



DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project

AGENCY: Western Area Power Administration (WAPA), Department of Energy (DOE).

ACTION: Notice concerning fiscal year (FY) 2024 base charge and rates for Boulder Canyon Project (BCP) electric service.

SUMMARY: The Deputy Secretary confirms, approves, and places into effect on a final basis the Boulder Canyon Project base charge and rates for fiscal year 2024 under Rate Schedule BCP-F11. The base charge increased 11.3 percent from \$66.8 million in FY 2023 to \$74.3 million in FY 2024. The change is primarily the result of an increase in the Bureau of Reclamation's (Reclamation) replacement costs, an increase in WAPA's operations and maintenance (O&M) expenses and replacement costs, and a decrease in prior year carryover funds from FY 2023.

DATES: The FY 2024 base charge and rates are effective October 1, 2023, and will remain in effect through September 30, 2024.

FOR FURTHER INFORMATION CONTACT: Jack D. Murray, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, or Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, (602) 605-2565, or email: dswpwrmrk@wapa.gov.

SUPPLEMENTARY INFORMATION: On March 31, 2023, the Federal Energy Regulatory Commission (FERC) approved and confirmed Rate Schedule BCP-F11, under Rate Order No. WAPA-204, on a final basis through September 30, 2027.¹ WAPA published a Federal Register notice (Proposed FRN) on April 18, 2023 (88 FR 23669),

¹ Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF22-4-000 (2023).

proposing the FY 2024 base charge and rates under Rate Schedule BCP-F11. The Proposed FRN also initiated a 90-day public consultation and comment period and set forth the date and location of the public information and public comment forums.

The proposed FY 2024 base charge was a 3.5 percent increase over the FY 2023 base charge. In addition, due to recent favorable hydrology projections and following BCP contractor comments during the public consultation and comment period, additional funding of \$5.5 million has been reallocated from future years to the FY 2024 budget to accelerate Reclamation’s cylinder gate stem replacement project and continue WAPA’s relay and breaker replacement project. These factors will increase the base charge 11.3 percent from \$66.8 million in FY 2023 to \$74.3 million in FY 2024.

The rate-setting methodology for BCP electric service requires a calculation of 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. Hoover power customers are billed a percentage of the base charge in proportion to their power allocation. Unit rates are calculated for comparative purposes but are not used to determine the charges for electric service.

Rate Schedule BCP-F11 and the BCP Electric Service Contract require WAPA to calculate the annual base charge and rates for the next fiscal year before October 1 of each year. The FY 2023 BCP base charge and rates expire on September 30, 2023.

Comparison of Base Charge and Rates

	FY 2023	FY 2024	Amount Change	Percent Change
Base Charge (\$)	66,798,560	74,334,285	7,535,725	11.3
Composite Rate (mills/kWh)	22.43	23.10	0.67	3.0

Energy Rate (mills/kWh)	11.22	11.55	0.33	2.9
Capacity Rate (\$/kW-Mo)	2.17	2.15	-0.02	-0.9

Reclamation's FY 2024 budget is increasing \$3.3 million from \$84.7 million to \$88 million, a 3.9 percent increase from FY 2023. Reflected in this budget, O&M costs are decreasing by \$811,000 primarily due to the elimination of three positions and the associated travel and training costs. This decrease in O&M costs includes a mid-year review adjustment of \$300,000, resulting from changing the financial audit period from every three years to every five years, thereby postponing the FY 2024 audit until FY 2026. Replacement costs are increasing by \$3.3 million in FY 2024 due to continuing the unit control modernization, 480-volt switchgear, and the cylinder gate stem replacement projects. Post-retirement benefits costs are increasing \$104,000 based on a higher five-year average of recent actual expenses. Visitor services costs are increasing by \$728,000, primarily due to costs for the National Park Services security agreement being realigned from security forces in O&M to visitor services.

WAPA's FY 2024 budget is increasing \$850,000 to \$9.6 million, a 9.7 percent increase from FY 2023. WAPA's O&M costs are increasing \$680,000 from FY 2023 due to higher labor projections for salaries, overtime, overhead, and benefits and an updated charging methodology from overhead to direct charging for power billing. WAPA's replacement costs are increasing \$130,000 from FY 2023 due to the continuation of the relay and breaker replacement project. WAPA's post-retirement benefit costs are increasing \$39,000 from FY 2023 due to a higher five-year average of recent actual expenses.

Costs for Reclamation and WAPA are offset by a slight increase of \$18,000 in non-power revenue projections, resulting from a higher estimate for ancillary services. Prior year carryover is projected to be \$2.2 million, a \$3.4 million decrease from FY 2023.

The proposed FY 2024 base charge for BCP electric service is projected to increase from \$66.8 million in FY 2023 to \$74.3 million in FY 2024, an 11.3 percent increase. The composite rate is increasing 3 percent and the energy rate is increasing 2.9 percent. The capacity rate is decreasing 0.9 percent from FY 2023, due to increases in capacity forecasts. These unit rate calculations use forecasted energy and capacity values. With the uncertainty of hydrological conditions, Reclamation and Desert Southwest Region (DSW) will continue to work collaboratively to lessen the impact of the ongoing drought in the Colorado River Basin in subsequent years.

Public Notice and Comment

DSW followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions (10 CFR part 903) and General Regulations for the Charges for the Sale of Power from the BCP (10 CFR part 904). DSW took the following steps to involve interested parties in the rate process:

1. DSW provided a website where information is posted about this rate process. The website is located at www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx.
2. On April 18, 2023, a *Federal Register* notice (88 FR 23669) announced the proposed FY 2024 base charge and rates and initiated the 90-day public consultation and comment period.
3. On April 18, 2023, DSW notified contractors and interested parties of the proposed rates and provided a copy of the published Proposed FRN by e-mail.
4. On May 18, 2023, DSW held a public information forum via video conference. This provided contractors and interested parties an opportunity to provide official comments for the record.
5. On June 13, 2023, DSW posted on its website responses to questions asked at the public information forum about Reclamation's Supplemental Environmental Impact

Statement, the Western Energy Imbalance Market, and the Colorado River Storage Project's potential participation in the Southwest Power Pool's Western Regional Transmission Organization.

6. On June 20, 2023, DSW held a public comment forum via video conference. This provided contractors and interested parties an opportunity to provide official comments for the record.
7. During the 90-day consultation and comment period, which ended on July 17, 2023, DSW received comments from 17 contractors and interested parties. DSW's responses to questions received prior to the public comment forum were posted to the BCP website. DSW's responses to comments received during or after the public comment forum appear below, paraphrased where appropriate without compromising their meaning.

Comment: At the public comment forum, five contractors and interested parties expressed support for increasing Reclamation and WAPA's replacement budgets for FY 2024. Following a special session of the BCP Engineering and Operating Committee on June 29, 2023, a summary of which is provided on DSW's website, 11 additional contractors and interested parties expressed support for increasing Reclamation and WAPA's replacement budgets by moving costs associated with Reclamation's cylinder gate stem project in the amount of \$4.5 million and WAPA's relay and breaker replacement projects in the amount of \$950,000 from future years into FY 2024.

Commenters stated they are aware the acceleration of these projects will increase the FY 2024 base charge and rates. Commenters further noted the favorable hydrology projections for FY 2024 provide an opportunity to complete some needed maintenance, reduce the total cost of the projects, and should put downward pressure on the rates in subsequent years.

Response: Reclamation and WAPA appreciate the comments and the support on the acceleration of Reclamation's cylinder gate stem project and the continuation of WAPA's relay and breaker replacement project. The costs associated with these projects have been moved from future years and will be included in the FY 2024 budget, base charge, and rates.

Comment: One commenter expressed concerns about future work plans, maintaining and operating the Hoover Dam visitor center, and the decreasing Hoover Dam visitor center revenues. The commenter would like Reclamation and WAPA to continue their efforts to mitigate the effects on the base charge and rates and for Reclamation to consider making changes to the visitor center.

Response: Reclamation and WAPA acknowledge the comment and will continue to work collaboratively with the contractors on moderating future costs and mitigating the effects on the base charge and rates to ensure rates are the lowest possible consistent with sound business principles.

Comment: One commenter also requested that future energy and capacity projections be considered as alternative sets of data for future rate analysis.

Response: Reclamation and WAPA agree with this request to consider alternative data sets in future rate analysis and will work to incorporate the data in future meetings.

Certification of Rates

WAPA's Administrator certified the FY 2024 base charge and rates under Rate Schedule BCP-F11 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 used by WAPA to develop the base charge and rates for electric service is available for inspection and copying at the Desert Southwest Customer Service

Regional Office, located at 615 South 43rd Avenue, Phoenix, Arizona. Many of these documents are also available on DSW's website at www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx.

Legal Authority

DOE regulations governing charges for the sale of BCP power, 10 CFR 904.7(e), require annual review of the BCP base charge and an “adjust[ment], 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 [p]roject.”

WAPA's Administrator provided all BCP contractors an opportunity to comment on the proposed base charge adjustment, consistent with DOE procedures for public participation in rate adjustments. The BCP Electric Service Contract states for years other than the first year and each fifth year thereafter, when the rate schedule is approved by the Deputy Secretary on a provisional basis and by FERC on a final basis, adjustments to the base charge “shall become effective upon approval by the Deputy Secretary of Energy.” Accordingly, the Deputy Secretary of Energy may approve the FY 2024 base charge and rates for BCP electric service, as authorized by the BCP Electric Service Contract and DOE's procedures for public participation in rate adjustments set forth at 10 CFR parts 903 and 904.²

Following DOE's review of WAPA's proposal, and as authorized by applicable provisions of the BCP Electric Service Contract, I have confirmed, approved, and placed the FY 2024 base charge and rates for BCP electric service, under Rate Schedule BCP F-11, into effect on a final basis through September 30, 2024.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

WAPA has determined that this action fits within the following categorical exclusions

² 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

listed in appendix B to subpart D of 10 CFR 1021: B4.3 (Electric power marketing rate changes). Categorically excluded projects and activities do not require preparation of either an environmental impact statement or an environmental assessment.³ A copy of the categorical exclusion determination is available on WAPA's website at www.wapa.gov/regions/DSW/Environment/Pages/environment.aspx.

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.

Signing Authority

This document of the Department of Energy was signed on August 25, 2023, by David M. Turk, Deputy Secretary of Energy. That document, with the original signature and date, is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on August 28, 2023.

Treena V. Garrett,
Federal Register Liaison Officer,
U.S. Department of Energy.

[FR Doc. 2023-18849 Filed: 8/30/2023 8:45 am; Publication Date: 8/31/2023]

³ The determination was done in compliance with NEPA (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).