



Department of Energy

Western Area Power Administration
P.O. Box 11606
Salt Lake City, UT 84147-0606

SEP 24 1992

Letter Agreement No. 92-SLC-0208

Mr. Roland Robison
Regional Director
Bureau of Reclamation
Upper Colorado Region
P.O. Box 11568
Salt Lake City, UT 84147

Dear Mr. Robison:

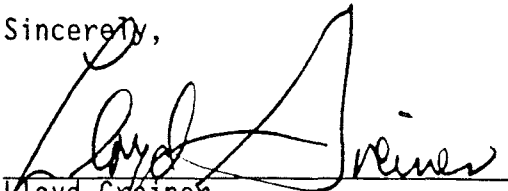
The Salt Lake City Area Office of Western Area Power Administration ("Western"), the Upper Colorado Regional Office of the Bureau of Reclamation ("Reclamation"), and the Colorado River Energy Distributors Association ("CREDA") recently exchanged letters stating their concurrences with a Statement of Principles aimed at working toward implementing procedures for customer review of financial and work program data relating to power rates of the Salt Lake City Area Integrated Projects (SLCA/IP). The purpose of this letter agreement is to implement the Statement of Principles by adoption of Joint Procedures on an interim basis pending development of regulations to generally apply the procedures envisioned in the Statement of Principles. To this end, Western, Reclamation, and CREDA on behalf of its members (collectively the "Parties") agree as follows:

1. The Parties hereby reaffirm the attached Statement of Principles to govern customer review of financial and work program data relating to SLCA/IP;
2. Western and Reclamation shall use their best efforts to expeditiously implement the attached Joint Procedures, as may be amended, for the review of work program information by customers of the SLCA/IP in the form of regulations adopted pursuant to the Administrative Procedures Act;
3. Western recognizes that the attached Joint Procedures do not yet contain a provision to implement Western's commitment in Section IV of the Statement of Principles to utilize alternative dispute resolution procedures before the Federal Energy Regulatory Commission ("FERC"), including arbitration if requested by a customer, but Western will cooperate with CREDA to implement this commitment once the FERC issues its anticipated rulemaking implementing the Alternative Dispute Resolution Act of 1990;
4. Western, Reclamation, and CREDA recognize that the attached Joint Procedures are being implemented on an initial basis and will cooperate with each other to identify and resolve problems which arise under operation of the Joint Procedures; and


5. The Parties shall utilize from the date of this agreement the attached Joint Procedures, as may be amended, on an interim basis until regulations envisioned in paragraph 2 above are adopted.

Dated as of this 24th day of September, 1992.

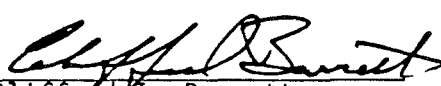
Sincerely,


Lloyd Greiner
Area Manager
Western Area Power Administration

Agreed:


Roland Robison
Regional Director
U.S. Bureau of Reclamation

Agreed:


Clifford I. Barrett
Executive Director
Colorado River Energy
Distributors Association

cc:

Mr. Don Allen
Duncan and Allen
1575 Eye Street, NW
Washington, DC 20005-1175

August 14, 1992

JOINT PROCEDURES FOR REVIEW OF
WORK PROGRAM INFORMATION BY CUSTOMERS OF THE
SALT LAKE CITY AREA INTEGRATED PROJECTS

1 Section 1 Preamble

2 (a) The Secretary of Energy, acting by and through the
3 Administrator of the Western Area Power Administration
4 (Western), pursuant to § 302 of the Department of Energy
5 Organization Act, 42 U.S.C. § 7152, and acts amendatory
6 thereof or supplementary thereto, and the Secretary of the
7 Interior, acting by and through the Commissioner of the Bureau
8 of Reclamation (Reclamation), pursuant to § 10 of the
9 Reclamation Act of 1902, 43 U.S.C. § 373, and acts amendatory
10 thereof or supplementary thereto, are authorized to adopt
11 procedures affecting the Colorado River Storage Project
12 (CRSP), the Collbran Project, the Provo River Project, the Rio
13 Grande Project, and the Colorado River Basin Salinity Control
14 activities. Western administratively defines the
15 consolidation of the CRSP, Collbran Project and Rio Grande
16 Project for power marketing and ratemaking purposes as the
17 Salt Lake City Area Integrated Projects (SLCAIP).

18 (b) In accordance with the authorities cited in
19 subsection (a), Western and Reclamation adopt these Joint
20 Procedures to afford power Customers of the SLCAIP an

1 opportunity to review and comment on Western's and
2 Reclamation's Work Program Information.

3 (c) Nothing in these Joint Procedures shall be deemed to
4 diminish Western's or Reclamation's administrative
5 responsibilities and authorities.

6 Section 2 Definitions

7 The following terms, when used in these Joint
8 Procedures, shall have the following meanings.

9 (a) Completed Year shall mean the fiscal year
10 immediately preceding the Past Year.

11 (b) Current Year shall mean the fiscal year preceding
12 the Planning Year.

13 (c) Customer shall mean any entity with whom Western
14 contracts to sell long-term firm electric power and energy
15 from the SLCAIP.

16 (d) Out Year shall mean any fiscal year following the
17 Planning Year.

18 (e) Past Year shall mean the fiscal year immediately
19 preceding the Current Year.

20 (f) Planning Year shall mean the fiscal year which ends
21 in the calendar year two years after the current calendar year
22 and is the year of the Work Program Information being reviewed
23 by the Customers.

1 (g) Reclamation Program Elements shall mean:

- 2 (1) Operation and maintenance;
3 (2) Replacements (both capitalized and
4 expensed);
5 (3) Capital additions (both capitalized
6 and expensed);
7 (4) Extraordinary maintenance (both
8 capitalized and expensed);
9 (5) Environmental studies;
10 (6) Construction; and
11 (7) Overheads, to the extent such
12 information is separately available.

13 (h) Reclamation Preliminary Work Program Information
14 shall mean:

- 15 (1) Work Program Information for the Planning
16 Year.1/ This should include information pertaining to the
17 Completed Year,2/ Past Year,3/ the Current Year,4/ the
18 Planning Year and forecasts for the first, second and third
19 Out Years5/ immediately following the Planning Year.

20 1/ Presently this would be FY 1994.

21 2/ Presently this would be FY 1991.

22 3/ Presently this would be FY 1992.

23 4/ Presently this would be FY 1993.

24 5/ Presently these would be FY 1995, 1996 and 1997.

1 (2) Reclamation's narrative description of the
2 changes and reasons for changes between the Current Year and
3 the Planning Year.

4 (3) The documents and analyses for the Planning
5 Year relating to major O&M work and new construction work
6 which are used by Reclamation officials to evaluate or justify
7 such work, to calculate benefit/cost ratios or to compare
8 alternative means which would accomplish the same purpose.

9 "Major" or "new construction" work for purposes of this
10 subsection shall mean any work estimated to cost in excess of
11 \$1,000,000 per individual project, or CRSP Initial Units in
12 the aggregate, or individual participating project of CRSP.
13 If such documents or analyses contain an estimate of cost or
14 other details which, if made available to prospective bidders
15 would compromise the integrity of Reclamation's public bidding
16 process, such detailed estimate of cost may be deleted from
17 the document.

18 (4) Reports or updates to reports of annual costs
19 (historical and forecast) and any changes in study plans for
20 environmental studies by contract or function.

21 (i) Reclamation Final Work Program Information shall
22 mean the documents and analyses available to Reclamation
23 officials to show changes to the most recently available
24 Reclamation Preliminary Work Program Information including,
25 but not limited to, updated versions of documents and analyses

1 comprising the most recently available Reclamation Preliminary
2 Work Program Information.

3 (j) Western Program Elements shall mean:

4 (1) For operation and maintenance:

5 A. Power Marketing (including
6 generation, load and purchases);

7 B. Operation and maintenance;

8 C. Extraordinary maintenance;

9 D. Moveable equipment;

10 E. Replacements;

11 F. Capital additions;

12 G. Environmental study costs;

13 H. Cash management and cash
14 requirements (including interest
15 and principal repayment);

16 I. General Western Allocation;

17 J. Administrative and general
18 expenses, to the extent such
19 information is available; and

20 K. Associated direct expenses, to
21 the extent such information is
22 available.

23 (2) For construction:

24 A. Transmission lines;

25 B. Substations;

- 1 C. Other facilities;
- 2 D. Administrative and general
- 3 expenses, to the extent such
- 4 information is available; and
- 5 E. Associated direct expenses, to
- 6 the extent such information is
- 7 available.

8 (k) Western Preliminary Work Program Information shall
9 mean:

- 10 (1) Information derived from Western's:
- 11 A. Program Schedule Activity
- 12 Reports or the equivalent for
- 13 the Planning Year^{6/} relating
- 14 to SLCAIP including information
- 15 pertaining to the Completed
- 16 Year^{7/} Past Year,^{8/} the
- 17 Current Year,^{9/} and
- 18 projections for the first,

19 ^{6/} Presently this would be FY 1994.

20 ^{7/} Presently this would be FY 1991.

21 ^{8/} Presently this would be FY 1992.

22 ^{9/} Presently this would be FY 1993.

1 second and third Out
2 Years;10/ and
3 B. Facility Data Sheets prepared
4 for SLCAIP construction
5 activities in excess of
6 \$1,000,000 that are planned or
7 under construction as of the
8 date when Western's Preliminary
9 Work Program Information becomes
10 available.

11 Such information shall be in sufficient detail for
12 Western officials to evaluate or justify the activities
13 envisioned to be undertaken, to calculate their benefit/cost
14 ratios or to compare them to alternative activities which
15 would accomplish the same purpose; Provided, however, the
16 information shall not be in such detail that it would
17 compromise the integrity of Western's public bidding process.

18 (2) The most current Salt Lake City Area
19 Construction and Rehabilitation Program Ten Year Plan and
20 equivalent documents for the Loveland and Phoenix areas to the
21 extent that they contain information pertaining to the SLCAIP.

22 10/ Presently these would be FY 1995, 1996 and 1997.

1 (3) The most current monthly "Status of Programs"
2 document for CRSP Construction, CRSP O&M, and Small Programs
3 (as available).

4 (4) The most current CRSP cash flow tracking
5 documents including, but not limited to, the document labeled
6 "CRSP Revenues and Expenses" which summarizes the data on a
7 monthly basis.

8 (1) Western Final Work Program Information shall mean
9 the documents and analyses available to Western officials to
10 show changes to the most recently available Western
11 Preliminary Work Program Information including, but not
12 limited to, updated versions of documents and analyses
13 comprising the most recently available Western Preliminary
14 Work Program Information.

15 (m) Work Program Information shall mean the information
16 for the CRSP, Collbran Project, Rio Grande Project, Provo
17 River Project and any other projects or activities which is
18 utilized to plan and schedule project work and which is the
19 basis for formulation of rates for the sale of firm electric
20 power and energy from the SLCAIP. In the case of the Provo
21 River Project, generation is purchased by SLCAIP.

22 (n) Work Program Information Review Period shall mean
23 the 45 days immediately following the date upon which Western
24 or Reclamation supplies its respective Work Program
25 Information in accordance with these Joint Procedures.

1 Section 3 Supply of Work Program Information

2 (a) Western shall make available to Reclamation and the
3 Customers upon request a report on or before March 1st and on
4 or before July 15th of each year. The report supplied in
5 March shall contain Western Preliminary Program Information
6 categorized by Western Program Elements and the report
7 supplied in July shall contain Western Final Work Program
8 Information categorized by Western Program Elements.

9 (b) Reclamation shall make available to Western and the
10 Customers upon request a report on or before April 15th and on
11 or before October 20th of each year. The report supplied in
12 April shall contain Reclamation Preliminary Work Program
13 Information categorized by Reclamation Program Elements and
14 the report supplied in October shall contain Reclamation
15 Final Work Program Information categorized by Reclamation
16 Program elements.

17 (c) During any Work Program Information Review Period
18 following the receipt of Work Program Information, Western,
19 Reclamation and the Customers may confer with one another and,
20 upon request, shall meet for the purpose of reviewing and
21 understanding the Work Program Information supplied and how it
22 will be used to establish rates for the sale of electric power
23 and energy to the Customers. Upon 5 days prior written notice
24 during the Work Program Information Review Period to either
25 Western or Reclamation, a Customer shall have the right,

1 subject to applicable Federal laws and regulations, to review
2 at Western or Reclamation offices during regular business
3 hours relevant records, if any, as determined by Western or
4 Reclamation in accordance with these Joint Procedures, upon
5 which such Work Program Information is based. Western and
6 Reclamation reserve the right to reject duplicative or
7 unnecessarily burdensome requests. Customers shall have the
8 opportunity to present written views on the Work Program
9 Information supplied and how it should be used to establish
10 rates for the sale of electric power and energy to the
11 Customers to Western or Reclamation within 15 days of the
12 close of a Work Program Information Review Period on the Work
13 Program Information presented during such period. Western or
14 Reclamation, as the case may be, shall respond to the
15 Customers regarding the views they express within 30 days from
16 receipt of such views and shall make responses available to
17 all Customers who so request.

18 (d) Any dispute not resolved between Reclamation's
19 Regional Director or Western's Area Manager and a Customer
20 concerning Work Program Information provided by Western or
21 Reclamation shall be resolved in accordance with Section 5 of
22 these Joint Procedures.

23 (e) Communications and notices contemplated to be
24 delivered by a sending party in these Joint Procedures shall
25 be deemed received by the receiving party (a) on the date

1 delivered via facsimile during the receiving party's normal
2 business hours, provided the receiving party orally confirms
3 receipt thereof to the sending party; or (b) on the date
4 actually received during the recipient's normal business
5 hours. The parties agree to use messenger or overnight
6 delivery service to deliver bulky or lengthy documents.

7 Section 4 Utilization or Challenge of Work
8 Program Information in Power
9 Repayment Studies

10 (a) Western shall prepare Power Repayment Studies in
11 accordance with Department of Energy Order RA 6120.2, the
12 principles of the March 26, 1980 Agreement between Western and
13 Reclamation and such other existing or future agreements
14 between Western and Reclamation which affect the long term
15 firm rate for SLCAIP power, as they may be amended. Western
16 shall utilize the Work Program Information made available to
17 its Customers by Western and Reclamation (including
18 adjustments thereof which may result from reviews, from
19 internal corrections or the dispute resolution process
20 provided for in these Joint Procedures but excluding the costs
21 of future transmission system additions in a Planning Year or
22 Out Year which are conceptual in nature), to prepare the power
23 repayment studies upon which it relies to promulgate any
24 interim or final rates proposed or adopted for SLCAIP firm
25 power or transmission services; Provided, however, that prior

1 to the adoption of any rate change the Work Program
2 Information utilized to develop such rates shall have been
3 provided to the Customers; Provided further, that initiation
4 of a rate adjustment process or adoption of an interim rate or
5 seeking confirmation and approval of a final rate is not
6 contingent upon resolution of disputes hereunder.

7 (b) A Customer may not challenge a Western Power
8 Repayment Study, a rate promulgated by Western based on a
9 Power Repayment Study or Western's Work Program Information
10 underlying such rate or Power Repayment Study, in any
11 administrative or judicial forum to the extent such Customer
12 has sought and received or reasonably could have sought
13 resolution of such challenge under these Joint Procedures.

14 (c) A Customer may not challenge any Reclamation Work
15 Program Information or any other data or information furnished
16 by Reclamation or any conclusion arrived at or decision made
17 by Reclamation hereunder in any judicial forum, unless such
18 Customer has sought resolution by or from Reclamation as
19 provided under these Joint Procedures.

20 Section 5 Dispute Resolution

21 (a) Any disputes or disagreements regarding the Work
22 Program Information, including but not limited to how such
23 information should be utilized in the ratemaking process,
24 shall first be presented to the Administrator of Western with

1 regard to Western Work Program Information or the Commissioner
2 of Reclamation with regard to Reclamation Work Program
3 Information within 15 days after receipt of Western's or
4 Reclamation's response to a Customer's views provided for in
5 Section 3. The Customer shall include in its presentation a
6 statement whether the Customer wishes to resolve the dispute
7 or disagreement through arbitration. The Administrator or the
8 Commissioner shall respond to the Customer's presentation
9 within 15 days after receipt of such presentation; Provided,
10 however, the Administrator or the Commissioner shall be deemed
11 to have decided the dispute or disagreement unfavorably to the
12 Customer and to have denied any request to submit the matter
13 to arbitration if the Administrator or Commissioner has not
14 acted upon within 15 days of receipt of the Customer's
15 presentation.

16 (b) In the event of a denial of a request for
17 arbitration, the decision of the Administrator or the
18 Commissioner shall be deemed their final action. Any remedy
19 shall lie with FERC and subsequently the appropriate Federal
20 court in the case of Western, or the appropriate Federal court
21 in the case of Reclamation; Provided, however, such final
22 action by the Administrator shall not impair a party's right
23 to pursue its lawful remedies vis-a-vis Western before FERC.

24 (c) Arbitration shall take place in accordance with the
25 provisions of the Administrative Dispute Resolution Act, Act

1 of November 15, 1990, Pub. L. No. 101-552, 104 Stat. 2736, as
2 it may be amended and in accordance with such rules or
3 regulations thereunder as may be promulgated by the Department
4 of Energy or the Department of the Interior. Upon
5 establishment of acceptable principles of conduct and
6 procedures and with the agreement of the affected parties,
7 mediation or other forms of alternative dispute resolution may
8 be used as a means of resolving any dispute between the
9 parties in lieu of arbitration.

10 (d) Should the legal authority provided in the
11 Administrative Dispute Resolution Act, supra, lapse, Western,
12 Reclamation, and the Customers agree to utilize their best
13 efforts to find another legally acceptable means of alternate
14 dispute resolution.

15 (e) Nothing in these Joint Procedures shall be deemed to
16 subject Reclamation to the jurisdiction of the Federal Energy
17 Regulatory Commission.

STATEMENT OF PRINCIPLES
CUSTOMER REVIEW OF FINANCIAL AND WORK PROGRAM DATA

1 I. The Western Area Power Administration's (Western) Salt Lake City Area
2 Integrated Projects (SLCAIP) customers desire, on a regular basis, to review financial and
3 work program data from both Western and the Upper Colorado Region of the Bureau of
4 Reclamation (Reclamation) that affect the electric power rate for the SLCAIP.

5 II. Western and Reclamation each are committed to providing such information to
6 the SLCAIP customers on a timely basis.

7 III. Several Federal laws and regulations control actions of Western and
8 Reclamation in providing financial and work program data. Western and Reclamation will
9 comply with the provisions of these laws and regulations in providing financial and work
10 program data to the SLCAIP customers.

11 IV. It is in the best business interests of Western, Reclamation, and the SLCAIP
12 power customers to resolve disputes over financial and work program data in a timely and
13 cost-efficient manner. To this end, Western, Reclamation, and the SLCAIP power
14 customers agree to utilize dispute resolution techniques in accordance with the
15 Administrative Dispute Resolution Act ("ADR Act"), Act of November 15, 1990, Pub. L.
16 No. 101-552, 104 Stat. 2736, to resolve such disputes at the administrative level before
17 Western or Reclamation. In addition, Western and the SLCAIP power customers agree to
18 utilize ADR Act dispute resolution techniques before the Federal Energy Regulatory
19 Commission, including arbitration if requested by a customer, provided FERC approves the
20 use of such techniques. The dispute resolution process will be conducted in an open manner
21 with full records kept of the proceedings.

1 V. Neither Western nor Reclamation, as the case may be, are able to accept a
2 decision arising out of a dispute resolution process that contravenes or infringes upon the
3 authority of the Executive Branch of the Federal government.

4 VI. Western, Reclamation, and the SLCAIP power customers recognize that these
5 principles provide a framework for further discussions. All agree to enter into such
6 discussions on a good faith basis to refine and define further actions each party would take
7 under these principles.

8 VII. Western and Reclamation believe that it is sound public policy to adopt these
9 principles, as may be refined and defined. Accordingly, Western and Reclamation will
10 initiate in a timely fashion an informal notice and comment rulemaking action under the
11 Administrative Procedures Act to adopt these principles.

12 VIII. Recognizing that an informal notice and comment rulemaking can be a time-
13 consuming process, Western and Reclamation agree to enter into a letter agreement with
14 the SLCAIP power customers to adopt these principles, as may be refined and defined, in
15 advance of the rulemaking referred to in principle VII. A draft version of the proposed rule
16 will be attached to the letter agreement, but the letter agreement will be subject to the
17 provisions of the rulemaking as adopted on a final basis.

18 IX. These principles, as may be refined and defined, will not in any way diminish
19 Western's and Reclamation's rights and obligations to provide information to members of
20 the public or any regulatory or public bodies.