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IN THE UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

PHOENIX, ARIZONA

BOULDER CANYON PROJECT
PROPOSED FY 2013 BASE CHARGE AND RATES
PUBLIC INFORMATION FORUM

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona
March 28, 2012
10:40 a.m.

REPORTED BY: CHRISTINE JOHNSON, RPR
Certified Reporter #50383

PREPARED FOR: WESTERN AREA POWER ADMINISTRATION
BRUSH & TERRELL
Court Reporters
12473 West Redfield Rd.
El Mirage, Arizona 85335
(623) 561-8046

CHRISTINE JOHNSON, RPR
Brush & Terrell Court Reporters
(623) 561-8046

1 Be it remembered that heretofore on March 28,
 2 2012, commencing at 10:40 a.m., at the offices of the
 3 Western Area Power Administration, Phoenix, Arizona, the
 4 following proceedings were had, to wit:

5

6

7 OPENING REMARKS Page

8 BY MR. DOUG HARNESS 3

9 PRESENTATION

10 BY MR. JACK MURRAY 4

11

12 PANEL MEMBERS PRESENT:

13 Ms. Megan Stemmer, accountant for Reclamation; Mr.
 14 Peter Wong, Budget for Reclamation; Ms. Jolaine Saxton,
 15 accountant for Reclamation; Mr. Larry Karr, Power Group,
 16 Reclamation; Tammy Heffner, Budge for Western.

17

18 COMMENTS BY:

19 PYPER, Craig 12

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1 MR. HARNESS: Good morning, everybody. Why don't
2 we go ahead and get started. I think -- can everybody hear
3 me on the far end? Mr. Gazda, can you hear me okay?

4 MR. GAZDA: I can hear you fine.

5 MR. HARNESS: Thank you. Well, good morning. I'd
6 like to welcome you to today's Public Information Forum.
7 I'm Doug Harness, an attorney with Western Area Power
8 Administration in our Corporate Services Office in Lakewood,
9 Colorado, and I'll be the moderator for today's Forum.

10 This Public Information Forum has been scheduled
11 so that we would have the opportunity to give you a full
12 explanation of the proposed adjustment to the Boulder Canyon
13 Project Electric Service Base Charge and Rates. The current
14 base charge and rates expire September 30th, 2012.

15 This Forum also gives you the opportunity to ask
16 any questions you might have regarding the proposed base
17 charge and rates. Please keep in mind that all issues
18 raised today should be relevant to this process. Please
19 wait to ask any questions until after our formal
20 presentation has been completed.

21 The Public Comment Forum for this proposed
22 adjustment is scheduled to be held on April 11th, 2012 at
23 10:30 a.m. at this same location. Written comments on the
24 proposed base charge and rate adjustment may be submitted at
25 any time during the comment period. These comments should

1 be sent to Mr. Darrick Moe, Regional Manager, Desert
2 Southwest Customer Service Region, Post Office Box 6457,
3 Phoenix, Arizona 85005-6457. The e-mail is Moe, M-O-E, at
4 wapa.gov. Written comments may also be faxed to area code
5 (602) 605-2490. All comments should be submitted so that
6 they are received by April 17th, 2012, the end of the
7 comment period.

8 A verbatim transcript of today's Forum is being
9 prepared by our court reporter. Everything said while we're
10 in session today, together with all exhibits, will be part
11 of the official record. Copies of today's transcript will
12 be made available upon payment of the required fee to the
13 court reporter. The court reporter's name, address and
14 telephone number may be obtained at any time during or after
15 today's Forum. Copies of the transcript and the complete
16 record of this public process will also be available for
17 review here at the Desert Southwest Regional Office and at
18 Western's Corporate Services Offices in Lakewood, Colorado.

19 Any questions we're not able to answer this
20 morning will be answered for you in writing before the end
21 of the comment period. And with that, unless anybody has
22 any preliminary questions, which it does not appear to be
23 the case, I will turn things over to Jack Murray.

24 MR. MURRAY: Thank you, Doug. Can everyone hear
25 me okay? All right. Great. Good morning again. Welcome

1 to the Boulder Canyon Project Public Information Forum. I'm
2 going to be filling in this morning on behalf of Gloria
3 Jordan, who would normally do this. My name, again, is Jack
4 Murray, M-U-R-A-A-Y, and I'm the Rates Manager here in
5 Western's Desert Southwest Regional Office.

6 Each one of you should have in front of you a hard
7 copy of the PowerPoint presentation that we will be going
8 over, as well as a package that includes the detailed
9 information to back up the information that we'll be talking
10 about on the PowerPoint.

11 Does everybody have that information? Okay.
12 Today's presentation is primarily a brief overview of the
13 fiscal year information that impacts and ultimately results
14 in the proposed FY2013 base charge. So with that, we'll go
15 ahead and we'll move into the PowerPoint presentation.

16 This first slide is simply a comparison of the
17 fiscal years that impact the rate calculation, the base
18 charge calculation for fiscal year 2011.

19 As you can see, the actual 2011 total expenses
20 were \$84 million with a prior year carryover, that's
21 carryover coming in from 2010 of a little over \$4.1 million,
22 other actual revenues for 2011, a little over 17 million,
23 the water sales revenue of just under \$700,000, resulted in
24 a total base charge for 2011 -- the actual base charge of
25 62,000 -- or 62,152,000.

1 Now, that 62 million compares with what was
2 approved for FY11 of \$75 million -- 75.1 million. Then we
3 have to take a look at fiscal year 2012. There were just a
4 couple revisions made to that. It shows total expenses of a
5 little over 100 million. Prior year carryover coming in,
6 that would be carryover coming in from fiscal year '11, of
7 7.4 million, roughly, and other revenues of 13.1 million,
8 projected water sales of 530,000 for the ending base charge
9 of 79.8 million, approximately.

10 Now, that compares to the actual base charge that
11 was used to calculate what you're paying today that was
12 approved last summer was 84.5 million. So that's a
13 difference there of about 4.7 million. So there's a little
14 less than what we had actually projected a year ago at this
15 time.

16 And then proposed for 2013, total expenses will be
17 just under 100 million, 99.8, a prior year carryover, that's
18 projected carryover from the end of fiscal year '12 moving
19 into '13 of 4.7 million, projected other revenues then of 13
20 -- 13.4 million, water sales revenue, 530,000, for an ending
21 base charge of \$81,179,637.

22 That's what we were projecting last year for '13
23 was about 86-, almost 87 million, so there's about a
24 \$5.6 million reduction there.

25 So that was just the high-level detail

1 introduction to the three years that ultimately end up
2 impacting what happens in fiscal year '13.

3 So I wanted to go over a little bit more detail of
4 what happened in '11 to create the difference that we just
5 talked about, and if you're interested in following on page
6 2 of this larger handout, it has line-by-line detail of what
7 we're talking about, actual expenses, O&M, replacements. It
8 goes into a lot greater detail than this does.

9 But essentially this shows the changes in -- the
10 changes from 2011, okay. So we had projected a certain
11 amount. This spreadsheet or this slide just shows the
12 changes from the estimate to the actual.

13 So the decrease in Reclamation O&M amounted to
14 about 7.5 million. There was a slight increase in Western's
15 O&M of 184,000, almost 185,000. There was a decrease in
16 other annual expenses of about 1.6 million, approximately,
17 for an overall decrease in total expenses in FY11 of
18 \$8.8 million, 8,832,143 to be exact.

19 And then we go back to fiscal year '10. We had
20 projected a prior year carryover of \$3,954,000 when the
21 fiscal year '11 rate was put together. That carryover
22 actually ended up being \$165,000 more so we had to figure
23 that in. Other revenues in '11 ended up being \$3.8 million
24 higher than we had projected. That split out. It's a
25 combination of a couple things. Western had about \$815,000

1 more other revenue than we were projecting. Reclamation
2 ended up with about 3 million additional other revenue over
3 what was projected.

4 So the increase -- the total increase in revenues
5 over what was projected in '11 was about 4.2 million. So
6 you combine the two, the total decrease in expenses and the
7 increase in projected -- the increase in revenues over what
8 was projected comes out with a \$13 million surplus, if you
9 will.

10 Then what we have to do is account for undelivered
11 orders that -- funds that have been obligated, but not yet
12 expensed during 2011. That amounts to 5,351,498. And then
13 we have to account for the accounts receivable at the end of
14 the year. Those are bills that have gone out, but they
15 haven't yet been -- we haven't yet received the money in the
16 fund. They haven't been paid yet. So that's about
17 \$294,000.

18 So what that meant was at the end of fiscal year
19 '11, cash available for carryover to ultimately flow through
20 and reduce 2013's rate was 7,384,216.

21 Then we flow into 2012, and I mentioned in the
22 first slide that there were a couple of changes, a couple of
23 revisions to '12's information and we'll talk about that a
24 little bit here. And there's, again, on page 3 of that
25 larger handout that you have, there's additional detail on

1 this.

2 In 2012, Reclamation had a need for an additional
3 \$80,000. Other annual expenses, uprating credits and I
4 believe that's primarily uprating credits, for a total of
5 total expense -- increased annual expenses of \$288,365. We
6 also had an increase in '12 of carryover of \$5 million.

7 Now, you remember last year when we calculated the
8 rate for 2012, we projected carryover of 2.3 million,
9 actually \$2,357,201. You remember from the previous slide
10 we actually had carryover of 7,384,216. That \$5 million
11 figure on the slide there represents the difference between
12 those two.

13 So all of these changes in '12 result in a
14 projected carryover available at the end of the year going
15 into '13 to reduce the '13 base charge of that \$4.7 million
16 amount that you see on the slide.

17 Then what we want to do is talk to you a little
18 bit about the approved fiscal year 2012. That's what the
19 base charge is now, what you're paying today, versus the
20 proposed fiscal year 2013 base charge.

21 So the approved rate, as it stands right now, for
22 '12, the approved base charge, total expenses of
23 \$100,595,000. The proposed fiscal year 2013, \$99,898,000
24 for a change of just under \$697,000. So a reduction in
25 total expenses.

1 Again, we have -- other revenues, we projected
2 \$13 million for the '12 base charge and rate approval.
3 We're projecting 13-point -- 13,450,000 for '13. That's an
4 increase of 279,000. Water sales revenue projections are
5 remaining the same. Bottom line, the base charge for 2012,
6 again, what's being paid currently was the 84,536,772. What
7 we're proposing for '13 is 81,179,637 for a total reduction
8 between the two years of the 3,357,136.

9 And again, as the slide points out, line-by-line
10 detail is available on page 4 of the larger handout if you
11 have questions on any of this data.

12 So what that ultimately results in is a base
13 charge of again 81,179,637 for 2013. Again, that's the
14 change of about \$3.3 million or reduction of roughly about
15 \$3.3 million. Percentagewise it results in just under a
16 4 percent decrease to the base charge.

17 From a composite rate prospective, it results in
18 about just a little over 1 percent decrease, and then you
19 can see the energy rate based on energy values right now,
20 it's a little over 1 percent decrease.

21 As you can see, the energy sales that we use to
22 base the '12 calculated energy rate on was
23 4 million-megawatt hours. It's dropped right now based on
24 the -- one of the drafts of Western's Master Schedule is
25 just under 3.9 million-megawatt hours. So we've got a

1 reduction in sales of almost 3 percent.

2 Capacity rate, that's almost a 3 percent increase
3 over what the '12 rate ends up being simply because of the
4 capacity sales from the latest 17-month schedule that we've
5 just received.

6 Now, this data has been updated so it's slightly
7 different from what you might have seen in the informal
8 meeting, but we're just trying to stay -- keep you up to
9 date with what's happening with those energy and capacity
10 values.

11 That concludes my presentation. It doesn't
12 conclude my presentation, unless you want to go to this --
13 the next steps for our process, and Doug mentioned this
14 earlier. We have a Public Information Forum scheduled for
15 March 28th at this same location, same time. That's today.
16 Public Comment Forum is April 11th, same place, same time.
17 The end of the consultation and comment period, as Doug
18 mentioned, is April 17th, and the effective date of the
19 revised base charge and rates will be October 1, 2012.

20 And now I'll turn it back over to Doug.

21 MR. HARNESS: All right. Thanks, Jack. Okay.
22 We'll now open the Forum for questions. Before we do that,
23 obviously, we have a distinguished panel here to help
24 address questions and, of course, there are others in the
25 audience that will jump in as needed, but why don't our --

1 why doesn't our panel introduce themselves and, Magen, why
2 don't we start with you.

3 MS. STEMMER: Magen Stemmer, an accountant for
4 Reclamation.

5 MR. WONG: Peter Wong, Budget for Reclamation.

6 MS. SAXTON: Jolaine Saxton, accountant for
7 Reclamation.

8 MR. KARR: Larry Karr, Power Group, Reclamation.

9 MS. HEFFNER: Tammy Heffner, Budget for Western.

10 MR. HARNESS: Okay. Thanks. So, yeah, so we're
11 here to answer any questions and before you ask your
12 question, if you would please identify yourself and any
13 organization that you're representing, and for the
14 convenience of our court reporter, please spell your last
15 name.

16 So the floor is open for anyone who has any
17 questions.

18 MR. PYPER: Craig Pyper, P-Y-P-E-R, with Colorado
19 River Commission. Just a quick question on the presentation
20 today. I believe the water numbers have changed for
21 projected flow. It's -- I think it's a decrease, but I'm
22 not sure. I don't have the numbers off the top of my head
23 that was given in the informal meeting.

24 MR. KARR: The informal -- Larry Karr. The
25 informal meeting was based on the -- would have been on the

1 February 24-month study, but I'm not sure exactly. We
2 didn't have any water numbers. You talking about the energy
3 associated with --

4 MR. PYPER: Right, the energy associated on the
5 presentation for those calculating the rate.

6 MR. KARR: Correct. So that would have been based
7 on the February and now the latest is based on the March,
8 but it's also based upon the draft Master Schedule. So it's
9 not the number out of the 24-month study. It's out of --
10 it's the number based on calculation from Western, so it has
11 your, I guess -- Xavier, help me out if I miss anything --
12 but your losses, your transformer losses and some other
13 aspects.

14 MR. GONZALEZ: Javier Gonzalez, Western. It has
15 the impact of the Hoover bank regarding the -- how that
16 affects the Parker-Davis M&O Operating Plan in there, and as
17 Larry mentioned it does have transformer losses.

18 MR. KARR: But to answer your overall question,
19 yes, unfortunately, the water is going down a little bit.

20 MR. PYPER: Do you anticipate it to go down
21 further from what's on this?

22 MR. KARR: Right now, the weather is not looking
23 good, and so it's probably projected to go down some.

24 MR. PYPER: Any other changes between the informal
25 presentation and this presentation here?

1 MR. MURRAY: No.

2 MR. KARR: The energy --

3 MR. PYPER: Not just the energy capacity. I did
4 not recognize -- it didn't look like there was anything, but
5 I just didn't know.

6 MR. MURRAY: No. No, that was the only number
7 that actually changed -- I'm sorry, Jack Murray. That was
8 the only thing that changed as far as the data goes was the
9 energy and capacity figures.

10 MR. HARNESS: More questions? Nobody dialed in on
11 the phone, did they, just in case somebody snuck in. Okay.

12 Well, going once, going twice, going three times,
13 as they say. Okay. Well, apparently nobody else had any
14 questions, so we'll wrap things up here.

15 Thank you very much for coming today. We
16 appreciate your attendance and attention and participation.
17 We would ask if you haven't already done so, that you sign
18 the attendance logs that were outside the front desk where
19 the materials were, if you haven't already done so. We'll
20 stick around for a few minutes afterwards if there's any
21 informal questions that anybody would like to ask and other
22 than that, thank you again, and we'll go off the record.

23 (Whereupon, the deposition proceedings terminated
24 at 11:00 a.m.)

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I, CHRISTINE JOHNSON, having been first duly sworn and appointed as Official Court Reporter herein, do hereby certify that the foregoing pages numbered from 2 to 14, inclusive, constitute a full, true and accurate transcript of all the proceedings had in the above matter, all done to the best of my skill and ability.

DATED this 2nd day of April, 2012.



Christine Johnson, RPR
Certified Court Reporter No. 50383