

# ORIGINAL TRANSCRIPT

CRSP MC FY 2009

Rate Adjustments

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Second Public Information Forum

April 10, 2008

1:40 p.m.

## TRANSCRIPT OF PROCEEDINGS

Location: Wallace F. Bennett Federal Building  
125 South State Street, Room 8102  
Salt Lake City, Utah

Reporter: Susette M. Snider, CSR, RPR, CRR  
Notary Public in and for the State of Utah



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P R O C E E D I N G S

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3 MR. ARELLANO: My name is Adam Arellano.  
4 I'd like to welcome you to today's public forum. I'm  
5 an attorney with the Office of General Counsel for  
6 Western Area Power Administration in Lakewood,  
7 Colorado, and I will moderate this forum.

8 As noticed in the March 24, 2008 *Federal*  
9 *Register* notice, Volume 73, No. 57, page 15519,  
10 Western is here today to give both a Public  
11 Information Forum and a comment forum.

12 During the Public Information Forum,  
13 Western will give a presentation on the 2010 Work  
14 Program Review, the proposal for a two-step increase  
15 to the Salt Lake City Area Integrated Project rates  
16 and the spinning and supplemental reserve rates.

17 After the presentation we'll give you the  
18 opportunity to ask questions, so please wait to ask  
19 the question until after our formal presentation has  
20 been completed.

21 The second half of this forum is a public  
22 comment forum. The public comment forum is provided  
23 to give you the opportunity to provide formal  
24 comments on the proposed adjustment to the firm power  
25 rates for the Salt Lake City Area Integrated Projects

1 and for the Colorado River Storage Project Transition  
2 and Ancillary Services.

3 The proposed adjustments to these rates  
4 are scheduled to be effective on October 1, 2008.

5 Please be aware that a verbatim transcript  
6 of this afternoon's forum is being prepared by a  
7 court reporter. Everything said while we're in  
8 session this afternoon, including the  
9 question-and-answer session, together with all  
10 exhibits will be part of the official record.

11 Copies -- copies of this afternoon's transcript will  
12 be available to anyone who wants a copy upon payment  
13 of the required fee to the court reporter.

14 The court reporter's name, address and  
15 telephone number may be obtained at any time after  
16 this afternoon's forum.

17 Copies of the transcript and the complete  
18 record of this public process will also be available  
19 for review at Western -- at Western's CRSP Management  
20 Center here in Salt Lake City, Utah.

21 When we get to the question-and-answer  
22 session, if you have questions, I will recognize you  
23 first. Then please first state your name for the  
24 record and identify any party you are representing.  
25 It may also be helpful to spell your name and provide

1 a business card to the court reporter at the close of  
2 the forum. So also please remember to speak up and  
3 use your microphones if you feel you need to.

4 And after the question period, we're going  
5 to take a short break, 10 to 15 minutes, and kind of  
6 regroup. Following that, we're going to come back  
7 and have the comment portion of the forum. This is  
8 the formal comment period which is an opportunity for  
9 you to put comments on the record.

10 The same speaking rules will apply for the  
11 sake of the court reporter. All comments should be  
12 relevant to the Salt Lake City Area Integrated  
13 Project firm power rate adjustment, and as moderator,  
14 I reserve the right to disallow any comments which  
15 are not relevant to this afternoon's forum. It is  
16 also possible some of our staff may have questions of  
17 their own in response to some of your comments.

18 Lastly, I would ask that if you plan to  
19 make your comments from a prepared text, it would be  
20 helpful for you to provide a copy to the court  
21 reporter. And you may also submit exhibits into the  
22 record. Please provide any exhibits to the court  
23 reporter as well.

24 And with that, I'd like to turn the floor  
25 over to Ms. Carol Loftin.

1 MS. LOFTIN: Thank you, Adam.

2 First of all, I'd like to introduce the  
3 team today that will be doing presentations. Again,  
4 my name is Carol Loftin. I'm the rates manager of  
5 the Salt Lake City Integrated Projects, formally  
6 known as the CRSP MC Office.

7 Starting over there is Rodney Bailey in  
8 the blue shirt. He'll be talking to us about the  
9 spinning reserves, and then Tamala Gheller on our  
10 staff, helping us with all the logistics. Paul  
11 Stuart next to -- next to her will be going through  
12 the firm power rate for us and then Frances Hamada  
13 down at the end of the table helping with sign-in  
14 sheets.

15 I hope you find this second information  
16 forum informative.

17 As Adam mentioned, the statements here  
18 today are going to be recorded, so when you do have  
19 questions, please speak clearly and for the record.  
20 I would like you to save those questions and comments  
21 until the appropriate time when our presentation is  
22 over for the information forum.

23 Today's agenda is we'll start with a  
24 revised rate process schedule and then move on to two  
25 main topics that we have here today. One is for the

1 firm power rate, the Salt Lake City Integrated  
2 Project firm power rates, and the second one is a  
3 revision that we're making to the supplemental and  
4 spinning reserves ancillary service rates.

5 Just to catch you up where we are on the  
6 rate schedule process, on March 24 an FRN was  
7 published, announcing the second information forum  
8 and comment forum, and that's why we're here today.

9 The first Public Information Forum, as you  
10 are aware, was held February 5th, followed by the  
11 first comment forum held on March 4th. At that time  
12 we mentioned that we would be hosting another Public  
13 Information Forum and public comment forum, which is  
14 why we're here today. We also announced that we'd be  
15 extending the end of the comment forum from April 3rd  
16 to what you see now here as April 5th.

17 The rates are still proposed to be  
18 effective October 1st of this -- this year.

19 And now I'd like to introduce Paul Stuart.

20 MR. STUART: Thank you.

21 Okay. Today I'd like to talk about  
22 these -- these items. First of all, I'm going to  
23 talk about the 2010 Work Program Review and the  
24 changes or differences that the 2010 WPR is from the  
25 2009 that we introduced at the first Public

1 Information Forum.

2 I'd also like -- then I'd like to talk  
3 about the updated purchase power estimates that we've  
4 had since then. Then next will be the fiscal year  
5 2007 updates for estimate-to-actual data in the PRS.  
6 Then I'll talk about an option for a two-step rate  
7 increase, and then last, I'll summarize everything by  
8 referring to the handout that you have which compares  
9 the existing previous proposed and revised proposed  
10 firm power rates.

11 Okay. So now I'd like to talk about the  
12 2010 Work Program Review or WPR, as we call it. Just  
13 to summarize, the Western -- the Western's O&M went  
14 up about \$2.4 million per year, and that's per year  
15 of -- during our rate saving period. The Western's  
16 retirement, replacements -- replacements and  
17 additions, or RRADs as we call them, were up about  
18 \$37 million over the budget period, and I'll talk  
19 about that. Both of these went up in the categories  
20 of substations, transmission lines and power  
21 marketing, and I will -- I will talk about those  
22 items.

23 First of all, the O&M, the Work Program  
24 Review showed the -- the \$2.5 million per year  
25 increase. I'd like to explain how this table works

1 here. This is a table of differences between the '09  
2 and the '10 work plans in terms of transmission  
3 lines, substations, power marketing and all other  
4 expenses. So these are the increases, if you will,  
5 from the 2009 to the 2000 (sic) work plan for the  
6 first through the fifth budget year.

7 Now, you'll see in the next-to-the-last  
8 column it indicates there that that's the future --  
9 the future 13-year projection. This is the  
10 differences of the future 13-year projections that --  
11 that we make going out from the budget years through  
12 the rate saving period.

13 And then in the last column is the  
14 average, so we take the average of the five budget  
15 years, and included with that is our projection of  
16 the 13 future years. And, again, these are all  
17 differences that have occurred since the original  
18 Public Information Forum.

19 So that's where we come up with the  
20 \$2.4 million-per-year increase, which you see down at  
21 the -- at the bottom right-hand corner of the table.

22 So we'll talk a little bit about each of  
23 these items here and why -- the explanations of why  
24 these things changed. First of all, the transmission  
25 lines increased actually pretty much through the

1 budget period, and the -- in summary, the explanation  
2 here is that the -- this increase is due to heavy  
3 vegetation management costs that are expected at our  
4 Rocky Mountain Region.

5 We talked about some of these items in a  
6 meeting that we had previous with customers on -- on  
7 the review of the -- of the work program, so some of  
8 these things might be a little bit redundant. But  
9 the transmission lines mostly went up because of the  
10 increases in -- due to heavy vegetation management.

11 The transmission -- or the substation  
12 lines went up because of Wage -- Wage Board labor  
13 cost increases. Also, we had additional personnel we  
14 call our 50-5-5, FTEs, for projected human capital  
15 shortages in critical areas, primarily in the  
16 maintenance field. In the power marketing, the  
17 increases there are due to additions of four FTEs,  
18 three transferring from the Rocky Mountain Region and  
19 one for the 50-5-5 initiative.

20 So all in all, there wasn't much change in  
21 the other category, and there wasn't any change in  
22 the Bureau of Reclamation's budget or Work Program  
23 Review from '09 to '10, or very little.

24 Okay. So this -- this slide, then, shows  
25 the retirements, replacements and additions, and they

1 went -- went up over the five-year budget period  
2 about \$33.7 million for replacements to transmission  
3 lines, substations and so forth.

4 Okay. Next slide. This is a table  
5 showing the year-by-year increases in the RRADs, as  
6 we call them. You'll notice in the first year in our  
7 revised proposal, we have this element of cost called  
8 "Construction Work in Progress" or CWIP, as it's  
9 called, which we carry -- we bring it from the year  
10 end into the budget years, knowing that we will -- we  
11 will have to clear that out and book those costs to  
12 plant sometime during the budget period. But I  
13 just -- we usually just lump them into this first  
14 budget year.

15 So -- so, really, the increases in the  
16 actual budgeted costs, if you will, would be the 33.7  
17 less the 12.5 million for construction work in  
18 progress. So we'd be talking closer to \$21 million  
19 as an increase in the budgeted RRADs.

20 Okay. So I've -- I've summarized the cost  
21 differences, the increases due to the 2010 Work  
22 Program Review. Now I'm going to go to the updated  
23 purchase power estimate.

24 One of those updates was the revision of  
25 our 2008 estimate, which we revised the downward from

1 the preliminary -- from our preliminary study that we  
2 talked about in the first information forum to our  
3 final study. They went down from 43.5 million to  
4 26.6 million, or a decrease of about -- about 16.9 or  
5 about \$17 million. As you all know, we've had some  
6 good storms this winter, and so our revisions for  
7 purchased power for this fiscal year are down by  
8 about \$17 million.

9 Also, here, as some of you who were here  
10 in the first Public Information Forum, we had carried  
11 our purchase power costs out to 2014 with purchases  
12 for firming, and it was commented on that we should  
13 not -- we should roll that back to 2013. And so we  
14 reduced our 2014 estimate from 10.8 million down to  
15 our minimum estimate of 4 million that we carry for  
16 administrative costs of purchases. So we dropped the  
17 2014 purchase power from 10.8 million down to  
18 4 million which is a decrease about \$6.8 million for  
19 that one year.

20 This next slide shows a summary of what  
21 has happened to the purchase power estimates in the  
22 power repayment study. You can see '08 where -- how  
23 that went down, and in '14 how it went down again in  
24 that year.

25 You'll also see that in '07 purchases

1 actually increased over what we had estimated. Since  
2 that's the actual year -- year-end data, now I'm  
3 going to talk about year-end data and how those  
4 things changed from the -- from our study --  
5 preliminary study to our final study.

6 Okay. So the fiscal year 2007 data, then,  
7 we have updated from the budget estimate of what we  
8 actually see from our financial -- audited financial  
9 records that are -- that have just recently become  
10 available to us. From these actual records, we put  
11 the actual amounts into the power repayment study.  
12 The net effect of the actuals was to reduce our net  
13 income in 2007 by \$14.4 million.

14 Most of that was due to two items. The  
15 operation and maintenance costs went up \$5 million  
16 for that year, for 2007, and the purchase power costs  
17 went up \$8.5 million for 2007.

18 Now, the investments also went down about  
19 15.6 million. We wouldn't necessarily see that  
20 impact in the 2007 year, but we would see it in the  
21 future years.

22 Okay. This slide just shows that our --  
23 our estimate of O&M, our actual costs in '07  
24 decreased about \$5 million, going from  
25 \$60.7 million -- I'm sorry -- it went up from

1 \$60.7 million up to 65.7 million, for an increase of  
2 about \$5 million per year.

3 Purchase power went down to 8.5 million  
4 from 39 -- went up 8.5 million from 39.3 million up  
5 to 47.7 million, or an increase of about \$8.5 million  
6 for 2007.

7 And here last on the updates from the  
8 estimate to actual, the investments went down  
9 15.6 million from 26.5, which we had expected, to  
10 10.9. Now, part of the reason that we -- that we  
11 went down was this CWIP. There was \$9.1 million of  
12 Construction Work in Progress in our preliminary  
13 estimate, so that is -- the fact that that wasn't all  
14 booked and is moved to the next year is one of the  
15 reasons for the -- for the decrease from estimate to  
16 actual in 2007.

17 Okay. So this table shows the annual  
18 revenue requirements comparison between what we have  
19 now in the PRS with our revised numbers, our 2007 --  
20 2010 Work Program Review, compared with the numbers  
21 that we presented in our first Public Information  
22 Forum, and you can see these are average annual  
23 amounts, which means that the total revenue  
24 requirements per year are represented by these  
25 amounts.

1           Now, you can see that Western's O&M costs,  
2 as we've said, went up about \$2.4 million per year.  
3 That's about a 6-percent increase, and we've  
4 explained some about how -- why that happened.  
5 Reclamations went down very slightly, so it pretty  
6 much stayed the same. Our purchase power, as you can  
7 see here, went down on a yearly basis 400,000.  
8 That's that amount that we dropped in 2014 divided by  
9 the 17-year rate-setting period. So that's -- that's  
10 part of -- part of that. And then the other costs  
11 are all other revenue requirements lumped together,  
12 which didn't change much.

13           So our total expenses increased by about  
14 2 percent, going from the preliminary PRS that we  
15 used in the first information forum to our final PRS  
16 that we're using today with the 2010 work plan and  
17 with some of the other adjustments that I've  
18 explained here.

19           So, now, the principal payments go up  
20 1 percent, average principal payments per year,  
21 because -- because of the -- mostly because of the  
22 retirements, replacements and additions that were  
23 added to the budget during those budget years.

24           So our net annual revenue requirements go  
25 up 2 percent, and the offsetting revenues haven't

1 changed since the first Public Information Forum, so  
2 our net annual revenue requirements increase by about  
3 \$3 million a year, or about a 2-percent increase.

4 If you translate that to the -- to the  
5 rates, we come up with a composite rate of 29.43  
6 compared with the rate that we presented in the first  
7 Public Information Forum of 28.85, which is about  
8 58/100 of a mill increase or about a 2-percent  
9 increase, and the building components  
10 correspondingly -- correspondingly went up 2 percent  
11 each as well.

12 This is a summary chart to show what --  
13 with the current final study what -- the various  
14 elements of revenue requirements and how they fit  
15 into the picture, into the total rate. There was  
16 somewhat of a shift in some of these, if you remember  
17 the pie that we presented in the first Public  
18 Information Forum, a shift of a percent or 2 in some  
19 of the categories.

20 Okay. Now, we'd like to talk about some  
21 option for a -- for a two-step increase as was  
22 suggested that we investigate the possibility of  
23 rather than going up the full amount in one fiscal  
24 year, that we -- that we step that up over -- over a  
25 two-year period. So what we have suggested, what

1 we're suggesting and proposing here, is that we go up  
2 in the first year about -- about half the rate  
3 increase, which is about -- about 8 percent, and that  
4 would be effective this year, in the October 2008 or  
5 the beginning of fiscal year 2009.

6 Then we would establish our rate for the  
7 second step, but we would establish it as a cap. In  
8 other words, what we would do is in about a year from  
9 now, we would take a look at the situation that  
10 occurs, and hopefully, situations could occur with  
11 hydrology and other things to where the second step  
12 may not need to be as high as what the cap would  
13 indicate.

14 So that's -- that's kind of what we  
15 thought that we would do with -- with that.

16 Now, so, in summary, here on this chart we  
17 show the current rate, which is 25.28, and if we used  
18 a single rate, we would go up to 29.43 mills per  
19 kilowatt hour. With a two-step rate, we would start  
20 the first step with 27.3. The second step would be  
21 capped at 29.95. So it wouldn't go any higher than  
22 that.

23 Now, as I mentioned, we were suggesting  
24 and proposing a rate that is about half what we think  
25 the second step might be. We did, however, look at

1 some others just to see what would happen if, for  
2 example, we went into the -- the first step was  
3 essentially no step, no increase, and all -- all of  
4 the increase might then come in the second step.

5 So in that alternative, we would start out  
6 with our -- hanging with our current rate at 25.28,  
7 but then our second step might have to be as high as  
8 29.84, which is a little higher than single rate  
9 because of -- because we would have to delay some of  
10 the payment on our debt, and therefore, the interest  
11 would cause the rate to go up a little bit.

12 The second one that we looked at was at  
13 3 percent, say a 3-percent increase from the current  
14 rate, which would be 26 -- approximately 26.04, and  
15 then the second rate would need to be capped at  
16 29.77, which would be about a 17.3-percent increase  
17 in total.

18 And you can see a pattern developing here,  
19 that the higher the first step is, the lower the  
20 second step needs to be and the lower the total  
21 increase needs to be up until the 8 percent, which is  
22 what we're proposing.

23 So that kind of shows you the trade-offs  
24 between having steps at different rates and the costs  
25 that might occur by delaying the revenue till the

1 second step.

2 Okay. Now let's go ahead and look -- take  
3 a brief look at our handout. I assume everybody has  
4 the handout but me?

5 Okay. I've got it here somewhere.

6 Okay. So those of you who were at the  
7 first Public Information Forum will recognize this.  
8 The first -- the first -- the green, the white and  
9 the yellow columns, the first three there are exactly  
10 what we presented in the first Public Information  
11 Forum.

12 So what we have added to this table is the  
13 gray portion, which is the annual revenue  
14 requirements and -- of the -- based on the revisions  
15 that we've made, the 2010 work plan and so forth, and  
16 then the next two yellow columns are the change from  
17 the current rate. Then the last column out there  
18 is -- the salmon color column is just simply the  
19 percentage change between the '09 and the '10 work  
20 plan PRSs or the preliminary PRS and the final PRS  
21 for our rate action.

22 Down at the bottom we have also reiterated  
23 the stepped rate and what we might see for the first  
24 rate and the second -- or the first step and the  
25 second step which we have indicated would be a --

1 would be a cap.

2 So what we would be looking at in terms of  
3 a rate schedule would be similar -- two-step would be  
4 similar to a -- to a single step except that the  
5 first step would be effective October 2008, we'd have  
6 a capacity energy and the CRC, if needed, to comprise  
7 our total monthly charge, and then the next year our  
8 second step would be effective October 2009 or the  
9 beginning of fiscal year 2010, also with a capacity  
10 and energy charge and CRC, if needed.

11 So now we'd like to turn the time over to  
12 Rodney, who will talk about the spinning and  
13 supplemental reserves clarification.

14 MR. BAILEY: Well, since our last  
15 information forum, we are proposing a clarification  
16 to one of the ancillary service rates that we have,  
17 and that is the spinning and supplemental reserves.

18 Spinning and supplemental reserves are  
19 defined under Schedule 5 and 6 of Western's tariff,  
20 and in the current rate it states, If these services  
21 are provided by Western, the rate under the Western  
22 systems power pool contract will apply.

23 And under our proposed rate, it will  
24 state, CRSP will provide spinning and supplemental  
25 reserves if resources are available and charge market

1 rates plus administrative costs. If CRSP resources  
2 are not available, CRSP will purchase spinning  
3 reserves and pass through the cost associated with  
4 such purchases, including administrative cost.

5 Okay. And then just to conclude, I would  
6 draw your attention to the -- the e-mail address that  
7 we have and would encourage that you submit your  
8 written comments to this e-mail address, which is  
9 crspmcadj@wapa.gov.

10 And then, also, we would like to point out  
11 that we have our web address that you can follow  
12 along the rate process and watch what's happening,  
13 and after the comment period, which is -- will end  
14 May 5, all comments will be posted to this website.  
15 And so you can go and review the comments that have  
16 been posted by -- by all customers.

17 So -- and now we will -- I will turn the  
18 time back over to Adam to take your questions.

19 MR. ARELLANO: That's it?

20 We can now take questions.

21 Yes, sir.

22 MR. WONER: My name is Jeff Woner,  
23 W-o-n-e-r. I'm with CREDA. And I've got a few  
24 questions.

25 Maybe if I direct you to the slides,

1 starting with No. 6, Differences Between Western and  
2 the Bureau's O&M. And on the first line out in the  
3 transmission line, you mentioned that the primary  
4 reason for that increase was vegetation management.  
5 And I see that in the projections for the out years,  
6 2013 through 2025, they go down fairly significantly,  
7 and I'm assuming that's in recognition of the fact  
8 that once you get it done, you don't keep doing it  
9 every year.

10 Based on my understanding of some of the  
11 drivers on the substations and power marketing  
12 increases in 2010, a lot of those were driven by  
13 labor expenses and actually doubling up on labor for  
14 people that are retiring. And I'm curious to know --  
15 I would think that that duplication would go away in  
16 the out years as well.

17 Have you guys looked at those at all?

18 MR. STUART: There was some consideration  
19 for the reduction in the 50-5-5 in the out years. It  
20 looks like it may have all fallen out in the  
21 transmission lines increase and also in the power  
22 marketing.

23 MR. WONER: So the transmission line  
24 includes the labor that we talked about and the  
25 vegetation management?

1           You said -- I mean, there was -- maybe I  
2 didn't understand your question, but under the  
3 substations line item, as I recall, there was some  
4 additional FTEs being hired there as well to double  
5 up on current employees?

6           MR. STUART: Yes, there was some of that.

7           MR. WONER: I remember there was a  
8 discussion at the work plan meeting that there would  
9 be adjustments in the out years as those people  
10 retired and the new people stayed in.

11          MR. WELKER: My name is Dave Welker. I'm  
12 the CRSP finance manager. I can address that.

13          They did originally in the budget go ahead  
14 and do the out years.

15          MR. WONER: Okay.

16          MR. WELKER: We did go back, though, and  
17 eliminate those from -- what was it? -- 2013 forward.  
18 They are not in those years --

19          MR. WONER: Okay.

20          MR. WELKER: -- just for that same reason,  
21 Jeff, because we felt there was some overlap, but it  
22 would be continuous overlap.

23          MR. WONER: Okay.

24          MR. WELKER: Does everybody understand  
25 what that program is?

1 I was just sitting there wondering if they  
2 even know what the 50-5-5 program is. I know you  
3 didn't know what it was until the budget meeting. We  
4 didn't know what it was till about February.

5 What it is, the labor force is an aging  
6 force, and we have some critical positions in Western  
7 that the person can't leave and we can't pick up  
8 where they left off. So as part of succession  
9 management, DOE has mandated this 50-5-5 program  
10 which means \$50 million -- excuse me, 50 employees,  
11 \$5 million over five years. So that's what that  
12 program is.

13 MR. WONER: Thank you.

14 My next question has to do -- I guess it's  
15 a two-part question, one -- based on the improved  
16 hydrology this year. On slide 9 you show that your  
17 projections for purchase power expenses in 2008 are  
18 actually going to come down almost 17 million  
19 dollars.

20 I'm wondering if you've taken a fresh look  
21 also at your offsetting annual revenues for merchant  
22 function, transmission and sales. I know that that's  
23 been based on a historical average. Does that  
24 incorporate maybe the first six months of 2008?

25 And I guess we'd ask that you do that if

1 you haven't.

2 MS. LOFTIN: Yeah. This is Carol Loftin  
3 for the record.

4 No, we have not done that. We have  
5 actuals -- we use actuals up to 2007, so it's five  
6 years backwards from that. That's all we've done so  
7 far.

8 MR. WONER: Is there any reason why you  
9 wouldn't include 2008? I mean, it would -- to me it  
10 would give -- it's newer information.

11 MS. LOFTIN: We can certainly look at  
12 that, Jeff, but I don't think it's going to change  
13 the purchase power piece at all. It may make a  
14 slight swing in the merchant function offset and the  
15 transaction charges and such. But we've also seen --  
16 for example, the sale for resale issues have  
17 dramatically decreased for '07 and '08, so if we  
18 include those, it may be even worse. But we will --  
19 we'll take a look at that.

20 MR. WONER: Okay. And you answered -- my  
21 second part of that question was, is your -- I notice  
22 in '09 you haven't adjusted the purchase power  
23 expenses.

24 MS. LOFTIN: The '09 purchase power  
25 adjustments are based on the latest 24-month study.

1 MR. WONER: 24-month study. Okay.

2 MS. LOFTIN: Right. And just to carry  
3 that out further, we're going to look at the  
4 April 24-month study, which will be out in a day or  
5 so --

6 MR. WONER: Okay.

7 MS. LOFTIN: -- and we're going to revise  
8 those numbers as well so that will be in sync with  
9 our CRC calculation. So we'll use the April 24-month  
10 study for the CRC calculation and the four-year as  
11 well.

12 MR. WONER: Okay. And then I have just  
13 one last question, and I guess it's on the mechanics  
14 of how the two-step rate would work.

15 Using your example of 0 percent in the  
16 first year, it shows -- what? -- 17 -- or 18 year in  
17 the next year -- oh, here it is.

18 I'm curious of how -- so if you were to  
19 adopt this two-step approach, would the 18 percent be  
20 an automatic number that would -- the rates would  
21 automatically go up in 2010, or would that rate be  
22 based on the most current PRS you would have run in  
23 that year?

24 MS. LOFTIN: Jeff, our proposal right now  
25 is that the first step, of course, would be the --

1 the half, the 8 percent, and then the second year  
2 would be the full 29.3. That would be what we're  
3 calling a cap. If we had better water, our estimates  
4 to actuals were better for '08, that cap wouldn't  
5 be -- there would be less than that cap, but right  
6 now it would be that total cap the second year.

7 MR. WONER: So maybe you could say that  
8 again. I'm not sure I understood. So --

9 MR. STUART: Well, I was just going to  
10 kind of reiterate.

11 I'm not sure which mike to speak in here.

12 Yeah, as Carol mentioned, the second step,  
13 the cap would be 29.84 -- well, let's see. Which one  
14 are we talking about, 8 percent?

15 MR. WONER: Let's take one, the 0 and  
16 18 percent.

17 MR. STUART: Okay. Right. So -- so we  
18 remain at the current rate, and the second would be  
19 capped at 29.84.

20 MR. WONER: If -- if you're eternally  
21 optimistic, if you ran that PRS in the second year  
22 and it was 28, would you -- would that be the rate,  
23 then?

24 MR. STUART: That's right.

25 MR. WONER: Okay. Thank you.

1 MR. ARELLANO: Any more questions?

2 MR. WOLF: Walter Wolf with the Navajo  
3 Tribal Utilities.

4 When will you decide how you're going to  
5 use the step rate?

6 MS. LOFTIN: The close of the comment  
7 period ends -- what is it? -- May 5th, and after that  
8 time, once we get all the comments in, we'll make a  
9 decision what to do with it at that time.

10 MR. WOLF: Thank you.

11 MS. MIGELLA: Amy Migella with the Arizona  
12 Tribal Energy Association.

13 I'm just wondering what the status is of  
14 questions that have been submitted about the  
15 constructs of the -- of the rate. Are those being  
16 processed, or what's the status of those?

17 MS. LOFTIN: Which ones are you referring  
18 to?

19 MS. MIGELLA: The association-submitted  
20 question about three weeks ago.

21 MS. LOFTIN: Yes. Those went out  
22 yesterday.

23 MS. MIGELLA: Okay.

24 MR. ARELLANO: Any other questions?

25 (No response.)

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MR. ARELLANO: Well, it's about 25 after right now. I'm sure you guys would all like a break, so what do you say we come back in 15 minutes, at 40 after?

(The forum was concluded at 2:20 p.m.)

REPORTER'S HEARING CERTIFICATE

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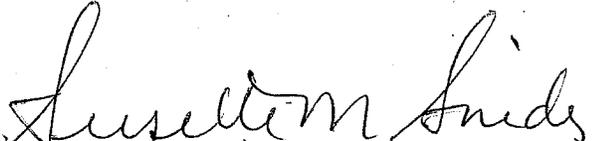
STATE OF UTAH )  
 ) ss.  
COUNTY OF SALT LAKE )

I, Susette M. Snider, Registered Professional Reporter, Certified Realtime Reporter and Notary Public in and for the State of Utah, do hereby certify:

That said proceeding was taken down by me in stenotype on April 10, 2008, at the place therein named, and was thereafter transcribed, and that a true and correct transcription of said proceeding is set forth in the preceding pages;

I further certify that I am not kin or otherwise associated with any of the parties to said cause of action and that I am not interested in the outcome thereof.

WITNESS MY HAND AND OFFICIAL SEAL this 17th day of April, 2008.

  
Susette M. Snider, RPR, CRR  
Notary Public  
Residing in Salt Lake County.