6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Provo River Project Rate Order No. WAPA-149

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Rate Order Concerning a Power Rate Formula.

SUMMARY: The Deputy Secretary of Energy confirmed and approved Rate Order No. WAPA-149, placing a power rate formula for the Provo River Project (PRP) of Western Area Power Administration (Western) into effect on an interim basis. The provisional power rate formula will remain in effect on an interim basis until the Federal Energy Regulatory Commission (FERC) confirms, approves, and places it into effect on a final basis, or until the power rate formula is replaced by another power rate formula.

DATES: The provisional power rate formula will be placed into effect on an interim basis on April 1, 2010, and will be in effect until FERC confirms, approves, and places the provisional power rate formula in effect on a final basis for 5 years ending March 31, 2015, or until superseded.

FOR FURTHER INFORMATION CONTACT: Ms. Julia L. Kyriss, Acting CRSP MC Manager, CRSP Management Center, Western Area Power Administration, 150 East Social Hall Avenue, Suite 300, Salt Lake City, UT 84111-1580, (801) 524-5493, e-mail kyriss@wapa.gov. or Mr. Rodney Bailey, Rates Manager, CRSP Management Center, Western Area Power Administration, 150 East Social Hall Avenue, Suite 300, Salt Lake City, UT 84111-1580, (801) 524-4007, e-mail rbailey@wapa.gov.

SUPPLEMENTARY INFORMATION: The PRP was authorized in 1935. Construction on the PRP, which includes Deer Creek Dam and Powerplant on the Provo River in Utah, began in 1938 however, because of World War II, was not completed until 1951. The powerplant, authorized on August 20, 1951, was completed and generation began in 1958. Its maximum operating capacity is 5,300 kilowatts.

The PRP power is marketed according to a marketing plan that was approved and published in the Federal Register on November 21, 1994. This marketing plan allows Western to market the output of the PRP to customers of Utah Municipal Power Agency, Utah Associated Municipal Power Systems, and Heber Light and Power (Customers) in the Provo River drainage area.

Contract Nos. 94-SLC-0253, 94-SLC-0254 and 07-SLC-0601 between the United States and its Customers require that the amount of each annual installment be established in advance by Western and submitted to the Customers on or before August 31 of the year preceding the appropriate fiscal year. Each fiscal year, Western will estimate the Deer Creek Powerplant (DCP) expenses by preparing a power repayment study, which will include estimates of operation, maintenance, and replacement costs for the DCP.

Each annual installment pays the annual amortized portion of the United States investment in the Deer Creek Dam and Reservoir hydroelectric facilities with interest and the associated operation, maintenance, and replacement costs. This repayment schedule does not depend upon the power and energy made available for sale or the rate of generation each year, but is included in the contract in which the Customers pay all operating, maintenance, and replacement expenses of the PRP and, in return, receive all of the energy produced by the PRP. Western will continue

to provide the Customers a revised annual installment by August 31 of each year using the same methodology.

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates 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 DOE procedures for public participation in power rate adjustments (10 CFR 903) were published on September 18, 1985 (50 FR 37835).

Under Delegation Order Nos. 00-037.00 and 00-001.00C, 10 CFR 903, and 18 CFR 300, I hereby confirm, approve, and place Rate Order No. WAPA-149 into effect on an interim basis. The renewal of the power rate formula will be promptly submitted to FERC for confirmation and approval on a final basis.

Dated:

Daniel B. Poneman
Deputy Secretary of Energy

DEPARTMENT OF ENERGY
DEPUTY SECRETARY

In the matter of:	)	
	)	
Western Area Power Administration	)	Rate Order No. WAPA-149
Power Rate Formula for the	)	
Provo River Project	)	

ORDER CONFIRMING, APPROVING, AND PLACING THE POWER RATE FORMULA FOR THE PROVO RIVER PROJECT INTO EFFECT ON AN INTERIM BASIS

This rate was established in accordance with section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This Act transferred to and vested in the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, 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 Provo River Project (PRP).

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western's Administrator, (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) were published on September 18, 1985 (50 FR 37835).

Acronyms and Definitions

As used in this rate order, the following acronyms and definitions apply:

Administrator:	The Administrator of the Western Area Power Administration.
CRSP:	Colorado River Storage Project.
Contracts:	Contract No. 94-SLC-0254 with UMPA effective December 22, 1994, Contract No. 94-SLC-0253 with UAMPS effective January 19, 1995, and Contract No. 07-SLC-0601 with Heber Light and Power effective April 1, 2007. The Contracts are effective through September 30, 2024.
Customers:	Utah Associated Municipal Power Systems, Utah Municipal Power Agency and Heber Light and Power.
DCP:	Deer Creek Powerplant.
DOE:	Department of Energy.
DOE Order RA 6120.2:	A Department of Energy order dealing with power marketing administration financial reporting and ratemaking procedures.
FERC:	Federal Energy Regulatory Commission.
FY:	Fiscal year; October 1 to September 30.
Interior:	United States Department of the Interior.
kW:	Kilowatt - the electrical unit of capacity that equals 1,000 watts.
MW:	Megawatt - the electrical unit of capacity that equals 1 million watts or 1,000 kilowatts.
NEPA:	National Environmental Policy Act of 1969. (42 U.S.C. 4321, et seq.)
OM&R:	Operation, Maintenance, and Replacement.
PRP:	Provo River Project.
PRS:	Power repayment study.
PRWUA:	Provo River Water Users Association.

Reclamation:	United States Department of the Interior, Bureau of Reclamation.
UAMPS:	Utah Associated Municipal Power Systems.
UMPA:	Utah Municipal Power Agency.
Western:	United States Department of Energy, Western Area Power Administration.

Effective Date

This power rate formula will become effective on an interim basis beginning April 1, 2010, and will be in effect pending FERC's approval of this or a substitute power rate formula on a final basis for 5 years ending March 31, 2015, or until superseded.

Public Notice and Comment

Paragraph 903.23(a) of 10 CFR 903 for rate extensions does not require either a consultation and comment period, or public information, or comment forums. Western considers this rate order a rate extension since the power rate formula is not changing; rather it is going through the course of a 5-year renewal. This request is for approval of a power rate formula renewal using the present methodology for calculating the annual installment. On April 20, 2009, Western met with the Customers and notified them of Western's intent to renew the present power rate formula. Western also discussed the FY 2010 budget and capital expenditures. The Customers expressed their desire to continue using the power rate formula methodology through letter notifications.

Project Description

Construction of the PRP began in May 1938, and the powerplant was completed in 1958. Presently, it has a generating capacity of 5,300 kW of power. Energy excess to the PRP purposes is marketed under a marketing plan published in the Federal Register on November 21,

1994. This marketing plan allows Western to market the output of the PRP to customers of UAMPS, UMPA and Heber Light and Power in the Provo River drainage area.

Power Repayment Studies

Each fiscal year, Western will estimate DCP expenses by preparing a PRS that will include estimates of OM&R costs for the DCP for the next fiscal year. The PRS determines if power revenues will be sufficient to pay, within the prescribed time periods, all costs assigned to the PRP power function. Repayment criteria are based on law, policies including DOE Order RA 6120.2, and authorizing legislation.

Western calculates the annual installment based on 2 years of data. The calculation includes the projected costs of the rate installment year (future fiscal year) and an adjustment from the last historic fiscal year. The adjustment is the surplus or deficit that occurs in the last historic year when actual costs and repayment obligations are subtracted from actual revenues. This surplus or deficit is combined with the costs for the projected rate installment year, to arrive at the annual rate installment. Each annual installment pays the annual amortized portion of the United States investment in the Deer Creek Dam and Reservoir hydroelectric facilities with interest and the associated OM&R. This repayment schedule does not depend upon the power and energy made available for sale or the rate of generation each year.

Certification of Rates

Western's Administrator certified that the interim rates for the PRP power are the lowest possible rates consistent with sound business principles. The provisional rates were developed following administrative policies and applicable laws.

Statement of Revenue and Related Expenses

The revenue requirements for the PRP are based on PRS calculations for future requirements, which will be adjusted when FY actuals are known. The following table summarizes revenues and expenses for the current 6-year power rate formula and the actual revenues and expenses for the same period.

Provo River
Comparison of 6-Year
Revenues and Expenses
FY 2004-2009
($1,000)

Item	Actual [1/]	Projected [2/]	Difference
Total Revenues	$1,532	$1,857	$325
Revenues Distribution:			
O&M	$1,510	$1,217	$-293
Transmission	108	179	71
Interest	23	165	142
Investment Repayment	316	264	-52
Surplus Revenues	(425)	32	457
	---	---	---
Total Revenues Distribution	$1,532	$1,857	$325

[1/] Although the rate process seeks approval for a 5-year period, 6 years of data are shown in the above table because FY 2009 is an estimate, and is used for the current 2009 rate installment. Actual data is taken from the FY 2008 final PRS.
[2/] Taken from FY 2003 final PRS.

The following table provides a summary of the projected revenues and expenses during the provisional power rate formula period.

Provo River Project
6-Year Projections
Revenues and Expenses
FY 2010-2015
($1,000)

	FY 2010-2015 Projections
Total Revenues [1]	$1,799
Costs:	
O&M	$1,799
Interest [2]	0
Investment Repayment [2]	0
Total Costs	$1,799

[1] Although the rate process seeks approval for a 5-year period (FY 2010-2015), 6 years of data are shown in the above table because FY 2010 is an estimate, and is used for the current 2010 rate installment.
[2] All capitalized investments are repaid; therefore, no interest or principal payments are projected.

Basis for Rate Development

Each Customer is billed for electric service calculated every FY, payable in 12 equal monthly payments. Every FY, Western will estimate the PRP expenses by preparing a PRS which will include estimates of OM&R costs for the DCP. The amount of each monthly payment will be established in advance by Western and submitted to the Customers on or before August 31 of the year preceding the appropriate FY.

The calculation of the annual installment and the monthly payments will include adjustments to the OM&R charges. These adjustments deal with the difference between estimated and actual OM&R expenses. If OM&R charges are underestimated, an amount equal to the difference must be added to the next annual installment. Conversely, if OM&R charges are overestimated, the amount would be deducted from the next installment.

In accordance with the Contracts, minor replacements and additions are included in the annual operation and maintenance expenses of the DCP. If major replacements and additions exceeding $5,000, but not greater than $25,000 are needed, the Customers will be given the

option of financing their share of the cost or having the cost capitalized and amortized over the life of the replacement or addition. If the Customers select the latter, the costs will be capitalized at the current interest rate prescribed by DOE, under RA 6120.2, Paragraph 11B, "Basic Policy for Rate Adjustment; Interest Rate Formula," in the fiscal year in which the replacement or addition is made. Such costs will be based on prudent and businesslike management practices and following established electric industry operation and maintenance practices. If extraordinary replacements exceeding $25,000 are needed, the Customers will consult with Reclamation, PRWUA, and Western on financing the replacement.

The rate does not depend upon the power and energy made available for sale; instead, the Customers will pay the total PRP's annual powerplant expenses in return for the total marketable PRP production. Each Customer will pay its proportional share of the OM&R expenses identified in the PRS in 12 monthly installments.

Availability of Information

Information about this power rate formula renewal is available for public review at the Colorado River Storage Project Management Center, Western Area Power Administration, 150 East Social Hall Avenue, Suite 300, Salt Lake City, Utah 84111. Documents are also available at http://www.wapa.gov/crsp/ratescrsp/adjustments.htm under CRSP rate adjustment documents for the Provo River Project's section.

REGULATORY PROCEDURE REQUIREMENTS

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321, et seq.); Council on Environmental Quality Regulations (40 CFR parts 1500-1508); and DOE NEPA Regulations (10 CFR part 1021), Western has determined that this action is categorically

excluded from the preparation of an environmental assessment or an environmental impact statement.

Determination Under Executive Order 12866

Western 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.

Submission to Federal Energy Regulatory Commission

The interim power rate formula renewal herein confirmed, approved, and placed into effect on an interim basis, together with supporting documents, will be submitted to FERC for confirmation and final approval.

ORDER

In view of the above and under the authority delegated to me as the Deputy Secretary of Energy, I confirm and approve on an interim basis, effective April 1, 2010, a renewal of the rate formula for the Provo River Project of the Western Area Power Administration. The power rate formula shall remain in effect on an interim basis, pending FERC's confirmation and approval of it or a substitute rate on a final basis through March 31, 2015

Dated:

Daniel B. Poneman
Deputy Secretary of Energy

WESTERN, CRSP - MC
ENVIRONMENTAL REVIEW SIGN OFF SHEET

Environmental Project Number:

Project Title:

Power Rate Formula for the Provo River Project of the Western Area Power Administration.

City(s), County(s), State(s) in which the action will be taken:

Provo River Project Marketing Area

Brief description of work to be done:

Renewal of the current power rate formula methodology

A full description of this project/action can be found in the following document(s):

Notice for the Power Rate Formula Renewal for the Provo River Project

This project/action has complied with relevant environmental laws and can proceed with the following stipulations, commitments, explanations, and/or remarks:

N/A

Certified or Approved by: S. Clayton Paul * **Date:** 10/26/09
(Name/Title)

[* Note: this approval applies only to the project/action described in the documents cited above. This approval may not extend to a project/action which differs from the one described.]

WAPA Distribution:
R. Bailey, L6100
A. Arellano, CSO, A0200
S. Collins, CSO, A7400

ATTACHMENT A
Evaluation of Criteria for Categorical Exclusion

1. This action or group of actions would have a significant effect on the quality of the human environment. No_X_Uncertain____Yes__

2. This action or group of actions would involve unresolved conflicts concerning alternative uses of available resources. No_X__Uncertain____Yes____

Evaluation of Exceptions to Actions Within Categorical Exclusion

1. This action would have significant adverse effects on public health or safety. No_X_Uncertain____Yes____

2. This action would affect unique geographical features such as: wetlands, wild or scenic rivers, refuges, flood plains, rivers placed on the nationwide river inventory or prime and unique farmlands. No_X_Uncertain____Yes____

3. This action will have highly controversial environmental effects. No_X_Uncertain____Yes____

4. This action will have highly uncertain environmental effects or involve unique unknown environmental risk. No_X_Uncertain____Yes____

5. This action will establish a precedent for future actions. No_X_Uncertain____Yes____

6. This action is related to other actions with individually insignificant but cumulatively significant effects. No_X_Uncertain____Yes____

7. This action will affect properties listed or eligible for listing in the National Register of Historic Places. No_X_Uncertain____Yes__

8. This action will adversely affect a species listed or proposed to be listed as Endangered or Threatened. No_X_Uncertain____Yes__

9. This action threatens to violate Federal, State, and local, or tribal law or requirements imposed for protection of the environment. No_X_Uncertain____Yes__

10. This action will affect Indian Trust Assets. No_X_Uncertain____Yes____

NEPA Action (choose one):

__X__ Specific CX - This project was reviewed under the DOE NEPA Regulations (10 CFR 1021) subpart D, Appendixes A & B. Referenced sections:

B4.3 Rate changes for electric power, power transmission, and other products or services provided by a Power Marketing Administration that are based on a change in revenue requirements if the operations of generation projects would remain within normal operating limits

____ An EA____ or EIS____ was prepared (DOE document no_____)

This project/action has been reviewed for compliance with:

_X_ The Endangered Species Act, Section 7;

_X_ The National Historic Preservation Act, Section 106;

_X_ The Floodplain/Wetlands Environmental Review Requirement.

Preparer's Name: Clayton Palmer

Title: _CRSP - MC NEPA Compliance Officer

Date Prepared: _9/30/2009