



6450-01-P

**DEPARTMENT OF ENERGY**

**Western Area Power Administration**

**Boulder Canyon Project – Rate Order No. WAPA-178**

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of Proposed Rate-setting Formulas for Electric Service and Adjustment of Fiscal Year 2018 Base Charge and Rates.

**SUMMARY:** Western Area Power Administration (WAPA) is proposing to update the rate-setting formulas for electric service for the Boulder Canyon Project (BCP) under proposed Rate Schedule BCP-F10, and adjust the annual calculation for the fiscal year (FY) 2018 base charge and rates. The expiration of the current base charge and rates on September 30, 2017, and beginning of the new 50-year marketing period on October 1, 2018, require these actions.

The current base charge under Rate Schedule BCP-F9 is not sufficient to cover all annual costs including operation and maintenance, replacements, and interest expense; and repay investment obligations within the allowable period. After collaborating with the BCP contractors, WAPA proposes an FY 2018 base charge that includes a one-time \$15 million working capital fund primarily for the Bureau of Reclamation (Reclamation) for the new marketing period. The FY 2019 base charge is expected to decrease by \$15 million after the collection of working capital in FY 2018. The proposed base charge will provide sufficient revenue to cover all annual costs and repay investment obligations within the allowable period. WAPA will post proposed Rate Schedule BCP-F10 and a

detailed rate package that identifies the reasons for the base charge and rates adjustment on its website during the consultation and comment period. The proposed base charge and rates are scheduled to become effective on October 1, 2017, and will remain in effect through September 30, 2018. Publication of this Federal Register notice initiates the formal public process to implement the proposed rate-setting formulas and the FY 2018 base charge and rates.

**DATES:** The consultation and comment period begins today and will end **[INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**. WAPA will present a detailed explanation of the proposed rate-setting formulas and the FY 2018 base charge and rates at a public information forum that will be held on **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, at 10:00 a.m. Mountain Standard Time (MST) in Phoenix, Arizona. WAPA will accept oral and written comments at a public comment forum that will be held on **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, at 10:00 a.m. MST in Phoenix, Arizona. WAPA will accept written comments any time during the consultation and comment period.

**ADDRESSES:** The public information forum and public comment forum will be held at WAPA's Desert Southwest Customer Service Regional Office located at 615 South 43rd Avenue, Phoenix, Arizona 85009. Send written comments to Mr. Ronald E. Moulton, Regional Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, e-mail [moulton@wapa.gov](mailto:moulton@wapa.gov). WAPA will post information about the rate process, as well as

comments received via letter and e-mail on its website at:

<http://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>. Written

comments must be received by the end of the consultation and comment period to be considered by WAPA in its decision process.

United States (U.S.) citizens who want to attend a forum must present an official form of picture identification (ID) such as a U.S. driver's license, U.S. passport, U.S. government ID, or U.S. military ID. Foreign nationals who want to attend a forum must contact Mr. Scott Lund, Rates Manager, at (602) 605-2442 or e-mail [slund@wapa.gov](mailto:slund@wapa.gov) 30 days in advance of a forum to obtain the necessary clearance.

**FOR FURTHER INFORMATION CONTACT:** Mr. Scott Lund, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, (602) 605-2442, or e-mail [slund@wapa.gov](mailto:slund@wapa.gov).

**SUPPLEMENTARY INFORMATION:** BCP's base charge and rates for electric service are calculated annually based on formulas that are set for a five-year period. Since BCP begins a new 50-year marketing period in FY 2018, WAPA is proposing to update the rate-setting formulas effective October 1, 2017 through September 30, 2022. Proposed Rate Schedule BCP-F10 will update the existing forecast capacity rate formula to reflect BCP's current generating capacity of 2,074 megawatts. No other changes to the existing rate-setting formulas are proposed.

The proposed FY 2018 base charge and rates for BCP electric service are designed to recover an annual revenue requirement that includes operation and maintenance and replacements costs, interest expense, investment repayments, payments to states, and

visitor services expenses. The total costs are offset by the projected revenue from water sales, visitor services, ancillary services, and late fees. The annual revenue requirement is the base charge for electric service divided equally between capacity and energy. The annual composite rate is the base charge divided by annual energy sales.

The proposed Rate Schedule BCP-F10 requires updated financial and hydrology data to calculate the annual base charge and rates. The proposed base charge for FY 2018 is \$85,094,786 and the proposed composite rate is 24.39 mills/kilowatt-hour. The following table compares the existing and proposed base charge and composite rate:

**Comparison of Existing and Proposed Base Charge and Composite Rate**

	<b>Existing October 1, 2016 through September 30, 2017</b>	<b>Proposed October 1, 2017 through September 30, 2018</b>	<b>Percent Change</b>
Base Charge (\$)	69,662,289	85,094,786	22
Composite Rate (mills/kWh)	19.63	24.39	24

The proposed FY 2018 base charge includes a one-time \$15 million working capital fund primarily for Reclamation, which is an increase of approximately 22 percent compared to the FY 2017 base charge. Under the BCP Electric Service Contracts and Amended and Restated Implementation Agreements, Reclamation worked collaboratively with BCP contractors to establish the \$15 million working capital fund for the new marketing period, to be collected in the FY 2018 base charge. The FY 2019 base charge is expected to decrease by \$15 million after the collection of working capital in FY 2018 (subject to Reclamation’s annual working capital evaluation). The working capital fund accounts for nearly all of the increase to the base charge. Increases in annual operation

and maintenance and replacement costs, and decreases in debt service, uprating credits, non-power revenue, and carryover revenue account for the remaining increase to the base charge.

The proposed FY 2018 composite rate represents an increase of approximately 24 percent compared to the FY 2017 composite rate. The increase in the proposed base charge accounts for the composite rate increase.

This proposal, to be effective October 1, 2017, is preliminary and is subject to change upon publication of the final base charge and rates.

### **Legal Authority**

In establishing rate-setting formulas for electric service and the base charge and rates for BCP, WAPA will follow the formal public process set forth in 10 CFR parts 903 and 904, and review all comments it receives on the proposed base charge and rates before taking action.

WAPA is proposing this action under the Department of Energy (DOE) Organization Act (42 U.S.C. 7101-7352); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent enactments; and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00B effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to WAPA's Administrator; (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

the Federal Energy Regulatory Commission.

### **Availability of Information**

All brochures, studies, comments, letters, memorandums, or other documents WAPA initiates or uses to develop the proposed rate-setting formulas and the base charge and rates will be available for inspection and copying at the Desert Southwest Customer Service Regional Office, Western Area Power Administration, located at 615 South 43rd Avenue, Phoenix, Arizona 85009. Many of these documents and supporting information are available on WAPA's website at:

<http://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

### **RATEMAKING PROCEDURE REQUIREMENTS**

#### **Environmental Compliance**

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

#### **Determination Under Executive Order 12866**

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: May 4, 2017

Mark A. Gabriel  
Administrator

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