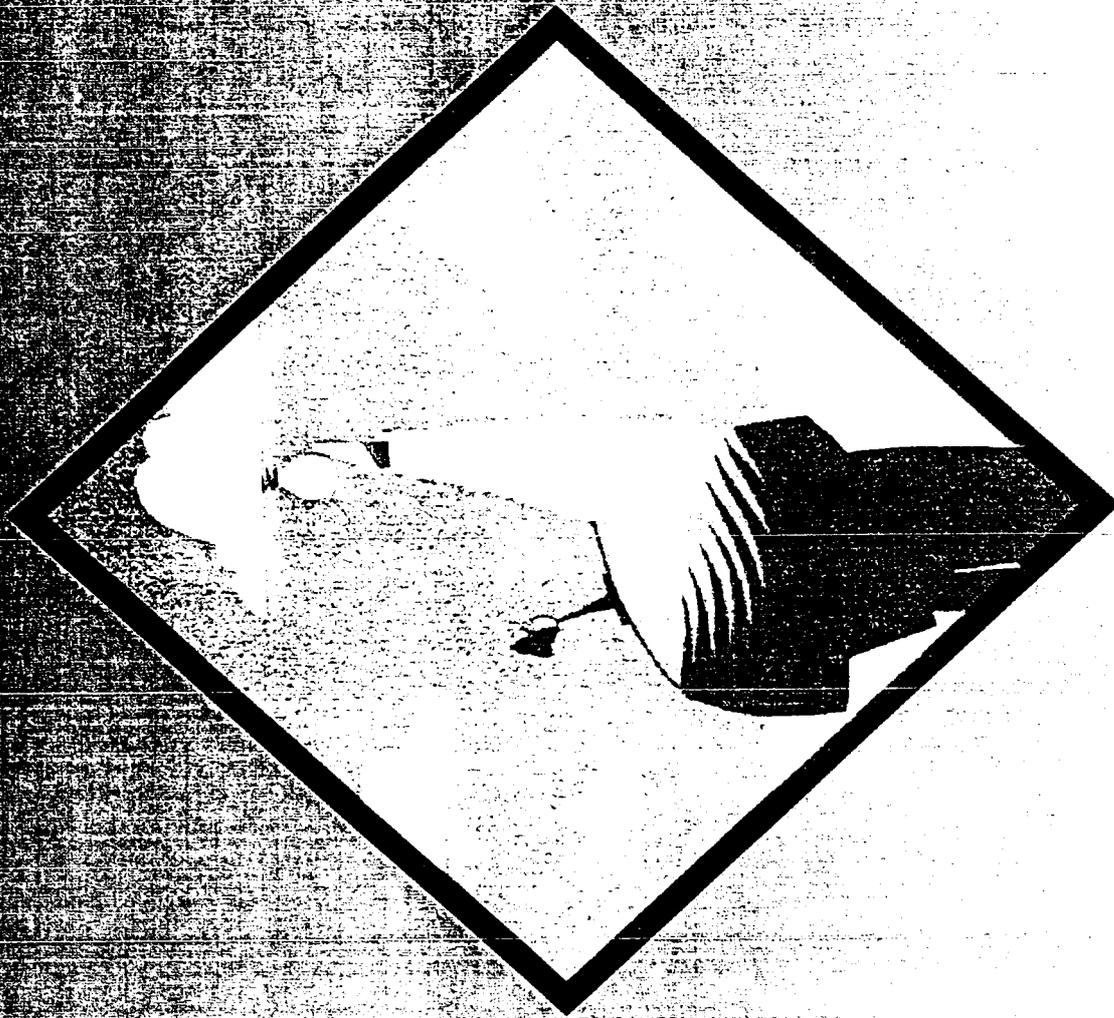
Mr. Nichols, using overhead transparencies, reviewed the activities of NWE, including marketing and sales, revenues and expenses, significant business operations, and other milestones to date. He discussed the major achievements of NWE in fiscal year 2000, including:

- Increased volume by 28%;
- Increased revenues by 70%;
- Increased gross margin by 1,500%; and
- Decreased unit cost by 2.5%.

Copies of the overhead transparencies used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

There being no further business to come before the Committee, the meeting adjourned at 11:40 a.m.

Terrill A. Lonon  
Corporate Secretary

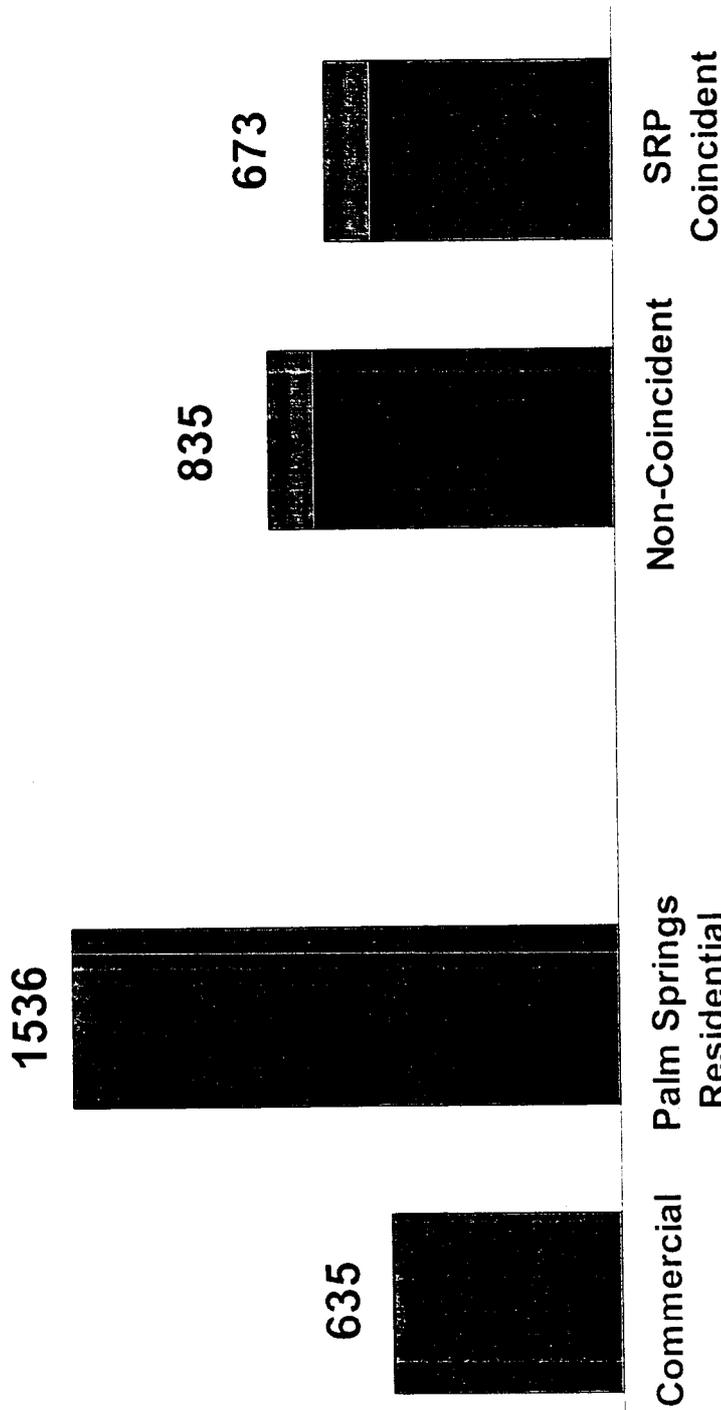


THE UNIVERSITY OF MICHIGAN LIBRARIES

MAY 11 2000

# Sales Overview

(as of April 30, 2000)



--- Number of Customers ---

--- Customer Load (MW) ---

**These customers represent \$220 million in gross revenue (life of contract)**

# NWE Income Statement

\$ Millions

APR  
2000

Actual YTD

MWH	338	4,224
Revenues	12.0*	163.3
Supply Cost	9.5*	144.1
Gross Profit (Loss)	2.5	19.2
Other Operating Expense	2.6	12.2**
Interest Expense	0.0	0.5
Net Income (Loss)	(0.1)	6.5
Remitted to SRP	0.4	3.9

\*Includes results of revenue and expense true-up

\*\*Includes reserves for bad debt and contract termination

Restaurants  
unite to buy  
cheap power

More than 100  
of the nation's



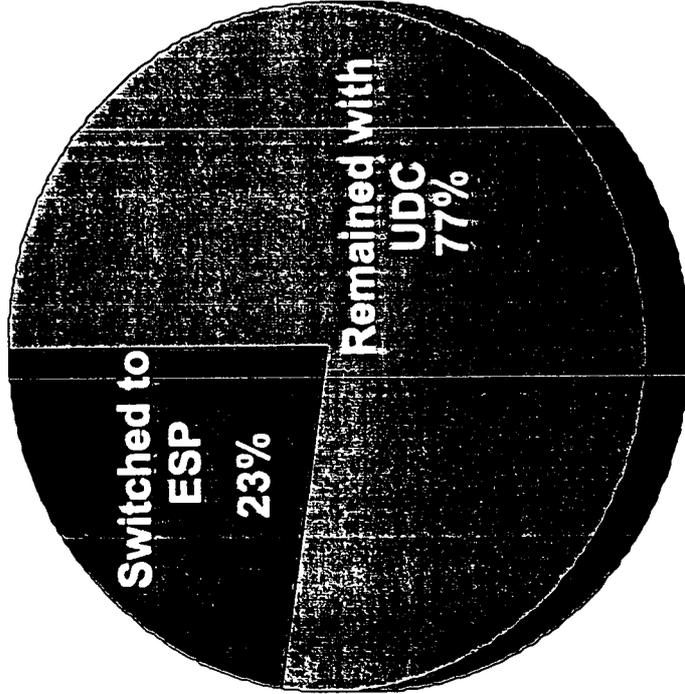
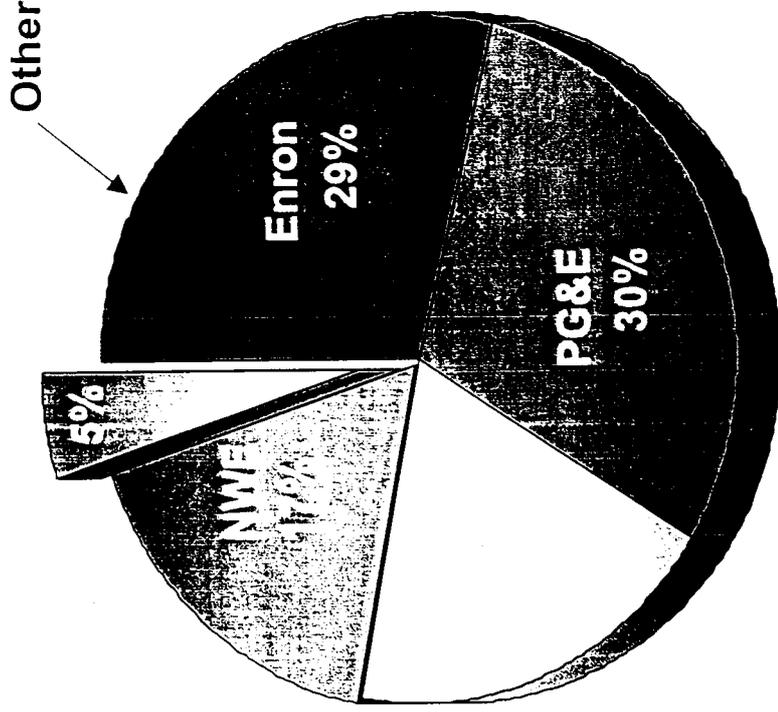
WHO DID THE  
ASSOCIATION SELECT TO  
THE BEST ENERGY VALUE  
TO ITS MEMBERS?



Member Since 1988



# California Competition for Commercial & Industrial Accounts

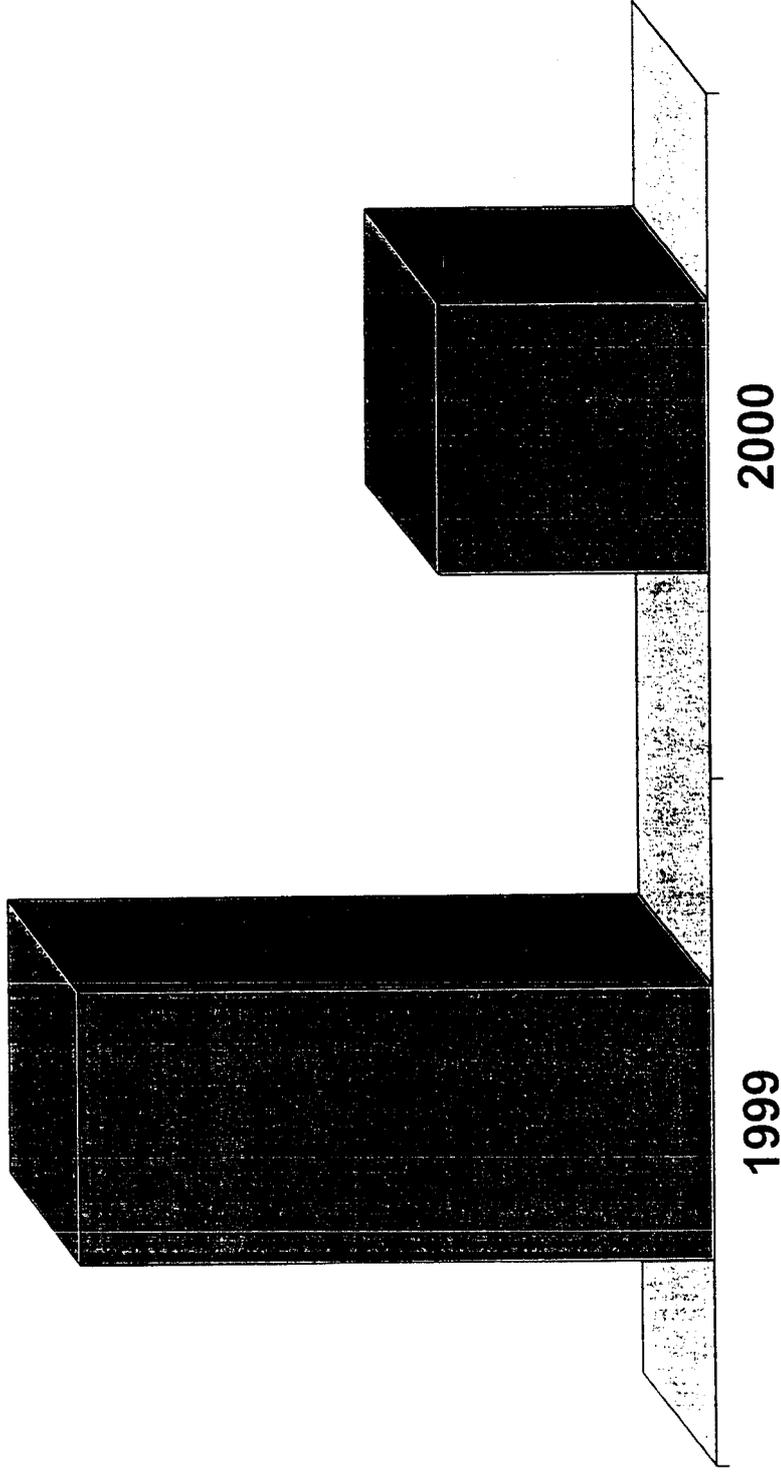


Volumes Switched  
Large Commercial and Industrial,  
As of December 31, 1999 - CPUC Data

ESP Chosen  
New West Estimate

# Operational Efficiency

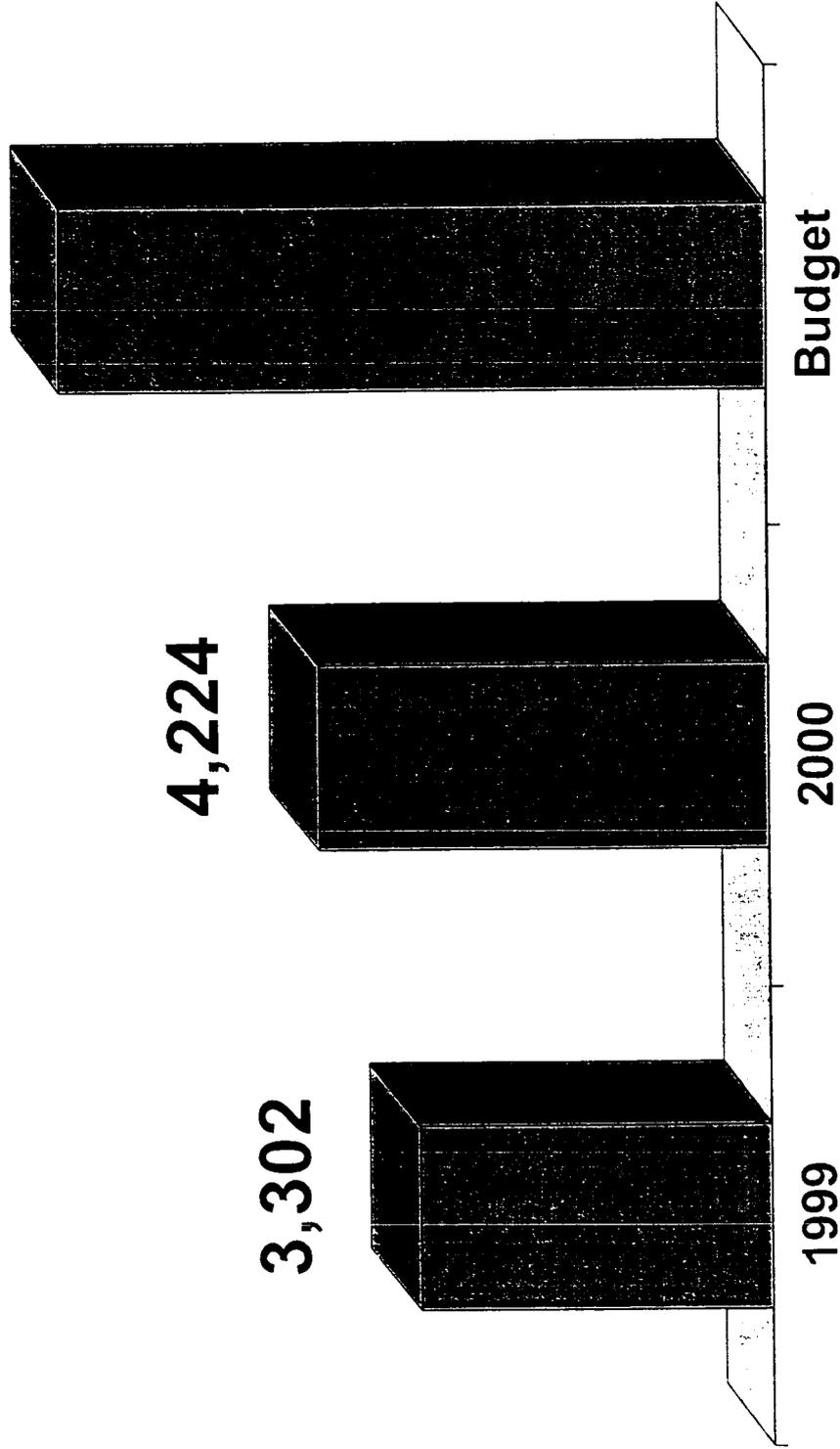
## Cost Per Bill



# FY 2000 In Review

## Volume

6,676

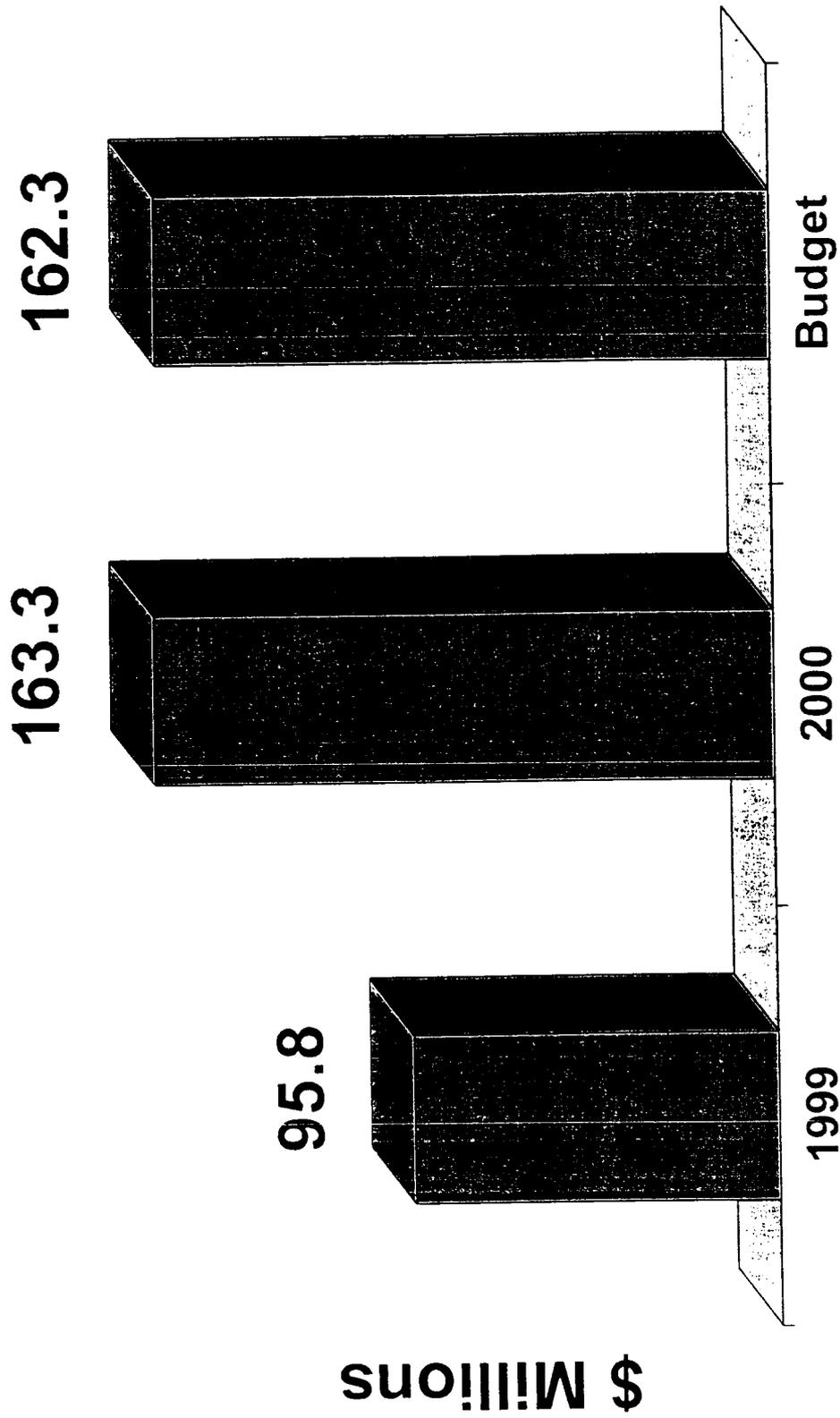


MWh

Volume Increased by 28%

# FY 2000 In Review

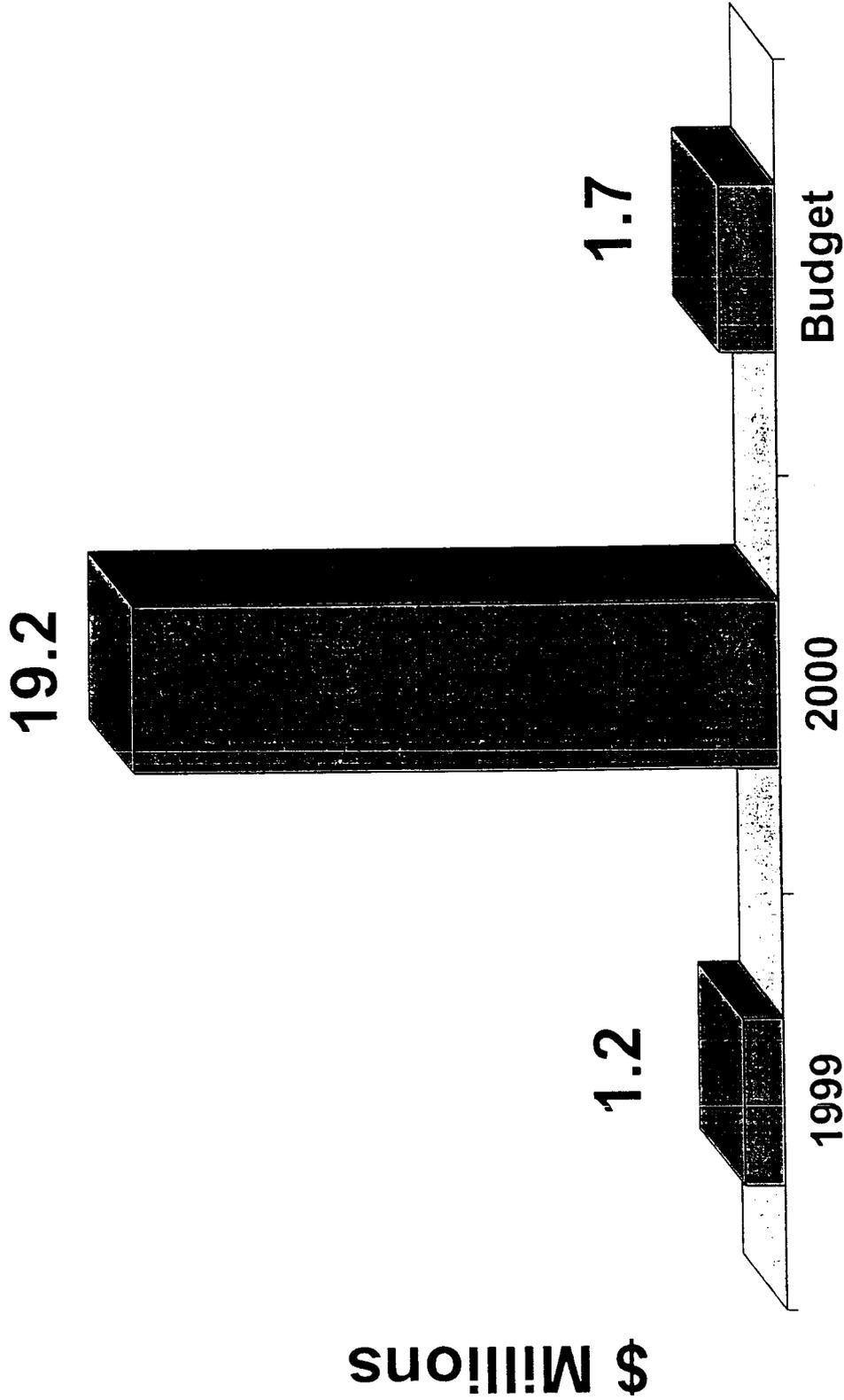
## Revenue



Revenues Increased by 70%

# FY 2000 In Review

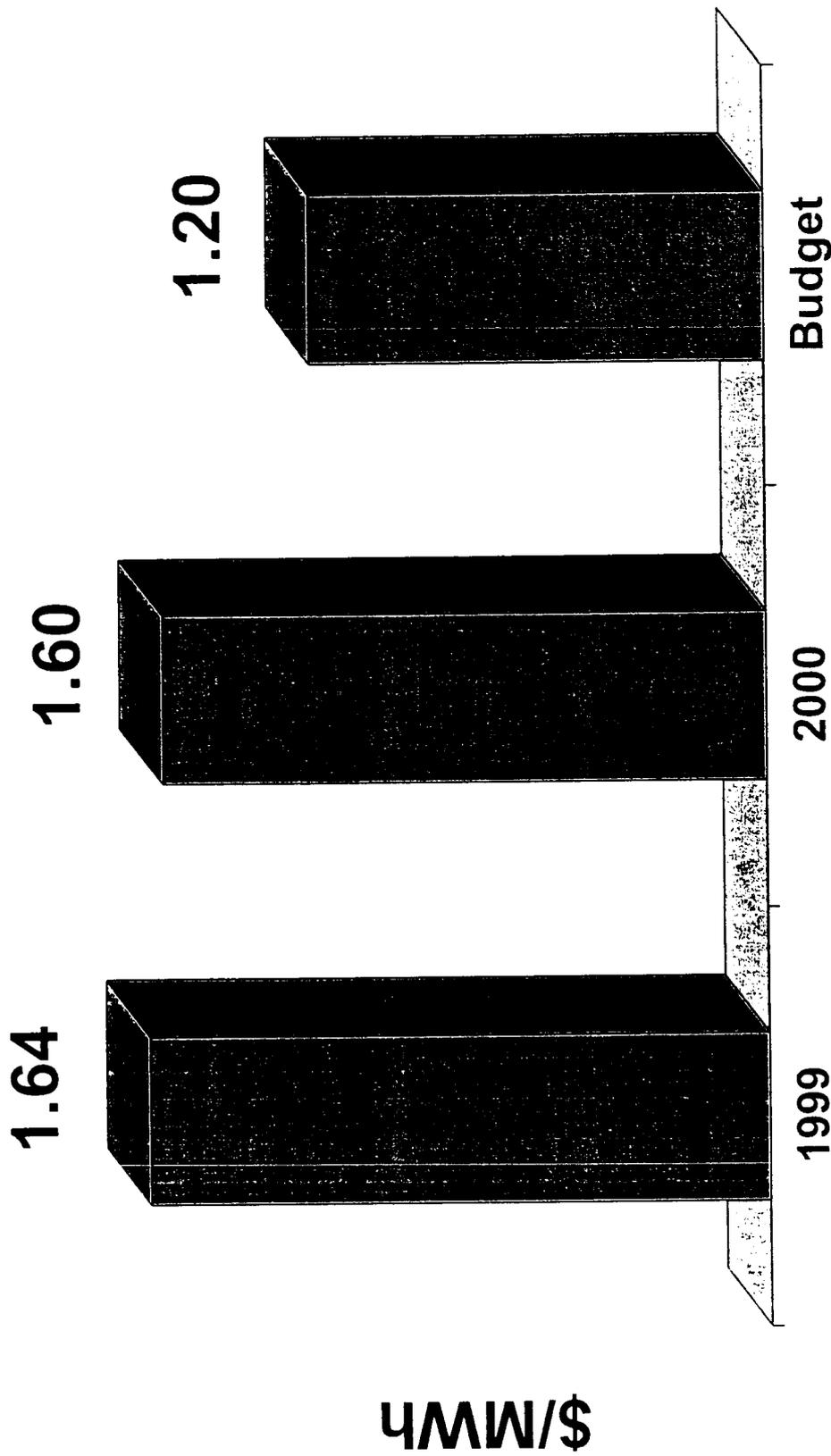
## Gross Margin



Gross Margin Increased by 1,500%

# FY 2000 In Review

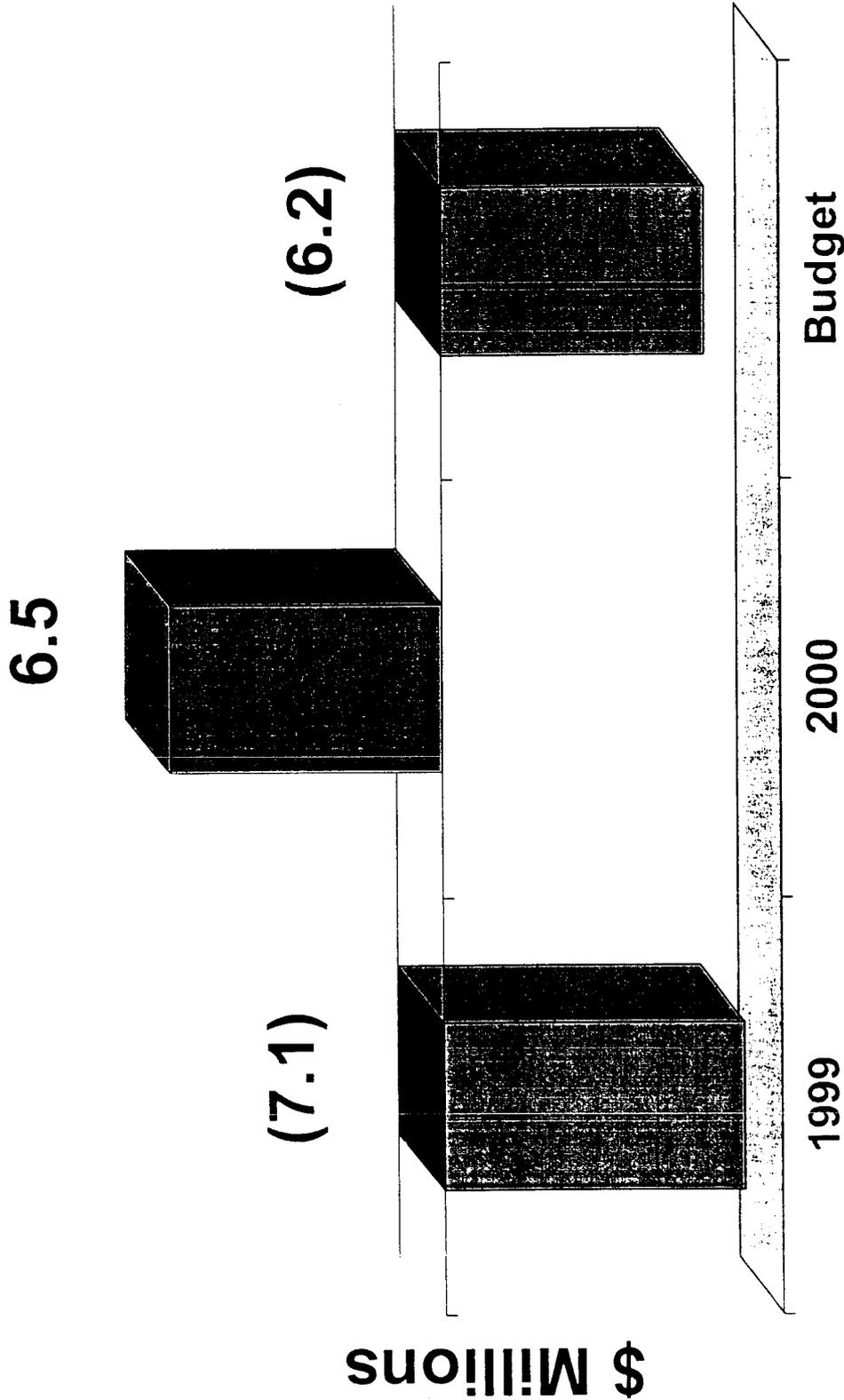
## Direct Operating Expenses



Unit Cost Decreased by 2.5%

# FY 2000 In Review

## Gross Margin



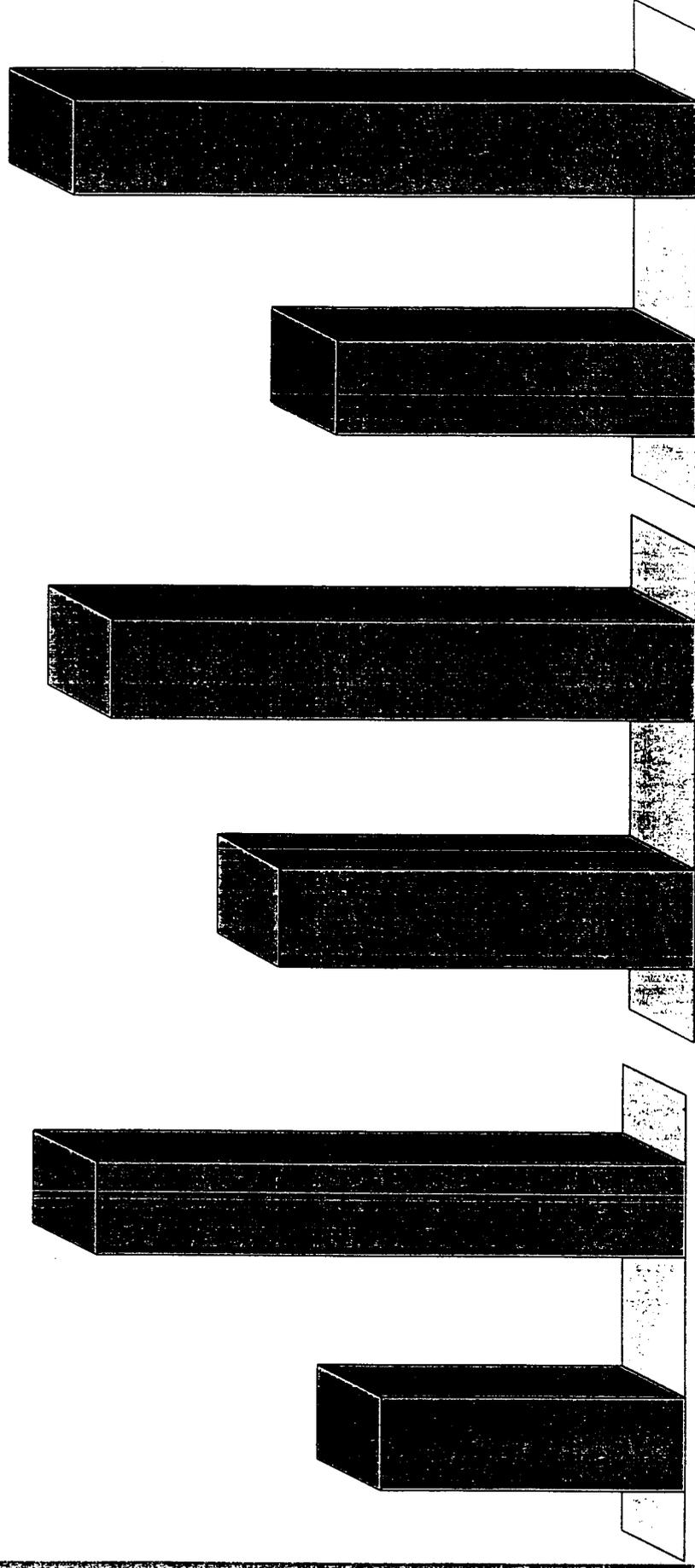
**NWE Bottom Line Improved by \$13.6 million**

NWE PWRCMT05-11-00



# FY 2000 in Review

## Operations



1999

2000

1999

2000

1999

2000

**Meters**

**DASRs**

**Bills (Monthly)**