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EMAILED ONLY

July 6, 2020

Ms. Tracey A. LeBeau, Regional Manager
Western Area Power Administration
Desert Southwest Region
P.O. Box 6457
Phoenix, Arizona 85005-6457

Re: Boulder Canyon Project (BCP) Fiscal Year 2021 Base Charge and Rate for Electric Service
under Rate Schedule BCP-F10

Dear Ms. LeBeau:

I am writing on behalf of our client, the Irrigation & Electrical Districts' Association of Arizona (IEDA), whose Members and Associate Members acquire the bulk of Hoover power delivered in Arizona through the Arizona Power Authority (APA). We have APA's comments submitted July 1, 2020 on this matter and support and endorse them. We will not repeat them.

Rather, we wish to provide you with some background and context for the dilemma facing the APA and its customers over the significant loss in revenue from the Hoover Visitors' Center and the attendant cost burden Hoover contractors face without help from Congress. As you know, the Visitors' Center was authorized in Section 619 of the 1984 Hoover Allocation Act. Additionally, Section 619b provided that the costs of the Visitors' Center would be allocated to power revenues. This cost and the 4-1/2 mill surcharge for the Lower Colorado Basin Fund were added to power costs at a time when the original costs of Hoover Dam had been paid and, absent other costs, the cost of Hoover power was projected to drop from 6 mills to 2 mills.

The authorizing legislation provided for \$77 million for both the Visitors' Center and the Hoover Uprates. As the bill was pending before Congress, the APA and other then-contractors for Hoover power brokered an arrangement whereby the APA would float bonds for the Uprates, receive a bill credit and the other customers would pay extra to cover the credit until the Uprates were paid for. This meant that roughly one-half of the \$77 million authorization was not needed. Unfortunately, the authorization was not reduced and became part of the Act.

As it turns out, the costs of the Visitors' Center reached well over \$100 million and litigation ensued. The U.S. Bureau of Reclamation (Reclamation), to its credit, recognized the unfair burden this placed on power contractors and committed to trying to make the Visitors' Center self-sustaining through fees

and charges. It had come pretty close when the original contractors provided funds to Reclamation to pay the remaining original capital costs several years ago. Since then, the Visitors' Center has not been an undue burden on power contractors and their customers.

However, the coronavirus pandemic has drastically altered the revenue stream from the Visitors' Center and poses a potential significant cost burden on the contractors and their customers. We point this out because we join in the APA's offer to work with the Western Area Power Administration (WAPA) and Reclamation to seek non-reimbursable funding for Visitors' Center costs, at least for FY 2020 and FY 2021, in order to protect Hoover costs from rising any more above market costs of other available resources.

We hope that you will agree that this is a worthwhile endeavor. Please let us know.

Thank you for the opportunity to comment on this important rate process. We look forward to hearing from you.

Sincerely,
ROBERT S. LYNCH & ASSOCIATES

A handwritten signature in black ink, appearing to read 'R. Lynch', written over a light blue horizontal line.

Robert S. Lynch

RSL:psr

cc: Terry Fulp, Regional Director, Lower Colorado River Region, U.S. Bureau of Reclamation
Ed Gerak, Executive Director, Arizona Power Authority
Russell Smoldon, Arizona Municipal Power Users' Association
IEDA Presidents/Chairmen & Managers