

WESTERN AREA POWER ADMINISTRATION
DESERT SOUTHWEST REGION

BOULDER CANYON PROJECT
PUBLIC RATE PROCESS

Phoenix, Arizona

Wednesday, May 6, 2020

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P R O C E E D I N G S

(10:30 a.m.)

MS. RAMSEY: All right. So, it's 10:30, so we'll go ahead and get started. So, good morning and welcome to our public information forum for the Boulder Canyon Project. My name is Tina Ramsey and I'm the rates manager for Western Area Power Administration's, or WAPA's, Desert Southwest Region. And I will be the moderator for today's forum.

This Webex is being recorded for transcription purposes. The recording may be posted on DOE or WAPA's website or used internally. If you do not wish to have your voice recorded, please do not speak during the call or disconnect now. If you do not wish to have your image recorded, please turn off your camera or participate only by phone. If you speak during the call or use a video connection, you are presumed to consent to recording and to the use of your voice or image.

All right. So, today, (inaudible; audio drop) we will explain the proposed fiscal year 2021 base charge for the Boulder Canyon Project.XXX The (inaudible; audio drop) proposed base charge will be

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effective October 1, 2020, and remain in effect through September 30, 2021.

A verbatim transcript of this forum will be prepared by our transcription service. Everything said while we are in session today, including the presentation, will be part of the official record. Copies of the transcript and the complete record of the public process will be available for review at the Desert Southwest Regional Office.

So, to facilitate transcription of the meeting, please save all questions and comments about the proposed base charge until after the presentation. In addition, we will be muting phones right before the presentation to avoid background noise and any possible distractions. Looks like we might have had to already mute some folks.

The public comment forum for the proposed base charge is scheduled for June 5, 2020, at 10:30 a.m. Mountain Standard Time or Phoenix time via Webex. And the Webex information for this forum is posted on WAPA's website.

If you would like to submit written comments

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on the proposed base charge, they must be received by the close of the consultation and comment period, which is July 6, 2020. Comments should be sent to Tracey A. LeBeau, which is L-E-B-E-A-U, senior vice president and regional manager of WAPA's Desert Southwest Region, by mail to P.O. Box 6457, Phoenix, Arizona, 85005, or by email to dswpwrmrk@wapa.gov. We will provide this mailing and email information on a slide at the end of the presentation if you didn't catch all that.

So, these slides have been posted to our website. And I will post a link to the rate -- the Boulder Canyon rate website in the chat box for everyone.

So, unless anyone has any questions about the procedures for this forum, I will turn the forum over to Kevin Schaefer for the presentation. Does anyone have any questions about the procedures?

All right. So, it looks like we did already mute some of the phones. But just so everyone knows, we will be muting during the presentation. So, go ahead, Kevin.

MR. SCHAEFER: It looks like there's a --

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MS. RAMSEY: Kevin?

MR. SCHAEFER: Yes, can you hear me?

MS. RAMSEY: I can hear you.

MR. SCHAEFER: It looks like there's a slight delay in the slide clicking, so I will probably pause throughout the presentation to allow it to catch up.

Good morning, everybody. Today, we'll be discussing the Boulder Canyon Project's proposed fiscal year 2020 [sic] loan base charge and rates. We'll begin with briefly discussing the regulations, orders, and procedures that are applicable for the rate-making purposes. We'll review the formulas for the base charge and rates which are specific to the Boulder Canyon Project and unique from industry rate-making practices. We'll discuss the proposed base charge and rates. We will delve into the details contributing to the proposed base charge, highlight the remaining steps in the timeline, and list where you can find additional resources.

First, we'll highlight the regulations, orders, and procedures that outline WAPA's process in updating the Boulder Canyon Project's base charge and

rates.

First, 10 CFR 903 details how WAPA administers rate adjustments, including the public process we're currently doing right now.

Next, DOE Order RA 6120.2 outlines the financial reporting requirements the for Power Marketing Administrations, including the requirements for the Power Repayment Study, or PRS as it's referred to. The PRS is used for rate-setting purposes on this project.

10 CFR 904 applies specifically to the Boulder Canyon Project. Among other things, this regulation outlines the requirements for a base charge, energy rate, and capacity rate, as well.

Lastly, WAPA refers to the Boulder Canyon Project electric service contracts and the amended and restated Implementation Agreement, which outlines specific responsibilities and expectations for each applicable party.

As I mentioned before, Boulder Canyon is unique from WAPA's other power systems and industry rate-making practices, as well, insofar that customers are charged a base charge, much like a revenue

requirement, for capacity and energy rather than a rate. A customer's monthly bill is based on a proportionate share of the annual base charge and is comprised of a capacity and an energy component.

In the example, using a base charge of 70 million, this is split equally between capacity and energy. The annual charge per customer is calculated by multiplying its contracted percentages by capacity or energy dollar amounts. The capacity and energy amount each customer is responsible for is broken down further into monthly invoices.

Okay, moving on, the base charge is calculated by taking expenses for budgets and subtracting out carryover funds and non-power revenue. The composite rate is the base charge divided by the energy projection, which is derived from the Master Schedules. Energy rates are half of the base charge divided by this energy projection. And the capacity rate is half, as well, of the base charge divided by the capacity projections. And again, our rates are for informational purposes only. We charge a base charge (inaudible) rate for the Boulder Canyon Project.

Okay, based on the latest financial and hydrology projections, the fiscal year 2021 proposed base charge will decrease by \$1 million to 65.4 million and amounts to a 1.5 percent reduction from fiscal year 2021 -- I'm sorry, 2020. The midyear update column on the slides throughout the presentation illustrates the changes that have taken place since the Ten-Year Operating Plan. The Ten-Year Operating Plan was incorporated in the initial *Federal Register* notice proposed base charge that was recently published on April 6th and kicked off the public process.

The rates have been updated using the energy and capacity projections from the second draft of the fiscal year 2021 Master Schedule that was also recently published. The rates will be updated again when the final Master Schedule is published on June 1st.

The projected composite and energy rates are each decreasing 1.2 percent and the capacity rate is decreasing 2.9 percent. The decrease in each rate is affected by reductions to the base charge and increased energy and capacity projections. These rates, again, are for informational purposes only.

Due to the COVID-19 pandemic, the Hoover Visitor Center was closed in March. This had a major impact on non-power revenue projections for the remainder of fiscal year '20 and will effect 2021 projections, as well. In response, Reclamation plans to reduce their fiscal year 2020 budget equal to the loss in non-power revenue, which is currently estimated to be approximately \$8 million.

For fiscal year 2021, Reclamation is decreasing their non-power revenue projections by \$4 million resulting from expected reduction in the visitor services revenue. In order to offset the loss in revenue for '21, Reclamation's budget is also being reduced by \$4 million in several areas we plan on highlighting shortly.

Prior year carryover is increasing \$163,000 due to a mistaken -- mistakenly excluding some non-power revenue totals in the initial proposed rate published in the *Federal Register* notice last month.

This table, along with the following tables throughout the presentation, compare 2021 base charge components with the 2021 proposed charges, as well as

the dollar and percentage charges since fiscal year 2020.

Towards the bottom of the slides, total expenses are increasing \$100,000 while offsetting prior year carryover is coming in \$3 million higher and non-power revenue is decreasing \$2 million. The end result is a \$1 million decrease to the fiscal year 2021 base charge.

In the following slides we'll go more in a little more depth for -- really in each category.

Reclamation's operations and maintenance budget decreased \$3.2 million overall. Individually, operations decreased by \$548,000. Reclamation determined that Hoover operations controllers would support the Parker-Davis Dams, which resulted in a \$700,000 reduction to BCP costs. This was partially offset by increases in salaries, water scheduling, and regional support costs.

Reclamation's maintenance budget is increasing \$1.2 million. Salary increases account for \$750,000 of this increase. Additionally, maintenance staff performing work on maintenance projects rather than

other cost areas, such as extraordinary maintenance and replacements, account for \$530,000, as well.

Reclamation's administrative and general expenses, or AG&E [*sic*] for short, budget is increasing by \$1.5 million. The primary drivers of this increase are \$500,000 in salary adjustments and \$380,000 in services costs primarily attributable mainly to the K-9 explosives contract.

Reclamation's extraordinary maintenance budget decreased \$5.4 million since the Ten-Year Operating Plan was published. The individual projects are reflected on this slides along with changes that took place since that, again, the Ten-Year Operating Plan took place.

Reclamation's extraordinary maintenance budget was initially going to increase \$388,000. In response to the pandemic, Reclamation works -- their work priorities were adjusted and costs reduced equivalent to the loss in the non-power revenue projections. In all, \$5.8 million was removed from the '21 budget and into future years.

Reclamation's replacement budget increased \$3.4 million from fiscal year 2020. Of this, \$1.8

million was shifted from extraordinary maintenance budgets in response to the changing priorities brought on by COVID-19. Their replacement budget was originally set to increase to \$6 million and is now at \$7.8 million. Again, Reclamation reduced its extraordinary maintenance budget and shifted \$1.8 million to replacement projects.

The Hoover Dam Visitor Services budget is remaining relatively steady. Payment to states is static annually. There's a static amount -- a static payment amount each year. Principal and interest remains unchanged, as well, with the payout of the one remaining asset in 2037, that being the Flood Control Project.

Reclamation's post-retirement benefits projects -- projections are increasing. As a result, the PRBs -- or as a reminder, I'm sorry, PRBs consist of imputed retirement, health insurance, and life insurance expenses with future values being based on a five-year average of actuals. For fiscal year 2021, PRBs increased \$195,000 due to the higher fiscal year 2018 and fiscal year 2019 amounts.

Moving on to WAPA's budget, operations and maintenance budgets are decreasing \$392,000. Facility expenses are decreasing by \$222,000. Transmission line maintenance, which is a subcategory of the facilities expense, is reducing \$126,000 due to planned work being performed on other power systems. The annual contingency fund, which budgeted for in substation maintenance and is also a subcategory of facilities expense, is being eliminated in fiscal year 2021's budget. Going forward, this will no longer be included in WAPA's budget.

Systemwide expenses decreased by \$193,000 primarily in the power marketing subcategory. These, too, were primarily for work requirements staff will be performing on other power systems.

Like Reclamation's project categories, WAPA's replacement budget varies based on the projects that are being undertaken in that current -- in that existing year. The budget has historically been around \$400,000. For fiscal year 2021, WAPA's budget is \$203,000.

WAPA's post-retirement benefits projected costs are increasing \$24,000 due to higher fiscal year

'18 and fiscal year '19 actuals. These, too, are projected based on a five-year average of recent actuals.

Similarly, WAPA's capitalized moveable equipment and warehouse forecasted interest are based on a five-year average of recent actuals. For fiscal year 2021, these are increasing \$4,000 due to higher actuals in fiscal years 2018 and 2019.

We will now move to the carryover and non-power revenue projections which help offset the project's expenses for both WAPA and Reclamation. Prior year carryover increased and will offset fiscal year 2021 expenses by \$4.3 million. These funds are primarily attributed to revenue coming in higher than prior year forecasted amounts in fiscal year '19.

Non-power revenue saw a reduction by \$2 million from fiscal year 2020. Initially, the Visitor Services expected a \$2 million overall increase due to the addition of commercial authorizations for the road-based tours. However, with the hit tourism has taken as a result of the pandemic, Reclamation is projecting a reduction now of \$2 million overall, or \$4 million less

than the Ten-Year Operating Plan published in February. WAPA's ancillary service projections are increasing by \$64,000, again, due to higher historical averages.

So, in summary, total expenses are remaining relatively steady, offsetting prior year carryover funds are increasing by \$3 million, and non-power revenue is decreasing 2 million, which results in a \$1 million decrease to the fiscal year 2021 base charge.

Moving right along, let's discuss the remaining timeline in this process.

Again, the Notice was published in the *Federal Register* starting the 90-day public comment and consultation on April 6th. The Public Comment Forum will be held at 10:30 a.m. on June 5th via Webex. This forum allows the public the opportunity to make comments about this rate action.

The comment and consultation period is going to conclude on July 6th. The final *Federal Register* notice is expected to be published in August with an effective date of October 1, 2020.

For additional resources, please reach out to Jim, Tina, or I from WAPA or Len, Matt, or Laura from

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Reclamation. As always, this presentation and supporting documentation is available on our website listed here on the slide.

In case you didn't catch it earlier, here is Tracy's contact information if you'd like to make comments for the official record.

Thank you. That's all I have today. I'll turn it right back over to you, Tina.

MS. RAMSEY: Okay, great. Thank you, Kevin.

We will now open the forum for questions and comments. We ask that you keep in mind that the questions should be relevant to the fiscal year 2021 base charge for the Boulder Canyon Project. Any questions that we are not able to answer today will be answered in writing and posted on our website before the close of the comment and consultation period.

You may use the features in Webex, such as raising your hand or entering a comment in the chat box to ask you question or provide a comment. You can also unmute your phone. You may use the Webex unmute feature or you can press star 6 on your phone. And I do have someone helping me with the Webex to watch for raising

hands. So, after you've been recognized, please give your name and the name of the organization you represent. And also, to help with the transcription, please spell your last name.

All right. Are there any questions? Remember you can unmute yourself by hitting star 6 on your phone.

Jay, do you see any hands raised?

MR. MOORE: I do not see any hands raised?

MS. RAMSEY: All right.

MR. MOORE: Correction. We have -- we actually have Ann Finley has her hand raised.

MS. RAMSEY: Okay. Ann, it looks like you are unmuted. Go ahead.

MS. FINLEY: Can you hear me?

MS. RAMSEY: Hi, Ann.

MS. FINLEY: Hi. Yes, this is Ann Finley from K.R. Saline & Associates. I had just a couple questions. First, I want to thank you for providing the presentation. I was actually very surprised that the rate -- or the changes weren't going to be drastically higher, that you've actually shown some reductions. So, I appreciate your work in trying to minimize the impacts

to the customers.

But a couple questions would be, one is, is a lot of the work that you have to bring down in extraordinary maintenance going to then shift into the following FY 2022? And the other question would be, with the loss of visitors since March when you had to close the Visitor Services, I see the actual expenses on the Visitors Services have not changed at all. Is that something -- like are the people finding something to do? There's no furloughs, I'm assuming. You know, explain, you know, what the Visitor Services staff is able to do in the meantime while this COVID-19 has kept the Visitor Services shut down.

MS. RAMSEY: Okay. So, for those questions I'm thinking maybe I'll start with Len Schilling from Reclamation. Do you want to address if the work from 2021 is being shifted to 2022?

MR. SCHILLING: Yeah. Can you all hear me?

MS. RAMSEY: Yes.

MR. SCHILLING: Yeah, okay. This is -- I'm Len Schilling.

So, real quick, on the shifting of work, we've

done a real rebalance of the whole Ten-Year Plan, so although all the work that we're not doing, it is going to get pushed down into the future years, but we don't anticipate any, right now, increase in 2022. So, we tried to rebalance all this through the future years. So, right now, no real change in the bottom line of 2022 is projected.

As far as the Visitor Services, we were able to keep them and do some of the required training and do stuff like that after the Visitor Centers closed. But we are having some of them now be on administrative leave. And then once we're kind of planning and how do we get back to business so we can get folks back here.

Any other questions?

MS. RAMSEY: Thank you, Len. Are there any other questions?

MR. MOORE: I see no other hands and I have no chat messages.

MS. RAMSEY: We'll just give it some time here for people to come up with their questions or comments. And as a reminder, you can hit star 6 on your phone to unmute or your can use the unmute feature that's in

Webex.

All right. So, since we don't see any other hands raised, no one in the chat box, and no one speaking, I want to thank everyone for participating in the forum.

MR. MOORE: Tina?

MS. RAMSEY: Oh, yes. Sorry, Jay?

MR. MOORE: We got a late hand raised, Tim Cherry.

MS. RAMSEY: Oh, okay, great. Okay, Tim? It looks like you are unmuted, but I cannot hear you.

I still can't hear you, Tim. I still don't hear anything. It looks like on the Webex that you are unmuted. I don't know if you've muted your cellphone or your computer. Tim?

Now, I see that Tim is muted.

MS. FINLEY: Tina, while you are waiting --

MR. CHERRY: Tina?

MS. RAMSEY: Okay, Ann, can we come back to you now that I hear Tim?

MS. FINLEY: Oh, yeah.

MR. CHERRY: Hi, Tina. Tim Cherry from

Metropolitan Water District. I don't know why I wasn't able to do it on the phone, but I can do it over here, so I want to -- I have a question. A follow-up to Ann's question to Len. Can you please explain for me exactly what furloughing means? Are people still on paid administrative leave or what is that specifically?

MR. SCHILLING: Right. So furloughing means we would not (inaudible) people. They would be basically laid off for a period of time. And they are currently on paid administrative leave. We're kind of uncertain about when we'll be able to open, but we're going to continue to look at that and evaluate it.

MR. CHERRY: Thank you, Len.

MR. SCHILLING: Yeah, no problem.

MS. RAMSEY: Ann, did you have other questions?

MS. FINLEY: Yeah, I -- this is Ann Finley again. In looking more closely at the listings on the Reclamation O&M slide, where you identified which items you -- during the midyear update you've changed their scope of getting their work done in this 2021 year. As far as unit N3, I see that the N3 stated re-wedge is

still planned as was proposed in the 2021 budget for \$800,000, but the N3 rotor repair has been moved out, I think, if I can read this, \$857,000. I'm not sure if you can show that slide on the screen. It's slide number 12. So, that was one question is with the N3 unit, how that work is going to be completed and whether that's going to effect future capacity or ability to have that unit available.

And then the other question would be in terms of the Pen stock and lateral spot coding. Yeah, so, I'll let you -- it show the N3 rotor repair, it shows the reduction of \$857,000 where the stated re-wedge shows no change to the \$800,000 planned re-wedging. So, maybe address that one first, whether that work's down the road or is going to get done.

MR. SCHILLING: Yeah, so it's really -- we really rebalanced the budget, so that work for the N3 work is going to be done. The actual work is going to be done in fiscal year '22. So, what we were able to do is we're able to shift some of that money for the budget of the project into '22. So, at the Engineering Operation Committee I'll go into great details of how we

move that money around. So, we still plan on doing the Pen stock outage in 2022, but that gave us the flexibility to change and rebalance how we collect the money because we will award the contract so they can get mobilized and stuff in '21 is our plan. But then the actual execution here is in '22. So, it just gave us that flexibility to kind of rebalance that funding of when we collect the money.

MS. FINLEY: Okay, so, likewise then for the Pen stocks and lateral spot coding, is that a similar situation where the 2.1 million you've reduced, I was wondering if that affects your contract or if you have to rebid it or if you're just able to still maybe set it up in 2021, but the actual (inaudible; audio drop) in 2022?

MR. SCHILLING: Correct. So, that's exactly right. We won't have to rebid it or anything. We're bid it -- we'll get bids in and awarded in '21. We'll have enough money to get the contract awarded and stuff and then we'll collect the remaining money in 2022, when they actually start billing for the work. But they'll actually do the work in 2022.

MS. FINLEY: Okay. All right. Thank you so much, Len.

MR. SCHILLING: Yeah, no problem.

MS. RAMSEY: Great, thank you. Are there any other questions or comments?

MR. MOORE: I see no more.

MS. RAMSEY: All right. Let's just give them a little bit of time. Thanks, Kevin. Thanks for that slide.

Any other comments or questions?

All right. So, I'll start my ending again. But, of course, if anybody wants to raise their hands, feel free.

So we do have the Public Comment Forum for the proposed base charge. It's scheduled for June 5, 2020, at 10:30 a.m. Mountain Standard Time, which is Phoenix time. And any written comments must be received by the close of the consultation and comment period, which is on July 6, 2020.

Jay, do you see any other hands raised?

MR. MOORE: The only other hand raised is still Ann Finley, but I believe you addressed that

question.

MS. FINLEY: Sorry. Yes, you did. Thank you.

MS. RAMSEY: Okay. Thanks, Ann.

All right. So, we appreciate your attendance and participation. This forum is now closed. We will go off the record and stop the recording. If anyone wants to stay on the Webex, we can make ourselves available for further discussions. It would just be off the record.

So, have a good rest of your day.

(Whereupon, at 11:09 a.m., the

PROCEEDINGS were adjourned.)

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

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Expires: November 30, 2020

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