

**Boulder Canyon Project (BCP) Post-2017  
Marketable Resource, Resource Extensions,  
Resource Pool, and Excess Energy  
Public Information Forum  
July 13, 2011**

**Questions and Responses**

**Question:** If a pool is created for new recipients would it be new to Boulder Canyon or other, such as Parker-Davis or Western?

**Answer:** Western has not yet defined qualifications of new customers. This would be decided through a public process defining marketing criteria.

**Question:** Is Western going to firm the energy as proposed and make purchases if necessary?

**Answer:** Western will deliver all energy generated to the BCP customers. In the event energy is not available to meet firm commitments, Western will purchase on a customer by customer basis upon request by each customer. All costs associated to this firming energy will be passed directly to the requesting customer.

**Question:** What is Western's rationale for reserving the first 200,000 MWh of excess energy for APA?

**Answer:** Western reviewed the historical origins of the current excess energy provisions which entail this first right to excess energy for APA. Considerations were provided for APA's firm energy allocation relative to other BCP customers and Federal energy supplied to water pumping projects in the States of California, Nevada, and Arizona. Western perceives that there has not been a significant shift in demand or supply relative to these pumping projects and proposed energy allocations and therefore has proposed similar excess energy provisions as those implemented over the last thirty years including this first right to excess.

**Question:** What is Western's rationale for the 600,000 MWh excess energy accumulation?

**Answer:** Western reviewed the historical origins of the current excess energy provisions which entail this energy accumulation capability. Considerations were provided for APA's firm energy allocation relative to other BCP customers and Federal energy supplied to water pumping projects in the States of California, Nevada, and Arizona. Western perceives that there has not been a significant shift in demand or supply relative to these pumping projects and proposed energy allocations and therefore has proposed similar excess energy provisions as those implemented over the last thirty years including this energy accumulation capability.

**Question:** What is the authority for using PMI given the Boulder Canyon Project Act designation of states as first allottees in their sovereign capacities?

- Answer:** This question is beyond the scope of this proceeding. Western announced its decision to apply the PMI to the BCP in an April 27, 2011, Federal Register Notice and addressed the authority for the decision in that Notice.
- Question:** What is the authority for extending contracts Congress has declared will “terminate” rather than the normal situation when Western is given an outside timeframe for contracting and discretion within that outside timeframe?
- Answer:** Western announced its decision to extend a major percentage of the marketable capacity and energy to existing BCP customers in an April 27, 2011, Federal Register Notice and addressed the authority for the decision in that Notice stating that Section 5 of the Boulder Canyon Project Act (Project Act) and the Department of Energy Organization Act of 1977 authorizes Western to establish and apply regulations governing BCP allocations. Western has not yet determined whether the contracts of existing customers will be extended or whether new contracts will be executed.
- Question:** The PMI process will result in a retained pool for allocation to new entrants. Will the new entrant pool for Arizona and Nevada be allocated to these state agencies for contracting? If not, what is the authority for not doing so?
- Answer:** Western announced its decision to establish a resource pool in the April 27, 2011, Federal Register Notice. The manner in which the resources in the resource pool will be allocated is not one of the proposals being addressed in this process and shall be determined in a subsequent public process. Therefore this question is beyond the scope of this proceeding.
- Question:** The extended resource (A & B) appears to maintain its existing characteristics. Is that true?
- Answer:** Western is proposing to extend to each existing customer 100 percent of the contingent capacity and 95 percent of the firm energy of their current allocation.
- Question:** The second priority for excess energy (Hoover C) appears to add proportionately to all existing load factors for A, B & D. Is that correct?
- Answer:** The proposed second priority excess energy would provide energy proportionately to all the BCP customers. If available capacity remains unchanged and available energy increases, the capacity factor will increase. Load factor is a function of load and would not be affected by the amount of excess energy distributed.
- Question:** What provisions of the 1984 Act carry over to this process? Of the existing marketing criteria?
- Answer:** The Hoover Power Plant Act of 1984 (Hoover Act) specifies certain criteria for a 30-year term ending September 30, 2017. In deriving the proposals made in the April 27, 2011, Federal Register Notice, Western gave due consideration to the history of the Boulder Canyon Project, including the Hoover Act and the existing marketing criteria.
- Question:** What impact does 10 CFR 904 have on this process?

**Answer:** 10 CFR 904 are the general regulations establishing the basis for computing the charges applicable to the sale of power from the BCP after May 31, 1987. Western's current public process concerns the marketing of BCP capacity and energy commencing October 1, 2017, with specific proposals for: 1) the total quantity of the capacity and energy to be marketed; 2) the quantity of the resources to be extended to existing customers; 3) the size of the resource pool to be available to new customers; and, 4) excess energy provisions. Therefore, 10 CFR 904 has no direct impact on this process.

**Question:** Is the end result of the currently announced process a close of public comment period followed by a Federal Register notice announcing contract extensions or is some additional administrative process required before that decision is announced?

**Answer:** After the close of the comment period on September 1, 2011, Western will analyze all comments received to date on the proposals made in its April 27, 2011, Federal Register Notice and at some time thereafter intends to issue a Federal Register Notice announcing decisions on these proposals. Western's decision to extend the contracts of existing customers was already announced in the April 27, 2011, Federal Register Notice and the effective date of that decision is December 31, 2011. Western's decisions on the current proposals will determine how much of the BCP resource will be extended to the existing customers.

**Question:** What authority will Western invoke to allow it to deal directly with proposed Indian allottees in Arizona and Nevada?

**Answer:** Section 5 of the Project Act grants the Secretary broad discretion to allocate power to States, municipal corporations, political subdivisions, and private corporations. Further, Section 12 of the Project Act defines "political subdivisions" to include any State, irrigation or other district, municipality, or other governmental organization and a tribe normally functions and is organized as a governmental organization. Western announced its decision to establish a resource pool in the April 27, 2011, Federal Register Notice. The manner in which the resources in the resource pool will be allocated is not one of the proposals being addressed in this process and shall be determined in a subsequent public process.

**Question:** Will Western require new entrants to participate in the MSCP? In the Implementation Agreement?

**Answer:** These questions are beyond the scope of this proceeding. Western announced its decision to establish a resource pool in the April 27, 2011, Federal Register Notice. The terms of its contracts with new allottees are not one of the proposals being addressed in this process.

**Question:** Is Western considering combining Hoover resources with resources from other projects in the pool that was discussed in the presentation?

**Answer:** Western is not seeking to commingle resources for the purposes of establishing a resource pool. The projects in the Desert Southwest Region (DSW) are operationally integrated to improve the efficiency and enhance the reliability of the Federal system.

**Question:** Does Western anticipate any form of commingling of project resources for allocation purposes?

**Answer:** Western is not seeking to commingle resources for the allocation purposes. The projects in the DSW are operationally integrated to improve the efficiency and enhance the reliability of the Federal system.

**Question:** Has Western itemized the changes that would occur in the allocation process for Hoover if the PMI was applied going forward, and could you provide an itemization of those changes?

**Answer:** Based upon Western's decision to apply the PMI to the BCP, Western has established that it will extend a major portion of the existing allocations to the current contractors while reserving a modest percentage in order to create a resource pool for allocation to new customers. Western's April 27, 2011 Federal Register Notice announced this decision and proposed key aspects relative to the amount of resource to be extended to existing customers and set aside for a resource pool. The application of the PMI retains the existing BCP marketing area. This method of allocation is consistent with all other Western marketing actions since the PMI was adopted in 1995. While the circumstances leading up to the 1986 allocations were unique, the end result was generally comparable. The existing customers retained a major portion of their existing allocations and a significant resource pool was created by the development of the Hoover up-rating program and administered by Western pursuant to the Hoover Act.

**Question:** Would the role of an agency like the Colorado River Commission (CRC), in allocating Hoover resources, be changed in any way if the PMI was applied? If so would Western please itemize those changes?

**Answer:** Western's application of the PMI will extend to CRC a major portion of its current allocation and will create a new resource pool that will need to be allocated. These actions in themselves do not alter CRC's role in the allocation of Hoover resources. The manner in which the resources in the resource pool will be allocated, including CRC's role, if any, in these allocations will be determined in a subsequent public process.

**Question:** Has Western conducted a proceeding of evaluating whether it is appropriate to apply the PMI to the BCP?

**Answer:** Yes. Western initiated a public proceeding of evaluating whether it is appropriate to apply the PMI to the BCP in a November 20, 2009 FRN by proposing to apply the PMI to the BCP. Western conducted Public Information and Comment forums and extended the comment period by seven months to ensure all interested parties had ample opportunity to provide comment on this proposal. After careful consideration of comments received, Western decided to apply the PMI to the BCP and announced that decision in the April 27, 2011 Federal Register Notice noting that application of the PMI provides a balancing of existing customers' resource stability while also encouraging the most widespread use of the Federal generation.

**Question:** Could Western itemize the source of Western's legal authority for retaining 30 MW for its use?

**Answer:** Section 5 of the Boulder Canyon Project Act (Project Act) grants the Secretary broad discretion to allocate power and this authority provides for the necessary administrative flexibility to retain 30 MW for project integration and reliability purposes.

**Question:** Could Western provide specific information on Western's legal authority to allocate to tribes?

**Answer:** This question is beyond the scope of this proceeding. While Western announced its decision to establish a resource pool in the April 27, 2011, Federal Register Notice, the manner in which the resources in the resource pool will be allocated is not one of the proposals being addressed in this process, has not been decided, and shall be determined in a subsequent public process. Nonetheless, Western would point out that Section 5 of the Project Act grants the Secretary broad discretion to allocate power to States, municipal corporations, political subdivisions, and private corporations. Further, Section 12 of the Project Act defines "political subdivisions" to include any State, irrigation or other district, municipality, or other governmental organization and a tribe normally functions and is organized as a governmental organization.

**Question:** If the resource pool isn't earmarked to go to tribes, whom else would it go to?

**Answer:** The criteria for determining eligible applicants have not yet been determined and will be done through a subsequent public process. Generally speaking, Western has the discretion to allocate not only to tribes but also to States, municipal corporations, political subdivisions, and private corporations but again, the allocations from the resource pool will be determined in a subsequent process.

**Question:** Could Western provide a detailed itemization of how Western anticipates utilizing the proposed 30 MW?

**Answer:** Western's mission is to market and deliver reliable, cost-based, renewable Federal hydro generation. To facilitate this mission Western's DSW region owns and operates a robust transmission system and operates a Balancing Authority (BA) known as the Western Area Lower Colorado (WALC) BA. In order to reliably deliver Federal generation in the DSW area and to maintain reliable operation of the WALC BA, Western must maintain ample capacity for operating reserves such as regulating and contingency reserves as defined by governing reliability organizations such as the Western Electric Coordinating Council under the North American Reliability Corporation.

**Question:** Does Western anticipate treating the 30 MW as the last 30 MW off? Or would it be equivalent to an allocation?

**Answer:** If retained, Western anticipates and intends to treat the 30 MW as an allocation. A reduction in available capacity due to unit de-rates or outages would result in a pro-rata decrease of the 30 MW available to Western in the same fashion as all other capacity allocations.

**Question:** How would Western handle any new nameplate capacity yielding from a future up-rating program?

**Answer:** This question is beyond the scope of this proceeding.

**IRRIGATION & ELECTRICAL DISTRICTS  
ASSOCIATION OF ARIZONA**

**R.D. JUSTICE  
PRESIDENT**

**ELSTON GRUBAUGH  
VICE-PRESIDENT**

**SUITE 140  
340 E. PALM LANE  
PHOENIX, ARIZONA 85004-4803  
(602) 254-5908  
Fax (602) 257-9542  
E-mail: [rslynch@rslynchaty.com](mailto:rslynch@rslynchaty.com)**

**WILLIAM H. STACY  
SECRETARY-TREASURER**

**ROBERT S. LYNCH  
COUNSEL AND  
ASSISTANT SECRETARY-TREASURER**

**July 13, 2011**

**Questions for the Western Hoover Public Information Forum**

1. What is the authority for using the PMI given the Boulder Canyon Project Act designation of states as first allottees in their sovereign capacities?
2. What is the authority for extending contracts Congress has declared will "terminate" rather than the normal situation when Western is given an outside timeframe for contracting and discretion within that outside timeframe?
3. The PMI process will result in a retained pool for allocation to new entrants. Will the new entrant pool for Arizona and Nevada be allocated to these state agencies for contracting? If not, what is the authority for not doing so?
4. The extended resource (A & B) appears to maintain its existing characteristics. Is that true?
5. The second priority for excess energy (Hoover C) appears to add proportionately to all existing load factors for A, B & D. Is that correct?
6. What provisions of the 1984 Act carry over to this process? Of the existing marketing criteria?
7. What impact does 10 CFR 904 have on this process?
8. Is the end result of the currently announced process a close of public comment period followed by a Federal Register notice announcing contract extensions or is some additional administrative process required before that decision is announced?
9. What authority will Western invoke to allow it to deal directly with proposed Indian allottees in Arizona and Nevada?
10. Will Western require new entrants to participate in the MSCP? In the Implementation Agreement?