

January 29, 2010

VIA FACSIMILE AND ELECTRONIC MAIL

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

Re: Boulder Canyon Project – Post-2017 Application of the
Energy Planning and Management Program Power Marketing Initiative
[74 CFR 60256-7]

Dear Mr. Moe:

Southern California Edison Company (“SCE”) respectfully submits its comments on the Post-2017 remarketing effort for the Boulder Canyon Project (“BCP”) initiated by the Western Area Power Administration (“Western”). SCE, one of the nation’s largest investor-owned utilities, provides power to more than 13 million people in about 50,000 square miles of service area. The energy SCE provides to our customers includes more renewable resources than any other utility in the country – 13.7 billion kWh in 2009, representing 17 percent of the portfolio.

SCE is one of the original Contractors for BCP power and has been involved with Hoover Dam since before the project was even built. SCE’s customers continue to rely on power from Hoover Dam to support SCE’s integration of renewable resources, as it is an excellent resource that can follow customers’ instantaneous demands.

Western Should Defer Its PMI Process To the End of the Congressional Session

SCE believes that Congress should allocate post-2017 BCP power, as it has done each time allocation has been necessary since the construction of Hoover Dam. We strongly support the legislation that has been introduced in the U.S. Congress to accomplish this goal (the “Hoover Power Allocation Act of 2009”, H.R. 4349/S. 2891). The legislation is comprehensive and addresses many of the same allocation issues that Western would be required to determine in its PMI process.

SCE asks that Western hold this proceeding in abeyance through the current session of Congress, while the Senate and House of Representatives are considering the legislation. We make this request for two reasons. First, since a final bill passed by Congress may mandate different requirements for Western’s PMI process, an effort by Western at this time could result in an unnecessary expenditure of resources. Second, the legislation before Congress authorizes the

creation of a resource pool for new allottees, including Native American tribes. By contrast, it is unclear whether Western has the authority under current law to allocate Hoover power to new allottees. Representatives of Native American tribes expressed at the Public Comment Forums on January 20 and 21 that they should be included in the process. The legislation would provide a path for those entities to obtain BCP power.

Specific Comments on the Proposed PMI Process

SCE welcomes Western's decision to include in its proposal provisions that are consistent with those in H.R. 4349/S.2891. There are a few areas, however, where SCE believes that the PMI should be changed.

First, Western should market BCP's maximum dependable operating capacity of 2,074 MW and 4,527,001 MWh of annual firm energy, rather than the proposed 2,044 MW of contingent capacity and 4,116,000 MWh of annual firm energy.

The full contingent capacity rating of BCP is 2,074 MW. The total capacity should be marketed to the contractors who are paying for the continued operations and maintenance of the dam. If the conditions ever return to optimal, then the full marketable capacity should be made available to those who have been paying for the full contract amounts but have not received it.

Likewise, Western should continue marketing the current contract's firm energy amount of 4,527,001 MWh to all contractors under a new contract. Even though Western's "proposed marketable firm energy" is based on recent hydrological studies, the lower amount is controversial because Western does not identify how excess energy (energy above the proposed marketable firm energy) is to be allocated. As discussed below, Schedule C resolves this issue.

Second, SCE supports and requests approval of new contracts with a 50-year term commencing on October 1, 2017, instead of the proposed 30-year term. We believe that the 50-year term is justified by the current contractors' past, present and future funding of Hoover Dam. Also, we believe that the 50-year term is appropriate in view of the 50-year term during which BCP contractors will contribute to funding the MSCP.

Third, it is critical that the PMI state specifically that contractors will be permitted to transact Hoover power, including ancillary services, with an Independent System Operator, including the California Independent System Operator ("CAISO"). As you know, the California marketplace has changed significantly since SCE and Western entered into their existing contract for BCP power. SCE is required by the CAISO Tariff to comply with CAISO operating orders, including any CAISO order to schedule BCP power. Western should modify its PMI process to specifically recognize that certain contractors must sell power into, and buy power from, the CAISO.

Fourth, Western should clarify, in this initiative, that contractors will obtain the same ancillary services – the so-called "Three Rs" – ramping, regulation and reserves – that we presently obtain under Section 5.6.2 of our existing contracts. Although we do not interpret the silence of the

proposed PMI on this issue as indicating Western's intention to to omit these important ancillary services, we believe that it is important to state this explicitly in the PMI.

Fifth, SCE recommends that Western include in its proposed language references to Schedules A, B and C, and to the BCP contractors included in these schedules in statute. Western's proposal does not appear to use the terminology of current federal statute mandating allocation of power to certain identified entities in Schedules A, B and C (excess energy). Additionally, Western's proposal to reduce the total firm energy amount marketed lowers the trigger point for sharing excess energy under Schedule C. A lower trigger point, in turn, reallocates the energy distribution to which the current contractors have agreed in the proposed legislation.

Sixth, SCE requests that any entity given the opportunity to contract for BCP power in the future be required to join the current contractors in paying for the MSCP, by including in its contract a commitment to pay a proportionate share of MSCP costs, as allocated in accordance with each state's requirements. At present, Western has not proposed any requirement that current or new allottees agree to pay a proportionate share of MSCP costs.

Finally, although SCE agrees with Western's position that "new contractors, or contractors who receive an increased allocation will be required to reimburse existing BCP contractors for replacement capital advances to the extent existing contractors' allocations are reduced as a result of creating the resource pool," we also request that any entity given the opportunity to contract for Hoover power in the future be required to participate in the BCP Implementation Agreement by including in its contract a commitment to sign the BCP Implementation Agreement.

SCE appreciates this opportunity to provide comments on Western's post-2017 remarketing initiative, and reserves the right to submit further comments and otherwise participate in this proceeding.

Very truly yours,


Stuart R. Hemphill