

Before the
FEDERAL ENERGY REGULATORY COMMISSION
Washington, D. C.

TECHNICAL CONFERENCE: OTHER FEDERAL AGENCIES
COST SUBMISSIONS FOR FISCAL YEAR 2007

Docket No. : AD08-1-004

Federal Energy Regulatory Commission
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P R O C E E D I N G S

(2:00 p.m.)

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3 MR. LONG: Let's get started. First off I would
4 like to thank you all for coming. We definitely, in doing
5 this last year, saw some progress and we wanted to continue
6 to host these and get your feedback on the process once
7 again.

8 We are here today to discuss the 2007 Other
9 Federal Agency Cost Submissions. We are going to follow the
10 same agenda we have in the past. We have switched up a
11 little bit. We are going to cover very briefly and quickly
12 background materials, our review process, and then jump
13 right into our analysis.

14 (Power Point Presentation follows:)

15 We are going to start off with the charts that
16 show our analysis and what we found. Then we will go
17 Bureau by Bureau. Basically the Bureau-by-Bureau discussion
18 allows more of a question-and-answer period basically for
19 you all to raise any questions you saw in the data that was
20 available on E-Library, and for me to provide some feedback
21 mostly on improvements that we saw from last year going into
22 this year.

23 So in going over some of the background material,
24 the scope of the comments obviously is for us to determine
25 the reasonableness of the costs that were submitted, and

1 discuss based on our analysis how we can improve going
2 forward.

3 We will mention, Bureau-by-Bureau, what we noted
4 in terms of some improvements that we could see, but again
5 more importantly we are going to note some of the things
6 that we saw improvements on from last year.

7 The application of the guidance that we're using,
8 the Federal Power Act, Omnibus Budget Reconciliation Act,
9 and in terms of the accounting guidance we're using for cost
10 accounting is OMB A-25 and SFFAS Number 4.

11 The Cost Submission Form, which we are all very
12 familiar with now, separating muni, non-muni costs,
13 totalling those costs, and then also breaking down by
14 Direct, Indirect, and within Direct the four categories that
15 we've identified.

16 The Other Direct Costs was an issue last year
17 that we feel as though we have clarified some information
18 going into this year, and I will highlight some of that.
19 But we did ask for clarification specifically in terms of
20 what those other costs were for.

21 More importantly, an assurance that if something
22 is considered "Other Direct" it is not a potential Indirect
23 cost or is not a potential cost that goes into an Indirect
24 or Overhead Cost Pool. That was one of the things that we
25 noted last year.

1 In terms of what we did, and what we--I'm sorry,
2 in terms of what we were looking for, reports or queries
3 from an accounting system not created by a manual
4 spreadsheet; detailed analyses that support that. Be able to
5 crosswalk what we saw on the cost submission form down to
6 details within the system, or through the analyses.

7 And then new this year, what we asked for was a
8 narrative detailing some areas that we thought going into
9 this year could provide some additional support on what we
10 were seeing. Specifically, a description of the codes; that
11 the codes were FBA Part 1, that we were segregating between
12 municipal, non-municipal, and if there was a nonspecific,
13 how those costs were segregated further therein--or I should
14 say how they were applied to the municipal and the
15 non-municipal pools. And then also a brief description of
16 the time reporting process to make sure that we were
17 comfortable with how folks were tracking their time, and the
18 assurances that are going into the management review--the
19 internal controls and the management review of that process.

20 Our review process is started. Had to have the
21 signed certification. And we had to have the Cost
22 Submission form. Those were the two basic things right up
23 front.

24 The reports and analyses we looked for, and we
25 looked for those electronically so that we could break down

1 very easily and support the numbers that were in the cost
2 submission form.

3 And then lastly, with the narrative submissions
4 to help clarify and support some of the codes and the
5 processes that were inherent in what we were seeing.

6 Our review criteria, again is to ensure that
7 everything was properly segregated. FPA Part 1, first and
8 foremost. After that, municipal /non-municipal. And if
9 there was an Other or Nonspecific, I think most of the
10 bureaus and departments had that.

11 Beyond that was a clear method in which they
12 applied that to spread it across the municipal and non-
13 municipal.

14 Lastly, we kept this up here, the trend data.
15 It's something that we had hoped to use, and that we planned
16 to use. We feel as though we have gotten to a point now
17 where the costs we're certifying are much more in line with
18 the costs that are being reported, and that moving forward
19 we are going to be able to start to identify the trends.

20 And as we will discuss on the next slide, some of
21 the trends that we really want to identify in terms of the
22 cyclical nature--I think the cyclical nature was the biggest
23 part there.

24 Improvements for 2007. We saw a dramatic
25 improvement in the number of bureaus and agencies that were

1 using the codes that we were looking for, specifying FPA
2 Part 1, specifying municipal /non-municipal, and Other, but
3 still FPA Part 1 costs. We saw that.

4 And then the narrative, detailing the time
5 reporting process, the description of the codes and the
6 overhead rate. Again, we definitely feel like we saw an
7 improvement in that over the course of this year, and the
8 numbers we believe support that.

9 In terms of the OFA that did report, here is a
10 list. It's very similar to last year with a couple of minor
11 differences.

12 The Solicitor's Office within the Department of
13 Interior chose not to submit anything at all. Given the
14 history of the data they submitted, it was not a surprise.
15 They've not complied with our guidelines in the past, so the
16 fact that they just did not submit anything was not a
17 surprise.

18 Geological Service was not included last year.
19 They did submit something this year, a very small amount,
20 about 10,000.

21 And as we will see later on, Park Service is
22 listed here but they fall into a slightly different category
23 and we will get to that in a few.

24 In terms of what we have, and this is really what
25 we are going to get to in the crux of the discussion--

1 MR. PORTER: Are there any OFAs represented here
2 today?

3 MR. LONG: I'm sorry? Yes. Here today from the
4 Department of Interior is Lynnell Green and, I'm sorry?

5 MR. ANTHONY: Michael Anthony.

6 MR. LONG: Michael Anthony.

7 And one of the things--and I will point it out
8 specifically later on--but Lynnell has been tremendous. The
9 work that she has done within the Department of Interior to
10 be basically a clearinghouse for information that comes to
11 us and respond to the questions that we've had, and her work
12 with the staff has been tremendous. So thank you very much
13 for that, and for coming today.

14 A couple of important things that I wanted to
15 note here with regard to the reported and accepted costs.
16 The biggest difference that we noted this year was a
17 dramatic decrease in the amount of reported costs.

18 Reported costs were down I believe thirty--yes,
19 reported costs overall were down 30 percent below FY 2006.
20 Accepted Costs totalled 83 percent, which compared to 61
21 percent last year. That was a tremendous increase. And as
22 you will see on the next chart, this is what we are after
23 and what we would like to see moving forward.

24 The overall costs accepted, there was a minor
25 decrease, I believe about 5 percent decrease, in overall

1 costs accepted. But the amount that we accepted in
2 comparison to the amount actually reported was much better.
3 Not only the 83 percent, but bringing down the overall
4 reported amount.

5 And with that, I think--were there any general
6 questions about the process, or the overall costs? And next
7 we're just going to go bureau by bureau and see what we
8 have.

9 Jeff?

10 MR. LEAHEY: Jeff Leahey with the National
11 Hydropower Association. I know you mentioned you were
12 looking at that trend data. Are you going to go over that
13 with the municipal and non-muni breakdown on how that has
14 changed? Did you see anything from this year to last year?

15 MR. LONG: The municipal and non-municipal
16 difference between last year and this year, municipal
17 accepted costs decreased by 17 percent. And the
18 non-municipal increased by 27, in terms of accepted costs.
19 Both decreased in terms of reporting by about 30 percent.

20 MR. LEAHEY: Do you have that--I didn't write
21 fast enough.

22 MR. LONG: Okay, sorry. We can add that in
23 the--it will be in the transcript, but we can also add that
24 specifically on the slide.

25 MR. LEAHEY: That would be perfect.

1 MR. LONG: Okay. So again the total costs for
2 the--the total accepted costs for municipal decreased by 17
3 percent, and increased for non-municipal by about 27
4 percent.

5 One trend analysis that we want to look at,
6 obviously everything with regard to the hydropower industry
7 is very cyclical in terms of licensing and relicensing, and
8 finding where the OFA data relates to the FERC cycle. I
9 know we had a very big jump in the previous year as it
10 relates specifically to municipal costs. So we are going
11 to--now that we're getting to a point where we're accepting
12 a higher percentage of costs and we're more comfortable with
13 what we have and what we're accepting, finding a way to
14 relate that to FERC's cyclical nature of its costs and how
15 it precedes or will blow behind.

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1 Okay, Bureau of Indian Affairs almost -- I would
2 venture to say that most of the decrease in reported costs,
3 could probably be attributed to the Bureau of Indian
4 Affairs.

5 In the past, I we've not accepted any of their
6 costs, and they have reported a great deal and supplied a
7 great deal of supporting documentation.

8 This year, we noted the decrease, the decrease
9 between what was submitted and what we certified, related to
10 overhead allocation and application that they applied, that
11 we did not support.

12 They, I believe, tried to recreate their own
13 overhead for the Department, as opposed to using the
14 Department overhead that was supplied to them, and we've
15 changed that allocation there.

16 And other than that, we found that their cost
17 codes and their processes were, in fact, in line with what
18 we were looking for. Any questions, specifically about --

19 MR. SENSIBA: I have some questions about BIA,
20 and this might go to a larger issue, Troy, that you alluded
21 to earlier in your comments, and that has to do with these
22 types of costs that are included as direct other costs.

23 MR. COLE: Right.

24 MR. SENSIBA: That also appear to be the types of
25 costs that should be captured in an indirect overhead rate.

March 27, 2008

1 I noticed on the certification statement for the
2 BIA, that they included what they called contracts,
3 teleconferences, photocopying, publication costs, equipment,
4 materials, supplies, et cetera, as Other Direct costs.

5 MR. COLE: Right.

6 MR. SENSI BA: We commented on this last year, and
7 the Commission did not include those types of Other Direct
8 costs in the cost -- in the bills to licensees, and I'd just
9 like to know how that is going to be resolved with regard to
10 the -- it wasn't a lot; it was about \$9800 of BIA's total
11 costs, that were in this Other Direct.

12 MR. COLE: What we looked for this year, as we
13 went forward -- those Other Direct costs had to be
14 associated with a job code, and a job code very similar to
15 the job code used when they're doing their time sheets.

16 So if the person, on their time sheet, is using a
17 specific job code that identifies that I'm doing hydropower
18 work, municipal-related, or hydropower work, nonspecific,
19 that job code had to be identified to that Other Direct
20 cost.

21 And when that is done and when that data is
22 captured, those costs are not included in the indirect cost
23 pool that goes into calculating the overhead.

24 So, if there is something that they are doing,
25 that directly relates to a particular project or to a

1 particular license, relicense, or hydropower effort, they
2 can use that job code to cost that particular
3 telecommunications or the printing or what have you, to that
4 job code, and it is inherent in that, not included in the
5 indirect cost pool.

6 MR. SENSI BA: When you look for a corresponding
7 explanation in the Agency's discussion of how they calculate
8 their indirect overhead rate, that whatever trend data they
9 use or whatever data they use in calculating the overhead
10 rate, that it pulls out from that analysis, any costs that
11 are traditionally and indirect cost, are not factored into
12 the rate that they apply on the indirect cost calculation.

13 MR. COLE: What we looked for, was that when it's
14 identified as a direct cost, when it's associated with that
15 job cost code, it is not included; it's not a potential
16 indirect cost, so when they pull, when they're going into
17 their system and pulling indirect costs, they are going to
18 exclude those which have a direct cost job code.

19 So, the system is inherently not going to pick
20 that up in its query to develop indirect costs, in total, to
21 divide by indirect costs to come up with that overhead.

22 MR. SENSI BA: I guess my question is more along
23 the lines of Interior's, just for an example. Interior
24 assigns an overhead rate, agencywide, as 16 --

25 MR. COLE: 16.84.

1 MR. SENSIBA: 16.84 percent. Is there anything
2 that we know that we have, to assure us that in calculating
3 that 16.84 percent, that the Agency accounts for costs like
4 rents, utilities, supplies, that are directly assignable as
5 direct costs, that those types of costs are not factored
6 into that equation when they come up with the 16.84
7 percent.

8 MR. COLE: I think what we can do is to get them
9 to clarify, explicitly, how a direct cost, if a supplied
10 material or some sort of typically indirect cost, is
11 assigned a specific direct cost job code, therefore, it is
12 not a potential indirect cost.

13 I think, if you're not comfortable with the
14 explicit language that we're seeing there, I do not think
15 that that's a hard question to ask and get them to clarify,
16 if you're not seeing the explicit language in there.

17 MR. SENSIBA: Yeah. I think I understand that
18 it's appropriate, if the Agency had made a decision that
19 this particular copy job or this particular supply run, all
20 of those supplies were used directly for and should be
21 assigned to a job code that is explicitly used for hydro,
22 certainly -- and I think that their own Agency guidelines
23 make very clear that those can be direct costs.

24 MR. COLE: Right.

25 MR. SENSIBA: What I'm concerned about, is to

1 make sure that whatever analysis they use to calculate their
2 overhead rates, is not also using those types of purchases
3 and costs in developing the rate.

4 MR. COLE: Okay. I think, in terms of the types,
5 those types of costs, still have the potential to be
6 included as an overall indirect, and I think I would point
7 to project codes or projects that may not have other direct
8 costs.

9 A particular job or particular assignment, may
10 not require other direct costs, but, in general, the Bureau
11 has this indirect cost pool that it used to calculate the
12 percentage, whereas this particular one has that in it.

13 I know that the double-counting, obviously,
14 having that same exact cost counted twice, especially when
15 the overhead rates climb, in some cases, to where they are,
16 making sure that it's not double-counted and that the cost
17 exclusions are there.

18 MR. SENSIBA: I think it's also more
19 problematic, and we don't have that with the BIA, but when
20 it comes to rents and utilities, just because it's assigned
21 to a cost code that may be associated with hydro, it's -- I
22 don't know how they can -- how can agency can really say,
23 unless there's a building or a facility or rental unit that
24 is used exclusively for hydro, I'm not sure if there are any
25 of those that are out there, but if a building is just

1 shared by Agency staff and those staff have different tasks
2 -- they may wear their hydro hat one day; they may use
3 another hat for grazing or some other function that they
4 use, another day -- how can that rental or how can those
5 utilities be directly assigned, even if they are under the
6 code? In real life, how are they really being used
7 exclusively for hydro?

8 MR. COLE: We can take a look at and ask
9 specific questions, if there's rent and utility charges.
10 The one caveat, I think, I would make to that, is a
11 conference in offsite, something done for the purpose of
12 hydropower; it may be classified as a rent, when actually
13 we're renting a conference space.

14 MR. SENSIBA: Licensees usually do that, but the
15 point is well made.

16 MR. COLE: Anything else?

17 MR. SENSIBA: I take it, by just the amount of
18 costs that were accepted here, that the BIA did provide some
19 supplemental information, as you requested, because their
20 initial submission was basically a one-page output from this
21 Crystal Report.

22 MR. COLE: Right.

23 MR. SENSIBA: And there hasn't been anything
24 posted to the E-Library since that time, so I'm a little bit
25 in the dark as to what they would have supplemented with.

1 MR. COLE: We can --

2 MR. SENSI BA: And I would be interested in seeing
3 those, the supplemental information that BIA provided.

4 MR. COLE: We can verify that supplemental
5 information is, in fact, out on E-Library and highlight
6 that.

7 MR. SENSI BA: Just to ask the question, The
8 Commission is comfortable with having a financial system
9 that has cost codes that are segregated, such that only
10 hydropower-related costs are -- and expenses are being
11 entered into those codes, and that they have some way of
12 allocating between munis and non.

13 MR. COLE: Correct.

14 MR. SENSI BA: And could I get an explanation of
15 how that's done?

16 MR. COLE: Okay. We'll verify that the
17 supplemental information is out there. I know that there
18 was a disconnect with some of the additional information
19 that got posted and when it got posted, so we can make sure
20 that that is highlighted.

21 In general, I think -- and I think this is the
22 approach we had last year, as well. I would prefer to have
23 the questions and almost already have the answers to them,
24 as opposed to not get the question when we have the question
25 period in terms of receipt of questions. Okay?

1 BLM, they, I believe, last year, were also 100
2 percent. BLM is one of the two agencies that -- one of the
3 two Bureaus that has a rather extensive detailed cost
4 accounting system, and the ability to segregate costs.
5 They've had it for quite some time.

6 It took us awhile to communicate with them,
7 exactly what we wanted, but once they understood exactly
8 what we wanted, and how, they were able to get it to us.

9 Costs are segregated. We were able to
10 electronically take their reports and subtotal and sort it
11 and support what they have. And they were accepted once
12 again this year, at 100 percent.

13 MR. SENSIBA: I have a couple of questions. In
14 their initial submission, BLM did not certify. They
15 included a blank certification, so I assume, by the fact
16 that we are accepting all they subsequently --

17 MR. COLE: Yes. I mean, until we do have that,
18 and I think -- was that in with the other 45?

19 I think that the disconnect must be the same
20 thing as with BIA, the supplemental information that was
21 added to E-Library, and the timing that that was added.

22 MR. SENSIBA: When was that added to E-Library?
23 I looked this morning, and I still didn't see the
24 supplemental.

25 MR. COLE: Okay, we'll verify that. I think the

1 sup document was 005.

2 MS. LEWIS: It's 005, with a date of November.

3 MR. COLE: Okay.

4 MR. SENSI BA: So it's under Docket AD08 --

5 MR. COLE: Dash 1-005.

6 MR. SENSI BA: Okay, I didn't see it, but I'll
7 look again.

8 MR. COLE: Again, if there's something that's not
9 there, we've had -- I mean, when you scroll down, you can
10 see all the things that were added and removed. It's been a
11 challenge with getting the things placed properly in some of
12 the subdockets, so I just want to make sure that it is out
13 there.

14 We did verify that what we were expecting to see
15 in those 45 pages, is there, but the date may -- you said it
16 was listed as November? Okay.

17 MR. SENSI BA: I don't think that those of us on
18 the outside, can see what information has been added to or
19 taken away from a docket on E-Library.

20 MR. COLE: Okay.

21 MR. SENSI BA: I've never been able to see.

22 MR. COLE: I think it shows a blank; it will show
23 a link and it's a blank link, that looks like something's
24 been moved or several things moved.

25 MR. SENSI BA: the other thing that BLM did, at

1 least initially -- and I'm sorry that, based on the
2 information that I have been able to pull from E-Library --
3 and I'm sorry if it's out of date -- in its initial
4 submission, BLM allocated its HPOL costs -- those are those
5 costs of BLM's that are non-project-specific costs.

6 MR. COLE: Right.

7 MR. SENSI BA: Twenty percent were allocated to
8 municipal licensees, and 80 percent was allocated to non-
9 munis, and the Commission asked for clarification from BLM,
10 as to how -- why it made that allocation.

11 MR. COLE: We still did not get that, and just as
12 we did last year, we allocated that ourselves, based on
13 direct costs. We've had several conversations with them, on
14 their criteria for using 80/20.

15 We've never gotten comfortable with why there's
16 an 80/20 breakdown for them, and, based on that, we take
17 those other costs that are FPA Part I. We're comfortable
18 with the fact that they are broken down and identified in
19 that way, but we're not comfortable with the manner in which
20 they are splitting them and allocating them across.

21 MR. SENSI BA: I believe that the summary on your
22 PowerPoint, is still at the 80/20 split.

23 MR. RICHARDSON: We verified the 80/20.

24 MR. COLE: We did verify the 80/20.

25 MR. RICHARDSON: Last year.

1 MR. COLE: Okay, so is that in the other pages as
2 well? Okay.

3 MR. SENSIBA: So the 80/20 split shows that 80
4 percent of BLM's costs that were projects -- 80 percent of
5 the project-specific costs were non-muni; 20 percent were
6 muni?

7 MR. COLE: We verified the 80/20? Good.

8 MR. RICHARDSON: The actual cost.

9 MR. SENSIBA: I don't have any other questions.

10 MR. COLE: Bureau of Reclamation, I'll kind of
11 sound like a broken record here. They're also certified at
12 100 percent, and all of the information we were looking for
13 there, in terms of the cost accounting codes, and the
14 structure and the segregation and allocation of those costs,
15 were there.

16 I think, in terms of Other Direct, there were a
17 couple of items that were very small, compared to the
18 overall total.

19 MR. SENSIBA: I think that those of us who have
20 been involved in this for a lot of years, would agree that
21 Reclamation has long been kind of a model. They have done a
22 very good job for a long time.

23 I have two questions about Reclamation: In the
24 cost reports, Region II of Reclamation, included an upward
25 adjustment of about \$2800 from its Fiscal Year 2006 cost

1 report. There's an explanation on the sheet itself, that
2 says that they found some kind of a discrepancy or something
3 was coded incorrectly for Fiscal Year 2006, and so they made
4 the adjustment in 2007.

5 That really is not something that the Commission
6 has accepted in the past. In fact, if you go back to the
7 original beginning of these annual charges discussions, it
8 has to do with when the BIA tried to do the same thing
9 between '96 and '97.

10 It doesn't represent, obviously, a lot of money,
11 only \$2800, but the principle is a retroactive billing after
12 the billings from year are finalized. I certainly
13 appreciate Reclamation's trying to get the numbers right,
14 but once a bill goes out and a fiscal year closes, it
15 closes and the licensee should not be responsible for paying
16 costs that were found after the close of the fiscal year.

17 MR. COLE: I think what I would like to do, is
18 get them to clarify --

19 MR. SENSI BA: Absolutely.

20 MR. COLE: -- the contradictory statement that
21 it's there, was included, but then not reported.

22 MR. SENSI BA: If I'm misreading that, that's
23 fine.

24 MR. COLE: Well, no, I think that when you read
25 the first two sentences, it definitely bring to light, the

1 fact that there was an error. What I'm more concerned about
2 in the specific language, is that it was not reflected on
3 this 07 report.

4 MR. SENSIBA: That last sentence does --

5 MR. COLE: Kind of contradict the first two
6 sentences.

7 MR. SENSIBA: And I took it to mean that it
8 wasn't included on the printout.

9 MR. COLE: Right.

10 MR. SENSIBA: But they included it in their cost
11 report to FERC.

12 MR. COLE: And we'll get that.

13 MR. SENSIBA: And if we can get to the bottom of
14 that, and we find that they're not -- there is not a
15 retroactive billing here, then I have no concern, but, if
16 there is, more for the principle of the matter -- and the
17 Commission has already crossed that bridge.

18 MR. COLE: Right

19 MR. SENSIBA: And there really can't be a
20 retroactive billing here.

21 MR. COLE: We'll seek clarification on that.

22 MR. SENSIBA: The other question about
23 Reclamation, is the issue of these two \$100 checks, that
24 they actually included copies of the checks in their cost
25 reports, and these were checks made out to the Montana

1 Department of Natural Resources and Conservation, which
2 appear to be filing fees associated with their water rights
3 application.

4 Now, those of us who practice in Part I of the
5 FPA, know that water rights have nothing to do with the
6 Commission's or the Federal Government's administration of
7 Part I. That's a state function.

8 And these don't appear to be water rights
9 applications that were submitted by a non-federal applicant.
10 It seems to be a Reclamation filing. Reclamation, after
11 all, is paying the filing fee.

12 MR. COLE: Right.

13 MR. SENSIBA: So, even though, clearly, these
14 costs were incurred, I think we need to ask for some
15 clarification to Reclamation about what are the nature of
16 these costs? They do not appear, based on the information
17 that I've seen, to be FPA Part I costs.

18 MR. COLE: Absolutely, we'll get clarification on
19 -- I know there was a couple of issues last year, where we
20 sought clarification on how, exactly, some things did relate
21 to Part I, and we absolutely need clarification on why,
22 exactly, they determined these to be FPA.

23 Park Service, this 00 -- I wouldn't have had this
24 here, but I did want to, as I said earlier, take the
25 opportunity to highlight the interaction and response and

1 the work that DUI did prior to coming to us.

2 Basically, the costs were submitted and the DUI
3 point of contact didn't even submit it. It wasn't worth our
4 time. It was something that we very much would like to see
5 from them, before us, because it showed that there was the
6 same type of analysis.

7 You know, we were very clear on what it was that
8 we're looking for and how we're going to look at the data.
9 We're very clear that we're bringing that down to the OFAs,
10 and it was nice to see that that same analysis was taking
11 place, so that we didn't have to do it, especially on this
12 one.

13 So I just want to highlight that, that it was a
14 zero there.

15 Fish and Wildlife Service, 5.2 million, and,
16 again, we identified the different job codes, and the cost
17 structure there. It was a little bit more in terms of other
18 direct costs, I believe, in reference to contracting.

19 And there code structure, we discussed, and it
20 has Z-3, Z-4, Z-5, to segregate those different costs, and
21 then to allocate it, based on direct costs for municipal and
22 non-municipal.

23 MR. SENSIBA: I'm going to give some of my
24 questions to Jeff to read for me here.

25 (Laughter.)

1 MR. LEAHEY: You're doing such a great job.

2 MR. SENSI BA: I do have a couple of questions
3 about Fish and Wildlife Service. It has to do with the E-4
4 and the Z-5 AVC codes.

5 The way that I read those, neither one of those
6 is a specific muni or non-muni cost code. It seems like the
7 E-4 has to do with expenses or time, whatever they're
8 throwing into that code.

9 It's associated with ESA Section 7 consultation.
10 It could be associated with a municipal project or it could
11 be associated with a non-municipal project.

12 I'd like to know whether the Commission had any
13 discussions with the Fish and Wildlife Service about how the
14 Fish and Wildlife Service allocates the E-4 cost code
15 between the muni and non-muni pool.

16 MR. COLE: We can verify, if the E-4 allocation
17 was done in the same manner as the Z-5. The Z-5 was split,
18 based on the Z-3 and Z-4, but we can verify that the overall
19 nonspecific cost pool, included E-4 and Z-5.

20 MR. SENSI BA: I think you're also looking at the
21 documents that I didn't have a chance to look at, because it
22 wasn't part of the initial submissions.

23 MR. COLE: Is there a concern that the E-4 is not
24 FPA, or is that definitely FPA?

25 MR. SENSI BA: Well, I think, from its

1 description, it's ESA consultation for hydropower.

2 MR. COLE: Okay.

3 MR. SENSIBA: So, based on that description,
4 there's no concern there. It's just how they're allocating
5 between the muni and non-muni pools.

6 MR. COLE: And we can verify, if we did receive
7 that, in the additional documentation. I think that we may
8 want to do, is to find a way, possibly, to just attach that
9 to this subdocket and make sure that they do a new date,
10 since it seemed that this one was lost.

11 And we'll attach it with the slides, and
12 underneath the slides, we'll just resubmit that whole
13 package --

14 MR. SENSIBA: That would be great.

15 MR. COLE: -- to make sure that that gets in
16 there with the new date, also, so that it does get picked up
17 with the date.

18 I think that will also help for a couple of other
19 items later on that we'll get to, that I know are just
20 recent items.

21 MR. SENSIBA: The other question that I have
22 about Fish and Wildlife Service, is, some of their costs
23 were associated with these AVC codes. Some of them were
24 also with FFS codes.

25 Since I'm not an accountant, I don't understand

1 why some costs would be associated with an AVC code and the
2 others with this other, and the FFS codes were like the MUN
3 and COM and PUB.

4 I never got an explanation of what those FFS
5 codes were, but, more fundamentally, why would some costs be
6 on these AVC codes and why would some be on the FFS codes?

7 MR. COLE: As I understand it -- and you can jump
8 in, if I'm off base here -- they have two separate systems
9 that are collecting the data, and the FFS system is, in
10 fact, collecting data that is FPA Part I, municipal; FPA
11 Part 19 municipal, and they also have a system that's
12 collecting the C-3, C-4, and C-5 data.

13 Where we had concern last year, we did not accept
14 any of the FFS data last year, because we could not get
15 comfortable with what they were submitting in the form of
16 the detailed spreadsheets and the explanation as to how
17 those were segregated.

18 This year, we did get that, and, again, if that
19 was in a supplemental submission that they had, we'll make
20 sure that we highlight that. It just comes down to not
21 having one succinct system that brings everything together.

22 MR. SENSIBA: Okay, that makes a lot of sense to
23 me. The lingering question that I have, maybe because I
24 haven't looked at the supplemental information, is, are
25 these FFS codes -- is the Commission comfortable that the

1 codes that Fish and Wildlife Service is using to report, are
2 they capturing only FPA Part I costs, or other types of
3 program costs that are not associated with hydropower, being
4 lumped into those costs, into those cost codes?

5 Second, even assuming that those three codes are
6 only capturing FPA Part I costs, how do they allocate
7 between muni and non-muni?

8 MR. COLE: Correct, and I think we're -- I know
9 that in looking at it, even going back to last year, the Z-
10 3, Z-4, Z-5, we're very comfortable with. Last year, we
11 were not with FFS.

12 What I'd like to make sure, is that the
13 documentation does not -- their submission does not only
14 list the Z-codes, and that they're as comfortable they're
15 explicit with their classification for all codes, not just
16 the Z-codes, but also the FFS-codes, and that that's there,
17 and that it's not kind of a, well, because these codes,
18 we're telling you explicitly, this is how it's done and you
19 should assume that these codes -- we'll make sure that that
20 explicit language is there for all the codes.

21 MR. SENSI BA: Great.

22 (Pause.)

23 MR. COLE: Okay, Geological Service is very small
24 and were not at all submitted last year, but they did have a
25 structure in place, some small direct costs that are

1 actually very detailed into specific job codes and
2 segregated and then split, based on those muni and non-muni
3 direct costs, a very small amount for them.

4 MR. SENSIBA: I'm assuming again -- I don't have
5 the supplemental. There was some initial concern expressed
6 on the part of the Commission, that these job codes didn't
7 have any explanation at all, so are we comfortable now that
8 these are just -- that these codes are specifically for FPA
9 Part I?

10 Is there a way to allocate between muni and non-
11 muni?

12 MR. COLE: We did get an e-mail and a
13 clarification on that, so we will -- I think the best way,
14 probably, to handle this, is to allow some more time for
15 questions, especially if there is some additional
16 information that was not included the first time, to make
17 sure that you're getting everything that's there and what we
18 received.

19 But that is one piece of information that we know
20 was included in there at that last part, and was what was
21 submitted.

22
23
24
25

1 OEPC for 253,000. OEPC was one of the offices
2 that was very active in coordinating all the efforts between
3 FERC and Interior overall. And they made sure that their
4 house was in order before they went out. So we are very
5 comfortable with the structure and segregation that they
6 have in terms of their costs, direct and otherwise. Their
7 Direct Costs, salaries and benefits, there were no other,
8 and then those 9U, 9W, 9X clearly separated not only for the
9 FP Part 1, but then also the muni and non-muni as well.

10 OHA, we were again accepting 100 percent, so that
11 will be a broken record for most of this presentation. The
12 costs were segregated. We were able to allocate them with
13 the exception of one area where OHA for their Reg Leg, which
14 is their Regulation Legislation entity used the OEPC to
15 allocate their own muni/non-muni split. And we looked at
16 that and could not see a justification as to why--a
17 justification we were comfortable with as to why they would
18 use someone else's direct cost to allocate their own Other
19 or Nonspecific FPA Part 1. That was the only area that we
20 looked at and noted that we needed to make a change on how
21 they were allocating that Reg Leg and instead allocated it
22 directly based on their own municipal and non-municipal
23 direct cost, as opposed to another Bureau, why they would
24 use another Bureau we're not at all comfortable with.

25 MR. SENSIBA: So what was the resolution there?

1 MR. LONG: The resolution was that, although they
2 presented a cost allocation based on someone else, we did
3 not--the costs were valid. The costs were supported. But
4 were segregating between municipal and non-municipal based
5 on their own allocation.

6 MR. SENSI BA: And you have reallocated that based
7 on their--

8 MR. LONG: Yes.

9 MR. SENSI BA: What did you do with the--there's
10 two other cost codes where they used something else that was
11 a little arbitrary, and that was the HYDROM and HYDRON codes
12 where they explain that the subject codes--let's see--

13 MR. LONG: I think this one falls a lot into also
14 the Reg Leg.

15 MR. SENSI BA: They allocated it based on the
16 number of projects that they were working on, not the time
17 that was spent. That's how I thought I read that.

18 MR. LONG: I think the projects and not the time
19 was an overlap with the OEPC part of what they were looking
20 at in OEPC was caseload, which as we discussed last year is
21 not a valid allocation method.

22 MR. SENSI BA: So did the Commission reallocate
23 the HYDROM and HYDRON codes, or costs as well to bring it in
24 line with the actual?

25 MR. LONG: I think those were actually municipal

1 and non-municipal themselves, specifically, the M and the N.

2 MR. SENSI BA: Okay, got it. Got it.

3 MR. LONG: But the other ones was where they
4 brought in the notion of caseload, which we dealt with last
5 year in our opinion pretty clearly.

6 MR. SENSI BA: Okay. I understand now.

7 MR. LONG: Okay.

8 MR. SENSI BA: The other thing I noticed here is
9 again the original certification of costs. OHA only
10 certified as to a total of \$83,640. So something has
11 happened. And the same thing I think happened with the Fish
12 & Wildlife Service, as well.

13 Apparently what happened is in communicating with
14 the Commission the supplemental information that we've
15 talked so much about that I haven't put eyes on yet there
16 was an increase.

17 MR. LONG: Right. And we can verify that
18 increase as DOI overhead.

19 MR. SENSI BA: Oh, you added in DOI overhead?

20 MR. LONG: The Department of Interior overall
21 overhead was 16.8 percent that we discussed earlier.

22 MR. SENSI BA: With Fish & Wildlife Service it
23 was, it looks to be--and I don't mean to go back--but to
24 flag it, they originally I think, including the DOI overhead
25 was about 4.59 million, and that's gone up to 5.19. So

1 that's a pretty substantial increase.

2 MR. LONG: We can double check that. If it is
3 not the supplemental information, we can flag exactly what
4 that is between the two.

5 MR. SENSI BA: Wait. Actually that could be the
6 Department-wide...

7 (Pause.)

8 MR. LONG: We can verify. It may have to do with
9 the Department and the Bureau. They had a Bureau-specific
10 overhead rate.

11 MR. SENSI BA: That's what it was. Originally, it
12 looks like they originally reported zero on the Bureau
13 overhead, but they did put in the DOI overhead.

14 MR. LONG: Okay.

15 MR. SENSI BA: And this probably represents the
16 full measure of overhead. Pleasure doing business with you.

17 MR. LONG: Forest Service is--Department of
18 Agriculture, I guess the potential to be the Department of
19 Interior at some point maybe, but the Forest Service is
20 another bureau that their cost accounting system and the
21 manner in which they report is ideal for us. The electronic
22 submission of a pivot table which not only summarizes but
23 then also breaks down and is very easy to support in terms
24 of the details that flow through from those supporting
25 sheets to the cost submission form and the job cost codes

1 that were there to explain.

2 Now I know with regard to the Forest Service that
3 there is additional information that is not there. They did
4 not answer some of the questions that we asked, and we have
5 received that the Forest Service has shown that they've got
6 the system in place, and that their codes and their
7 allocation was there, and we just sought some explicit
8 clarification on some of the questions that we had as it
9 pertained to their process and a further explanation of
10 some of their codes.

11 MR. SENSIBA: I only have one question on the
12 Forest Service. This has to go to the other Direct Costs
13 again.

14 The certification sheet, or the form says that
15 other direct costs include materials and supplies, printing
16 and reproduction, other services, and rents, communications
17 and utilities.

18 And then you flip over to the next page where
19 Forest Service explains its indirect rate. It says:

20 Indirect costs include support for the unit's
21 agreements program, budget and finance support, contracting
22 and procurement support, oversight, and all other indirect
23 support for these associated employees including space,
24 utilities, telephone, telecommunications, personnel
25 services, et cetera.

1 So there seems to be a disconnect there. And I
2 understand--if I understand the Commission's position on
3 this, it seems like this \$146,345 of Other Direct Costs,
4 they're deemed acceptable because they've been billed to a
5 specific code that we know is valid.

6 MR. LONG: Right.

7 MR. SENSI BA: But on a more fundamental level, it
8 seems like the Forest Service, we need to at least get an
9 explanation as to why if their indirect rate by this
10 narrative is capturing these types of costs, how can they
11 then turn around and put them in as direct costs?

12 MR. LONG: I think what we're comfortable with is
13 the idea that by using that job code it does not go into an
14 Indirect Cost Pool. And I just want to make sure I
15 understand what you're also looking for is why would, if
16 they have the ability to direct bill supplies, materials,
17 rent, and such, why then would that also be included in
18 Indirect? And I think that might be the question that we
19 need to ask in terms of clarification, that there are things
20 that do support their work on hydropower, FPA Part 1, but
21 that in certain instances they can classify certain tasks,
22 but overall there are things that still support that in
23 general.

24 And again from an accounting standpoint, both are
25 acceptable and I think it is just explicitly getting the

1 licensees comfortable with the explanation.

2

3 Lastly, the National Maine Fisheries. We were
4 not at all comfortable with the data that they submitted,
5 and we did not receive as of the time that we've gone
6 through this any additional information from them to
7 clarify.

8 Yesterday we did receive, and did we already get
9 it downstairs? Okay, we're still looking through, but we
10 did receive a rather comprehensive package from them in an
11 attempt to answer those questions.

12 They have started to look through that. It does
13 not look like it is going to provide anything substantial to
14 us in terms of certifying anything additional. As of right
15 now I don't see any reason to change what we have here, but
16 nonetheless we are going to make sure that it is posted and
17 that any changes that we would make to that would be
18 highlighted.

19 As of right now, again our initial review is such
20 that we don't expect to make any changes there.

21 With that, I wanted to touch on the timeline. I
22 wanted to highlight this again this year. A couple of
23 things. First, our timeline for this year is different.

24 Our goal this year is to have our final analysis
25 of the OFA cost submissions out in June, along with the

1 actual hydropower annual charges and bills--the
2 administrative annual charges that would go out in June as
3 well.

4 Our goal for that is the beginning of June. I
5 think in the past we've made ourselves available at the NHA
6 for a teleconference with the parties. I would like to have
7 that again, if that's something that the licensees are
8 interested in, to make sure that we have that communication
9 open with them, if there's any questions they have specific
10 or general. But we will be definitely working towards that
11 June 2008 bill issuance.

12 Moving forward, the timeline is roughly the same:
13 October of next year. We will submit a letter and have the
14 information by December, January, and send our clarifying
15 questions.

16 One proposal that I wanted to make as a potential
17 change to this timeline is I would like to get feedback on
18 the potential of, rather than having a technical conference
19 to present this information, we would instead publish our
20 analysis in the form of a draft notice that these are the
21 costs that we anticipate accepting. And in doing so, make
22 available the same type of notice and the same type of
23 information that we do in our final notice, just in a draft
24 form, in lieu of the technical conference; make that
25 available, and seek comment on that. And in response to

1 those, the comments that we would receive, much in line with
2 the questions we would receive from the technical
3 conference, pass those along to the OFAs and get
4 clarification before a final notice would be issued.

5 So it would be a difference between a technical
6 conference or a draft notice and getting feedback on that,
7 as well.

8 MR. SENSIBA: When will you publish that?

9 MR. LONG: We would--going forward we would
10 publish that at the same time.

11 MR. SENSIBA: When are you going to notice
12 something that you want to take comments on that change to
13 the procedures?

14 MR. LONG: Um, we--is it something that we could
15 proceed on with regard to the questions--

16 MR. SENSIBA: This year?

17 MR. LONG: Right. Or is it something that you
18 would prefer to respond in the form of the official notice
19 that we send out at the end?

20 MR. SENSIBA: It's actually an interesting issue
21 because it was the Commission's Remand Order that
22 established--

23 MR. LONG: Right.

24 MR. SENSIBA: --procedures. And so how does
25 staff go about trying to make changes to a procedure that

1 the Commission has required by Order?

2 MR. LONG: Okay. We can take a look at that and
3 how we go about--

4 MR. SENSIBA: I mean I don't know what I would do
5 if I didn't go a full year without seeing Anton. I mean,
6 that's going to be my biggest objection.

7 (Laughter.)

8 MR. LONG: We'll take a look at that and we'll
9 find out how exactly we would make that proposal, as opposed
10 to just asking for it in terms of a general question.

11 I tried to get him to come up here, and he said
12 he'd been there and done that.

13 (Laughter.)

14 MR. LONG: I guess with that, again my phone
15 number, Fannie's phone number. Fannie loves phone calls.
16 But more importantly, the Annual Charges email address. We
17 regularly receive emails through that. We've regularly
18 received feedback on the response for that. So I am very
19 happy with the use of that, and I hope that it is serving
20 the purpose as opposed to phone calls, and we're getting the
21 stuff a lot quicker, but any questions in general?

22 I think the only thing now would be our intent is
23 to issue a notice asking for questions. I believe my
24 initial look at what we did last year, I think we'll look at
25 what we did last year. I can't remember if it was one week

1 or two weeks. But we will make a change with regard to that
2 timeline in light of the fact that some of the supplemental
3 information with the confusion of the date and what was out
4 there.

5 Once we receive the questions from the licensees,
6 anything in particular, we will pass those off to the OFAs
7 to seek clarification on those. And once we receive that
8 clarification, we will conduct our final analysis and
9 publish the notice right around the same time that the
10 hydropower bills will go out.

11 MR. SENSIBA: Troy, can I request that the notice
12 seeking questions and comments, I guess, on the OFA data, if
13 you could have the Commission's preliminary analysis based
14 on the new information that you receive from them so at
15 least we can see where the Commission is going with that
16 extra information?

17 MR. LONG: Okay, sure.

18 MR. SENSIBA: Because it's certainly going to go
19 to the scope of our questions and comments.

20 MR. LONG: Absolutely. We will make a note as
21 to, if there's any change in the analysis presented here, or
22 if there was no change.

23 Okay, if there are no other questions, thank you
24 very much for coming. I appreciate your time.

25 (Whereupon, at 3:00 p.m., Thursday, March 27,

March 27, 2008

2008, the technical conference in the above-entitled matter was adjourned.)