

DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project-Base Charge and Rates

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Base Charge and Rates.

SUMMARY: Notice is given of the confirmation and approval by the Deputy Secretary of the Department of Energy (DOE) placing the Base Charge and Rates for the Boulder Canyon Project (BCP) firm power into effect for the fifth rate year under the current rate methodology pursuant to Rate Schedule BCP-F5 as approved by the Federal Energy Regulatory Commission (FERC) on April 19, 1996 (Rate Order No. WAPA-70). The Base Charge will provide sufficient revenue to pay all annual costs, including interest expense, and repayment of required investment within the allowable period.

DATES: The Base Charge will be placed into effect on December 1, 1999, and will be in effect through September 30, 2000.

FOR FURTHER INFORMATION CONTACT: Mr. Anthony Montoya, Power Marketing Manager, Western Area Power Administration, Desert Southwest Customer Service Region, 615 South 43rd Avenue, Phoenix, AZ 85009-5313, (602) 352-2789, or

SUPPLEMENTARY INFORMATION: The Deputy Secretary of Energy approved the existing Base Charge for firm power service on September 19, 1997. The existing Base Charge was calculated in accordance with the methodology approved under Rate Order WAPA-70. In accordance with Section 13.13 of the BCP Implementation Agreement,

the rate methodology and calculated rates for the first rate year and each fifth fiscal year (FY) thereafter shall become effective on an interim basis upon approval by the Deputy Secretary of Energy, subject to final approval by FERC. The rates for the second, third, and fourth FYS for the BCP-F5 became effective on a final basis upon approval by the Deputy Secretary. The rates for the fifth FY (FY 2000) shall become effective on a final basis upon approval by the Deputy Secretary. The FY 2000 Base Charge represents the charges for the fifth FY since FERC approval of the current rate methodology. The Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR part 903, have been followed by Western in determining the Base Charge. The FY 2000 Base Charge for BCP firm power is based on an Annual Revenue Requirement of \$46,145,334. The Base Charge consists of an energy dollar of \$23,860,434.50, a forecasted energy rate of 4.59 mills/kWh, a capacity dollar of \$22,284,899.50, and a forecasted capacity rate of \$0.95 per kilowattmonth (kWmonth).

The following summarizes the steps taken by Western to ensure involvement of all interested parties in the determination of the Base Charge and Rates:

1. The proposed rate adjustment was initiated on February 22, 1999, when a letter announcing an informal customer meeting was mailed to all BCP Contractors. The informal meeting was held on March 9, 1999, in Phoenix, Arizona. At this informal meeting, Western explained the rationale for the rate adjustment, presented the FY 2000 Base Charge and Forecast Capacity and Energy Rates, and answered questions.
2. A Federal Register notice was published on March 24, 1999 (64 FR 14227), officially announcing the proposed rates for BCP, initiating the public consultation

and comment period, and announcing the public information forum and public comment forum.

3. On March 24, 1999, letters were mailed from Western's Desert Southwest Regional Office to all BCP Contractors and interested parties, transmitting the Federal Register notice of March 24, 1999 (64 FR 14227), and announcing the times and locations for the two public forums.
4. On April 13, 1999, letters were mailed from Western's Desert Southwest Regional Office to all BCP Contractors and interested parties, transmitting a package of updated information related to the FY 2000 Base Charge and Forecast Capacity and Forecast Energy Rates compiled since the March 9, 1999, informal customer meeting.
5. On April 21, 1999, beginning at 10 a.m., a public information forum was held at Western's Desert Southwest Regional Office in Phoenix, Arizona. At the public information forum, Western provided detailed explanations of the proposed FY 2000 Base Charge and Forecast Capacity and Forecast Energy Rates for BCP, identified the issues that could change the proposed FY 2000 Base Charge and Forecast Capacity and Forecast Energy Rates, and answered questions. A rate information handout was provided at the forum.
6. On May 18, 1999, letters were mailed from Western's Desert Southwest Regional Office to all BCP Contractors and interested parties, transmitting a package of responses to data requests and questions from the April 21, 1999, public information forum.
7. On June 2, 1999, beginning at 10:30 a.m., a public comment forum was held at

Western's Desert Southwest Regional Office in Phoenix, Arizona. A handout containing information regarding the updated FY 2000 Base Charge and Forecast Capacity and Forecast Energy Rates was provided. After providing this information, Western gave the public an opportunity to comment for the record. Three representatives made oral comments.

8. Two comment letters were received during the 90-day consultation and comment period. The consultation and comment period ended June 22, 1999. All formally submitted comments have been considered in developing the Base Charge for FY 2000. Written comments were received from the following sources:

Irrigation and Electrical Districts Association of Arizona (Arizona)
Metropolitan Water District of Southern California (California)

The comments and responses, paraphrased for brevity, are presented below:

Civil Service Retirement Costs and Post-Retirement Health and Life Insurance Benefits

Comment: Western received comments related to Western's lack of authority to collect the unfunded portion of the Civil Service Retirement Costs and Post-Retirement Health and Life Insurance Benefits in this rate process. Specifically, the Contractors assert that funds collected for these costs for the BCP would have to be deposited into the Colorado River Dam Fund (CRDF) and could not be transferred to a general fund account managed by the Office of Personnel Management. Accordingly, the Contractors believe that collection of these costs is inappropriate. The Contractors are also concerned that proper tracking of these funds is also needed to ensure they are being used only for BCP and are not lost in a general fund.

Response: Under a legal opinion provided by the General Counsel of the DOE by

memorandum dated July 1, 1998, the Power Marketing Administrations (PMAs) have the authority to collect, through the rates, the full costs of the Retirement Benefits. In addition, the FERC has issued at least two orders approving the inclusion of such costs in PMA rates; Western Area Power Administration (Intertie Project), 87 FERC ¶ 61, 346, at 62,337-62,338 (1999), and Southeastern Power Administration, 86 FERC ¶ 61,195, at 61,681 (1999). Based on the FY 1999 data currently available, a total of \$1.3 million is expected to be collected for these retirement costs for FY 2000, which represents approximately 3 percent of the BCP revenue requirement. Western has previously recovered \$1.3 million for Civil Service Retirement Costs and Post-Retirement Health and Life Insurance Benefits costs in FY 1998 and anticipates recovering another \$1.3 million in FY 1999. Under the provisions of the Boulder Canyon Project Adjustment Act, 43 U.S.C. 618, et seq., all receipts from the BCP shall be paid into the CRDF and are available for defraying the costs of operation. Western will continue to deposit these funds into the CRDF in compliance with these authorities.

Visitor Center

Comment: A Contractor continues to be concerned that the Visitor Center net revenues are not yet sufficient to fund the agreed-upon 50 percent amortization of the Visitor Center investment.

Response: The Bureau of Reclamation is currently working toward providing the detail necessary to show Government and Contractor responsibility for repayment of the final cost of the Visitor Facilities as required by the Implementation Agreement. Updated final estimated cost information was presented at the August 1999 Coordination

Meeting. There has been a dramatic increase in the amount of revenue collected in recent years. Revenues collected in excess of expenses totaled \$900,000 in FY 1996, \$2.4 million in FY 1997, and \$5.2 million in FY 1998. Reclamation will continue to research and implement new revenue proposals, and carefully monitor expenses, with a goal of recovering 50 percent of the Visitor Facilities investment with interest. Western will continue to include these revenues in the power repayment study as they are received.

Joint Planning Study Costs

Comment: A Contractor continues to address concern for costs incurred under the Joint Planning Agreement (JPA) for future transmission and generation project studies, which the contractor asserts are being allocated inappropriately to the BCP Contractors. The Contractor believes these study costs, in addition to the costs required for any transmission upgrades to the system (generator addition, transmission interconnection, etc.), should be charged to the project sponsors or included in Western's Open Access Tariff (OAT) rates. The Contractor also states whether the study costs are charged to the project sponsors or included in the OAT rates, the JPA study costs to date should be tracked and reimbursed to the BCP Contractors.

Response: Western agrees that study work which is project specific to a new line in Western's system, or an interconnection to Western's system, should and will be charged to the entity requesting the interconnection or to the Project (Parker-Davis, Intertie, Boulder Canyon, Colorado River Storage Project) which is being upgraded. Study work charges for the Mead Fault 230-kV duty studies will be charged to the projects shown to impact the system causing the upgrade. After completion of the

contracts with those entities causing the impact, Western will be able to move the charges from the BCP, and other Projects, to the entities causing the needed upgrade.

If a project is not interconnecting to Western's system but could potentially cause an impact from one or more busses away, Western will have to perform studies and participate in study groups to assure our needs are considered and met. Often these situations do not enable Western to pass along study costs to the project. In these cases the costs are applied to those Projects on Western's system that are most impacted.

If studies work is of a general nature, Western reserves the authority to assign costs to the Project influenced by the project involved. Work on the California Independent System Operator, the Nevada Independent Scheduling Administrator, and the Arizona Independent Scheduling Administrator is of a general nature. BCP will receive charges from work on these efforts since they pertain to the use of Hoover in their operations, as well as other transmission and generation issues. BCP's participation is 15 percent of the total cost of the efforts. Western's efforts in the Western Systems Coordinating Council and other reliability forums will also be charged based on the distribution formula for general efforts. In recent years, due to deregulation and significant systems changes, Western has been required to expend an increasing effort to address and protect system reliability.

Finally, the Contractor seems to have misconstrued the nature of the JPA. The JPA is a forum to review projects being considered by JPA signatories to coordinate and collaborate. Studies are performed on upgrades or new initiatives, charged to the appropriate Project, presented and discussed in the JPA committee meetings, and

finalized in the annual JPA meeting before becoming a part of Western's system plans. The JPA has also been used as a forum to keep JPA signatories and other interested parties aware of activities impacting the systems.

By Amendment No. 3 to Delegation Order No. 0204-108, published November 10, 1993 (58 FR 59716), the Secretary of Energy delegated (1) the authority to develop long-term power and transmission rates on a nonexclusive basis to the Administrator of Western; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to FERC. By subsequent Order effective April 15, 1999, the Secretary rescinded all delegations of authority to the Deputy Secretary, whether contained in Delegation Orders, Departmental Directives, or elsewhere, concerning the Department's Power Marketing Administrations, including, but not limited to, authority delegated or affirmed in Delegation Order No. 0204-108, as amended. However, on November 24, 1999, in Delegation Order No. 0204-172 the Secretary reinstated the authority delegated to the Deputy Secretary in Amendment No. 3 to Delegation Order No. 0204-108, which had been rescinded by his April 15, 1999, Order.

These charges and rates are established pursuant to section 302(a) of the DOE Organization Act, 42 U.S.C.7152(a), through which the power marketing functions of the Secretary of the Interior and Reclamation under the Reclamation Act of 1902, 43 U.S.C. 371, et seq., as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939, 43 U.S.C. 485h(c), and other acts specifically applicable to the project system involved, were transferred to and vested in the Secretary.

Dated: December 3, 1999

T. J. Glauthier
Deputy Secretary