

Friday, August 26, 2011

Mr. Darrick Moe, Regional Manager
Desert Southwest Region
Western Area Power Administration
P.O Box 6457
Phoenix, Arizona 85005-6457

Ketchum Consulting Services
Ron Ketchum, President
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Cell; (702)496-7331

Re: Western BCP Post 2017 Remarketing Efforts

Dear Mr. Moe;

My name is Ron Ketchum. I am President of Ketchum Consulting Services (KCS). I was employed by BOR and Western, alternately, between 1975 and 2006. I have a fair amount of expertise in the area of Boulder Canyon Project Act, as amended, Boulder Canyon Project Adjustment Act of 1940, Hoover Powerplant Act of 1984 and the Implementation Agreement of 1994, and other pertinent acts and promulgated regulations. I retired from BOR in 2006.

KCS is commenting on the April 27, 2011 Federal Register Notice, "Application of the Energy Planning and Management Program Power Marketing Initiative to the Boulder Canyon Project", in the capacity of potential consultant and client representative in the future proceedings concerning post 2017 allocation of the Boulder Canyon Project Resources.

My first comment concerns Westerns proposal to non-competitively renew all existing Schedule A and B contractors for the existing contingent capacity of 1951MW (it should be noted that the 1951MW is quoted at 498 feet of effective head).

Boulder Canyon Project Act (the Act) of 1928, Section 5.(b) states;

... "The holder of any contract for electrical energy not in default thereunder shall be entitled to a renewal thereof upon such terms and conditions as may be authorized or required under the then existing laws and regulations, unless the property of such holder dependent for its usefulness on a continuation of the contract be purchased or acquired and such holder be compensated for damages to its property, used and useful in the transmission and distribution of such electrical energy and not taken, resulting from the termination of the supply."

The Act specifically addresses Schedule A (original allottees) renewal entitlement subsequent to the original 1937-1987 contract period) and limits it to "a renewal". In past discussions, it has been conventionally interpreted that the Schedule A BCP allottees were awarded that single non competitive

renewal entitlement in the Hoover Powerplant Act of 1984 (1987-2017 electrical service contract period for all the Schedule A contractors).

It appears that if Western proposes to non-competitively renew Schedule A contractors beyond the single renewal that the Act specifically limited it to (and exercised in 1987), it would need a mechanism of equal force and authority as the Act.

KCS understands that the pending legislation S. 519 and HR 470 could be such a mechanism, but in the absence of that, it could be argued that Westerns' administrative prerogative resulting in a second non competitive renewal for Schedule A contractors would exceed the "a renewal" entitlement authorized by Congress in the Act.

My second comment regards Boulder Canyon Project Implementation Agreement (BCPIA) as it relates to post-2017 allottees.

S. 519 expressly requires that any post-2017 allottee for Hoover Dam power become a party to and execute the BCPIA.

Any post-2017 allottee for the proposed Schedule D contingent capacity allocation, with associated firm energy, would be financially impacted by the provisions of Sections 6.1 thru 6.5.

Sections 6.1 thru 6.5 are predicated on the Boulder Canyon Adjustment Act of 1940 (BCPAA) and specifically, the authority given to Reclamation to use appropriated funds for BCP Replacement expenses.

BCPIA, Section 6.4, is "RECOVERY OF REPAYABLE ADVANCES". Western proposes to reduce the firm energy allocation of the existing A and B contractors from 4,527,001 MWh annual firm energy to 4,300,651. This will cause each pre-2017 allottee a pro-rata firm energy reduction and will create some post 2017 firm energy entitlements (E2 below). The payment that each post 2017 allottee will be obligated for is expressed in Section 6.4.2 of the BCPIA as;

$P = 0.5 \times RA \times (C2 - C1) + 0.5 \times RA \times (E2 - E1)$ where

P = The portion of the Repayable Advances to be paid by each New Contractor and each Increased Allocation Contractor.

RA = The total amount of Repayable Advances at September 30, 2017 determined in accordance with Table A.3 of Appendix A

E1 = Each Increased Allocation Contractor's percentage of Firm Energy, pursuant to Appendix G hereof, or zero (0) for each New Contractor.

E2 = The ratio of the amount of total annual firm energy, kilowatt-hours, allocated to such Post-2017 Contractor to the total annual firm energy, in kilowatt-hours, made available to all Post-2017 Contractors.

Under the Western proposal, all of the E2 terms would sum to 5% of the total annual firm energy of 4,527,001MWh ($226,350\text{MWh}/4,527,001\text{MWh} = 5\%$). The capacity terms, C1 and C2 will have no impact on "P" as there is no reallocation of the Schedule A or B Contingent Capacity.

1. Does Western have a current or projected "estimate" of the "Repayable Advances"?
2. Does Western have an "estimate" of the potential financial impact incumbent upon each prospective Schedule D applicant resulting from Section 6 of the BCPIA on a dollars/MWh, or equivalent, basis?

My third comment regards the proposal to market 2044MW of contingent capacity. The uprated units were officially commissioned by letter from the BOR to Western dated June 23, 1993. In this letter, the Grand Total of "Present Nameplate" was quoted as 2074MW. The Grand Total of Billable Capacity was quoted as 1974.4MW. Both figures were quoted at 498 Feet of Head.

It is clear that Western proposes to market the quoted Nameplate Capacity (2074MW) minus 30MW reserved for Westerns use in systems integration and system reliability ($2074\text{MW} - 30\text{MW} = 2044\text{MW}$) as contingent capacity. However, in the June 23, 1993 letter, there is a 100MW reduction between the Present Nameplate and Billable Capacity.

What circumstances have changed between 1993 and the present such that the additional 100MW of capacity can now be considered contingent capacity?

Additionally, while the Billable Capacity was fixed at 1974.4Mw in the June 23, 1993 commissioning letter, the contracted Schedule A and B contingent capacity is 1951, leaving excess capacity of approximately 23Mw. It appears this 23Mw was reserved by Western for systems integration and reliability (systems resource) in the contract period 1987-2017. Is Western then proposing to increase this "systems resource" by 7Mw (30%)?

Thank you for the opportunity to submit comments on the Federal Register Notice dated April 27, 2011 regarding Application of the Energy Planning and Management Program Power Marketing Initiative to the Boulder Canyon Project.

Sincerely,

Ketchum Consulting Services;

Ron Ketchum, President