

# PDF TRANSCRIPT COVER PAGE

**Formal Rate Process Meeting**

**Boulder Canyon Project**

**05/09/2019**



Ottmar & Associates, Inc.  
3770 N. 7th Street, Suite150  
Phoenix, AZ 85014  
T 602.485.1488  
[scheduling@ottmarassoc.com](mailto:scheduling@ottmarassoc.com)

**Court Reporters**

**Videoconference**

**Transcription**

TRANSCRIPT OF BOULDER CANYON PROJECT  
FORMAL RATE PROCESS MEETING

Phoenix, Arizona

May 9, 2019

10:30 a.m.

PREPARED FOR:

U.S. DEPARTMENT OF ENERGY  
(COPY)

REPORTED BY:

Cindy Bachman

Arizona CCR No. 50763

AZ Registered Reporting Firm No. R1008

TRANSCRIPT OF BOULDER CANYON PROJECT  
FORMAL RATE PROCESS MEETING

taken on May 9, 2019, commencing at 10:30 a.m., at the WESTERN AREA POWER ADMINISTRATION'S DESERT SOUTHWEST REGIONAL OFFICE, U.S. DEPARTMENT OF ENERGY, 615 South 43rd Avenue, Phoenix, Arizona, before CINDY BACHMAN, a Certified Reporter in the State of Arizona.

IN ATTENDANCE:

John D. Kral, Attorney, Western Area Power Administration  
Kevin Schaefer, Public Utilities Specialist (Rates)  
Tina Ramsey, Rates & Alternative Finance Manager  
David Arend, Bureau of Reclamation  
Lon Schilling, Bureau of Reclamation  
Laura Henning, Bureau of Reclamation  
Matt Stemmer, Bureau of Reclamation  
Glenn Steiger, Navajo Tribal Utility Authority  
Todd Dillard, IEDA  
Chris Shoop, Arizona Power Authority  
Tim Cherry, Metropolitan Water District of Southern California

## 1 P R O C E E D I N G S

2 \* \* \* \* \*

3 MR. KRAL: Good morning and welcome to our  
4 public information forum for the Boulder Canyon  
5 Project. My name is John Kral, and I am the regional  
6 attorney for the Western Area Power Administration's  
7 Desert Southwest Region. And I'll be the moderator for  
8 today's forum.

9 Today we will explain the proposed fiscal  
10 year 2020 base charge for the Boulder Canyon Project.  
11 The proposed base charge would be effective October 1,  
12 2019, and would remain in effect through September 30,  
13 2020.

14 This forum also provides you with the  
15 opportunity to ask questions about the proposed base  
16 charge. We welcome questions, but ask that you please  
17 keep in mind that the questions should be relevant to  
18 the fiscal year 2020 base charge for the Boulder Canyon  
19 Project. We ask, if you would, if you'll please wait  
20 until we complete the presentation today before asking  
21 questions, as the information may be covered in a slide  
22 that's about to be presented.

23 The public comment forum for the proposed  
24 base charge is scheduled for June 10, 2019, at  
25 10:30 a.m., at this location, which is the Desert

1 Southwest Regional office.

2 Written comments on the proposed base  
3 charge must be received by the close of the  
4 consultation and comment period on July 9, 2019.

5 Comments should be sent to Mr. Ronald E. Moulton, the  
6 regional manager of WAPA's Desert Southwest Customer  
7 Service Region. If that's by mail, the mailing address  
8 is P.O. Box 6457, Phoenix, Arizona 85005, or by email  
9 to dswpwmrk@wapa.gov.

10 And we'll provide this information later  
11 on after the meeting if you missed the presentation of  
12 the address of where to send it to.

13 A verbatim transcript of this forum will  
14 be prepared by our court reporter. And Cindy's helping  
15 us out in that regard today. Everything said while  
16 we're in session today, including the presentation,  
17 will be part of the official record. Copies of the  
18 presentation and the complete record of this public  
19 process will be available for review here at the Desert  
20 Southwest Regional Office.

21 Any questions that we're not able to  
22 answer today will be answered in writing before the  
23 close of the comment and consultation period.

24 So those are the preliminaries. I guess I  
25 didn't cover any egress if there's any kind of fire

1 alarms, hopefully we won't run into that, but you'd  
2 just go out these doors and off to the right.

3 Unless there are any preliminary  
4 questions, I'll go ahead and I'd like to turn the forum  
5 over to Kevin Schaefer, who will begin his  
6 presentation.

7 MR. SCHAEFER: We were having some  
8 problems with the mic earlier, so if it cuts out on me,  
9 I apologize. Can everybody hear me okay?

10 Okay. Thank you.

11 As John mentioned, my name is Kevin  
12 Schaefer. I'm a public utilities specialist here for  
13 Western Area Power Administration's Desert Southwest  
14 Rates Department.

15 Today we'll be discussing the Boulder  
16 Canyon Project's proposed fiscal year 2020 base charge  
17 and rates.

18 We will begin with updates since the  
19 initial Federal Register notice was published on  
20 April 9th. We'll discuss the proposed base charge and  
21 rates. We'll provide details contributing to this  
22 charge, highlight the next steps in the public process,  
23 and provide additional resources if you have further  
24 questions.

25 First, we'll be discussing the updates

1 since the initial Federal Register publication.

2 Since that time, April 9th, Reclamation's  
3 had a fiscal year 2019 midterm review, in which they  
4 identified budget reductions in both fiscal year '19  
5 and fiscal year '20 that further reduced the fiscal  
6 year '20 base charge by approximately \$1.5 million.

7 In fiscal year '19, special reductions  
8 contributed to carryover increasing by \$910,000.  
9 Our reductions were made in the maintenance and  
10 extraordinary maintenance categories, including a  
11 \$100,000 decrease as a result of the Quagga Mussel  
12 Management Program, a \$210,000 reduction in the Fire  
13 Piping Plan, and a \$600,000 reduction resulting from  
14 the delay of the Cincinnati Boring Mill Rebuild  
15 Project.

16 Operations and maintenance decreased by  
17 \$600,000 in 2020. Extraordinary maintenance decreased  
18 resulting from the Cincinnati Boring Mill Rebuild  
19 Project being pushed out to future years.

20 The proposed fiscal year 2020 base charge  
21 will decrease by \$3.3 million to \$66.4 million. This  
22 amounts to a 4.8 percent reduction in the base charge.

23 In the following slides, we'll go over the  
24 factors contributing to this decrease in greater depth.

25 As many of you know, customers are charged

1 their proportionate share of the annual base charge as  
2 opposed to a rate. Using the energy and capacity  
3 projections from the first draft of the master  
4 schedule, which details the energy and capacity  
5 projections, equivalent rates are calculated and  
6 available and presented on the slide here.

7 The final fiscal year 2020 master schedule  
8 is expected to be published on June 1, 2019, which will  
9 update those stated rates.

10 The projected composite and energy rates  
11 will increase from fiscal year 2019's figures by  
12 1.5 percent, and the capacity rate will decrease by  
13 4.8 percent.

14 The increase in the composite and energy  
15 rates are affected by reductions in the base charge and  
16 energy projections. The capacity rate decrease is a  
17 result of the reduction to the base charge itself.

18 In the following slides, I'll discuss the  
19 factors behind the fiscal year 2020 base charge.

20 This slide compares the fiscal year 2019  
21 base charge components in Column 2 with the 2020  
22 proposed change in Column 3. Column 4 reflects the  
23 delta between these two, and the fifth column reflects  
24 the percentage change.

25 The base charge is calculated by taking



1 the total expenses to generate and transmit Hoover  
2 power and subtracts out prior-year carryover and  
3 non-power revenue.

4 In the following slides, I'll discuss the  
5 two areas that are driving the changes in the 2020 base  
6 charge. Those are adjustments to expenses and an  
7 increase in the non-power revenue projection.

8 Let's discuss the expenses first.

9 In 2020, the total expenses are expected  
10 to increase by 3.1 million. Reclamation's budget  
11 increased by \$3.7 million.

12 Breaking this down further, operations  
13 increased by \$377,000. This resulted in increases from  
14 salaries, overhead, and SCADA equipment budgets.

15 Administrative and general expenses  
16 increased \$1.8 million. This is due to higher  
17 salaries, overhead, and service contract costs.

18 Extraordinary maintenance is decreasing by  
19 \$600,000. As we mentioned before, the Cincinnati  
20 Boring Mill Rebuild is being delayed until future  
21 years.

22 Replacements is increasing by  
23 \$1.4 million. There are a total of 11 projects within  
24 the replacement cost category. The most substantial  
25 being the Cylinder Gate and Stem Evaluation and

1 Replacement project that's totaling \$1.7 million.

2 Visitor Services budget is increasing as  
3 well by \$466,000. Higher salaries, overhead, and  
4 contract costs, such as the ticketing and parking  
5 contracts, are increasing.

6 WAPA's budget, on the other hand, is  
7 decreasing by \$612,000.

8 Operations and maintenance is decreasing  
9 by \$450,000. This is due to preventative maintenance  
10 for the Phoenix service center. This is causing an  
11 upward pressure actually in the facility expense  
12 category by \$95,000, while the systemwide expenses are  
13 decreasing by \$546,000, due to reductions in system  
14 operations and dispatching and in the power marketing  
15 costs.

16 Additionally, replacements are decreasing  
17 by \$192,000. The original budget is used as a  
18 placeholder for projects that are to be identified.  
19 So there's reductions made in that area.

20 Let's move on to the non-power revenue.

21 The non-power revenue projections  
22 increased by \$5.1 million in 2020. Reclamation is  
23 projecting that the visitor services revenue is going  
24 to increase by \$5 million and return to the  
25 pre-renovation levels following the completion of the

1 Hoover Dam visitor center in 2019.

2 WAPA's ancillary service is forecasted to  
3 increase by \$95,000. The projections are based on a  
4 five-year average of actual collections.

5 So to summarize this, the total expenses  
6 are increasing by \$3.1 million, offsetting non-power  
7 revenue is increasing by \$5.1 million, and carryover is  
8 increasing by \$1.3 million. So the total base charge  
9 has a decrease of \$3.3 million, and it's expected to be  
10 \$66.4 million.

11 Let's discuss the next steps in the public  
12 process. The public comment forum will be held here at  
13 10:30 a.m. on June 10th. This allows the public the  
14 opportunity to make comments about this rate action.

15 The comment and consultation period will  
16 conclude on July 9th. And the final Federal Register  
17 notice is expected to be published in August with the  
18 effective date October 1st of 2019.

19 If you would like additional resources or  
20 have further questions, please contact one of the  
21 individuals on the slide here. As always, this  
22 presentation and any supporting documents are posted on  
23 WAPA's website listed on the slide.

24 Thank you.

25 John.

1 MR. KRAL: All right. Thank you, Kevin.  
2 Unless there are any preliminary  
3 questions, the forum is now open, and we just have a  
4 couple rules.

5 If you have any questions, if you could  
6 please raise your hand up and we'll call on you. And  
7 then if can just identify who you are and the  
8 organization you represent. And if appropriate, you  
9 can spell out your last name for Cindy's benefit, who's  
10 making the record today.

11 So does anybody have any questions?

12 (No audience response.)

13 MR. KRAL: I'll go ahead and mention now  
14 that even after we close the forum officially, the  
15 folks will still mill around for a bit if you wanted to  
16 ask any questions informally. So there's that  
17 opportunity as well.

18 So we'll just leave it open for a minute  
19 or two and see if anybody has any questions or any  
20 comments they'd like to make.

21 (No audience response.)

22 MR. KRAL: And if not, I think this is  
23 where I should say "going, going, gone."

24 If there are no questions, then we'll go  
25 ahead and proceed to close out the information forum.

1 Last chance for some questions.

2 (No audience response.)

3 MR. KRAL: Okay. Well, we'd certainly  
4 like to thank you for attending today. As I mentioned,  
5 a lot of folks will stay around for a little bit after  
6 the meeting if you'd like to talk to them individually  
7 in a more informal setting.

8 Again, thank you for your attendance and  
9 we'll go ahead and close the forum, and we're now off  
10 the record. Thank you.

11 (The proceedings concluded at 10:46 a.m.)

12 \* \* \* \* \*

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF ARIZONA )  
 ) SS.  
 2 COUNTY OF MARICOPA )

3 BE IT KNOWN that the foregoing proceedings were  
 4 taken before me; that the witness before testifying was  
 5 duly sworn by me to testify to the whole truth; that  
 6 the foregoing pages are a full, true, and accurate  
 7 record of the proceedings, all done to the best of my  
 skill and ability; that the proceedings were taken down  
 by voice shorthand and thereafter reduced to print  
 under my direction.

8 I CERTIFY that I am in no way related to any of  
 the parties hereto nor am I in any way interested in  
 the outcome hereof.

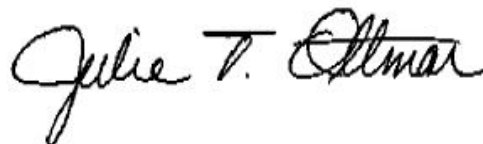
- 9  
 10 [ ] Review and signature was requested.  
 [ ] Review and signature was waived.  
 11 [X] Review and signature not requested/required.

12 I CERTIFY that I have complied with the ethical  
 obligations set forth in ACJA 7-206(F)(3) and ACJA  
 13 7-206(J)(1)(g)(1) and (2). Dated in Phoenix, Arizona,  
 this 13th day of May 2019.

14  
 15 

16  
 17 \_\_\_\_\_  
 Cindy Bachman  
 18 AZ Certified Reporter No. 50763

19 I CERTIFY that OTTMAR & ASSOCIATES, INC., has  
 20 complied with the ethical obligations set forth in ACJA  
 7-206(J)(1)(g)(1) through (6).

21  
 22  
 23 

24 \_\_\_\_\_  
 OTTMAR & ASSOCIATES, INC.  
 25 AZ Registered Reporting Firm No. R1008