



**6450-01-P**

**DEPARTMENT OF ENERGY**

**Western Area Power Administration**

**Boulder Canyon Project**

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

**ACTION:** Notice concerning fiscal year 2020 Boulder Canyon Project base charge and rates for electric service.

**SUMMARY:** The Assistant Secretary for Electricity confirms, approves, and places into effect, on a final basis, the Boulder Canyon Project (BCP) base charge and rates for fiscal year (FY) 2020 under Rate Schedule BCP-F10. The base charge decreased by \$3.3 million to \$66.4 million, a 4.8% reduction from FY 2019. The reduction is primarily the result of an increase in non-power revenue projections for the Hoover Dam visitor center.

**DATES:** The FY 2020 base charge and rates will be effective October 1, 2019, and will remain in effect through September 30, 2020.

**FOR FURTHER INFORMATION CONTACT:** Mr. Ronald E. Moulton, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2525, or [dswpwrmrk@wapa.gov](mailto:dswpwrmrk@wapa.gov); or Ms. Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, (602) 605-2565, or [ramsey@wapa.gov](mailto:ramsey@wapa.gov).

**SUPPLEMENTARY INFORMATION:**

On June 6, 2018, the Federal Energy Regulatory Commission (FERC) confirmed and approved Rate Schedule BCP-F10 under Rate Order No. WAPA-178 on a final basis through

September 30, 2022.<sup>1</sup> The rate-setting methodology for BCP calculates an annual base charge rather than a unit rate for Hoover Dam hydropower. The base charge recovers an annual revenue requirement that includes projected costs of investment repayment, interest, operations, maintenance, replacements, payments to States, and Hoover Dam visitor services. Non-power revenue projections such as water sales, Hoover Dam visitor revenue, ancillary services, and late fees help offset these projected costs. Customers are billed a percentage of the base charge in proportion to their Hoover power allocation. Rates are calculated for comparative purposes but are not used to determine the charges for service.

Rate Schedule BCP-F10 and the BCP Electric Service Agreement require WAPA to determine the annual base charge and rates for the next fiscal year before October 1 of each year. The FY 2019 BCP base charge and rates expire on September 30, 2019.

**Comparison of Base Charge and Rates**

	<b>FY 2019</b>	<b>FY 2020</b>	<b>Amount Change</b>	<b>Percent Change</b>
Base Charge (\$)	\$69,741,657	\$66,419,402	- \$3,322,255	- 4.8
Composite Rate (mills/kWh)	18.92	18.08	-0.84	- 4.4
Energy Rate (mills/kWh)	9.46	9.04	-0.42	- 4.4
Capacity Rate (\$/kW-Mo)	\$1.88	\$1.75	-\$0.13	- 6.9

A \$5.1 million increase in non-power revenue projections primarily resulting from the resumption of typical revenues following completion of renovations to the Hoover Dam visitor center and \$1.3 million in prior year carryover contributed to the FY 2020 base charge reduction.

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<sup>1</sup> Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF18-1-000, 163 FERC ¶ 62,154 (2018).

The Bureau of Reclamation's FY 2020 budget is increasing by \$3.7 million. Higher operation and maintenance expenses of \$1.8 million and replacement costs of \$1.4 million account for most of this increase. WAPA's FY 2020 budget is decreasing by \$600,000 due to a \$400,000 reduction in dispatching and substation maintenance expenses and a \$200,000 reduction in replacement costs.

The FY 2020 composite and energy rates are decreasing by 4.4 percent. The reduction of the base charge contributes to these decreases. The capacity rate is decreasing by 6.9 percent. This decline is due to a reduction in the base charge and an increase in capacity projections.

### **Public Notice and Comment**

The notice of the proposed FY 2020 base charge and rates for electric service was published consistent with procedures set forth in 10 CFR part 903 and 10 CFR part 904. WAPA took the following steps to involve customers and interested parties in the rate process:

1. On April 9, 2019, a *Federal Register* notice (84 FR 14111) announced the proposed base charge and rates and initiated the 90-day public consultation and comment period.
2. On May 9, 2019, WAPA held a public information forum in Phoenix, Arizona. WAPA's representatives explained the proposed base charge and rates, provided handouts, and were available to answer questions.
3. On June 10, 2019, WAPA held a public comment forum in Phoenix, Arizona, to provide an opportunity for customers and interested parties to comment and ask questions for the record.
4. On July 8, 2019, the consultation and comment period ended, and WAPA received four comments. The comments appear below, paraphrased where appropriate without compromising their meaning.

Comment: A commenter thanked WAPA for lowering its FY 2020 operations and maintenance budget and requested additional detail on the budget.

Response: WAPA's operations and maintenance budget for FY 2020 is \$8,307,206 and is comprised of facility expense totaling \$2,491,204 and systemwide expense totaling \$5,816,002. Further detail on the budget is included in WAPA's Ten-Year Operating Plan, which is available on WAPA's website.

Comment: A commenter asked for information about Reclamation's administrative and general expense refund adjustment.

Response: Reclamation receives a credit from appropriations for its post-911 security contract costs. Reclamation has historically budgeted \$200,000 annually for this credit, which was included in the administrative and general expense category. Due to the variability of the credit amount, Reclamation is no longer budgeting for this item beginning in FY 2020.

Comment: A commenter asked for the balance of Post-Retirement Benefits (PRB) collections in the accounts for the current and previous marketing periods.

Response: While there are not separate accounts for PRB collections, Reclamation and WAPA identified PRB balances for the two marketing periods requested. The PRB balance for the marketing period concluded in FY 2017 totals \$30,929,279. As of the end of FY 2018, the PRB balance for the marketing period beginning in FY 2018 totals \$1,729,545.

Comment: A commenter asked why Reclamation's PRB budget increased in FY 2020.

Response: There are three components of PRB: (1) Civil Service Retirement System and Federal Employee Retirement System costs, (2) Federal Employee Health Benefits (FEHB) costs, and (3) Federal Employee Group Life Insurance costs. PRB budget projections are

calculated using a five-year average of expenditures. The five-year average included in the FY 2020 PRB budget rose primarily due to an increase in FEHB costs in FY 2018. PRB historical expenditures and projections are available on WAPA's website.

### **Certification of Rates**

WAPA's Administrator certified that the FY 2020 base charge and rates under Rate Schedule BCP-F10 are the lowest possible rates, consistent with sound business principles. The base charge and rates were developed following administrative policies and applicable laws.

### **Availability of Information**

Information about the rate process to establish the FY 2020 base charge and rates was made available on WAPA's website at <https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

### **Legal Authority**

10 CFR part 904.7(e) requires annual review of the BCP base charge and an adjustment, either upward or downward, when necessary and administratively feasible to assure sufficient revenues to effect payment of all costs and financial obligations associated with the project. The Administrator provided all Contractors an opportunity to comment on the proposed base charge adjustment consistent with the procedures for public participation in rate adjustments as required under 10 CFR part 904.7(e) and the BCP Electric Service Agreement. The BCP Electric Service Agreement goes on to state that in years other than the first and fifth years of a rate schedule approved by the Federal Energy Regulatory Commission on a final basis, adjustments to the base charge shall be effective upon approval by the Deputy Secretary of Energy. Under the Department of Energy Organization Act, the Secretary of Energy holds plenary authority over

Department of Energy affairs with respect to the Power Marketing Administrations. By Delegation Order No. 00-002.00Q, effective November 1, 2018, the Secretary of Energy delegated to the Under Secretary of Energy the authority vested in the Secretary with respect to WAPA. By Redelelegation Order No. 00-002.10D, effective June 4, 2019, the Under Secretary of Energy delegated to the Assistant Secretary for Electricity the same authority with respect to WAPA.<sup>2</sup> This rate action is issued under the Redelelegation Order and DOE's procedures for public participation in rate adjustments set forth at 10 CFR part 903 and 10 CFR part 904.<sup>3</sup>

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<sup>2</sup> Delegation Orders No. 00-002-00Q and 00-002.10D both clarify that this delegation of authority is "In addition" to the authority to approve and place into effect on an interim basis WAPA's power and transmission rates.

<sup>3</sup> 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

Following DOE's review of WAPA's proposal, I hereby confirm, approve, and place the FY 2020 base charge and rates for BCP electric service, under Rate Schedule BCP-F10, into effect on a final basis through September 30, 2020.

Dated: August 19, 2019.

**Bruce J. Walker,**

*Assistant Secretary for Electricity.*

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