WESTERN AREA POWER ADMINISTRATION

DESERT SOUTHWEST REGION

BOULDER CANYON PROJECT
FISCAL YEAR 2022 BASE CHARGE AND RATES
PUBLIC INFORMATION FORUM

Lakewood, Colorado

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P R O C E E D I N G S

(11:02 a.m.)

MR. GORLIN: Good morning and welcome to our public information forum for the Boulder Canyon Project. My name is Dave Gorlin. I'm an attorney with the Western Area Power Administration, from our headquarters in Lakewood, Colorado.

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.

Today we will explain the proposed Fiscal Year 2022 base charge for the Boulder Canyon Project. The proposed base charge will be effective October 1st, 2021, and remain in effect through September 30th, 2022.

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.

Next slide, please. Thank you.

To facilitate transcription of the meeting, please save all questions and comments about the proposed base charge until the end of the presentation. In addition, we will be muting phones during the presentation to avoid background noise and any possible distractions.

The public comment forum for the proposed base charge is scheduled for June 14, 2021, at 10:00 a.m. Mountain Standard Time via Webex. The Webex information is posted on WAPA’s website.

If you would like to submit written comments on the proposed base charge, they must be received by the close of the consultation and comment period, which is July 14, 2021. Comments should be sent to Jack D. Murray, Acting 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 that.

These slides have been posted to our website. And a link will be posted in the chat box.

Unless anyone has any questions about the procedures for this forum, we will mute any open phone lines and I will turn the meeting over to Tina Ramsey to begin the presentation.

MS. RAMSEY: All right. Next slide. All right. Thanks, Dave. So, good morning, I’m Tina Ramsey and I’m the Rates Manager for Western Area Power Administration, or WAPA’s, Desert Southwest Region. Today we will be discussing the Boulder Canyon Project’s Proposed Fiscal Year 2022 Base Charge and Rates.

On the agenda today we will begin with briefly discussing the regulations, orders and procedures applicable for rate-making purposes. We will 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 will discuss a summary of the base charge and rates, and then provide details contributing to the Fiscal Year 22 Proposed Based Charge. We will also highlight the remaining steps and the rate timeline, and lastly, provide information on where to find additional resources.

Next slide.

All right. First, let me highlight the regulations, orders and procedures that outline WAPA's process to update the Boulder Canyon Project's base charge and rates. First, there's 10 CFR 903 which details how WAPA administers rate adjustments.
Then there's DOE Order RA 6120.2 which outlines the financial reporting requirements for power marketing administrations. And it also includes the requirement for a power repayment study or a "PRS." The PRS for the Boulder Canyon Project is used for rate setting purposes.

And then, there's three, the third item is 10 CFR 904 and that applies specifically to the Boulder Canyon Project. And, among other things, it does outline the requirement for a base charge and the rate, which there's an energy rate and a capacity rate.

Lastly, WAPA refers to the Boulder Canyon Project Electric Service Contract and the Amended and Restated Implementation Agreement, which outlines specific responsibilities and expectations for each applicable party.

All right. Next slide.

So, Boulder Canyon is unique from WAPA's other power systems and industry standard rate-making practices. Customers are charged a base charge, much like a revenue requirement for capacity and energy, rather than being charged a rate. The base charge is calculated by taking the expenses for both Bureau of Reclamation, or Reclamation and WAPA, and subtracting any carryover funds. And then we subtract any non-power revenue from both Reclamation and WAPA and that becomes the base charge.

The contractor's monthly billing is based on a proportionate share of the annual base charge and consists of a capacity and an energy component.

Next slide.

Let's quickly look at an example of this. So, if we take and calculate, as an example, that the base charge would be $70M, the amount is split evenly between capacity and energy, so 50 percent could be collected under the capacity rate and 50 percent to be collected under the energy rate. Then we take the capacity amount, that 50 percent, and we look at what is the contract percentage of their capacity amount. And they get that amount as their annual charge.

So, in this example it was 20 percent, so the annual charge on the capacity side is $7M. Then the $7M on the capacity side is then divided evenly on a monthly basis. On the energy side, we get 50 percent which is, again, the $35M. In this example the contractor’s energy share is also 20 percent, so we’ll collect $7M under the energy charge. And that $7M will be split based on how the final master schedule is split. So, if you get roughly 10 percent of your energy in one month that is the percent of the contracted energy that you will receive that charge.

So, next slide.

So, we calculate rates for comparison and informational purposes and we have three rates. We have the composite rate, the energy rate and the capacity rate. The composite rate is the base charge divided by the energy projection. The energy projection is used from the final master schedule, which should be available around June 1st. And, in fact, we use the final master schedule numbers for both the energy projection and the capacity projections on these rates.

Then, the energy rate, which is 50 percent of the base charge, is divided by the energy projection. And the capacity rate, which is the other 50 percent, is divided by the capacity projection to get the capacity rate.

So, next slide.

So, let's just take a look and see where we are with calculating the base charge for Fiscal Year 22. Based on the latest financial and hydrological projections, the Fiscal Year 22 proposed base charge will increase $3.1M to $68.6M as compared to Fiscal Year 21. This amounts to a 4.8 percent increase from Fiscal Year 21. This is a bit different. It is actually lower than what was published in the initial *Federal Register* notice on April 15th for the proposed base charge. What was published on April 15th was actually a 9 percent increase in the base charge between Fiscal Years 2021 and 2022, which was a $5.9M increase from Fiscal Year 2021.

So how did we get to this lower base charge? Based on contractor feedback, both Reclamation and WAPA reviewed their Fiscal Year 2021 execution levels and the Fiscal Year 22 proposed budget and made reduction to actually lower the base charge. Reduction to the Fiscal Year 2021 projections have increased the estimated carryover from Fiscal Year 2021 to Fiscal Year 2022, which has decreased the base charge. Reclamation also reduced their Fiscal Year 22 budget in several categories which directly impacted the base charge.

Today I will review those changes between the Fiscal Year 2021 and Fiscal Year 2022 current base charge. The midyear update column on the next 10 or so slides illustrates the changes that have taken place since the *Federal Register* notice and the 10-year operating plan were published. The change in percent column reflects the total amount of change from Fiscal Year 21.

So, now in the second and third section of the slide we updated the energy and capacity projections using the data from the second draft of the master schedule which was released near the end of April. I think it was actually like April 26th. And these rates, which are for informational purposes, will be updated again when the final master schedule for Fiscal Year 22 is published around June 1st.

So, the projected composite and energy rates are increasing 14.9 percent, and the capacity rate is increasing 17.2 percent. The increase in each rate is due to the 4.8 percent increase in the base charge and the decreases in the energy and capacity projections from the second draft of the master schedule.

All right. So, next slide.

All right. This table and the following tables through the presentation compare Fiscal Year 2021 base charge, all the components, with Fiscal Year 2022's base charge, as well as the dollar and percentage changes compared to the Fiscal 21 values. The $3.1M increase between the Fiscal 2021 base charge and the Fiscal Year 2022 based charge is made up of a $2.9M increase in projected expenses, a $2.3M decrease in projected carryover, and a $2.1M increase in non-power revenue from the prior year. This results in a $3.1M increase to the Fiscal Year 2022 base charge as compared to Fiscal Year 2021.

Included in those amounts are $2.7M in reductions Reclamation and WAPA have made that I discussed earlier. $1.4M is from reduction to the Fiscal Year 2022 budget and $1.3M is from reduction to the Fiscal Year 2021 budget.

So, let’s do a more thorough review of the differences in the base charge between Fiscal Year 2021 and 2022.

All right, next slide.

So this slide is just the Reclamation’s O&M component. Overall there’s a decrease of $4.5M or a decrease of 7 percent as compared to Fiscal Year 2021. So, taking the individual categories, the operations budget increased by $146K, due to increases in salaries, water scheduling, and regional support costs. Reclamation’s maintenance budget had a decrease of $926K due to maintenance staff charging to RAX projects and a decrease in services and regional support.

Reclamation's A&GE, or Administrative and General Expense budget, is decreasing by $1.2M due to the allocation of cost from compliance over to visitors services. This decrease includes $200K for a decrease in the A&GE budget -- oh, I'm sorry, so this also included midyear update of $200K, which is a decrease in the A&GE budget that we did for the midyear review.

The last category on the slide is the extraordinary maintenance category. And there's a $2.5M decrease which is a 24 percent decrease from Fiscal Year 21 to Fiscal Year 22. And we have more details on the next slide about the extraordinary maintenance category.

All right, next slide.

And so this is just what I previously mentioned when we were looking at the numbers in the previous slide.

Let's go to the next slide.

All right. So, here we have additional details on Reclamation's extraordinary maintenance budget. As outlined in the 10-year operating plan, Reclamation initially decreased their extraordinary maintenance by $1.5M as compared to Fiscal Year 2021, in an effort to stabilize their budget. As part of the midyear review and in response to the pandemic, Reclamation adjusted work priorities and further reduced the RAX budget by $970K, resulting in a total $2.5M decrease when comparing Fiscal Year 21 to Fiscal Year 22.

So, next slide. And I think that just has words that I was just saying. So, next slide.

So then, Reclamation replacements: The individual projects for both Fiscal Year 21 and Fiscal Year 22 are listed here. And in this category the budget increased $5.1M from Fiscal Year 2021. This is due to including projects that were deferred in Fiscal Years 2020 and Fiscal Year 2021 due to the COVID-19 pandemic. As part of Reclamation's midyear review, Reclamation did make reductions to replacement budget of $272K by moving projects to future years.

All right, next slide. And I think that's just the words again, so next slide.

All right. This is Reclamation's other expenses. There is an increase of $1.5M for the Hoover

Dam Visitor Services budget due to higher labor projections in salaries, overtime, overhead, and benefits, and also due to the allocation of costs between departments. The payment to states is a static payment each year and does not change. And that's also the same with the principal and interest that remains unchanged. We're working to pay off the one remaining asset, which is flood control, which will be paid off in 2037.

Next slide.

All right, this is Reclamation's PRBs or Post-Retirement Benefits. And this is the imputed retirement, health insurance and life insurance costs. And this calculation for Fiscal Year 22 is based on a five-year average of the most recent actuals. So then we do see a small increase, a $44K increase, due to that average, the five-year average increase.

So, next slide.

All right, now for WAPA's data. WAPA's O&M budget is increasing $520K from Fiscal Year 2021 to Fiscal Year 2022. And this is primarily due to higher labor projections in the system operation and load dispatching categories. And that's a redistribution of the cost resulting from the closure of Navajo Generating Station and also the Hoover-Mead line lease cost which were not budgeted in Fiscal Year 21. These costs are included in the power marketing and the system operation and load dispatching. So the redistribution of cost affects both system operating and load dispatching and the power marketing cost.

So the line lease costs, which were not included in our budget initially because accounting standards for leases changed, and we would have had been required to include a $5.8M charge for the least, equal to the present value over its life. Instead, we worked with our accounting and budget groups to develop a financial treatment that would allow us to only include the annual lease payment cost of $210K in the base charge, which actually saved $5.6M. So, while we were late in including the least cost in our budget, the savings overall made it worthwhile.

So, next slide. I think that describes what I just went through.

All right, so replacements: Like Reclamation, WAPA’s replacement budget varies each year based on the projects. There’s a $250K increase in WAPA’s replacement budget for Fiscal Year 2022. The two projects for Fiscal Year 2022 are the continuation of the DACs replacement, which is basically the DACs and the channel bank which were combined into one piece of equipment, and the replacement of a CCVT at Hoover.

The DACs communication equipment has reached the end of its life and the CCVT at Hoover is aged and is scheduled for a replacement due to some leaks.

The next slide.

So this next slide is WAPA’s Post-Retirement Benefits or PRBs. And they are decreasing just about a little over $6K. And that’s due to the average of five years of the most recent actuals changing.

The next slide.

So this slide is Capitalized Movable Equipment, or CMEs, and warehouse forecasted interest expenses. And once again we use that five year average of most recent actuals which then has a change of $648.

Next slide.

All right, so this slide is non-power revenues. These categories, visitor services, ancillary services and water sales, offset the project's expenses. Prior year carryover was originally estimated when we published in the *Federal Register* to be only about $680K. We are now projecting almost $2M in carryover. The increase in carryover is due to both Reclamation and WAPA looking at their current year expenses and projecting about a $1.3M decrease. This amounts to a $2.3M decrease overall in the carryover that we had included in the Fiscal Year 21 base charge, so it's only a small decrease over Fiscal Year 21 but it still has a significant impact on the calculation of the base charge. So, non-power revenue is expected to increase by $2.1M total, due to the addition of commercial use authorization for road-based tours and WAPA's ancillary service projections, due to the ancillary service projections also use that five-year average of most recent actuals. And we see a small increase there.

All right, next slide.

So this next slide rolls it all together again, where Reclamation's expenses are increasing overall $2.1M or 3 percent, and WAPA's expenses are increasing that $762K or 9 percent, for a total of $9.2M in estimated expenses for Fiscal Year 2022. We combine this with the offsetting carryover and that's decreasing $2.3M. And, lastly, the non-power revenue which is increasing $2.1M. And you add that all together and we end up with the $3.1M increase to the Fiscal Year 22 base charge.

As I explained earlier, the $2.7M shown in the midyear update column is the reduction to Reclamation and WAPA's budgets we've made to help moderate the increase in the base charge. The $2.7M amount is also the change from what we've included in the *Federal Register* notice and the 10-year operating plan.

Next slide.

So, where is our timeline? So the timeline for the process is on April 15th we published our proposal in the *Federal Register* and today is the May 17th Public Information Forum. On June 14th we will have the Public Comment Forum which is an opportunity to provide feedback on the record.

And, next slide.

And then on July 14, 2021 is the end or concludes the 90-day Public Comment and Consultation period. That gives us around until August or so to publish the final *Federal Register* notice with the final base charge, with an effective date of October 1, 2021.

Next slide.

So for additional resources we've outlined several people, both from WAPA and from the Bureau of Reclamation. And that's all our contact information. And we also have information on our website which is also at the bottom of the page.

And let's go to the last slide here. We had mentioned, and I think Dave mentioned earlier, Jack's contact information. If you'd like to mail in or email comments, here are those addresses, both the physical address and email address.

So I will now turn the meeting back over to Dave for the question and comment portion of the forum.

MR. GORLIN: Thank you, Tina. And, as said, we will now open the forum for questions or comments.

We ask that you keep in mind the questions should be relevant to the Fiscal Year 2022 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 the 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 unmute your phone you may use the Webex unmute feature, or Press *6 on your phone. I do have someone helping with the Webex.

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. Are there any questions?

MS. FINLEY: This is Ann FINLEY with K.R. Saline & Associates, representing SRP MIC. Just a couple of questions: One, on your Visitor Center projected revenues for 2022 I think you bumped it up from $17M to $20M in Slide 23. I know the commercial use authorization, I think that was only estimated around $4M if you had kind of a full -- in the old days, pre-COVID, a full maybe $14M or $15M in revenue. So adding $4M to $14M would be about $18M.

But, do you feel that the numbers there for Visitor Services, even in 2021, the $17M and the $19M in 2022 proposed, are reasonable?

MS. RAMSEY: And we do have some folks from Reclamation on?

MR. STEMMER: Yeah, hi Ann. This is Matt Stemmer from Reclamation. And so, that $19M, you're right, it does include anticipated CUAPs that we had built into that, which contributed to that $2M increase for the FY 21 base charge itself. At that point we do still have a fair level of confidence that Visitor Services revenues will be there upon the -- for the opening of the Visitor Services themselves.

At this point in time there's a lot of uncertainty surrounding the complete reopening of the Visitor Services at Hoover Dam at this point in time. So it is hard to predict where we will eventually land in FY 22, based on that uncertainty. But, at this point in time, that $19M is something that we will continue to project going forward into next Fiscal Year.

MS. FINLEY: Okay. Yeah, I didn't know if COVID was going to limit like a certain amount of percentage capacity for your tours or not. Like I know in California there's still some limitation.

MR. STEMMER: Yeah, no, yeah, sorry Ann. And those are all great questions. At this point in time unfortunately we don't have all of that information to know exactly what we're going to be at with capacities and tours and whatnot. I do know tour revenues bring in a great majority of those Visitor Services revenues. So any reduction in that capacity would have an impact on our proposed revenue for that year. But we will do our best to try to limit any impact to FY 22, if that does happen.

MS. FINLEY: Okay. And the next question would be, on the Slide 18 you talked about the penstocks and lateral spot coating. That amount moved from originally proposed at $4.1M down to $2M. Is that just by you're stretching that out over the years? Or did the bids come in less than what was originally budgeted? On maybe it is not on this slide. Penstocks and laterals -- maybe it was on Page 21.

Go back one, one more, one more back, yeah. Okay, what is your ’22 budget for --

MS. RAMSEY: Reclamation? There we go.

MS. FINLEY: Thank you. Yeah, I think -- penstocks -- go back one more. Okay, there it is. The penstocks and lateral spot coating is $4.1M in 2021. And in 2022 20- - oh, I see. It’s just proposed. Shouldn’t that have been FY -- okay. So is that just the last year of that contract? Or is there just less work to be proposed in 2022 for that item?

MR. SCHILLING: Hey, Ann, this is Len Schilling. We actually spread that -- the full project’s budget is $4.1M but we spread that $2M out to ’22 and ’23, or ’21 and ’22. So we spread that cost out, I believe. So we don’t have bids yet. But the project cost, total budget cost, is $4.1 still.

MS. FINLEY: Okay. I do recall one year it was really big because you had the elbow, or you had that extra scaffolding requirement in one end of the penstocks, but maybe this 2022 doesn’t require as much of the scaffolding issue and cost.

And the last question is on the escalator replacement. I believe it was Page 20. On that one it's -- I thought in the -- or in the Technical Review Committee Report that didn't look like it was delayed. But I thought that was going to be done this year. So it's an escalator replacement and it's probably going to be done in 2022 when you have a lot more people in the plant, or coming up and down the escalator. I'm just wondering why that couldn't have been done. I thought it said it couldn't be done because of COVID restrictions or something.

But, yeah, there it is, the $1.15M. But it looks like it was not proposed in the FY 21 base charge. So I thought that was supposed to be done before you started getting people back -- visitors back into the plant, but perhaps not. Can you address that one?

MR. SCHILLING: Yeah, Ann. This is Len again. That is for the Visitor Center escalator, but we ran into some difficulty getting the package together and the funding for it so we decided we'd just wait. We still can get visitors into the Visitor Center without the escalator so we decided to wait until '22. But we were going to try to do it earlier, you're correct.

MS. FINLEY: Okay. Okay, thank you for the discussion, though.

MR. STEMMER: Yeah --

DSW HOST: Okay, Dave, we have a question here from Ken Saline from the Augustine Band of, sorry if I say this wrong, the Cahuilla Indians, and it is: Will Western and the USBR identify changes in revenues, costs and impacts upon execution due to COVID related effects for Fiscal Year 20 and 21 and estimate any potential impacts in Fiscal Year 22 due to COVID related impacts?

MS. RAMSEY: I think.

MR. SALINE: So -- oh, go ahead, Tina.

MS. RAMSEY: Yeah. No, I'm trying to think of -- I don't think -- for WAPA's revenues, I don't think that would be impacted.

MR. SALINE: You can't, obviously, tell us that there's been no impact on your organizations due to COVID. So --

MS. RAMSEY: Right.

MR. SALINE: -- I would just like to you to try identify those for us. Because, we have folks out there that are asking all of your customers, saying, "Wow, can the government help you right now with some helping on your projects?" And so we say, "Yeah, we'd love the government to help us on some." Like, for example, this escalator. But we can't really tell our congressional delegations that we'd like some help on some funding if we don't know what those impacts are that, you know, we would have done otherwise if we hadn't had this dreadful, you know, disease upon us.

So, you know, what are the estimates of the impacts of COVID on Hoover and its execution and its people? And its, you know, retirements? And just give us an estimate and that way we have the number so we can say, "Hey, you know, we were impacted and, you know, this caused a delay in projects. And, you know, we've got to still pay them someday, but it has impacts." So, if you could identify that that would be awesome. Thank you.

MR. STEMMER: Yeah, this is Matt Stemmer from Reclamation. Most of the impacts occurred on Reclamation's side, not WAPA's side. And we do have -- we go into a lot of details and information regarding what those impacts were from a revenues and cost standpoint. So it's certainly something we can provide back to you guys. Not at this point in time, but, yeah, we can respond in writing with those -- with that information.

MR. SALINE: I appreciate that. And also, you know, since we're voting on these rates and, of course, they impact our cost, any revenues we could get, you know, for FY 22 would help obviously impact our rates, right? So we really would like to have that information in a timely manner so we can try to, you know, seek some revenues, if we can, from the customer side. Thank you.

MS. RAMSEY: Okay. Well, we'll work -- I'll work with Matt to see what we can identify and then post on our web page.

MR. GORLIN: Looks like we may have a question. I see the hand raised for Mr. Craig Pyper.

MR. PYPER: Yes, thank you. This is Craig Pyper with the Colorado River Commission of Nevada. Just a quick question regarding the reopening protocols: Is it based on federal or state guidelines for reopening the Visitor Center? I know that Nevada is starting to reopen and they have a new date of June 1st. But is it still based on federal guidelines for what you can reopen and what you can do?

MR. SCHILLING: Hey, Craig, this is Len Schilling. Yeah, we follow federal guidelines for that reopening and we don’t have any anticipated opening date at this time.

MR. PYPER: Thank you.

DSW HOST: And we have a question that came in from Tim Cherry on Slide 19: Can you please provide additional information on the Hoover-Mead Line Lease? Why was this not included in prior budget periods?

And let’s got to 19.

MS. RAMSEY: Yeah, so, we were working on the change in the financial treatment and then it looks like we missed including that in the budget. You do pay that annually to Southern California Edison.

MR. LUND: Tina, this is Scott Lund. Would you like me to go ahead and add some detail to that for you?

MS. RAMSEY: If you have more detail, sure, Scott. Thanks.

MR. LUND: Sure, absolutely. Great question.

Thank you, Tim. So in previous periods we had included the line lease cost in our O&M budget. And we, in further review with our auditors on the line lease, audit standards changed -- financial accounting standards changed, pardon me, and so the lease was going to be classified as a capital lease rather than an operating lease.

So what that means, from a financial accounting perspective, is that we would be required to collect the present value of the lease, $5.8M upfront. So, rather than put that in our budget to increase the annual payment from $210K, roughly, to $5.8M, we paused and worked with our budget and accounting groups, like Tina mentioned earlier, to see if we couldn't try to mitigate that, see if we couldn't find a more creative solution, rather than include the full $5.8M in the budget.

We were successful in doing so, but that created a gap. We had $210K, roughly, in our budget for a number of years. Then there was this gap where we were trying to work things out from a budget and financial accounting perspective. And then we see the lease come back in for $200K.

MR. CHERRY: Thanks, Scott. I appreciate it.

DSW HOST: Yeah, thank you both.

MR. GORLIN: All right. There's no more – -

DSW HOST: I apologize, go ahead.

MR. GORLIN: No, I was just going to say at this moment I don't see any hands and I have no questions in the chat.

MR. LYNCH: Can you hear me?

MS. RAMSEY: Yes.

DSW HOST: I -- yes.

MR. LYNCH: I'm sorry, but I don't -- on my computer I can't find a hand to raise. This is Bob Lynch. I'm an attorney in Phoenix, representing the Irrigation and Electrical District Association of Arizona whose members are Hoover contractors through the Arizona Power Authority. Would it be fair to summarize that the increases (audio skip) --

MS. RAMSEY: I -- is it just me? I can't hear.

MR. LYNCH: Can you hear me now?

MS. RAMSEY: I can now.

MR. LYNCH: Okay. I’m sorry.

MS. RAMSEY: I -- all I heard was something about increases and then I missed the main body.

MR. LYNCH: We’ve got a base increase of 4.8 which, if I understand it correctly, is a capacity increase of 14 percent and energy increased 17 percent. And those percentages are based on reduced hydrology. Is that correct?

MS. RAMSEY: That is correct.

MR. LYNCH: Okay. Nobody has talked about it, and maybe I shouldn’t, but I -- there was no discussion about the Hoover Dump in all of this.

MS. RAMSEY: Right, there’s no projected expenses in Fiscal Year 22 for the landfill.

MR. LYNCH: Okay. All right. So that’s the perfect answer. Thank you.

MS. RAMSEY: Did you have any other questions, Bob?

MR. LYNCH: No. That’ll take care of it. And I apologize for the interruption, but I have too many phones in my home office.

MS. RAMSEY: No, that’s fine.

MR. LYNCH: All right-y. I'm going to go back on mute.

MS. RAMSEY: Okay.

MR. GORLIN: Are there any more questions? Currently I see no hands raised and do not see any questions in the chat box. Anymore questions at this time?

DSW HOST: If you have a question please remember to unmute your microphone.

MR. CHERRY: This is Tim Cherry from Metropolitan and this might be a little bit off center. We're talking about Fiscal Year 22 and I just wanted to get an idea from maybe Reclamation and WAPA, if we continue to see reduced energy and capacity available because of the actual water in Mead actually going down over the next several years, can you sort of talk and maybe this isn't the forum, but, basically, give us sort of an indication on how we're going to minimize any future increases in the per unit cost of energy or capacity. Because the energy and capacity values as we're seeing this year, the actual numbers, dollars are actually going to be going up on a per unit basis.

So I don’t know if this is the right forum or not, but I just wanted to generally plant the seed on that question.

MS. RAMSEY: Yeah. Len, you want go first?

MR. SCHILLING: Sure, Tina. Tim, I think it’s something we’ll have to just continue to talk about and work through with during our meetings, our quarterly customer meetings. And we will continue to address that. I don’t have a good answer besides that we’re aware and we’re going to continue to try to manage and work with that. That’s really I think all I can say about it right now.

MR. CHERRY: Yeah, thanks, Len. I appreciate it. I know it’s a hard question to answer right now, but I just want to make sure that we put that on the -- you know, keep it on the agenda as we move forward in our discussions.

MR. LYNCH: Len -- this is Bob Lynch again. I apologize, but he asked the $64 question. Hoover is already more expensive than power you can buy at Palo Verde. And it’s not the only resource that Reclamation and WAPA market -- that generate market that’s under the pressure economically.

The import of the gentleman's questions is: At what point in time is this resource no longer economic? At what point in time do your customers have to look at what's going on? And the counter v thing that's not being discussed is: At what point in time does Hoover and other Colorado River Resources become generation following rather than load following? We have a perfect example with SPP where Pick-Sloan East is now base loaded there, not load following at all. They're hitting their peaks on natural gas because it's cheaper.

So the nature of the resource has fundamentally changed over there. So, I mean, these -- this whole price thing is opening some other doors and behind which are some other issues. And I think that the dialogue needs to include them. Thank you.

MS. RAMSEY: Okay. Yeah, thanks, Bob. We are hosting a meeting to talk about the master schedule on May 27th at 10:00 a.m. and we will have Bureau of Reclamation Water Operations folks there, so we can have some of those -- maybe that's a better forum to have some of those discussions.

And I hope everyone got that invite to that meeting on the 27th, but, if not, let me know and I can get you the information. It is posted on WAPA's web page, the -- our regional DSW web page has that information for that meeting on May 27th.

DSW HOST: I'm actually going to put the link in the chat.

MS. RAMSEY: Oh, okay. Thanks, Jay.

MR. GORLIN: Thanks, Jay. Any—

MS. RAMSEY: Yeah, that really is like a long term discussion. We have to have discussions on more long term than just Fiscal Year 22 so --

MR. GORLIN: Any additional questions? I see no hands raised and I see no new questions in the chat box.

DSW HOST: Ken has his hand up.

MR. SALINE: Hi, this is Ken Saline from the Augustine Band of Cahuilla Indians. And, again, I have a question also now, thanks to others for raising this, but as we go forward what cost impacts, due to this reduced water flow or drought -- I'll call it a drought, because it's a drought situation.

What are the cost impacts going forward for Fiscal Year 22 and 23 that you have, that, if we didn't have a drought you wouldn't have? What are the inefficiencies or the additional costs on the damn, or facilities, or people, or burdens? You know, these rates are going up. And of course we have a denominator situation.

But also on the cost side, are there costs out there that are drought related that we need to identify so that we understand what they are? And then maybe we can identify those to others and see what we can do for the forward futures, you know? We may need some money to help this project so we need to know where there's opportunities and what we have that we're facing due to drought or COVID and if those are our only opportunities. Otherwise, we have to pay those costs. So we should identify those and see what they are and see if we can get any assistance where we can. Thank you.

MS. RAMSEY: Yeah, thanks. Thanks, Ken.

MR. STEMMER: Yeah. And, Tina, do you want me to address that question?

MS. RAMSEY: That would be great, Matt.

MR. STEMMER: Yeah, hi, Ken. This is Matt Stemmer from Reclamation. So you pegged it. This drought issue is more of a denominator issue than a numerator issue. In fact, the impacts on the cost side aren’t very impactful from an overall budget standpoint. The real impacts or effects that we’re feeling happen to be on that denominator side that you’re referring to. And, unfortunately, although Reclamation and WAPA have both tried to keep costs low and reduce that, as evidenced by the 4.8 percent increase, you’re seeing that larger increase on the other side due to the impacts of the drought.

MR. LYNCH: This is Bob Lynch again. I apologize for interrupting, but let’s review (inaudible) simplicity. You develop budgets, both Reclamation and Western. That becomes -- at some point in time it has to. Then you look at how much, in the way of capacity and energy, you can provide from the system and the unit costs depend on how much you can provide. It’s just very simple. And it’s going up rather remarkably, merely because there isn't enough water to generate enough energy to be able to lower the cost.

And what Ken is saying, I think at least, I'm putting words in his mouth, is at some point in time this concept from 1928 isn't going to work. And that, maybe we ought to be looking at certain aspect of the cost profiles of both agencies and having the customers think seriously about going to Congress and saying this dog don't hunt anymore and we need your help.

And I think that's a very worthwhile discussion to have. But, I mean, it's a really sim -- you know, it gets very complex with all your slides, but overall it's really very simple. You set budgets, we pay. We pay unit costs based on how many units you can give us. The fewer you have, the more expensive they are. And at some point in time, I mean, I hate to remind you, but in 2004 when we were doing CRSP, the co-ops on the Pecos on the east side of the mountains pissed off their contracts and bankrupted their G&T because they could do better with Pecos power than they could with CRSP.

And, I mean, I'm not suggesting that'll

happen, but price pressure has been raised here already and it is a discussion that needs to happen.

MS. RAMSEY: I agree that we need to be looking at the future.

MR. SALINE: Sorry, but this is Ken Saline again. You know, I think we also just have to recognize that until now, until the water stopped flowing -- you know, the rates have been stabilized by that factor for a long time now that they've -- now it's going to be adjusted. We're going to have a big rate increase that all of your customers will see.

And, of course, if we wait for them to see it until October 1, then they're all going to realize really quick, when their bills come in, oh, my goodness, a big, bad thing happened at Hoover the other day. And then they're going to say, "Well, what caused this?" And that's why I'm asking these questions now, is in anticipation of when everyone -- you know, the reality of what's going on flows through the system, from today's comments through this fall when the rates get implemented. But we have the reality to deal with now and so we need to do our best to work it as well as we can in every avenue we can. So thank you for your help and assistance. And thank you guys for presenting these hard numbers.

MR. KENDRICK: Hey, Ken, can I add just a little bit to this?

MS. RAMSEY: Sure.

MR. KENDRICK: Hey, Ken, this is Jim Kendrick, Power Marketing DSW. You know, I'll just add to that. You know, we've seen this trend for quite some time, a number of years, at least since I've been with Power Marketing. And there was concerns for us even two to three years ago as we saw these price increases and the drought continued. So, you know, we've been working with Len and his staff diligently, heavily the last year of so, in studies, forecasting, you know, we're looking at new contracts. We're talking about flexibility.

We're very aware of, you know, the customers' concerns, and our concerns. And there's going to be a number of -- as Tina said, there's going to be a number of meetings coming up where we're engaging with you and others, all the customers, to provide the -- you know, the data, get your input working forward and for our future product. We know that there's always going to be value in hydro and to the market and the industry as it changes.

So I just want to make you aware that we are aware of it and have been working on it for a long time, a long time.

MR. SALINE: You know, Jimmy, and again, I hate to jump in on that, but I can't resist. You know, I mean, all of the sudden, too, you have, you know, what is Desert Southwest going to do in which market, etcetera. But the fact is we're also dealing with different market dynamics then we had in the past. And so I would really like to encourage Western and the Bureau to have a "what's the value of Hoover" committee "going to be in the future." You know, we need to be discussing that together, because we have 50-year contracts and so this isn't like, "Hey, the government did it to us and now, you know, what are we going to do about it?" You know, we're in this together.

And so I think we've ought to look at what is the value of this hydro facility in these new markets, and if there's ways that we should, you know, do something differently to get more value, then what is that. You know, and I don't know what that is, but maybe there is something there, Jimmy, that we should look at and say -- I mean, we know Hoover has Black start and we're not getting paid for that. So what are the values in these future markets? And maybe there's things we should be saying in these market formation issues, like, "Hey, you need to be paying us for Black start value." etcetera. And, you know, what are those themes that we should be saying as Hoover contractors in these new markets so that we get value for Hoover, so we can pay our bills?

And I don't know what those are so I don't know if we need to have an E&OC committee on increasing the value of Hoover, or what we need to do there. But now that these bills are going to go up, I think the seriousness is going to increase on everyone's level. So, thank you.

MR. KENDRICK: No, absolutely, Ken, I agree.

MR. LUND: This is Scott Lund. Yeah, I think, WAPA and Reclamation, certainly our customers all understand that this is a very broad reaching issue that affects more than just Boulder Canyon. In fact, Jim, just a moment ago, mentioned that we're considering new contracts. I think he was referring to Parker Davis rather than Boulder Canyon. Those comments were to another project. But I just want to clarify that, you know, so we don't inadvertently confuse anyone.

MR. KENDRICK: Thanks Scott.

MR. LYNCH: It's the same river.

MR. LUND: Absolutely. So I think we're going to find some common solutions.

MR. SALINE: Yeah.

MR. LUND: And some solutions that we need to tailor a little bit to the dynamics of each specific project. But I think I'm hearing some very good things that we need to close ranks and coordinate and work towards solutions, sooner rather than later.

MR. SALINE: That's it, thank you.

MR. KENDRICK: Thanks, Ken.

MR. GORLIN: And it looks like Margaret Schaff has a hand up.

MS. SCHAFF: Yeah, hi. This is Margie Schaff on behalf of the Pechanga Band of Luiseno Indians. And

I would just kind of piggyback on Ken's comment about the different market dynamics and the various values of Hoover in the market. And another topic there that I think might need to be added to an agenda in this discussion is the capacity value of Hoover and the ability to dynamically schedule out of Hoover, which right now is not something that, you know, we're able to do. But it certainly would improve the value. Thank you.

DSW HOST: And whenever you folks are ready, Craig Pyper does have his hand up as well.

MR. GORLIN: Yes.

MR. PYPER: I think that this discussion also gives impetus to the meeting on the 27th that you just announced, where if this discussion needs to happen with the integration of both Hoover and Parker-Davis projects, this is a unique project, but can you tell us what time on the 27th that meeting is supposed to be? Is it 10:00 in the morning, 1:00 in the afternoon? There's no information, just outside on the date.

MS. RAMSEY: It's at 10:00 Pacific Daylight.

MR. PYPER: Okay, thank you. But I think that the whole Parker-Davis and Hoover, we need to, as customers, especially for us who are both Hoover and Parker-Davis customers, I think it's a relevant discussion. And Western has the unique ability to integrate these two projects as well.

Mr. LYNCH: Well, we're going to talk about integrating. And I agree with Craig, we've got to include CRSP. We've had customers down here and IEDA members who have all three resources and it's still the same river and the same water issues. And we've got an annual operating plan dialogue that starts early June. There are a lot of moving parts here, but I think there's going to be a role for your customers to play in trying to find solutions to some of those that may involve Congress and are the kinds of things that customers are better suited to do than you can. I mean, 2022 is in the can. We're not going anywhere with that, either, you know, beyond what we have to face in this process. And we're certainly not going to get anything going in Congress at this late date. So we have to think about those things and 2023 will be upon us before we know it.

MR. GORLIN: Just for everyone's benefit, and John Paulson from WAPA just posted in the chat box, that, the Webex details will be posted on our website today for that May 27th meeting.

Any other questions relevant to the Fiscal Year 2022 base charge?

DSW HOST: I see no hands and I have no questions in the chat box.

MR. GORLIN: Okay. I'll just give one last call here. Do we have any additional questions today before we close out the forum?

MR. LYNCH: Well, since nobody else is saying anything I'll just say thank you. This was a lot of hard work and we understand that. And we very much appreciate all the work you're doing on this and trying to handle this problem.

MR. GORLIN: Thank you. Okay, still seeing no questions so since there are no further questions, want to thank everybody for participating and attending the forum today. As mentioned a couple times earlier, the public comment forum for the proposed base charge is scheduled for June 14, 2021 at 10:00 a.m. Mountain

Standard Time. And any written comments must be received by the close of the consultation and comment period, on July 14, 2021.

We appreciate your attendance and participation today. The forum is now closed and we will go off the record. Have a good rest of your day.

(Whereupon, at 12:10 p.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)

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