

# Reclamation Manual

## Directives and Standards

<b>Subject:</b>	Project Use Power
<b>Purpose:</b>	Establishes requirements for Project Use Power, consistent with applicable Bureau of Reclamation laws and other authorities. The benefit of this Directive and Standard (D&S) is to provide a transparent process for Project Use Power across Reclamation.
<b>Authority:</b>	The Reclamation Act of 1902 (Act of June 17, 1902, ch. 1093, 32 Stat. 388), the Town Sites and Power Development Act of 1906 (Act of April 16, 1906, ch. 1361, 34 Stat. 116), Reclamation Project Act of 1939 (Act of August 4, 1939, ch. 418, 53 Stat. 1187), the Flood Control Act of 1944 (Act of December 22, 1944, ch. 665, 58 Stat. 887), the Department of Energy Organization Act of 1977 (Act of August 4, 1977, Pub. L. 95-91, 91 Stat. 565), and acts relating to specific facilities or projects
<b>Approving Official:</b>	Senior Advisor, Hydropower
<b>Contact:</b>	Power Resources Office (PRO) (86-51000)

1. **Introduction.** In general, the above acts allow Reclamation to develop, generate, and use electrical power for the benefit of Reclamation Project lands and other project purposes, as authorized by Congress. This D&S describes such authorized uses as “Project Use Power.” Congressional authorizations for Project Use Power vary across Reclamation Projects; to the extent this D&S can be interpreted to conflict with such congressional authorizations, the congressional authorizations control.
2. **Applicability.** This D&S applies to personnel involved in the development, designation, use, and cost recovery of Project Use Power.
3. **Definitions.**
  - A. **Project Use Power.** The electrical capacity, energy, and associated ancillary service components required to provide the minimum electrical service using the most economical methods (“minimum electric service”) needed to operate and/or maintain Reclamation Project facilities in conformance with project authorization.
  - B. **Reclamation Project.** Those facilities or features of a project constructed by, developed by, or transferred to Reclamation under the authority of Federal Reclamation law or the Water Conservation and Utilization Act (August 11, 1939, Pub. L. 76-398, 53 Stat. 1418), as amended, for which ownership is retained in whole by the United States, unless otherwise authorized by Congress.
  - C. **Reserved Works.** Reclamation-owned facilities for which Reclamation manages and performs operations and maintenance (O&M), either through Reclamation personnel or through a maintenance contract.

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- D. **Transferred Works.** Reclamation-owned facilities for which the responsibility to manage and perform O&M<sup>1</sup> has been transferred by contract or agreement to a non-Federal operating entity.
- E. **Wheeling.** The transportation of electric power (megawatts or megavolt-amperes) by one party over another party's transmission or distribution system.
4. **Responsibilities.**
- A. **Senior Advisor, Hydropower.** The Senior Advisor, Hydropower is responsible for:
- (1) establishing Reclamation-wide D&S to set requirements for Project Use Power usage; and
  - (2) providing guidance to the regions on compliance with the laws, policies, D&S, and other authorities that apply to Project Use Power.
- B. **Regional Directors.** Regional directors are responsible for implementing the requirements set forth in this D&S, including but not limited to:
- (1) approving the uses to which Project Use Power is applied pursuant to Reclamation Manual *Delegations of Authority*, Paragraph 6.O.(1)(b);
  - (2) approving modifications to the Project Use Power rate pursuant to Reclamation Manual *Delegations of Authority*, Paragraph 6.O.(1)(c); and
  - (3) notifying the Senior Advisor, Hydropower upon approving uses to which Project Use Power is applied or approving modifications to the Project Use Power rate.
5. **Project Use Power Usage.** Electric power generated at Reclamation Project power facilities will first be used to meet Reclamation Project electric service and load requirements pursuant to congressional authorization. Unless otherwise authorized by Congress, Project Use Power may be used for projects wholly owned by Reclamation, regardless of whether the project is a reserved or transferred work. In general, Reclamation reserves only the amount of power necessary to meet minimum electrical service requirements. Approved Project Use Power usage includes:
- A. **Reclamation Facilities.** Uses of Project Use Power generated at Reclamation Project power facilities include meeting minimum electrical service requirements at Reclamation dams, power facilities, pumping plants, switchyards, substations, government quarters and offices, and specifically designated loads directly associated with Reclamation Project facilities.

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<sup>1</sup> Note that the term O&M is often used interchangeably with the term operations, maintenance, and replacement (OM&R). This D&S uses the term O&M, but either term (O&M or OM&R) may appear in transfer contracts or agreements. For the purposes of this D&S, the terms "O&M" and "OM&R" refer to the same activities.

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### B. Irrigation.

- (1) Unless specifically authorized by Congress, the amount of power required to meet minimum electric service requirements for irrigation delivery will not be more than the amount required to sufficiently lift the water enough to provide irrigation delivery by gravity or specified by the authorized, project design.
- (2) The principal uses of Project Use Power for irrigation are for main conveyance pumping, designated drainage pumping, and other authorized loads directly associated with Reclamation Project operations (e.g., re-lift pumps and O&M of pumping plants). Unless specifically authorized by Congress, Project Use Power is not available to:
  - (a) pump non-project water;
  - (b) pump project water outside the authorized service area; or
  - (c) serve on-farm uses such as pressurizing sprinkler systems or pumping from wells.
- (3) Unless congressionally authorized otherwise, the use of Project Use Power is restricted to facilities and equipment wholly owned by Reclamation. If it is in Reclamation's best interest to deviate from this requirement, a deviation may be requested in accordance with Reclamation Manual D&S, *Request for Deviation from a Reclamation Manual Requirement and Approval or Disapproval of the Request* (RCD 03-03). See Appendix A for a list of criteria to apply when considering a deviation.

C. **Municipal and Industrial (M&I).** Project Use Power may be used to meet minimum electric service requirements for M&I water delivery when such delivery is congressionally authorized and directed.

6. **Energy Obligations Resulting from Exchanges.** The Reclamation Project Act of 1939, Section 14, grants authority to the Secretary of the Interior to enter into contracts for the exchange or replacement of water, water rights, or electric energy, as in his or her judgment are necessary for the purposes of orderly and economical construction or O&M of any Reclamation Project and in the interests of the United States and the project. Per Section 14, Reclamation may utilize Project Use Power to fulfill obligations resulting from these exchanges.
7. **Cost Recovery/Rate Setting Methodology for Project Use Power.** The Assistant Secretary – Water and Science establishes the cost recovery and rate setting methodology associated with Project Use Power (255 DM 1.2.I). Such cost recovery can be accomplished through various mechanisms including inclusion in project water rates or a Project Use Power rate. Cost recovery may merit special consideration as follows:

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- A. **Reclamation Facilities.** Costs associated with power used at Reclamation Facilities as stated in Paragraph 5.A. of this D&S will be recovered through the approved methodology except for the following:
- (1) **Reclamation Facilities Directly Connected to the Federal Transmission System.** Power consumed at Reclamation facilities directly connected to the Federal transmission system (e.g., station service) is considered a cost to the power system.
  - (2) **Government Quarters Use.** Departmental policy requires that rates for electric service provided to occupants of government furnished quarters be comparable to the prevailing rates in the community or locality (refer to the Departmental Quarters Handbook (400 DM 3)). Rates for electric power from Reclamation power facilities provided to Reclamation employees, or others, occupying government-owned quarters will be established by Reclamation and will be comparable to the prevailing rates for similar service in the private market (note that this Departmental policy includes any government-supplied utility).
- B. **Irrigation Pumping.** Cost recovery/rate setting for irrigation pumping must be consistent with the repayment requirements for that authorized purpose. The basis for irrigation pumping cost recovery/rate setting methodology varies across authorized projects. However, the Assistant Secretary – Water and Science has established a uniform cost recovery/rate methodology to be, in general, no more than the preference rates the Federal power marketing administrations charge preference customers for that project (255 DM 1.2.I). Unless applicable law provides otherwise, the cost recovery/rate will cover the average cost per kilowatt-hour of O&M expenses of the power system and applicable capital repayment obligations.
- C. **M&I Pumping and Other M&I Uses.** Unless otherwise authorized, cost recovery/rate setting for M&I pumping and other M&I uses will be consistent with the preference rate.
- D. **Transmission Costs.** See transmission cost requirements in Paragraph 8.A. and 8.B. of this D&S.
- E. **Distribution Lines and Pumping Plant Electrical Facilities Constructed for Irrigation.**
- (1) Reclamation considers distribution lines and pumping plant electrical facilities, constructed solely for the purpose of supplying Reclamation Project irrigation pumping plants, as part of the irrigation plant, and as such, in the noninterest-bearing investment category.<sup>2</sup> Such distribution lines and pumping plant electrical

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<sup>2</sup> Per Reclamation Manual D&S, *Extended Repayment of Extraordinary Maintenance Costs* (PEC 05-03), *interest is applicable* to extraordinary maintenance activities conducted at Reclamation facilities including distribution lines and

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facilities are, in general, restricted to low voltage distribution lines and line take-offs at the power system substations; intermediate-voltage lines exclusively used for feeding one or several pumping plants; and pumping substations fed from these lines. Distribution lines and pumping plant electrical facilities may also include special facilities provided solely for irrigation pumping needs, such as full-voltage tap lines from the power trunk lines and transformer step-down substations from the trunk transmission system to intermediate voltage lines when these facilities are constructed solely for the Reclamation Project for the purpose of supplying project irrigation pumping plants and are not an extension of the transmission system.

- (2) O&M of such facilities considered a part of the irrigation plant is the responsibility of and is at the expense of irrigators. When irrigators take over the O&M of irrigation facilities, these electrical facilities will be considered a part of such irrigation facilities. Transmission system substations, however, permanently remain a part of the Federal power system even though such substations feed only the pumping distribution lines and all substation costs remain the responsibility of the irrigators.

8. **Transmission.** The Federal power marketing administrations are responsible for providing transmission service to project use loads.<sup>3</sup> Project Use Power is delivered directly to project use load either through the Federal transmission system or wheeled over non-Federal systems.<sup>4</sup> The following relates to which system is available:

- A. **Transmission on Non-Federal Systems.** Subject to some exceptions, when wheeling occurs over a non-Federal system, the Federal power marketing administration will generally negotiate and contract for the transmission service. If service to the point of utilization is being supplied under an existing wheeling agreement, the charge for use of the carrier's transmission and distribution lines will be part of the Project Use Power cost recovery/rate for service.
- B. **Transmission on Federal Systems.** The Federal power marketing administrations are responsible for providing transmission service to project loads. Reclamation will include the cost of such service as a component of the Project Use Power cost recovery/rate unless applicable law provides otherwise.

pumping plant electrical facilities financed in accordance with the Omnibus Public Land Management Act of 2009, Title IX, Subtitle G (Pub. L. 111-11).

<sup>3</sup> Per master agreements between Reclamation and the Department of Energy Power Marketing Administrations, e.g., Reclamation Contract No. 0-AG-30-P1037, Agreement between Water and Power Resources Service (Reclamation) and Western Area Power Administration Department of Energy, executed March 26, 1980.

<sup>4</sup> In accordance with Section 5 of the Flood Control Act of 1944, Section 9(c) of the Reclamation Project Act of 1939, and Section 6 of the Bonneville Project Act, collectively the cost of such transmission service should be at the lowest cost possible consistent with sound business principles.

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### C. Point of Demarcation.

- (1) The point of demarcation is that point on the power system which separates managerial and financial responsibility for O&M. This point of demarcation may also be the same point that separates the facilities for purposes of project allocation of costs and noninterest-bearing investment determinations. Unless applicable law or contractual language provides otherwise, the point will be at the connection to the lower power bushing of the step-down transformer for the project use load, as defined in existing agreements with the Federal power marketing administrations.
- (2) The point of demarcation helps determine the responsibilities of the Federal power marketing administrations, Reclamation, and the operators of the non-Federal system in relation to delivering Project Use Power to load.

## RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: \_\_\_\_\_

Release No. \_\_\_\_\_

Ensure all employees needing this information are provided a copy of this release.

### Reclamation Manual Release Number and Subject

### Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

### Filing instructions

Remove Sheets

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All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: \_\_\_\_\_

Date: \_\_\_\_\_