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## ARIZONA POWER AUTHORITY

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**To: Boulder Canyon Project Contractors**  
**Re: Greetings Fellow Boulder Canyon Project Contractors**  
**Date: January 24, 2023**

My name is Jordy Fuentes. I am the Executive Director of the Arizona Power Authority (“APA”). As we are all aware, the Colorado River basin is experiencing unprecedented challenges related to prolonged drought conditions. There have been countless hours already dedicated to mitigating the effects of drought by Boulder Canyon Project (“BCP”) Contractors, the Bureau of Reclamation (“Reclamation”), and the Western Area Power Administration Desert Southwest office (“WAPA DSW”). In accordance with Section 10 of the BCP Implementation Agreement (BCP IA), the BCP Contractors, USBR Lower Colorado River (“LCR”) office, and WAPA DSW formed the BCP Ad-Hoc Drought Committee to coordinate on the current river operations and BCP Power production.

On behalf of the Arizona Power Authority, our sub-contractors, and Ad-Hoc participants we appreciate the federal agencies’ efforts, but they are limited in what they can do. For example, they cannot lobby Congress or your Congressional Delegation members. Recent scenarios indicate that without changes in precipitation, future BCP Generation can range from zero to 500 GWH in 2026 which will require non-reimbursable federal assistance to maintain the federal power projects on the Colorado River including Boulder Canyon, Parker Davis, and Colorado River Storage Project (“CRSP”) generators.

Through recent conversations with the Reclamation and WAPA DSW, there are several efforts regarding BCP authority and the use of existing funds paid by the BCP Contractors that can help with the current BCP costs.

### **Post Retirement Benefit (PRB) Funds**

In 2001, BCP Contractors were required to start paying for PRBs, but Reclamation does not have the authority to use them. Reclamation collects \$2 million dollars per year for PRBs, which has resulted in a collection of over \$42 million dollars since 2001. The Department of Interior, as requested by congressional staff, has developed the following language, which provides a solution to the PRB Fund issue. This language was close to being included in last month’s Federal government funding bill.

### Post-Retirement Benefits (PRB) Proposed Language:

*(b) IN GENERAL - The Secretary of the Interior is authorized to expend the funds in the Colorado River Dam fund that were and hereafter are recovered for costs related to post-retirement employee benefits, on a non-reimbursable basis, for any authorized activity, including operations, maintenance, and capital improvements, to mitigate the impacts of*

*drought at any Reclamation facility within the Project with hydropower as an authorized project purpose.*

**Visitor Center Parking Fees and Concession Agreements**

The Hoover Dam Visitor Center has had revenue shortfalls and has cost BCP Contractors more than \$27 million dollars, over the last three fiscal years (2020-2022). In the current fiscal year, the Hoover Dam Visitor Center is projected to have a revenue shortfall of between \$4 and \$6 million dollars. The Visitor Center revenues have diminished since COVID and the Lower Colorado River “LCR” office is not able to collect entry fees to cover the cost of visitor services. In addition, Reclamation currently manages agreements with the State of Nevada to operate one café and two gift stores at Hoover Dam. Unfortunately, Reclamation does not currently have the authority to enter into the appropriate type of agreement (concessionaire agreement) to recover the cost of managing and maintaining the infrastructure associated with these enterprises. LCR needs the flexibility to adapt to changing market conditions and remove, as much as possible, the burden of funding Hoover Dam Visitor Center operations from the BCP Contractors.

**Addressing the Revenue Losses Associated with Hoover Dam Visitor Center**

The APA would like to form a contractor working group to explore Reclamation’s existing Authorities and regulations and develop the language necessary to allow Reclamation the needed flexibility to charge entry fees, parking fees, and retail outlet and concessionaire agreements. Reclamation is willing to work with BCP Contractors to help us better understand their operations. If you are willing to participate in this working group, please reach out to me.

**Long-Term BCP Contractor Actions under BCP 50-Year Agreements**

Absent significant changes in precipitation, the water storage in Lake Mead and Lake Powell is no longer sufficient to sustain the water releases and generation levels the BCP has generated for decades. Below is a table estimating capacity and energy, based on calendar year 2000-2003 hydrology.

<b>BCP Capacity and Energy</b>	<b>Capacity</b>	<b>% of Contract</b>	<b>% from FY21</b>	<b>Energy</b>	<b>% of Contract</b>	<b>% from FY21</b>
Contract	2,074,000			4,527,001,000	100%	
FY21	1,611,083	78%	100%	3,615,770,000	80%	0%
FY22	1,383,000	67%	86%	3,264,831,000	72%	-10%
FY23	1,299,750	63%	81%	3,103,826,000	69%	-14%
FY23X (reduce summer 23)	1,299,750	63%	81%	2,067,148,116	46%	-43%
CY2000-CY2003 Trace	650,000 (Est)	31%	40%	500,000,000	11%	-86%

**Long-Term BCP Agreement Relief**

Some Contractors have been supporting Arizona Senator Kelly’s/Representative Stewart’s Proposed S4232/HR9563 Legislation

Both Senator Kelly (D-AZ) and Representative Stewart (R-UT) have proposed bills that would provide credits to help offset Contractor’s rates when hydropower generation falls below a certain output. The credits would be provided to Contractors within the Salt Lake City Area Integrated Projects, the Boulder Canyon Project, and the Parker-Davis Project. This legislation would help ensure the future viability of

the Projects and provide a significant reprieve from the effects of drought already being felt by Contractors.

**BCP Contractor Assistance Requested**

I would like to request each of you:

- engage your delegation to support the PRB Language in any future budget discussions
- help to develop legislative language addressing the revenue shortfall at the Visitor Center
- engage your delegation to support Senator Kelly/Representative Stewart's bills for relief to the BCP Contractors.

Thank you for all your efforts in helping to mitigate the effects of drought, which are being felt by all of us. If you have any questions or wish to participate in the Visitor Center Language Working Group, I look forward to hearing from you. Please feel free to forward this letter to your sub-contractors, if you have them, to engage them on these issues as well.

Thank you,

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

Jordy Fuentes  
Executive Director  
Arizona Power Authority