

DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project - Notice of Firm Power Service Base Charge

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Base Charge

SUMMARY: Notice is given of the confirmation and approval by the Deputy Secretary of the Department of Energy (DOE) of the Base Charge and its components for the Boulder Canyon Project (BCP) firm power service. The Fiscal Year (FY) 1998 Base Charge and its components for BCP firm power are based on an Annual Revenue Requirement of \$43,479,183. The Base Charge consists of an energy dollar amount of \$22,527,359 and a capacity dollar amount of \$20,951,824. This Base Charge and its components are used for calculating the monthly charges and forecast rates pursuant to Rate Schedule BCP-F5 as approved by the Federal Energy Regulatory Commission (FERC) on April 19, 1996 (Rate Order No. WAPA-70).

DATES: The Base Charge and its components, used in calculating the monthly charges and forecast rates pursuant to Rate Schedule BCP-F5, will be effective on the first day of the first full billing period beginning on or after October 1, 1997, and will be in effect through FY 1998.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION: The Base Charge and its components were calculated in accordance with the methodology approved under Rate Order WAPA-70. The Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR Part 903, have been followed by Western Area Power Administration (Western) in determining the Base Charge and its components. The following summarizes the steps taken by Western to ensure involvement of all interested parties in the determination of the Base Charge and its components:

1. On April 18, 1997, a letter was mailed from Western's Desert Southwest Customer Service Regional Office to all BCP customers and other interested parties. The letter provided a copy of the BCP Proposed Rate Adjustment data, dated April 18, 1997.
2. Discussion of the proposed Base Charge and its components was initiated at an informal BCP Contractor meeting held on May 6, 1997, in Phoenix, Arizona. At this informal meeting, representatives from Western and the Bureau of Reclamation (Reclamation) explained the basis for estimates used in the calculation of the Base Charge and its components. A question and answer session was convened for those persons attending.
3. A Federal Register Notice (FRN) was published on May 7, 1997 (62 FR 24913),

officially announcing the proposed Base Charge adjustment process, initiating the public consultation and comment period, announcing the public information and public comment forums, and presenting procedures for public participation.

4. At the public information forum held on May 15, 1997, in Phoenix, Arizona, Western and Reclamation representatives explained the proposed Base Charge and its components for Rate Year 1998 in greater detail. A question and answer session was convened for those persons attending. A response to a data request from the public information forum was mailed to the customers on June 2, 1997.
5. A public comment forum was held on June 12, 1997, in Phoenix, Arizona, to give the public an opportunity to comment for the record. Three persons representing customers and customer groups made oral comments. A response to the comments and data requests from the public comment forum was mailed to the customers on July 18, 1997.
6. Three comment letters were received during the 90-day consultation and comment period. The consultation and comment period ended August 5, 1997. All submitted written comments have been considered in the preparation of this FRN. Most of the comments received during the public meetings dealt with Hydrology (surplus water), Realistic and Appropriate Costs, Rate Impacts and Philosophy, and Differences between Financial Documents. All comments were considered in developing the Base Charge for FY 1998. Additional written comments and responses, paraphrased for brevity, are presented below.

ISSUE: Contractor raised concern with the status of dispute regarding the blind vendor services at Hoover and requested to be kept informed and provided with all pertinent

correspondence.

RESPONSE: Reclamation will continue to further evaluate the situation and will keep the contractors informed of the status to the blind vendor litigation.

ISSUE: Contractor requested Western to ask Reclamation to convene dialogue with Contractor representatives aimed at accelerating delivery of a \$5 million revenue stream to offset certain construction costs on the visitors facilities.

RESPONSE: Western is committed to working with Reclamation in partnership with the Contractors to recover revenues as soon as possible to offset certain costs for the visitor facilities. Substantial progress has been made in meeting the \$5 million revenue goal. Revenue opportunities, as well as expenses, are currently being discussed with the BCP Engineering and Operations Committee (E&OC) representatives utilizing the Revenue Subcommittee as the primary focal point of exploring new opportunities. As dialogue continues, Reclamation and Western will continue to support the E&OC process and welcome all suggestions for meeting the revenue goal as quickly as possible. Western will initiate an agenda item relating to this request at the October 1997 E&OC meeting.

ISSUE: Contractors shared concern on the estimates of, and cost responsibility for, Highway 93 rehabilitation work.

RESPONSE: Three bids received from local contractors were evaluated by a contract specialist and found to be reasonable. The evaluation revealed that the engineer's estimate appeared to be low in the areas of mobilization and removal/disposal of existing pavement. Mobilization bids were significantly higher. The low bidder plans to set up a batch plant on site. The engineer's estimate did not include cost consideration

for offsite disposal requirements. Recognizing that cost estimates are not exact, cost estimating practices will be continually reviewed for improvement.

The cost responsibility for rehabilitation of Highway 93 has been the topic of previous discussions and correspondence with the BCP E&OC representatives. Reclamation attempted to obtain separate funding for rehabilitation of the roadway with no results.

The BCP E&OC was made aware of this effort by a letter dated June 2, 1994. It is critical the subject work be accomplished due to concern for public safety. Because no alternate funding sources have been identified, funding must come from revenues authorized under the Boulder Canyon Project Act.

ISSUE: The House and Senate committee reports on the Energy and Water Development Appropriation bills contain directions to Reclamation to involve customers in developing cost estimates prior to budget submission. Western is to initiate dialogue with Reclamation to ensure proper coordination with existing E&OC process.

RESPONSE: Western will initiate this dialogue and believes that both Western and Reclamation are committed to ensure the congressional directives to Reclamation and the E&OC process are consistent.

ISSUE: Contractor requested an assessment to determine justification for a specific replacement cost, and a reduction in costs for certain replacements.

RESPONSE: The assessment regarding the Station Service Electrical item was initially in the 1995 Ten Year Operating Plan scheduled for FY97 and budgeted at \$445,000. The scope of work was to replace the station service transformer and station service circuit breaker. The transformer was being replaced due to age, and the circuit breaker was being replaced due to problems operating the breaker and inability to procure

repair parts. The station service transformer provides the only tie to system power to augment and stabilize frequency for station power. Hoover had experienced power fluctuations when operating isolated on station service power that tripped equipment and limited operation of equipment that drew large amounts of power such as cranes, elevators and pumps. It was felt, at that time, these problems could be eliminated by replacing the transformer and the circuit breaker.

The first Technical Review Committee (Blue Ribbon Task Force) commented, unless testing showed the transformer was nearing the end of its service life, it should not be replaced. The committee also commented, replacing the transformer would not eliminate the problems encountered in running the plant isolated on station service. If the new transformer failed, instability would still be a problem.

Reclamation agreed with these comments and focused on minimizing the need to run the plant isolated on station service. Funding of \$300,000 was budgeted for FY98 to eliminate the station service breaker and to procure a spare single phase transformer. Eliminating the station service breaker and providing a tie to the existing circuit breakers was a lower cost alternative to purchasing a new circuit breaker. Purchasing a spare single phase transformer would eliminate long lead times in procuring a new transformer in case of an in-service failure. The Project believes that the probability of multiple failures of the single phase transformer is unlikely and would accept that risk. The Technical Review Committee that met in June 1997 questioned the need for a spare transformer since there were new governors on the Arizona station service generator and the Nevada station service generator that would likely correct frequency instability.

Reclamation will be simulating operating the plant isolated on station service in September. Based on this simulation, the Project will assess the need for a spare transformer. Reclamation will report on this assessment and our decision on the transformer at the October 1997 BCP E&OC meeting. If it is determined a spare transformer is not necessary, the program expenditures for the transformer would become carryover in the next fiscal year. The work to tie to existing circuit breakers also funded under this item would still proceed in FY 1998.

A meeting with customer representatives was held August 13, 1997, to review the communication and control system upgrades related to the Reclamation Alternative Modular SCADA System (RAMS) in use at Hoover Dam. No changes will be made to estimated costs in the proposed FY 1998 revenue requirements at this time, however, should the existing plans for future RAMS related investments be modified as a result of this review, changes to the items in the level of FY 1998 expenditures for these items may result. And lastly, the FY 1998 rate includes \$150,000 for the piping replacements. In Amendment No. 3 to Delegation Order No. 0204-108, published November 10, 1993 (58 FR 59716), the Secretary of Energy (Secretary) 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; 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 DOE procedures for public participation in power rate adjustments (10 CFR Part 903) became effective on September 18, 1985 (50 FR 37835). 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:

Elizabeth A. Moler
Deputy Secretary