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**6450-01-P**

## **DEPARTMENT OF ENERGY**

### **Western Area Power Administration**

#### **Boulder Canyon Project**

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of proposed fiscal year 2021 Boulder Canyon Project base charge and rates for electric service.

**SUMMARY:** Western Area Power Administration (WAPA) is proposing an adjustment to the base charge and rates for fiscal year (FY) 2021 Boulder Canyon Project (BCP) electric service under Rate Schedule BCP-F10. The proposal would reduce the base charge 1.2 percent from \$66.4 million in FY 2020 to \$65.6 million for FY 2021. The reduction is primarily the result of an increase in prior year carryover funds and non-power revenue projections for the Hoover Dam visitor center. The proposed base charge and rates would go into effect on October 1, 2020, and remain in effect through September 30, 2021. Publication of this *Federal Register* notice will initiate the public process.

**DATES:** The consultation and comment period begins today and will end **[INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**. WAPA will present a detailed explanation of the proposed FY 2021 base charge and rates at a public information forum that will be held on **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, from 10:30 a.m. to 12:30 p.m. Mountain Standard Time. WAPA will also host a public comment forum that will be held on **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**,

from 10:30 a.m. to 12:30 p.m. Mountain Standard Time. WAPA will conduct both the public information forum and the public comment forum via WebEx. Instructions for participating in the forums via WebEx will be posted on WAPA's website at least 14 days prior to the public information and comment forums at <https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>. WAPA will accept written comments any time during the consultation and comment period.

**ADDRESSES:** Send written comments to Ms. Tracey A. LeBeau, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, or e-mail [dswpwrmark@wapa.gov](mailto:dswpwrmark@wapa.gov). WAPA will post information concerning the rate process and written comments received on its website at <https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

**FOR FURTHER INFORMATION CONTACT:** Ms. Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, (602) 605-2565, or [dswpwrmark@wapa.gov](mailto:dswpwrmark@wapa.gov).

**SUPPLEMENTARY INFORMATION:**

Hoover Dam,<sup>1</sup> authorized by the Boulder Canyon Project Act of 1928, as amended (43 U.S.C 617 *et seq.*), sits on the Colorado River along the Arizona-Nevada border. The Hoover Dam power plant has 19 generating units (two for plant use) and an installed capacity of 2,078.8 megawatts (4,800 kilowatts for plant use). In collaboration with the Bureau of Reclamation (Reclamation), WAPA markets and delivers hydropower from the Hoover Dam power plant through

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<sup>1</sup> Hoover Dam was known as Boulder Dam from 1933 to 1947, but was renamed Hoover Dam by an April 30, 1947 joint resolution of Congress. See Act of April 30, 1947, H.J. Res. 140, ch. 46, 61 Stat. 56-57.

high voltage transmission lines and substations to Arizona, Southern California, and Southern Nevada.

The rate-setting methodology for BCP calculates an annual base charge rather than a unit rate for Hoover Dam hydropower. The base charge recovers an annual revenue requirement that includes projected costs of investment repayment, interest, operations, maintenance, replacements, payments to States, and Hoover Dam visitor services. Non-power revenue projections such as water sales, Hoover Dam visitor revenue, ancillary services, and late fees help offset these projected costs. Hoover power customers are billed a percentage of the base charge in proportion to their power allocation. A unit rate is calculated for comparative purposes but is not used to determine the charge for service.

On June 6, 2018, the Federal Energy Regulatory Commission (FERC) confirmed and approved Rate Schedule BCP-F10 for a five-year period ending September 30, 2022.<sup>2</sup> Rate Schedule BCP-F10 and the BCP Electric Service Contract require WAPA to determine the annual base charge and rates for the next fiscal year before October 1 of each year. The FY 2020 BCP base charge and rates expire on September 30, 2020.

**Comparison of Base Charge and Rates**

	<b>FY 2020</b>	<b>FY 2021</b>	<b>Amount Change</b>	<b>Percent Change</b>
Base Charge (\$)	\$66,419,402	\$65,606,080	- \$813,322	- 1.2
Composite Rate (mills/kWh)	18.08	18.83	0.75	4.1
Energy Rate (mills/kWh)	9.04	9.42	0.38	4.2
Capacity Rate (\$/kW-Mo)	\$1.75	\$1.73	- \$0.02	- 1.1

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<sup>2</sup> Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF18-1-000, 163 FERC ¶ 62,154 (2018).

Reclamation's FY 2021 budget is increasing \$4.5 million to \$80.2 million, a 5.9 percent increase from FY 2020. Higher operations and maintenance expenses (\$2.6 million) and replacement costs (\$1.7 million) account for most of this increase. The rate impact of these increases to Reclamation's budget are more than offset, however, by an increase in prior year carryover (\$2.8 million) and non-power revenue projections (\$2 million) following completion of the Hoover Dam visitor center renovations.

WAPA's FY 2021 budget is decreasing \$400,000 to \$8.4 million, a 4.2 percent reduction from FY 2020. Lower operations and maintenance expenses (\$300,000) and the elimination of WAPA's contingency fund (\$100,000) account for this decrease.

While there is a 1.2 percent reduction to the FY 2021 base charge, the composite and energy rates are increasing 4.1 and 4.2 percent respectively from FY 2020. The composite and energy rates use a forecasted energy value, which decreased due to the long-term drought in the Lower Colorado River Basin. The capacity rate is a 1.1 percent reduction from FY 2020 due to the decrease in the base charge. Forecasted energy and capacity values may be updated when determining the final base charge due to changing hydrological conditions.

This proposal, to be effective October 1, 2020, is preliminary and subject to change based on modifications to forecasts before publication of the final base charge and rates. In particular, the forecast of non-power revenue projections associated with the Hoover Dam visitor center may require modification due to social distancing requirements resulting from COVID-19.

## **Legal Authority**

This action constitutes a major rate adjustment as defined by 10 CFR 903.2(e). Pursuant to 10 CFR 903.15 and 10 CFR 903.16, WAPA will hold public information and public comment

forums for this rate adjustment. WAPA will review and consider all timely public comments and adjust the proposal, as appropriate, at the conclusion of the consultation and comment period.

WAPA is establishing rates for BCP electric service in accordance with section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This provision transferred to, and vested in, the Secretary of Energy certain functions of the Secretary of the Interior, along with the power marketing functions of Reclamation. Those functions include actions that specifically apply to the BCP.

The BCP Electric Service Contract states that in years other than the first and fifth years of a rate schedule approved by the FERC on a final basis, adjustments to the base charge shall be effective upon approval by the Deputy Secretary of Energy. Under the DOE Organization Act, the Secretary of Energy holds plenary authority over DOE affairs with respect to the Power Marketing Administrations. By Delegation Order No. 00-002.00S, effective January 15, 2020, the Secretary of Energy delegated to the Under Secretary of Energy the authority vested in the Secretary with respect to WAPA. By Redelegation Order No. 00-002.10E, effective February 14, 2020, the Under Secretary of Energy delegated to the Assistant Secretary for Electricity the same authority with respect to WAPA.<sup>3</sup> This rate action is issued under the Redeligation Order and DOE's procedures for public participation in rate adjustments set forth at 10 CFR parts 903 and 904.<sup>4</sup>

## **Availability of Information**

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<sup>3</sup> Delegation Orders No. 00-002-00S and 00-002.10E both clarify that this delegation of authority is “in addition” to the authority to approve and place into effect on an interim basis WAPA’s power and transmission rates.

<sup>4</sup> 50 FR 37,835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

All studies, comments, letters, memoranda, and other documents WAPA initiates or uses to develop the proposed base charge and rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, Western Area Power Administration located at 615 South 43rd Avenue, Phoenix, Arizona 85009. Many of these documents and supporting information are also available on WAPA's website at <https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

## **RATEMAKING PROCEDURE REQUIREMENTS**

### **Environmental Compliance**

WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.<sup>5</sup>

### **Determination Under Executive Order 12866**

WAPA 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.

Dated: March 25, 2020.

Mark A. Gabriel,  
Administrator.

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<sup>5</sup> In compliance with the National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. 4321 *et seq.*, the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508), and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021).

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