

FROM: "Michael A. Gazda" <mike@powerauthority.org>10/20/2011 4:42:52 PM

I have the same concerns that I expressed at the meeting concerning cost allocations. We have been using a point count that was agreed to early on in the Implementation Agreement that has worked well for DSW customers. Initially, this was the proposal from Western and we were satisfied that this would be a fair approach overall between RMR and DSW. I am not sure why this method was abandoned. This method, at the least, should be applied to the cost allocations within DSW so as not to violate the previous Implementation Agreement.

I also wonder that it might not be the most fair way overall. Many points have already been implemented due to the Unit Controls Modernization at Parker-Davis and at Hoover. Maybe a five year rolling average would levelize any major changes in a given year. Thanks for the opportunity to comment.

RESPONSE: The only place in the Boulder Canyon Project Implementation Agreement (BCPIA) where SCADA points are mentioned as an allocation factor is in the Multi-Project Written Procedures (MPWP), dated 1996. The MPWP was developed in accordance with Section 9 of the BCPIA and was adopted under Resolution 96-2 of the BCP Engineering and Operating Committee (E&OC). In accordance with the procedures, "Multiproject Costs (MPC) are the costs of those facilities which were paid for through the appropriation process by one Project, but provide benefits to other Projects."

Page 1 of the Procedures states: "*Facilities identified in the MPC allocation process that benefit other Projects: Item 1. Phoenix Service Center and Mead Service Center; and Item 2. SCADA system.*"

It goes on to state for Item 1. Phoenix Service Center and Mead Service Center: "*The factor for distribution of costs for the Phoenix Service Center and Mead Service Center was based on the methodology used for the Desert Southwest Regional Office's distribution of General Western Allocations (GWA) split.*"

For Item 2, SCADA System: (a) "*The factor for each Project is based on the total distribution of data point count requirements currently allocated and in service.*"

The MPWP and BCPIA provide guidance only for Phoenix and Mead facilities and the capitalization of the SCADA system, which does not affect the implementation of the proposed cost allocation methodology for Operations labor costs. Therefore, Western continues to adhere to the Implementation Agreement with the proposed method of allocating Operations labor costs. As a further clarification, this cost allocation methodology proposal is only for the Operations staff, it does not include the SCADA personnel costs.