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January 29, 2010

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

Re: Comments on the Boulder Canyon Project – Post-2017 Application of the Energy
Planning and Management Program Power Marketing Initiative

Dear Mr. Moe:

Salt River Project Agricultural Improvement and Power District (“SRP”) appreciates the opportunity to comment on Western Area Power Administration’s (“Western”) proposal to apply the Power Marketing Initiative process contained in Western’s Energy Planning and Management Program to the reallocation of capacity and energy from the Boulder Canyon Project (“BCP” - Hoover Dam) upon expiration of the current contracts in 2017. As a customer of the Arizona Power Authority (“APA”) and an Associate Member of the Irrigation and Electrical Districts Association of Arizona (“IEDA”), SRP generally supports and endorses the comments of both organizations in this proceeding.

SRP has actively participated with a group of BCP contractors and sub-contractors to develop proposed federal legislation to provide specific direction to the Department of Energy and Western on the post-2017 BCP remarketing process, consistent with the previous allocation process under the Hoover Power Plant Act. This legislation has been introduced in both the United States House of Representatives and Senate (“Hoover Power Allocation Act of 2009”, H.R. 4349/S. 2891). While SRP recognizes Western’s need to develop an allocation process to be used absent specific direction from Congress, we believe it is prudent to allow the congressional process addressing this issue to conclude before completing the development of an administrative process. It is likely that application of an administrative process will result in lengthy and costly litigation absent clear direction from Congress, as it did in the 1980s prior to the Hoover Power Plant Act settling the issues. Therefore, it would be prudent to wait for the outcome of the legislative process. Additionally, the legislation provides eligibility for new allottees such as Native American tribes and cooperatives to receive allocations that we believe do not otherwise qualify under Western’s current authorities. SRP hereby requests that Western hold this administrative proceeding in abeyance pending consideration of the legislation in this session of Congress.

Notwithstanding our request to defer this proceeding, SRP offers the following comments on Western's proposal:

1. While we appreciate and applaud Western's decision to include in its proposal, provisions that are consistent with the federal legislation, the threshold question that must be answered is if the Power Marketing Initiative ("PMI") can legally be applied to BCP. We believe its applicability is doubtful (see comments of APA and IEDA). Until that question is answered, addressing other details of your proposal may be moot. Western should first determine the applicability of PMI and, if it is not applicable, Western should begin a process with its customers to explore other alternative processes.
2. Our understanding is that the total maximum rated generating capacity at Hoover Dam is 2074 MW, yet Western is proposing to only market 2044 MW. Additionally, Western is proposing to market considerably less energy than the current annual allocation of 4,527,001 MWh. SRP requests Western allocate the full plant capacity of 2074 MW and to match the current energy allocation of 4,527,001 MWh of energy.
3. Western's current proposal appears to propose a single class of allocation. Hoover Dam capacity and energy is currently allocated in three distinct classes – Hoover A and Hoover B capacity and energy, and Hoover C energy (excess energy). SRP believes it is important to retain these category distinctions for Hoover allocations because the categories allocate energy at different capacity factors. Elimination of these distinctions would create significant winners and losers among the current contractors. SRP requests that Western retain the current A, B and C class distinctions in any new allocation process.
4. Current Hoover contractors have committed to fund a portion of the Lower Colorado River Multi-Species Conservation Program ("MSCP") on a long-term basis (50 years). The Hoover Power Allocation Act of 2009 contains a contract term of 50 years for new contracts in recognition of this long-term funding commitment. SRP requests Western also recognize this commitment by current Hoover contractors in establishing the contract term for this process.
5. The Boulder Canyon Project Act of 1928 and the Hoover Power Plant Act of 1984 identify the role of the States in the allocation of Hoover Dam power. For Arizona and Nevada, the States are represented in the form of the Arizona Power Authority and the Colorado River Commission of Nevada. SRP believes it is important to recognize and preserve the roles of these State agencies in the allocation and marketing of Hoover Dam power. Any allocations by Western to new contractors in Arizona or Nevada should be made in conjunction with these agencies.
6. As noted above, current BCP contractors have made a long-term commitment to fund a portion of the MSCP. This is an obligation assumed as a beneficiary of Hoover Dam power and this obligation should also be assumed by any new Hoover contractors. In

addition, the current contractors worked with Western and the Bureau of Reclamation to develop a written agreement that defines the roles, responsibilities and interactions of the contractors and the federal agencies regarding operations, maintenance, budgeting and cost control for the generation and delivery of Hoover power. This agreement, the Implementation Agreement, is a key component of the business relationship and should be executed by all Hoover contractors. SRP requests that Western require that all new Hoover contractors assume the obligation to fund their pro rata share of the MSCP and to execute the Implementation Agreement as conditions for receiving a Hoover contract.

The Boulder Canyon Project is an important resource within this marketing area and its proper and appropriate allocation is critical to current and future contractors. SRP appreciates the opportunity to provide comments in this proceeding.

Respectfully submitted,

A handwritten signature in blue ink that reads "Mark S. Mitchell". The signature is written in a cursive, flowing style.

Mark S. Mitchell
Regulatory Affairs and Contracts