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IN THE UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
ONTARIO, CALIFORNIA

BOULDER CANYON PROJECT
POST-2017 REMARKETING

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Ontario, California
January 21, 2010
1:05 p.m.

REPORTED BY: CHRISTINE JOHNSON, RPR
Certified Reporter #50383

PREPARED FOR:
WESTERN AREA POWER ADMINISTRATION

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1 Be it remembered that heretofore on January 21st,
2 2010, commencing at 1:05 p.m., at the Doubletree Hotel
3 Ontario Airport, Ontario, California, the following
4 proceedings were had, to wit:

5

6

7	OPENING REMARKS	Page
8	BY MR. DOUG HARNESS	3

9

10 COMMENTS BY:

11	LAMBECK, Jon	5
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12	HOANG, Son	9
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13	DAYNE, Dennis	12
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14	TANG, Bob	16
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15	DANSBY, Mark	19
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1 MR. HARNESS: Well, thank you, everyone, for
2 quieting down here. Good afternoon. Welcome to today's
3 Public Comment Forum. My name is Doug Harness, and I'm an
4 attorney with the Western Area Power Administration out of
5 our Lakewood, Colorado office.

6 Can everyone hear me okay? Okay. Good.

7 This Public Comment Forum has been scheduled to
8 give interested parties the opportunity to make oral
9 presentations or to submit written comments for the record
10 on Western's proposal to apply the Power Marketing
11 Initiative of Western's Energy Planning and Management
12 Program to Boulder Canyon Project Firm Electric Service
13 Commitments beyond September 30th, 2017 when current BCP
14 contracts expire.

15 Western's proposal would extend 100 percent of the
16 existing contractor's contingent capacity allocation and
17 95 percent of the proposed marketable firm energy and would
18 create a single, one-time resource pool consisting of
19 93 megawatts of contingent capacity with an associated
20 205,800 megawatt hours of annual firm energy.

21 Besides today's Forum, written comments may be
22 submitted by mail to Mr. Darrick Moe, Regional Manager,
23 Western Area Power Administration, P.O. Box 6457, Phoenix,
24 Arizona 85005-6457. You may also fax comments to Western at
25 (602) 605-2490 or e-mail them to post2017bcp@wapa.gov.

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1 Western will accept written comments received on or before
2 January 29th, 2010. Western reserves the right not to
3 consider any comments received after this date.

4 A verbatim transcript of today's Forum is being
5 prepared by our court reporter. Everything said while we
6 are in session today, together with all exhibits, will be
7 part of the official record. The transcript of today's
8 Forum will be available for review on-line at
9 www.wapa.gov/dsw/pwrmtkt under the Boulder Canyon Project
10 Remarketing Effort link. The transcript and the complete
11 record of this public process will also be available at
12 Western's Desert Southwest Regional Office in Phoenix and
13 Western's Corporate Services Office in Lakewood, Colorado.

14 Additionally, a copy of the transcript will be
15 available upon payment of the required fee to the court
16 reporter. The court reporter's name, address and telephone
17 number may be obtained at any time during or after today's
18 Forum.

19 All comments made today should be relevant to the
20 proposed action, which is: One, the application of the PMI
21 to the BCP; two, the quantity of resources to be extended to
22 existing customers; three, the size of the proposed resource
23 pool to be available to new customers; four, excess energy
24 provisions; five, the term of the contracts; and, six, what
25 role the Colorado River Commission of Nevada and Arizona

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1 Power Authority should have in the allocation process.

2 As the moderator, I reserve the right to disallow
3 any comments that are not relevant to the subject matter of
4 today's Forum. Any relevant materials to be introduced in
5 the record should be given to the court reporter and she'll
6 assign it an exhibit number.

7 After the close of the comment period, Western
8 representatives will review all of the information, comments
9 and exhibits that have been received with regard to the
10 proposal. Western will then announce a decision in the
11 Federal Register. Comments made during this public process
12 will be discussed in this announcement.

13 Please keep in mind that Western has no
14 presentation today and will not be answering questions. The
15 sole purpose of this Forum is to take your comments.

16 So I will now open the floor. I would ask that
17 once you have been recognized, if you would please identify
18 yourself the organization that you represent and please
19 spell your name for the convenience of our court reporter.

20 So would anyone like to make comments?

21 MR. LAMBECK: I'll get it started. Good
22 afternoon. I hope we're all nice and dry in here. For the
23 record, my name is John Lambeck, L-A-M-B-E-C-K, and I am
24 the manager of Power Resources for the Metropolitan Water
25 District of Southern California.

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1 I'd like to thank Western for this opportunity to
2 provide these comments in a public Forum. Today I'm
3 presenting comments on behalf of the Metropolitan Water
4 District of Southern California and members of the Southern
5 California Public Power Authority or SCPPA, who are Hoover
6 contractors, with the exception of the City of Los Angeles.
7 They will be providing their own comments today.

8 Metropolitan and SCPPA also plan to submit our
9 detailed written comments by the January 29th deadline.
10 Because of that, I will keep my comments today brief.

11 I have also provided the reporter additional
12 comments supplied by SCPPA to be included as an attachment
13 or an exhibit.

14 For over two years now, Metropolitan and SCPPA
15 have been working with the other Hoover contractors to
16 develop legislation that would address post-2017 Hoover
17 power allocation issues. We believe that legislation is the
18 proper vehicle to allocate Hoover power as has been done
19 several times in the past.

20 Legislation overcomes and resolves many issues
21 surrounding the allocation process, and we believe it is the
22 most prudent and effective course of action. Legislation,
23 based on the efforts of the Hoover contractors, was
24 introduced into both houses of Congress in December of last
25 year as HR 4349 and S 2891, and committee hearings have been

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1 scheduled. Given the legislative progress that is being
2 made, we strongly urge Western to postpone any further
3 actions in this proceeding until at least the end of the
4 current session of Congress.

5 Everyone, staff and resources, could be better
6 utilized in other matters during this deferral period since
7 it is quite likely that legislation will direct Western to
8 act in ways other than they may propose. The current
9 contract also has another seven years to run, so a delay of
10 a few months would not be critical.

11 Notwithstanding this recommendation, I do want to
12 make the following comments. First, on the issue of the
13 applicability of PMI for Hoover is fundamental to this
14 proceeding. All other issues follow from the decision that
15 will be made on this question. We believe Western should
16 focus on this issue before all others and provide its
17 analysis as to why they believe either the PMI process is or
18 is not applicable to Hoover.

19 Next, regarding the quantity of resources to be
20 allocated, we believe the full capability of the Hoover
21 facility should be allocated. This would provide
22 2074 megawatts of contingent capacity and 4,527,001-megawatt
23 hours of firm energy. As to the treatment of excess energy,
24 the legislation before Congress retains the current schedule
25 structure with Schedule C providing a method to allocate

1 excess energy, and we support that provision, as well as the
2 retention of Schedules A and B.

3 We acknowledge that Western's proposed allocation
4 to existing customers and the size of the resource pool for
5 new customers is consistent with the legislation in
6 Congress. We agree with the proposal that existing
7 contractors retain 95 percent of the energy and capacity
8 with a 5 percent resource pool. However, these percentages
9 should be based on the full capability of Hoover, as I
10 mentioned earlier. We do note, however, there is some
11 question whether current law provides for Native American
12 tribes to participate in the resource pool. This issue has
13 been resolved in the legislation and is another reason why
14 we believe legislation is the best course of action to
15 follow.

16 As far as the term of the contract, we support a
17 50-year term. A long-term contract provides certainty in
18 resource planning and allows reasoned and effective
19 decisions to be made concerning the expansion of things such
20 as renewable generation. 50 years was the term of the
21 original contract. 50 years is the term of the Lower
22 Colorado Multi-Species Conservation Program. 50 years is
23 contained in the legislation, and we believe Western should
24 consider a 50-year contract, as well.

25 Finally, Western was silent on the issue of new

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1 contractors' responsibility to support the MSCP. The MSCP
2 addresses the impact of Hoover operations on endangered and
3 sensitive species on the Lower Colorado River. Existing
4 contractors are contributing to the cost of implementing
5 this 50-year program, and any new Hoover power contractors
6 should contribute their proportionate share to support this
7 program based on their states' obligations.

8 This concludes my comments and, again, I'd like to
9 thank Western for providing this opportunity. Thank you.

10 MR. HARNESS: Thank you.

11 MR. HOANG: Hi, my name is Son Hoang, H-O-A-N-G,
12 and I'm here representing the Los Angeles Department of
13 Water and Power. I would like to thank Western for the
14 opportunity to provide comments, and we plan to follow up
15 our comments with written comments submitted by the
16 deadline, July (sic) 29th.

17 LADWP is one of the Hoover contractors and who has
18 been participating in the efforts over the past two years to
19 develop legislation to address the post-2017 Hoover power
20 allocation.

21 LADWP supports the legislation that has been
22 introduced in Congress to accomplish this goal, specifically
23 the Hoover Power Allocation Act of 2009, HR 4349, S 2891.

24 First, we question whether or not Western has the
25 authority to, under the current law, to allocate Hoover

1 power to new allottees, including Native American tribes.
2 We believe that allocation should be done by Congress as it
3 has been done each time the allocation has been necessary
4 since the construction of Hoover Dam.

5 As such, we request that Western stay this
6 proceeding pending the outcome of the legislation.
7 Nevertheless, we welcome Western's decision to include in
8 its proposal provisions that are consistent with those in
9 the pending legislation. However, we do have some concerns
10 and at the risk of being repetitive, our comments are very
11 much similar to Jon. We have six areas of concern.

12 First, it's the proposed marketable resources;
13 second, the amount of resources retained by the current
14 contractors; third, the term of the contract; fourth, the
15 application of PMI; fifth, the lack of requirement in
16 Western's proposal to share the cost of Multi-Species
17 Conservation Program; and, sixth, the lack of applications
18 of the Boulder Canyon Implementation Agreement to new
19 allottees.

20 Specifically with respect to the first item,
21 Western proposed to market 2044 megawatts of capacity and
22 4,116,000-megawatt of firm energy. We recommend that
23 Western amend its proposal to market Hoover's maximum
24 dependable operating capacity of 2074 megawatts and Hoover's
25 current energy of 4,527,001-megawatt hour.

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1 Second, Western's proposal doesn't appear to use a
2 terminology of the current federal statute mandating
3 allocation of power. We recommend that Western include in
4 its proposed language references to Schedule A, B, C and to
5 the current Hoover contractors.

6 Third, Western proposes to extend the contract for
7 30 years. LADWP supports and requests new contracts with a
8 50-year term commencing October 1st, 2017. We believe that
9 the 50-year term is justified by the current contractors'
10 past, present and future funding of Hoover Dam and also it
11 is consistent with the funding of the MSCP, Multi-Species
12 Conservation Program.

13 Fourth, Western adopted the Power Marketing
14 Initiative in 1995 and now Western proposes to apply the PMI
15 process to the post-2017 Hoover contracts. We are
16 considering whether or not this is appropriate to apply PMI
17 to the post-2017 Hoover contracts, and we reserve our right
18 to address this issues at a later date.

19 Fifth, Western has not proposed any requirement
20 that current or new allottees agree to pay a proportionate
21 share of MSCP. We request and we recommend that any entity,
22 given the opportunity to contract for Hoover power in the
23 future, be required to join in the current contractors in
24 paying for MSCP.

25 Sixth, and last, as indicated in the Federal

1 Register Notice, and I would quote, "new contractors or
2 contractors who receive an increased allocation will be
3 required to reimburse existing BCP contractors for
4 replacement capital advances to the extent existing
5 contractors' allocations are reduced as a result of creating
6 the resource pool."

7 LADWP agrees that new contractors should be
8 required to reimburse existing contractors for replacement
9 capital advances, but we also further request that any
10 entity, given the opportunity to contract for Hoover power,
11 be required to participate in the Boulder Canyon Project
12 Implementation Agreement by having Western include in its
13 contract a commitment to sign the BCP Implementation
14 Agreement.

15 That concludes my remarks and LADWP appreciates
16 the opportunity to provide comments, and we reserve the
17 right to submit further comments and otherwise participate
18 in this proceeding. Thank you.

19 MR. HARNESS: Thank you.

20 MR. DAYNE: My name is Dennis Dayne. I'm a power
21 contract manager for Southern California Edison Company
22 today and I have comments.

23 We appreciate the opportunity to comment on the
24 Power Marketing Initiative and thank Western for its efforts
25 in remarketing Hoover power.

1 Edison provides power to more than 13 million
2 people in about 50,000 square miles of service area. This
3 encompasses 11 counties in Central Coastal and Southern
4 California. The power we provide for our customers includes
5 more alternative and renewable energy, and that's about
6 16.7 percent from a greater variety of resources than nearly
7 any other utility in the world. We have been active in
8 efforts to improve Southern California air quality since
9 1940.

10 SCE is also one of the original contractors for
11 Hoover power. We have been involved with Hoover Dam since
12 before the project was even built. SCE's customers rely on
13 power for Hoover Dam to support SCE's integration of
14 renewable power, as it is an excellent source of
15 load-following energy for intermittent resources like wind
16 power.

17 I wanted to speak to just a few issues at this
18 time. SCE plans to submit more extensive written comments
19 by January 29th.

20 SCE substantially supports comments made on
21 Tuesday by George Caan of the Colorado River Commission of
22 Nevada. We, too, have been working with others to develop
23 the legislation to address post-2017 Hoover power allocation
24 issues. We agree that Congress should allocate post-2017
25 Hoover power, as it has done each time allocation has been

1 necessary since the construction of Hoover Dam. SCE fully
2 supports the legislation that has been introduced into the
3 U.S. Congress to accomplish this goal.

4 SCE respectfully requests that Western defer
5 issuing a final decision in their PMI process through the
6 current session of this Congress to avoid a potential
7 duplication of effort and an unnecessary expenditure of
8 resources.

9 Nonetheless, we are providing a few additional
10 comments to share with Western some of our views on the
11 present proposal. I will try not to duplicate previous
12 comments except to say that we, too, have the same concern
13 with Western's proposal regarding the proposed marketable
14 resource, the amount retained by current contractors, the
15 term of the contract, and application of the PMI. We are
16 also reviewing whether it is appropriate to apply PMI to the
17 post-2017 Hoover contracts in light of the fact that
18 legislation created both the original and the current Hoover
19 contracts.

20 The creation of a resource pool without
21 legislation is arguably inconsistent with the history of
22 these contracts. This is one of the reasons that the Hoover
23 contractors support legislation that would authorize
24 creation of a resource pool for new allottees, including
25 Native American Indian tribes.

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1 Our specific comments follow: First, SCE requests
2 approval of new contracts with a 50-year term commencing on
3 October 1, 2017 rather than the 30-year term proposed. We
4 believe that the 50-year term is justified by the current
5 contractors' past, present and future funding of Hoover Dam.

6 Also, we believe that the 50-year term is
7 appropriate in view of the 50-year term during which Hoover
8 contractors will contribute funding to the MSCP.

9 Second, we recommend that Western market Hoover's
10 maximum dependable operating capacity of 2074 megawatts and
11 market it to the contractors who are paying for the
12 continued operations and maintenance of the dam. If the
13 conditions ever return to optimal, then the full marketable
14 capacity should be made available to those who have been
15 paying the full contract amounts, but have not received it.
16 Likewise, we recommend that Western instead market Hoover's
17 current energy amount of 4,527,001-megawatt hour.

18 Third, we would request that Western clarify in
19 this initiative that contractors will obtain the same
20 ancillary services, the so-called "three R's," ramping,
21 regulation and reserves, that we presently obtain under our
22 contracts.

23 Fourth, we request that the PMI state specifically
24 that contractors will be permitted to transact Hoover power,
25 including ancillary services, with an independent system

1 operator. As you know, the California marketplace has
2 changed significantly since SCE and Western entered into the
3 1987 contract for Hoover power. We want to ensure that
4 Western recognizes in this process that contractors can sell
5 Hoover electrical output to the ISO.

6 Fifth, we support previous comments that Western
7 include in its proposed language references to Schedules A,
8 B and C and to the Hoover contractors included in these
9 schedules in statute, and that entities which contract in
10 the future for Hoover power pay their proportionate share of
11 MSCP costs.

12 Finally, we are considering whether it would be
13 appropriate to apply the PMI to the post-2017 Hoover
14 contracts. For this reason, we request, as stated earlier,
15 that Western delay issuing final decision in the PMI process
16 pending Congressional action. We reserve our right to
17 address this issue at a later date.

18 Thank you for the opportunity to comment. As I
19 mentioned, we'll be submitting further written comments on
20 January 29th.

21 MR. HARNESS: Thank you. Yes.

22 MR. TANG: Good afternoon. My name is Bob Tang,
23 last name spelled T-A-N-G. Today I represent the City of
24 Riverside. The City of Riverside is part of SCPPA, Southern
25 California Public Power Authority. I won't repeat all the

1 comments that have been made previously. I just want to, as
2 a way of background, to say that the City of Riverside fully
3 supports this initiative, but also has the similar concerns
4 that Western should follow the historical trend of deciding
5 the allocation issues through legislation. So we fully
6 support the previous comments that Western defer issuing
7 final decision in this matter, and let the legislative
8 process run its course.

9 As a means of introduction, the City of Riverside
10 was not one of the original contracts for Hoover power.
11 Riverside's participation started in 1987 as part of the
12 second Hoover power contract. As part of that legislative
13 process, the six members of SCPPA, including Riverside, we
14 provided a -- we provided up-front funding to upgrade the
15 Hoover project and as part of that upgrade, we received our
16 current power allocation through Hoover and the model has
17 worked very well, not only for new customers at that time
18 like the City of Riverside, but also to the then existing
19 Hoover contractors, because the power plant was upgraded at
20 the cost of whoever were benefiting from the upgrade. And
21 we believe that model should be continued prospectively.
22 Whoever benefits from the power, should be allocated the
23 cost in accordance with their allocation.

24 So as a means of background again, the City of
25 Riverside, we are a city of about 400,000 -- 400,000

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1 population. Hoover represents about 7 percent of our
2 capacity needs and about 3 percent of our energy needs. It
3 is a very important resource up to this point to Riverside
4 and will become much more important in the future because
5 all the constraints we're facing with respect to greenhouse
6 gas, with respect to renewable resource integration and with
7 respect to general inability, if you will, to build new,
8 additional generation capacity.

9 I won't repeat many points already made, but just
10 emphasize a few points. First, we fully support the
11 allocation of the capability of Hoover, operational
12 capability. We also support the current model of Schedules
13 A, B and C. Currently, Riverside, we're a Schedule B
14 contractor, and we believe that model has worked very well
15 under the current arrangement and should be continued in the
16 future.

17 We also support a 50-year term. The term becomes
18 much -- increasingly more important in terms of additional
19 constraints that the low-serving entities will be facing in
20 the future. Resource certainty is a very important aspect.

21 We also believe that 5 percent pool for new
22 entrants is appropriate. And also we believe that the cost
23 associated with Hoover should be borne by all entities
24 benefiting from Hoover, including the new entrants.

25 Finally, we echo Edison's comment that Hoover,

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1 WAPA, should recognize the full capability of Hoover in
2 terms of providing not only the peaking capacity in energy,
3 but also ancillary services.

4 Finally, Hoover is interconnected at Mead for
5 entities in California within the California independent
6 system operator footprint. We have no means to deal with
7 outside entities today and in the future, but through the
8 eye itself. So we believe that WAPA, through this effort,
9 should clearly delineate the contracts of their ability to
10 operate and transact through an independent system operator
11 paradigm.

12 With that, I conclude my remarks and will be
13 supplementing some additional written comments by the
14 deadline, and we appreciate this opportunity to provide
15 these comments today. Thank you.

16 MR. HARNESS: Thank you, Bob. Yes, sir.

17 MR. DANSBY: Good afternoon. My name is Mark
18 Dansby, and I'm representing the Agua Caliente Band of
19 Cahuilla Indians. I'd like to thank Western for the
20 opportunity to provide comment. The Tribe will also be
21 providing its comment by the January 2010 deadline.

22 The Tribe wishes to note that we believe an
23 extension of the current deadline is required so that
24 Western can identify all Native American interests within
25 the Boulder Canyon Project area. As WAPA noted in its own

1 December 2009 Public Information Forum Q and A document
2 circulated January 15th, 2010, WAPA has not yet completed
3 this task. WAPA was asked the question: Can Western
4 provide a list of tribal entities that would fall under the
5 Boulder Canyon marketing are? In response, Western
6 specifically states that, "Western is devoting further study
7 regarding this question in order to respond appropriately
8 after the conclusion of the comment period on January 29th,
9 2010."

10 As some aspect of the Hoover reallocation will be
11 closed to further influence at the end of this Public
12 Comment period, any tribes not yet identified by WAPA as
13 within the project area will potentially be precluded from
14 participation in that regard. The Agua Caliente Tribe
15 believes that Western will have arbitrarily ignored Tribal
16 interests. Nothing expressly noted is compelling Western to
17 move forward with this or any other stage of the proceeding
18 by January 29th, 2010.

19 The Agua Caliente Tribe believes that by not
20 identifying the Boulder Canyon Project area that WAPA has
21 failed to meet its precursory obligation to identify and
22 contact Tribal interests prior to the expiration of any
23 participatory deadline. Such efforts were made in
24 conjunction with other remarketing efforts such as
25 Pick-Sloan and the Colorado River Storage Project and like

1 those, Boulder Canyon includes tribes who are not completely
2 familiar with federal hydroelectric power allocation
3 processes and/or new customer opportunities generally.

4 To ensure that tribes can meaningfully participate
5 in the Boulder Canyon remarketing, we request that WAPA
6 extend the current deadline until a time after which it has
7 identified all Tribal interests within the Boulder Canyon
8 marketing area.

9 I'd like to thank Western for the opportunity to
10 provide these comments, as well. Thank you.

11 MR. HARNESS: Any more comments?

12 (Pause.)

13 MR. HARNESS: Well, duly noting a pause here and
14 that no one else has indicated a desire to make any
15 comments, we'll prepare to go off the record. But before we
16 do so, we definitely want to thank you all for attending
17 today and participating. We'd also ask that if you haven't
18 already done so, that you sign the attendance rosters that
19 were out by the door that you came in at so that we have an
20 accurate attendance record for who was here today.

21 So again, we appreciate your attendance and your
22 participation and with that, we'll go off the record. Thank
23 you.

24 (Whereupon, the deposition proceedings terminated
25 at 1:38 p.m.)

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I, CHRISTINE JOHNSON, having been first duly sworn and appointed as Official Court Reporter herein, do hereby certify that the foregoing pages numbered from 2 to 22, inclusive, constitute a full, true and accurate transcript of all the proceedings had in the above matter, all done to the best of my skill and ability.

DATED this 27th day of January, 2010.

Christine Johnson, RPR
Certified Court Reporter No. 50383

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