beginning April 1, 1995, and remain in effect pending FERC's approval on a final basis for a 5-year period, or until superseded.

Public Notice and Comment

The Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR Part 903, have been followed by Western in developing the method of determining annual powerrelated payments.

The following summarizes the steps Western took to ensure involvement of interested parties in determining annual power-related payments:

1. A **Federal Register** notice was published on July 12, 1994 (59 FR 35513), officially announcing the proposed formula, initiating the public consultation and comment period, and presenting procedures for public participation.

2. On July 15, 1994, a letter was mailed from Western's SLCAO to customers and other interested parties announcing the publication of the **Federal Register** notice of July 12, 1994.

3. The consultation and comment period ended August 11, 1994.

Project History

The PRP is located on the Provo River in central Utah. Deer Creek Reservoir is backed-up behind Deer Creek Dam. Construction of the PRP began in May 1938, with the powerplant completed in 1958. It has a present generating capacity of 5 megawatts. The PRP initially was designed to supply M&I and irrigation water to users in the Salt Lake and Utah valleys. It does this by capturing the flow of the Provo River and also by storing water diverted from the Duschesne and Weber Rivers. UP&L has a powerplant on the Weber which has its production reduced with the diversion of water to the Deer Creek Reservoir. As compensation, the PRP furnishes UP&L energy to replace that which it is estimated it would have generated absent the construction of the PRP. This arrangement was formalized in contract No. Ilr-1082, dated December 20, 1938.

The irrigation water consumers for the PRP are organized into the PRWUA, a corporation of stockholders owning prorated Provo River water entitlements. They executed contract No. Ilr–874 in 1936 with the Federal Government to construct and repay irrigation-related project facilities.

Only Deer Creek energy in excess of that obligated to UP&L has been available for Federal marketing. Since 1963, CRSP has purchased the available PRP energy at rates designed to recover the PRP's power-related OM&R and investment costs. Since 1986, the PRP rate has also included a commitment to supply \$1.623 million toward the PRWUA's repayment obligation for costs allocated to irrigation. The PRP's original power-related investment was repaid in FY 1986.

Power Repayment Studies

PRSs are typically prepared each FY to determine if power revenues will be sufficient to pay, within the prescribed time periods, all costs assigned to be repaid by the power function. Repayment criteria are based on law, policies, and authorizing legislation. DOE Order RA 6120.2, section 12b, requires that:

In addition to the recovery of the above costs (operation and maintenance and interest expenses) on a year-by-year basis, the expected revenues are at least sufficient to recover (1) each dollar of power investment at Federal hydroelectric generating plants within 50 years after they become revenue producing, except as otherwise provided by law; plus, (2) the cost of each replacement of a unit of property of a Federal power system within its expected service life up to a maximum of 50 years; plus, (3) each dollar of assisted irrigation investment within the period established for the irrigation water users to repay their share of construction costs.

The PRP PRSs have been used to determine the annual PRP rate, which includes OM&R, wheeling and interest expenses. The contractors' annual irrigation assistance payments to the PRWUA will not be included in the PRS but will instead be paid under a separate agreement among Reclamation, Western, PRWUA, and the contractors.

Certification of Rate

Western's Administrator has certified that the PRP formula for determining annual, power-related payments placed into effect on an interim basis herein will result in the lowest possible cost to consumers, consistent with sound business principles. The formula has been developed in accordance with administrative policies and applicable laws.

Discussion

Each year, the contractors will pay the PRP's total estimated annual powerrelated costs in return for the total marketable energy produced at the PRP. The energy produced at the PRP has been allocated to the contractors proportional to their PRP entitlement. Western will prepare an annual PRS which will identify the anticipated power-related costs for the next FY. Budgeted minor replacements and additions will be included in the annual expenses. If replacements or additions exceeding \$5,000.00, but no greater than \$25,000.00 are needed, the contractors will be given the option of financing their share of the cost, proportional to their PRP entitlement, in advance, or of having the cost capitalized at DOE's current interest rate (the year in which funds are first expended) and amortized over the estimated, average life of the replacement, or 50 years, whichever is less. Additions will be amortized over 50 years. Each contractor will pay its share of the annual costs identified in the PRS in 12 equal monthly installments.

This method of determining annual power-related revenue requirements will satisfy the cost-recovery criteria set forth in DOE Order RA 6120.2.

Statement of Revenue and Related Expenses

The revenue requirements for the PRP are based upon PRS estimates of future annual costs. Each FY's annual estimated costs will be adjusted when historical financial data becomes available. The following table provides a summary of estimated revenue and cost data through the proposed 5-year approval period.

PROVO RIVER PROJECT TOTAL—5-YEAR PROJECTIONS REVENUES AND COSTS

[\$1,000]

	Total FY 1995–99 projec- tions
Total Revenues	1,341
Costs: O&M Transmission Interest Investment Repayment	959 155 136 91
Total Costs	1,341

Basis for Rate Methodology—Provo River Project

The contractors will be billed each FY, payable in 12 equal monthly payments. The monthly payments will be due and payable regardless of the amount of power the contractors receive from the PRP. During the first year this procedure is in effect, the annual sum due for FY 1995 will be divided by the months remaining in FY 1995. The contractors will be billed in equal monthly installments for the remaining months in FY 1995. Beginning in FY 1996, the proposed 12 equal monthly installments will take effect. Each FY, Western will project PRP expenses by