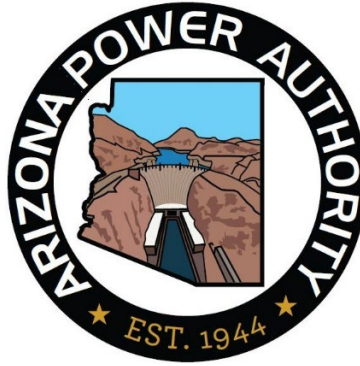


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July 12, 2023

Mr. Jack Murray  
Senior VP and DSW Regional Manager  
Western Area Power Administration  
P.O. Box 6457  
Phoenix, AZ 85005  
Email: [dwwpwrmrkwapa.gov](mailto:dwwpwrmrkwapa.gov)

### **Re: Boulder Canyon Project Proposed FY 2024 Base Charges and Rate**

Dear Mr. Murray,

The Arizona Power Authority (APA) submits the following comments in the FY 2024 Boulder Canyon Project Rate setting proceeding that is currently in process.

The Boulder Canyon Project (BCP) contractors are continuing to experience uncertainty and the continued risk of rising Base Charges, resulting from economic pressures, aging infrastructure, and supporting superfluous costly activities at Hoover Dam, like maintaining and operating a Visitor Center that is millions of dollars in the red. This comes at a time when the amount of water available to generate hydropower continues to diminish because of the drought. These conditions make it difficult for the US Bureau of Reclamation (USBR) and Western Area Power Administration (WAPA) to fund the necessary maintenance at Hoover Dam and on WAPA's transmission system. This necessary maintenance is required to keep the plant operating reliably and keep rates affordable for customers.

The recent changes to the hydrology and generation forecast for FY 2024 in the 24-month study have resulted in a proposed significant rate decrease, based on the proposed FY 2024 revenue requirements and Base Charges. It remains to be seen which trajectory the rates for FY 2025 and FY 2026 will take. The APA is deeply concerned with the rosy outlook in the current 24-month study. The APA's preliminary assessment of hydrology and the proposed agreement in the recent Supplemental Environmental Impact Statement process, looks to result in an increase over today's rates.

During a Special E&OC meeting that took place on June 29<sup>th</sup>, USBR presented the idea that moving forward the Cylinder Gate Stem Replacement Project and the Mead 69 kV Breaker Replacement Project into earlier fiscal years, could reduce the total cost of the projects by approximately \$1 million. Moving the necessary project costs into the FY 2024 budget, would increase the currently proposed FY2024 revenue requirement and Base Charges by about \$5.5 million dollars. Obviously, doing so would greatly increase the proposed rate for FY 2024, but there would be reductions to future rates

based on the savings realized by moving those projects forward. The APA agrees that both are necessary projects that should not be delayed. The APA supports increasing the FY 2024 Base Charges by \$5.5 million dollars, specifically so that USBR can move forward the Cylinder Gate Stem Replacement Project and WAPA can complete the 69 kV Breaker Replacement Project at Mead Substation, and save \$1 million dollars.

However, even though the APA supports moving forward these projects, the APA wants to be clear that continued efforts to mitigate the effects on rates should be made by USBR and WAPA where possible. One additional mitigation effort immediately comes to mind. The Visitor Center operations continue to incur annual losses that are almost identical to the \$5.5 million dollars needed for these projects. USBR and BCP contractors need to quickly work on a solution for this problem. The solution may include completely shutting down the Visitor Center operations. It seems appropriate for this endeavor to be self-sustaining and for the Federal government to be responsible for funding the operations, rather than the hydropower customers.

Lastly, numerous projects are being worked on throughout the southwest to find affordable replacement power for the BCP contractors not receiving their full hydropower allocation. Having USBR and WAPA be supportive and actively participate in these efforts could go a long way to help offset the increased rates for contractors. As always, the APA stands ready to help in any way to continue the decades long success of the BCP.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jordy Fuentes", with a long horizontal flourish extending to the right.

Jordy Fuentes  
Executive Director