



IN REPLY REFER TO:

United States Department of the Interior

OFFICE OF THE SECRETARY

Program Director
CUP Completion Act Office
302 East 1860 South
Provo, Utah 84606-7317



FEB 05 2015

CA-1000
PRJ-18.00

MEMORANDUM

To: Acting Regional Director

From: Reed R. Murray
Program Director

Subject: Memorandum of Concurrence – Olmsted Hydroelectric Powerplant Replacement Project – Section 208 – Central Utah Project Completion Act

On September 21, 1990, a Settlement Agreement was executed among the Bureau of Reclamation, the Central Utah Water Conservancy District (District), and Utah Power and Light (now PacifiCorp) regarding the acquisition of the Olmsted Powerplant, associated facilities, and related water rights. The Olmsted facilities are now used as part of the Bonneville Unit, Central Utah Project to divert water from the Provo River and convey water to treatment facilities and aqueducts. The purpose of this memorandum is to request your concurrence with a proposal to continue operation and maintenance of the Olmsted Powerplant so as to maintain water rights essential to the Bonneville Unit.

Under the Settlement Agreement, PacifiCorp will continue to operate and maintain the Olmsted Powerplant until the term of the contract expires on September 21, 2015. After the Settlement Agreement expires, PacifiCorp will cease to operate the facility and the United States will become responsible for the construction and the operation, maintenance, and replacement (OM&R) of the Olmsted Powerplant.

The Central Utah Project Completion Act (CUPCA), Titles II-VI, Public Law 102-575, was enacted October 30, 1992, to provide for the orderly completion of the Central Utah Project. On December 19, 2002, CUPCA was amended to include authorization to develop federal project power on the Central Utah Project. The 2002 amendment also transferred responsibility for operation of the Bonneville Unit, including the Olmsted facilities, to the CUPCA Office of the Department of the Interior.

Section 205 of CUPCA approved the 1988 Definite Plan Report (DPR) for the Bonneville Unit and required the preparation of an updated DPR. As a result, an October 2004 Supplement to the 1988 DPR was prepared and approved by Congress. The 2004 DPR included plans for federal hydropower development in Diamond Fork but did not include a discussion regarding Olmsted.

Through a cooperative arrangement among Reclamation, CUPCA Office, District, and Western Area Power Administration (Western), the Olmsted Hydroelectric Powerplant Replacement Project (Project) is being developed to replace the existing Olmsted power facilities. Given the current condition of the powerplant, it has been determined that the most economical solution would be to replace the entire powerplant. Implementation of the Project includes preparation of an Environmental Assessment and execution of several contracts and agreements.

A Value Engineering study that was conducted by the District during December 2014 proposed alternatives to be considered during final design. An Olmsted Project Report has been prepared and approved which amends the 2004 DPR to include the Project. National Environmental Policy Act (NEPA) compliance has now been completed. This included public outreach through postcards, newsletters, social media, and a public meeting. No significant issues were raised during this process. An Environmental Assessment and Finding of No Significant Impact were completed and signed on January 16, 2015.

Under CUPCA, the responsibility for construction of Bonneville Unit features is assigned to the District. Also under CUPCA and pursuant to the terms of the 1965 Repayment Contract (No. 14-06-400-4286) and consistent with the Settlement Agreement, the District will perform OM&R at Olmsted on behalf of the United States. Further, under the terms of the 1965 Repayment Contract, the Secretary agreed to compensate the District for OM&R costs of transferred works constructed pursuant to the 1965 Repayment Contract properly chargeable under Reclamation procedures and Reclamation law to commercial power.

The majority of funds made available for the Project are provided through Reclamation. As approved by the Office of the Solicitor and in accordance with CUPCA, these funds for Bonneville Unit features will be paid in advance to the District to perform all work and related activities associated with the construction of the Project and to perform OM&R activities after the Project is complete.

Although Project funds for activities associated with construction will be provided to the District in advance, the annual OM&R payments will be reimbursed to the District on an annual basis, subject to availability. Project construction funds and OM&R funds will be transferred to the District as shown on Exhibit A and B attached to this memorandum and as described as follows.

Exhibit A is a flow chart for activities associated with the construction of the Project:

- The CUPCA Office will request the District to transfer the Contributed Funds to Reclamation.
- The CUPCA Office will request the Power Office to coordinate with Western to transfer specific funds from the Basin Fund to Reclamation for use on the Project.
- The CUPCA Office will request the Finance Office transfer all Olmsted funds from Reclamation to the District for implementation of the Project.
- As additional federal funds become available and as additional Contributed Funds are required, this fund transfer process will be repeated until the Project is complete.

Exhibit B is a flow chart for the funding of OM&R after the Project is complete:

Step 1 – OM&R Forecast

- The District will submit a 5-year OM&R forecast to the Power Office through the CUPCA Office. This forecast will be discussed with the District and modified as necessary.

Step 2 – Project Operation

- Power generated at Olmsted will be marketed by Western.
- Power revenues will be deposited by Western into the Basin Fund attributable to the CUP.
- The District will submit an annual OM&R Invoice to the CUPCA Office.
- The CUPCA Office will send a copy of the OM&R Invoice to the Power Office and a Transfer Request to the Finance Office to transfer the annual OM&R reimbursement to the District.
- The Power Office will add the Olmsted OM&R forecast amount to the annual CRSP OM&R funding request letter that is sent to Western.
- The District will transfer future Interference revenue to CUPCA. CUPCA will request that the Finance Office deposit all future Interference revenue into the Basin Fund attributable to the Central Utah Project.
- The Finance Office will transfer the annual OM&R payment to the District.

We recommend the process described be initiated and the following agreements be executed:

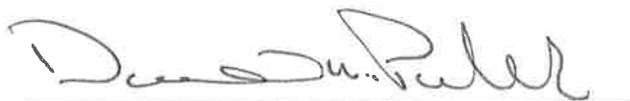
Implementation Agreement – This agreement is a Memorandum of Understanding among Reclamation, CUPCA Office, the District, and Western. It describes the proposed project and responsibilities of the parties.

Funding Agreement – This agreement follows the guidelines of the Drainage and Minor Construction Act as required by CUPCA. Parties to the agreement are Reclamation, CUPCA Office, and the District. The agreement describes the sources of funding for the project including non-federal contributed funds and provides for the transfer of funds from Reclamation to the District.

As required in the funding agreement, the District will provide monthly project reports, quarterly financial reports, and annual project reports. These reports will be reviewed by Reclamation and the CUPCA Office and approved by the CUPCA Office.

If you are in agreement with implementing the provisions described in this memorandum, please indicate below.

I Concur:



David Palumbo
Acting Regional Director

Approved:



Intermountain Region
Office of the Solicitor

Exhibit A – Implementation Flow Chart

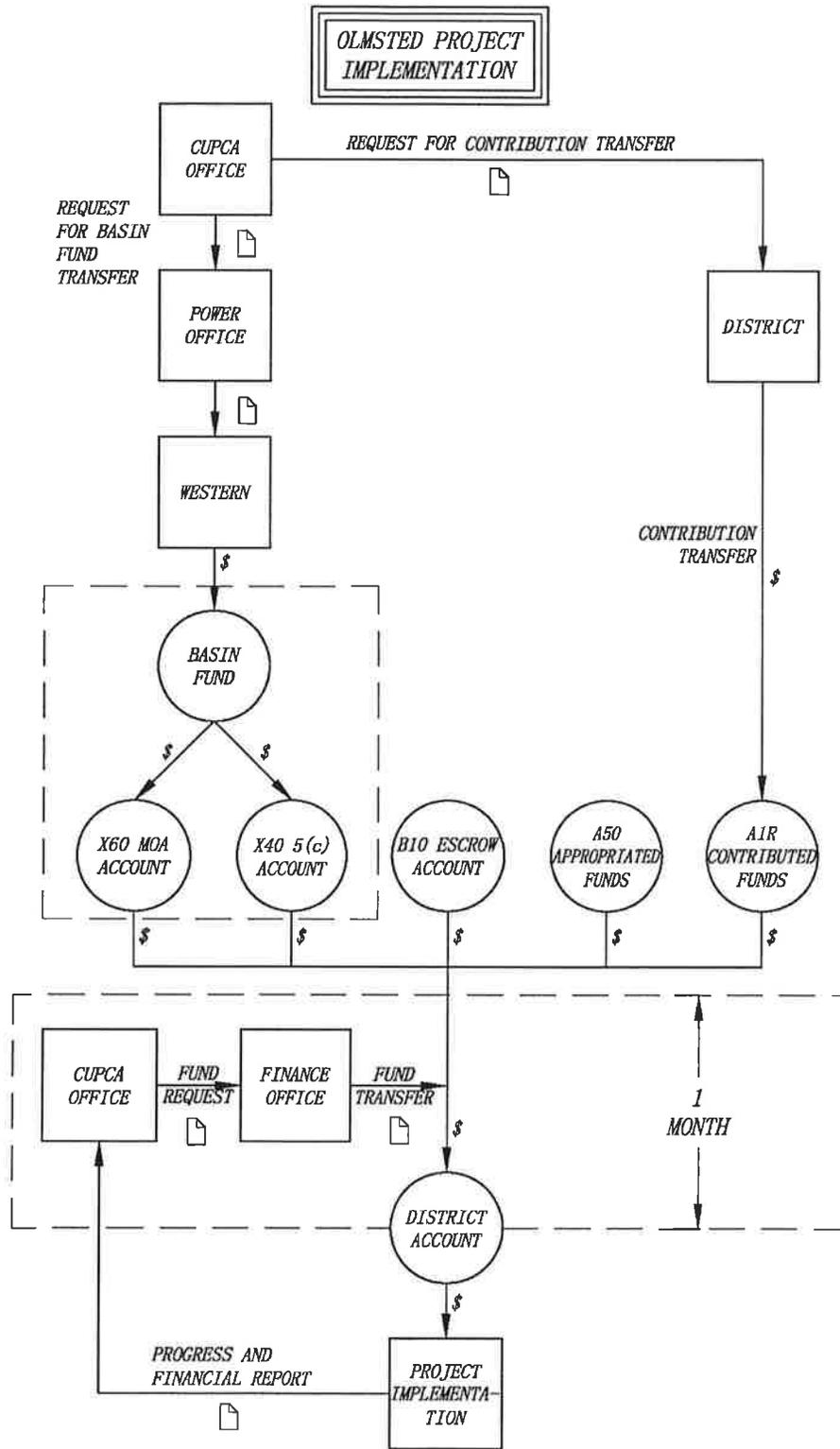


Exhibit B – Operation, Maintenance, and Replacement Flow Chart

