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IN THE UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
LAS VEGAS, NEVADA

BOULDER CANYON PROJECT
POST-2017 REMARKETING

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Las Vegas, Nevada
December 1, 2009
1:07 p.m.

REPORTED BY: CHRISTINE JOHNSON, RPR
Certified Reporter #50383

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1 MR. HARNESS: All right. We'll get this party
2 started here. We're on the record. So good afternoon,
3 everyone. I'd like to welcome you to our Public Information
4 Forum. My name is Doug Harness, and I represent Western's
5 Desert Southwest Region. I'm an attorney with Western in
6 our Corporate Services Office in Lakewood, Colorado.

7 This Public Information Forum has been scheduled
8 for Western to present information on and to allow you to
9 ask questions about the proposed application of the Power
10 Marketing Initiative of Western's Energy Planning and
11 Management Program to Boulder Canyon Project firm electric
12 service commitments beyond September 30th, 2017 when current
13 BCP --

14 (Whereupon, Jeff Wellner joins the meeting via
15 telephone.)

16 MR. HARNESS: Welcome, Jeff.

17 MR. WELLNER: Thank you.

18 MR. HARNESS: Excuse me. Let me start over. This
19 Public Information Forum has been scheduled for Western to
20 present information on and to allow you to ask questions
21 about the proposed application of the Power Marketing
22 Initiative of Western's Energy Planning and Management
23 Program to Boulder Canyon Project firm electric service
24 commitments beyond September 30th, 2017 when the current BCP
25 contracts expire. Please keep in mind that all issues

1 raised today should be relevant to this proposal. Please
2 wait to ask any questions until after our formal
3 presentation has been completed.

4 Entities interested in commenting on this proposed
5 action should submit written comments by mail to Mr. Darrick
6 Moe, Regional Manager, Desert Southwest Region, Western Area
7 Power Administration, P.O. Box 6457, Phoenix, Arizona
8 85005-6457. You may also fax comments to Western at
9 602-352-2490 or e-mail them to post2017bcp@wapa.gov.
10 Western will accept written comments received on or before
11 January 29th, 2010. Western reserves the right to not
12 consider any comments received after this date.

13 A verbatim transcript of today's Forum is being
14 prepared by our court reporter. Everything said while we're
15 in session today --

16 (Whereupon, John Lambeck joins the meeting via
17 telephone.)

18 MR. HARNESS: Welcome, John. Everything said
19 while we are in session today, together with all exhibits,
20 will be part of the official record. The transcript of
21 today's Forum will be available for review online at
22 www.wapa.gov/dsw/pwrmkt under the "Boulder Canyon Project
23 Remarketing Effort" link. The transcript and the complete
24 record of this public process will also be available at
25 Western's Desert Southwest Regional Office and Western's

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1 Corporate Services Office.

2 Additionally, a copy of the transcript will also
3 be available from the court reporter upon payment of the
4 required fee. And the court reporter's name, address and
5 phone number can be obtained at any time during or after
6 today's Forum.

7 In addition to this -- or these Public Information
8 Forums, Western will hold three Public Comment Forums.
9 These Forums will be January 19th, 2010 here in Las Vegas,
10 January 20th, 2010 in Phoenix and January 21st, 2010 in
11 Ontario, California.

12 Comments made at these Forums will also be
13 recorded by our court reporter and will also become part of
14 the official record of this public process.

15 Any questions which we are unable to answer today
16 will be answered for you in writing. And so with that,
17 unless anybody has any questions about the process, I will
18 turn it over to Mike Simonton, who is the Project Manager
19 for this effort.

20 MR. SIMONTON: Good afternoon. Like Doug
21 mentioned, my name is Mike Simonton. I'm the Project
22 Manager, a Remarketing Specialist, for the Post-2017
23 Remarketing Effort presented by Western. I've got some
24 material here that we'll go over. They did, at the hotel,
25 inform me here that the restrooms are under construction

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1 right here. So if you need to use the restrooms, the
2 escalators are right down here. Restrooms are right outside
3 from the escalator just follow the blinking lights.

4 Anyway, before we -- any other things before we
5 get going?

6 The presentation topics that we'll cover today are
7 a brief overview of Western Area Power Administration, the
8 Energy Planning and Management Program, the Federal Register
9 Notice that was recently published on November 20th, 2009.
10 We'll go over or present the dates for the Public Comment
11 Forums that Doug mentioned earlier. We'll also briefly hit
12 some Boulder Canyon Project Remarketing Milestones, and
13 we'll also provide you with points of contact that are
14 pertinent for the project.

15 Western's a Power Marketing Administration that
16 markets and delivers reliable, cost-based hydroelectric
17 power and related services. As you can see from the
18 depiction, it's a fairly broad geographic footprint. The
19 service area covers 15 western states, entails 17,107
20 transmission line miles, 302 substations and approximately
21 665 customers.

22 If we look closer into the DSW Region, the Desert
23 Southwest Region, which is based in Phoenix, the power and
24 transmission marketed out of this region is based on a
25 project-by-project basis, the projects include the Boulder

1 Canyon Project, Parker-Davis, Colorado River Storage Project
2 Southern Division and the Pacific Northwest/Southwest
3 Intertie. The DSW Region markets roughly 2,500 megawatt
4 hours -- I'm sorry, 2,500 megawatts allocated to customers,
5 over 3,100 transmission line miles to more than 60
6 customers.

7 Here is our most recent depiction of the DSW
8 marketing area, in particular, for the Boulder Canyon
9 Project. Western marketed the Boulder Canyon Project in
10 1987 in accordance with the Hoover Power Plant Act of 1984
11 and the Conformed General Consolidated Power Marketing
12 Criteria or Regulations for the Boulder City Area Projects.

13 The current allocations consist of 1,951 megawatts
14 of contingent capacity, just over four-and-a-half million
15 megawatt hours of firm energy, and this is all allocated to
16 15 contractors. The current contract expires
17 September 30th, 2017.

18 If we take a closer look at the EPAMP program, it
19 was effective on October of 1995. There are two main
20 components to EPAMP. Integrated Resource Planning and the
21 Power Marketing Initiative. The one that's more pertinent
22 for our project is the Power Marketing Initiative, which
23 we'll go a little bit further into.

24 The Power Marketing Initiative consists of
25 extension of a major portion of the resource allocations and

1 contract. It also entails establishment of a resource pool
2 and to utilize that resource pool for new contractors.

3 Within the PMI it states that, "The PMI
4 establishes a framework for extending a major portion of the
5 power currently under contract with existing customers."
6 The applicability of the PMI will vary by project. And
7 relative to the Boulder Canyon Project, Western has stated
8 that Western will, "evaluate the applicability of the PMI on
9 the Boulder Canyon Project and the Parker-Davis Project no
10 sooner than 10 years before existing contracts expire."
11 Western's also stated that, "No decision to apply the PMI
12 will take place until an appropriate public process has
13 taken effect."

14 More specifically, the applicability to the
15 Boulder Canyon Project based on DSW's assessment of the
16 application of the PMI to Boulder Canyon Project would
17 provide the following benefits: Existing contractors would
18 retain resource assurance resulting in greater stability in
19 resource planning. Potential would exist for new preference
20 power contractors to attain an allocation of the project.
21 Western would fulfill its responsibility to market federal
22 generation based on the most widespread use principles.

23 If we take a closer look at the Federal Register
24 Notice recently published on 11/20/2009, that FRN proposes
25 to apply the PMI to the Boulder Canyon Project. It also

1 proposes to extend 95 percent of the marketable resource to
2 existing contractors. It entails a 30-year contract term,
3 which should run October 1st, 2017 through September 30th,
4 2074 -- I'm sorry, 2047. It would reserve 5 percent of the
5 marketable energy and four 4.5 percent of the marketable
6 capacity contributing to a resource pool. Under this
7 proposal, no additional incremental resource pools would be
8 had for the next 30 years.

9 If we take a closer look at the proposal for a
10 5 percent resource pool, Western has found this is
11 comparable to resource pool percentages of other Western
12 projects. It is also consistent with the PMI to extend a
13 "major portion" of power under contract and is also
14 consistent with the PMI to reserve a "modest percentage" for
15 a resource pool to be used for new customers.

16 To summarize, the megawatts and megawatt hours in
17 this proposal, the total proposed marketable resource would
18 be 2,044 megawatts of contingent capacity. The associated
19 energy to this capacity would be 4,116,000 megawatt hours of
20 annual firm energy, which was comprised upon consultation
21 with Reclamation using the most current hydrologic studies.

22 The proposed resource pool would consist of
23 93 megawatts of contingent capacity with an associated
24 205,800 megawatt hours of annual firm energy. The amount of
25 resource retained by existing contractors would be

1 1,951 megawatts of contingent capacity, which happens to be
2 their existing capacity contracted under to date. The
3 associated energy would be 3,910,200 megawatt hours of
4 annual firm energy.

5 As Doug stated in our intro, there are three
6 Public Comment Forums that have been scheduled: January
7 20th in Las Vegas -- I'm sorry, January 19th in Las Vegas,
8 January 20th in Phoenix, January 21st in Ontario.

9 After these Comment Forums are completed, all
10 written comments should be submitted to Western no later
11 than January 20th -- 29th, 2010. After this date, Western
12 will evaluate the comments and will publish a final EPAMP
13 PMI decision in the Federal Register Notice.

14 If we take a closer look at some milestones that
15 we project, as we previously mentioned, in January of 2010,
16 we will conduct the Public Comment Forums. We expect by
17 summer of 2010 to publish a final decision on whether EPAMP
18 PMI would apply or not. In the spring of 2011, we
19 anticipate to finalize remarketing criteria. In the summer
20 of 2012, final allocations will be defined. And by the
21 spring of 2013, new contracts and existing contracts will be
22 executed.

23 As Doug mentioned earlier, all our written
24 comments should be submitted to Mr. Darrick Moe at this
25 information here. If you have any supplemental questions or

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1 concerns to express, you can contact myself at the
2 information provided here or Ms. Debbie Emler. And we also
3 have the generic post2017bcp@wapa.gov e-mail, as provided
4 here, as well as the website.

5 I think also Doug mentioned in the intro that we
6 will have the presentation materials here, as well as the
7 transcripts and the sign-in forms all posted to the website
8 upon the completion of the Information Forums.

9 That's all I have. Doug.

10 MR. HARNESS: Thanks, Mike. So now we'll open up
11 the Forum for questions. I would ask, though, after you've
12 been recognized, if you would, please, state your name and
13 the organization that you represent and spell your name for
14 the convenience of our court reporter.

15 So are there any questions?

16 MR. PYPER: My name is Craig Pyper. I'm with the
17 Colorado River Commission, P-Y-P-E-R. Have you -- it's just
18 regarding the new proposed amount of contingent capacity and
19 annual firm energy, the breakout of existing customers. If
20 the 1,951 is what is -- what is remaining with the existing
21 customers, but then you're adding into 2074, that would
22 change the percentages, could you provide the customers with
23 how the existing breakout would be both energy and capacity,
24 as well as the percentages, what you foresee for them in
25 light with the new 1,951 and the 3,910,200, if you could

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1 break that out to show exactly what you mean, both by the
2 amount of energy and capacity, as well as percentages, both
3 from energy and capacity.

4 MR. SIMONTON: Yeah, I think we'd be happy to do
5 that in a written response to provide you. I'm hoping our
6 court reporter has captured all that question accurately so
7 that I can respond appropriately.

8 MR. PYPER: Based on your public -- or the FRN, it
9 says that it's the existing contractors based
10 proportionately upon their existing allocations, and I can
11 see that and I can make some assumptions, but I don't want
12 to make any assumptions. I want to see based on what you're
13 providing so we can compare that. Thank you.

14 MR. SIMONTON: Okay.

15 MR. HARNESS: George.

16 MR. CAAN: George Caan, C-A-A-N, with the Colorado
17 River Commission. Can you provide a -- the reason for the
18 30 years, either --

19 MR. SIMONTON: What we can respond to in today's
20 session, you know, is that EPAMP, if you were looking into
21 it, called for a 20-year term. As some of you might know,
22 the Boulder Canyon Project has a history of having longer
23 terms.

24 When we looked at the terms of EPAMP and the terms
25 that have been marketed, we didn't see any red flags as to

1 why we couldn't market something longer than 20 years and to
2 stay a little bit more consistent with the project's
3 history, and that's why we chose to propose a 30-year term.

4 MR. CAAN: The next question is, and it follows
5 from what Craig said, is the energy and capacity -- the
6 capacity figures are consistent with what we know about the
7 plan. The energy numbers are different than what we have
8 known previously.

9 Can you either tell us now or post what hydrology
10 you used in order to generate the energy that could be
11 delivered under that capacity?

12 MR. SIMONTON: The extent of my knowledge was the
13 most recent Reclamation hydro study. We do have some
14 Reclamation folks here today, if they were able to
15 characterize what was used in a simplistic fashion, I can
16 defer to them something more than that.

17 I just know what we used was based upon the most
18 recent Reclamation hydro studies, which we believe to be
19 fairly -- we placed the greatest weight, basically. But, I
20 mean, if there is something more you might need today --

21 MR. CAAN: I would think that many customers would
22 be interested in how that number came up. So I'm just
23 laying that out, and it might be useful to have the -- how
24 that number was derived posted to the website.

25 MR. SIMONTON: Sure.

1 MR. PYPER: Craig Pyper again. If based on the
2 hydrology, as well, if there's also -- that would probably
3 be an average, if we're only marketing the 4116, what's
4 going to happen in those years if it gets above that, are
5 you -- what are you proposing as far as excess energy? Are
6 you keeping it the same as it was presently in the statutes,
7 or are you doing something else?

8 MR. SIMONTON: We've discussed several different
9 variations of possible excess provisions. As you'll see in
10 the FRN, we have not proposed any excess provisions. We
11 have asked for public comment on potential excess
12 provisions.

13 So we -- we urge any folks that would have an
14 interest and would like to weigh in to provide us a proposed
15 excess methodology based on the capacity and energy that we
16 propose.

17 MR. PYPER: So you want a new proposal or just as
18 a default stick with the same?

19 MR. SIMONTON: We have a proposed excess
20 provision, but we're open to public comment on excess
21 provision.

22 MR. HARNESS: Yes?

23 MR McNEILL: John McNeill, Central Arizona Water
24 Conservation District. Currently, the Hoover power is
25 marketed under three schedules. Do you foresee this

1 marketing effort, including the schedules A, B and C or not?

2 MR. SIMONTON: We did not. We expect to, at the
3 end of this, have, "Here is your allocation. Here is excess
4 provisions." Whether we've labeled that schedule X, Y, Z or
5 whatever it might be, we didn't -- we didn't anticipate at
6 this point making any -- making accommodation for that.

7 We did recognize, though, that there's -- that
8 excess provisions will need to be defined, but we have not
9 yet, like I mentioned earlier, have proposed any excess
10 provisions. Whether we want to call that a schedule C or
11 something different, I think we're open to that.

12 MR. CAAN: George Caan again. Does Western plan
13 on publishing all of the comments that are provided during
14 the Public Comment Forum on the website?

15 MR. HARNESS: Yes.

16 MR. SIMONTON: As far as I know.

17 MR. HARNESS: Yes.

18 MR. CAAN: Thank you.

19 MR. HARNESS: All the timely ones.

20 MR. PYPER: Can you also provide us with a list of
21 all those who attend the Public Comment, as well as the
22 Information Forums, too, that attends this?

23 MR. SIMONTON: Sure.

24 MR. HARNESS: That'll all be part of the official
25 record.

1 Yes?

2 MR. CYR: Bill Cyr, B-I-L-L, C-Y-R, Mohave Indian
3 Tribe. A couple questions. The first question is one of
4 your time lines is the -- the decision whether the PMI's
5 going to be followed or not. Can you expand on who makes
6 that decision and what are the underlying issues describing
7 that decision?

8 MR. SIMONTON: Yeah. You know, again, what we're
9 proposing in the FRN today is that we would be proposing to
10 apply the PMI. If we were to get sufficient public comment
11 that would allude or lead us to believe -- lead Western to
12 believe that would not be a good route to go or be in the
13 best public interest, we would seek other alternatives,
14 which would entail additional Public Comment Forums.

15 At this time, our criteria again at this point
16 would most likely be, you know, if we had some strong public
17 opinion that said, "These are some significant reasons why
18 we should not go that route, which would be detrimental to
19 the public," that would be something I think we would be
20 looking for in steering away from the -- from applying the
21 PMI.

22 MR. HARNESS: But it's Western's decision.

23 MR. SIMONTON: That's correct.

24 MR. CYR: Western makes the decision. What if
25 Congress passes a different bill?

1 MR. HARNESS: Well, they can always trump our
2 actions, but short of them doing that, then, you know, it's
3 Western's -- Western's role to market this resource.

4 MR. CYR: Another question. On the 5 percent
5 resource pool you're creating, you said it was consistent
6 with, you know, recent PMI marketing activities.

7 Correct me if I'm wrong, but weren't the 5 percent
8 pools created for Parker-Davis, as well as CRSP specifically
9 allocated to Indian tribes?

10 MR. SIMONTON: I'm sorry, could you repeat some of
11 your question?

12 MR. CYR: Sorry, Mike. In the presentation that
13 you gave, it says that the PMI resource pool established the
14 5 percent number is consistent with the PMI initiatives that
15 occur for other budgets, most recent the CRSP and the --

16 MR. SIMONTON: I believe in our presentation, it
17 says comparable.

18 MR. CYR: Comparable, I know.

19 MR. SIMONTON: Comparable.

20 MR. CYR: I guess my question is again, getting
21 back to Native Americans for those two projects, the pool
22 that was designated was specifically allocated to Native
23 American tribes, and I'm just wondering why the same wasn't
24 done in this case.

25 MR. SIMONTON: At this point, we have not proposed

1 what to do with the resource pool. We merely -- my response
2 was that at this point in time, we're not proposing what to
3 do with the resource pool. We are merely proposing to
4 create a resource pool.

5 MR. HARNESS: If the decision is made, in fact, to
6 apply the PMI and to create the resource pool, then there's
7 a whole another process to determine how that's allocated.

8 MR. SIMONTON: Thank you.

9 MR. HARNESS: Any other questions in the room?

10 (No response.)

11 MR. HARNESS: Is anybody on the phone still with
12 us and do you have any questions? And, I'm sorry, you
13 probably couldn't hear some of what was said. We'll try to
14 do better tomorrow.

15 A VOICE: We'll be there tomorrow.

16 MR. HARNESS: We'll still try to do better.

17 A VOICE: Okay.

18 MR. HARNESS: Okay. Well, it looks like there are
19 no further questions. So we'll wrap things up here. And
20 I'd like to thank you all for coming today and attending our
21 Forum.

22 I would also ask if you haven't already done so,
23 that you sign the attendance roster by the front door so we
24 have an accurate accounting of who was here today. And I
25 believe on the phone it was Charlie Reinhold, Jeff Wellner

1 and John Lambeck. Do I have that right?

2 A VOICE: Yeah, fine for me.

3 MR. HARNESS: Very good. I appreciate that. And
4 unless -- does anybody on the phone have anything else they
5 want to add?

6 (No response.)

7 MR. HARNESS: Okay. Anybody in the room?

8 (No response.)

9 MR. HARNESS: Okay. Well, thank you very much and
10 we appreciate your attendance, and we'll go off the record.
11 Thank you.

12 (Whereupon, the deposition proceedings terminated
13 at 1:32 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 19, 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 7th day of December, 2009.

Christine Johnson, RPR
Certified Court Reporter No. 50383

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