

DEPARTMENT OF ENERGY**Western Area Power Administration****Boulder Canyon Project**

AGENCY: Western Area Power Administration. DOE.

ACTION: Notice of base charge and rates.

SUMMARY: The Deputy Secretary of Energy approved the Fiscal Year (FY) 2010 Base Charge and Rates (Rates) for Boulder Canyon Project (BCP) electric service provided by the Western Area Power Administration (Western). The Rates will provide sufficient revenue to pay all annual costs, including interest expense, and repay investments within the allowable period.

DATES: The Rates will be effective the first day of the first full billing period beginning on or after October 1, 2009. These Rates will stay in effect through September 30, 2010, or until superseded by other rates.

FOR FURTHER INFORMATION CONTACT: Mr. Jack Murray, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2442, e-mail jmurray@wapa.gov.

SUPPLEMENTARY INFORMATION: Rate Schedule BCP-F7, Rate Order No. WAPA-120, effective October 1, 2005 through September 30, 2010, allows for an annual recalculation of the rates.¹

¹ FERC confirmed and approved Rate Order No. WAPA-120 on June 22, 2006, in Docket No. EF05-

This notice sets forth the recalculated rates for FY 2010.

Under Rate Schedule BCP-F7, the existing composite rate effective on October 1, 2008 was 18.62 mills per kilowatthour (mills/kWh). The base charge was \$70,213,497, the energy rate was 9.31 mills/kWh, and the capacity rate was \$1.73 per kilowattmonth (kWmonth). The re-calculated rates for BCP electric service, to be effective October 1, 2009, will result in an overall composite rate of 18.93 mills/kWh. The proposed rates were calculated using the FY 2010 Final Master Schedule. This resulted in an increase of approximately 1.70 percent when compared with the existing BCP electric service composite rate. The increase is due to a decrease in the projected energy sales and an increase in the annual revenue requirement. The FY 2010 base charge is increasing to \$70,681,340. The major contributing factors to the base charge increase is the increase in annual operation and maintenance expenses and uprating program payments. The FY 2010 energy rate of 9.47 mills/kWh is approximately a 1.70 percent increase from the existing energy rate of 9.31 mills/kWh. The increase in the energy rate is due to a decrease in the projected energy sales resulting from a decrease in projected water releases. The FY 2010 capacity rate of \$1.76/kWmonth reflects an increase of approximately 1.22 percent compared to the existing capacity rate of \$1.73/kWmonth. The increase in the capacity rate is due to a decrease in the projected capacity sales resulting from dropping lake elevations. Another factor contributing to the increase in both the energy and capacity rates is the increase in the annual revenue requirement. The following summarizes the steps taken by Western to ensure involvement of all Interested Parties in determining the Rates:

1. A **Federal Register** notice was published on February 2, 2009 (74 FR 5839), announcing the proposed rate adjustment process, initiating a public consultation and comment period, announcing public information and public comment forums, and presenting procedures for public participation.

2. Discussion of the proposed Rates was initiated at an informal BCP Contractor meeting held March 11, 2009 in Phoenix, Arizona. At this informal meeting, representatives from Western and the Bureau of Reclamation (Reclamation) explained the basis for

5091-000. See *United States Department of Energy, Western Area Power Administration, Boulder Canyon Project*, 115 FERC ¶ 61.362 (June 22, 2006).

estimates used to calculate the Rates and held a question and answer session.

3. At the public information forum held on April 1, 2009, in Phoenix, Arizona, Western and Reclamation representatives explained the proposed Rates for FY 2010 in greater detail and held a question and answer session.

4. A public comment forum held on April 22, 2009, in Phoenix, Arizona, provided the public an opportunity to comment for the record. No individuals commented at this forum.

5. Western received two comment letters during the 90-day consultation and comment period. The consultation and comment period ended May 4, 2009. All comments were considered in developing the Rates for FY 2010. Written comments were received from: Colorado River Commission of Nevada, Las Vegas, Nevada; Irrigation & Electrical Districts Association of Arizona, Phoenix, Arizona.

Comments and responses, paraphrased for brevity when not affecting the meaning of the statements, are presented below.

Post 9–11 Security Cap

Comment: A BCP Contractor indicated they are reviewing and will provide comments to Reclamation's Directive and Standard regarding Reimbursability of Security Costs (Directive) and whether the Directive is implemented or not, Western and Reclamation should continue to provide detailed reports to the BCP customers regarding post 9–11 security costs so that the customers will be able to follow how the law is being applied to the Boulder Canyon Project as well as all Reclamation projects.

Response: Western and Reclamation appreciate the BCP Contractors' concern regarding the Directive. Regardless of the final implementation of the Directive, Reclamation and Western are committed to continue to provide information regarding the reimbursability of security costs to Boulder Canyon Project.

Extension of Consultation and Comment Period

Comment: An Interested Party requested the comment period for this rate proceeding be extended 30 days. The reason given for this suggestion was due to the possibility that some of the security cost data provided by Reclamation to Western for inclusion in the base charge calculation could be declared non-reimbursable expenditures once Reclamation implements their Directive.

Response: Prior to finalizing an annual rate package, the rate process

allows time for Western and Reclamation to determine if it is necessary to revise any costs that are included in the calculation of the proposed base charge and rates. If Reclamation's Directive is implemented prior to finalizing the calculation of the proposed FY 2010 base charge and rates, and if the implementation results in changes to the security costs included in the proposed FY 2010 base charge and rates, Western will in turn revise the data prior to finalizing the proposed rates. If Reclamation's Directive is not implemented prior to the calculation of the proposed base charge and rates being finalized, any costs subsequently deemed non-reimbursable that were included in the FY 2010 rates will be carried forward and reduce the FY 2011 base charge and rates. Western and Reclamation are committed to coordinate very closely regarding any necessary revisions to the FY 2010 base charge and rates. Therefore there is no need to reopen or extend the public process.

BCP Electric Service Rates

BCP electric service rates are designed to recover an annual revenue requirement that includes operation and maintenance expenses, payments to states, visitor services, the uprating program, replacements, investment repayment and interest expense. Western's Power Repayment Study (PRS) allocates the projected annual revenue requirement for electric service equally between capacity and energy.

Availability of Information

Information about this base charge and rate adjustment, including PRS, comments, letters, memorandums, and other supporting material developed or maintained by Western that was used to develop the FY 2010 BCP Rates, is available for public review in the Desert Southwest Customer Service Regional Office, Western Area Power Administration, 615 South 43rd Avenue, Phoenix, Arizona. The information is also available on Western's Web site at <http://www.wapa.gov/dsw/pwrmtkt/BCP/RateAdjust.htm>.

Ratemaking Procedure Requirements

BCP electric service rates are developed under the Department of Energy Organization Act (42 U.S.C. 7101–7352), through which the power marketing functions of the Secretary of the Interior and Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), 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 that specifically apply to the project involved, were transferred to and vested in the Secretary of Energy, acting by and through Western.

By Delegation Order No. 00–037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) The authority to develop long-term power and transmission rates on a non-exclusive basis to Western'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 FERC. Existing Department of Energy procedures for public participation in electric service rate adjustments are located at 10 CFR part 903, effective September 18, 1985 (50 FR 37835), and 18 CFR part 300. DOE procedures were followed by Western in developing the rate formula approved by FERC on June 22, 2006, at 115 FERC ¶ 61362.²

The Boulder Canyon Project Implementation Agreement requires that, prior to October 1 of each rate year, Western determines the annual rates for the next fiscal year. The rates for the first rate year, and each fifth rate year thereafter, become effective provisionally upon approval by the Deputy Secretary of Energy (Deputy Secretary) subject to final approval by FERC. For all other rate years, the rates become effective on a final basis upon approval by the Deputy Secretary. Because FY 2010 is an interim year these rates become effective on a final basis upon approval by the Deputy Secretary.

Western will continue to provide annual rates to the BCP Contractors by October 1 of each year using the same ratesetting formula. The rates are reviewed annually and adjusted upward or downward to assure sufficient revenues are collected to achieve payment of all costs and financial obligations associated with the project. Each fiscal year, Western prepares a PRS for the BCP to update actual revenues

² The existing ratesetting formula was established in Rate Order No. WAPA–70 on April 19, 1996, in Docket No. EF96–5091–000 at 75 FERC ¶ 62050, for the period beginning November 1, 1995, and ending September 30, 2000. Rate Order No. WAPA–94, extending the existing ratesetting formula beginning on October 1, 2000, and ending September 30, 2005, was approved on July 31, 2001, in Docket No. EF00–5092–000 at 96 FERC ¶ 61171. Rate Order No. WAPA–120, extending the existing ratesetting formula for another five-year period beginning on October 1, 2005, and ending September 30, 2010, was approved on June 22, 2006, in Docket No. EF05–5091–000 at 115 FERC ¶ 61362.

and expenses including interest, estimates of future revenues, expenses, and capitalized costs.

The BCP ratesetting formula includes a base charge, an energy rate, and a capacity rate. The ratesetting formula was used to determine the BCP FY 2010 Rates.

Western proposed a FY 2010 base charge of \$70,681,340, an energy rate of 9.47 mills/kWh, and a capacity rate of \$1.76/kWmonth.

Consistent with procedures set forth in 10 CFR part 903 and 18 CFR part 300, Western held a consultation and comment period. The notice of the proposed FY 2010 Rates for electric service was published in the **Federal Register** on February 2, 2009 (74 FR 5839).

Under Delegation Order Nos. 00-037.00 and 00-001.00C, and in compliance with 10 CFR part 903 and 18 CFR part 300, I hereby approve the FY 2010 Rates for BCP Electric Service on a final basis under Rate Schedule BCP-F7 through September 30, 2010.

Dated: July 20, 2009.

Daniel B. Poneman,

Deputy Secretary.

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