

Reclamation Manual

Directives and Standards

Department of Energy
Washington, D.C. 20585

September 1, 1983

Honorable William R. Gianelli
Assistant Secretary of the
Army for Civil Works
U.S. Department of the Army
Pentagon Building
Washington, DC 20310

Honorable Robert N. Broadbent
Commissioner of Reclamation
U.S. Department of the Interior
Washington, DC 20240

Dear Mr. Gianelli and
Mr. Broadbent:

This letter will confirm an agreement which was reached among us on Tuesday morning, November 16, 1982, at a meeting in Mr. Broadbent's office concerning interest to be charged in repaying the power features of Federal multiple-purpose water projects. Present at the meeting were Mr. Broadbent, and several representatives of the Bureau of Reclamation; Mr. Donald A. Sandison and Mr. G. Edward Dickey, representing Mr. Gianelli, along with Mr. Curtis L. Clark of the Corps of Engineers; and Daniel M. Ogden, Jr., Director of the Office of Power Marketing Coordination, accompanied by several representatives of the power marketing program at the Department of Energy (DOE).

The participants discussed two subjects. The first was the repayment interest rate policy established by Secretarial Order No. 2929 issued by the Secretary of the Interior on January 29, 1970, as supplemented by guidelines issued June 30, 1970. This policy subsequently was embodied in the Department of the Interior Manual as 730 DM 3 and in the DOE Order RA 6120.2. This policy is referred to herein as the 2929 policy. The second subject was compounding interest during construction.

We have agreed to the following:

1. The 2929 policy was established to provide a standard repayment interest rate formula for new Federal power projects and system transmission facilities when the administrative discretion to establish such rates is vested in the Executive Branch. The 2929 policy will continue to be used to fill that need, but the Assistant Secretary for Conservation and Renewable Energy of the Department of Energy has proposed a revision to eliminate the one-half percent cap on the annual change in the applicable rate of interest and to provide that the applicable rate shall be the rate in the year in which construction is initiated, rather

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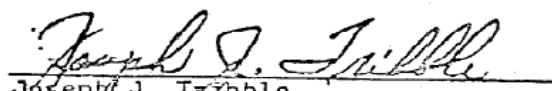
~~than the year in which funds to initiate construction are appropriated.~~
These proposed changes are now before the public for comment and, unless public comment gives convincing reason to do otherwise, will become ~~effective October 1, 1983.~~ They will then be embodied in the policy and procedures of each agency party to this letter.

2. The books, records, and studies of the Bureau, the Corps, and the five power marketing administrations (PMAs) should be reconciled so that all future entries will show a consistent repayment rate of interest for each particular new increment of investment, including replacements, additions, and new construction. The interest rates assigned to existing increments of investment between January 29, 1970, and September 30, 1983, should be analyzed to insure compliance with the 2929 policy or that deviations from the policy are adequately justified.

3. The Bureau and the Corps will work with the respective power administrations, using the criteria established by the Task Force in paragraph 4, to reconcile their books, records, and studies to comply with items 1 and 2.

4. A task force will be established composed of representatives of the Bureau, the Corps, and the DOE/PMAs to direct the execution of items 1, 2, and 3 and to resolve any difficulties that may arise. Insofar as is practicable, each party to this agreement will supply representatives well versed in the details of project accounting, repayment, revenue allocation, and financial statement presentation. The task force may make recommendations to the Assistant Secretaries of the Interior, Army, and Energy to revise the 2929 policy, if necessary.

5. ~~The Bureau, Corps, and the PMAs will assess interest during construction and will compound that interest annually for projects or facilities which require more than one year to complete. Where interest is not now being compounded, the responsible agency will begin compounding interest effective October 1, 1983.~~ Such accumulated interest will be added to the total capital repayment requirement when each new project or facility is placed in service. The constructing agency shall be solely responsible for making these calculations.

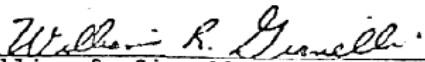

Joseph J. Tribble
Assistant Secretary
Conservation and Renewable Energy
Department of Energy

Date 6/30/83

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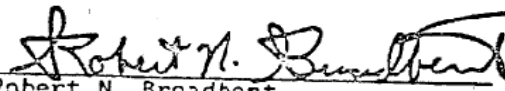
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I Concur:


William R. Gianelli
Assistant Secretary of the Army
(Civil Works)
Department of the Army

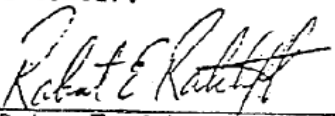
Date 23 AUG 1983

I Concur:


Robert N. Broadbent
Commissioner of Reclamation
Department of the Interior

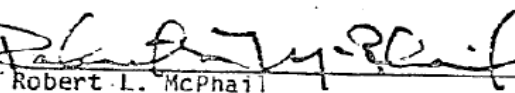
Date 9/1/83

I Concur:


EOR Peter T. Johnson
Administrator
Bonneville Power Administration
Department of Energy

Date AUG 3 - 1983

I Concur:


Robert L. McPhail
Administrator
Western Area Power Administration
Department of Energy

Date JUL 15 1983

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United States Department of the Interior

BUREAU OF RECLAMATION
WASHINGTON, D.C. 20240

IN REPLY
REFER TO: 460/740

NOV 15 1983

NOV 17 1983

Memorandum

To: Regional Director, PN, MP, LC, UC, SW, UM, LM
Attention: 600/700
Chief, Division of Water and Land Technical Services, E&R Center
Chief, Division of Planning Technical Services, E&R Center

From: Commissioner (Sgd) R. N. Broadbent

Subject: Standard Interest Rate Formula for Power Projects

Attached for your information is a copy of a September 1, 1983, letter of agreement signed by Mr. Joseph J. Tribble, Assistant Secretary, Department of Energy (DOE), with concurrences from the Commissioner, Administrators of the Bonneville and Western Area Power Administrations, and Mr. William R. Gianelli, Assistant Secretary of the Army for Civil Works. The letter of agreement stems from a meeting held November 16, 1982, where agreement was reached to revise the old Secretarial Order No. 2929 interest rate formula and create a task force to assure that the appropriate interest rates are being used.

As you know Secretarial Order No. 2929, that was later embodied in the Interior manual as 730 EM 3 and subsequently adopted by the DOE in RA 6120.2, was established to provide a standard rate when the authorizing legislation did not dictate the rate. The interest rate for repayment is normally covered in the law and with movement away from repayment toward front-end financing, the need for the Secretarial Order No. 2929 rate is somewhat diminished. Nevertheless, projects where authorizing legislation does not provide an interest rate or formula for repayment and computing interest during construction will be affected by this policy change.

Mr. Robert A. Olson, Assistant Commissioner, Planning and Operations, and Mr. Dick L. Porter, Chief, Economics Branch, will serve as Reclamation's representatives on the task force (see attached copy of our October 14, 1983, letter to DOE). The first meeting of the task force is scheduled for November 9, 1983.

Please provide this office, attention code 400 and 700, with comments on any difficulties that may arise as a result of this policy.

Attachments

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