Appendix 901

POWER CONTRACTS:
GENERAL REGULATIONS, MAY 20, 1941

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

THE SECRETARY OF THE INTERIOR,
Washington, May 20, 1941.

Mr. R. V. L. WRIGHT,
Washington, D. C.

MY DEAR MR. WRIGHT: Following your recommendation of May 20 I have approved and promulgated the attached "General Regulations for Generation and Sale of Power in accordance with Boulder Canyon Project Adjustment Act."

Please transmit copies of the regulations to the interested parties and proceed with the drafting of amendatory energy contracts in accordance with these regulations.

Sincerely yours,

(Signed) HAROLD L. ICKES,
Secretary of the Interior.

BOULDER CANYON PROJECT

GENERAL REGULATIONS FOR GENERATION AND SALE OF POWER IN ACCORDANCE WITH THE BOULDER CANYON PROJECT ADJUSTMENT ACT

PREAMBLE

Under the Act of July 19, 1940 (54 Stat. 774), designated as "Boulder Canyon Project Adjustment Act", the Secretary of the Interior is authorized and directed to promulgate charges, or the basis of computation thereof, for electrical energy generated at Boulder Dam during the period beginning June 1, 1937, and ending May 31, 1987, and is also authorized from time to time to promulgate such regulations as he may find necessary or appropriate for carrying out the purposes of the Act.

In pursuance of such authority the Secretary of the Interior approved and promulgated these regulations on May 20, 1941.

1. DEFINITIONS

The following terms wherever used herein shall have the following respective meanings:

"*Adjustment Act*" shall mean the Boulder Canyon Project Adjustment Act approved July 19, 1940 (54 Stat. 774).

"*Project Act*," "*Project*," "*Secretary*," "*Firm energy*," "*Allottees*," "*Replacements*," and "*Year of Operation*" shall have the respective meanings defined in Section 12 of the Adjustment Act.

"*Dam and appurtenant works*" shall mean the project as so defined, exclusive of the generating machinery and equipment.

"*Power-plant building*" shall mean the power-plant building consisting of the Nevada wing, the central portion, and the Arizona wing.

"*Generating machinery and equipment*" shall mean the machinery and equipment operated by the United States through the Agents for or in connection with the development of energy and in addition such common facilities in the power-plant building as are operated directly by the United States.

"*Main contract*" shall mean a contract between the United States and any allottee for electrical energy taken in accordance with the allocation of such allottee.

"*Common facilities*" shall mean those portions of generating machinery and equipment, including station service generating facilities, provided for the joint use of the operating agents and/or the operating agents and the United States.

"*Operating agents*" shall mean the agents of the United States operating any part of the generating machinery and equipment under a contract executed under the provisions of Section 9 of the Adjustment Act.

"*Interest*" shall mean interest computed at the rate of three percent (3%) per annum compounded annually.

"*Maximum demand*" when used with reference to the kilowatt or horsepower demand of any contractor shall mean the average kilowatt or horsepower demand during that 30-minute interval for which the average demand is greatest during the calendar month, measured at or corrected to transmission voltage at Boulder Power Plant.

2. OPERATION AND MAINTENANCE OF PROJECT

The dam and appurtenant works will be operated and maintained directly by the United States. The generating machinery and equipment will be operated and maintained by the United States directly or through The City of Los Angeles and its Department of Water and Power (the term "City" as used in these Regulations being deemed to be both The City of Los Angeles and its Department of Water and Power) and Southern California Edison Company, Ltd. (hereinafter called the Company), as operating agents, in accordance with the provisions of an agency contract between the United States and such operating agents, entered into pursuant to the Adjustment Act. Additional generating machinery and equipment will be installed as provided in such agency contract.

3. FIRM AND SECONDARY ENERGY DEFINED

The amount of firm energy for the first year of operation (June 1, 1937, to May 31, 1938, inclusive) is defined as four billion three hundred thirty million (4,330,000,000) kilowatt-hours delivered at transmission voltage. For every subsequent year the amount defined as firm energy will be decreased by eight million seven hundred sixty thousand (8,760,000) kilowatt-hours from that of the previous year.

The term "secondary energy" wherever used herein means all electrical energy available in any year of operation in excess of the amount of firm energy as hereinabove defined. For the purpose of computation of energy rates, it is assumed that 40,000,000,000 kilowatt-hours of secondary energy will be available in the 50-year period ending May 31, 1987.

4. ALLOCATION OF ENERGY

(*a*) *Firm Energy*

Firm energy shall be allocated as follows:

Allottee	Percentage	Use by allottee restricted to following
State of Nevada	17.6259	In Nevada only.
State of Arizona	17.6259	In Arizona only.
Metropolitan Water District of Southern California (hereinafter called the District).	35.2517	Pumping Colorado River water into and in its aqueduct.
City of Burbank	.5773	
City of Glendale	1.8475	
City of Pasadena (the three last above-named cities are hereinafter called the "municipalities").	1.5847	
City of Los Angeles	17.5554	
Southern California Edison Company, Ltd	7.0503	
The Nevada-California Electric Corporation	.8813	
	100.0000	

The United States reserves such electrical energy as may be desired by it at a maximum demand not to exceed 20,000 kilowatts. Beginning on June 1, 1941, the energy actually taken by the United States under this reservation shall be deducted equally out of the respective allocations of the City and the Company. Such energy shall be delivered to the United States at the Power Plant, and shall be measured at the point of delivery by meters furnished and installed by the United States. Credits to the City and Company for such energy will be given on monthly bills. The United States will use such energy only for its own use or for resale in construction or operating camps maintained by the United States, or for any purpose in the area bounded by the east line of Range 66 East, the south line of Township 20 South, the east line of Range 62 East, the south line of Township 23 South, M. D. M., Nevada; and the south line of Township 29 North and the east line of Range 21 West, G. & S. R. M. Arizona. The energy used by the United States for the construction and operation and maintenance of the dam and appurtenant works, exclusive of Boulder City, will not be included in the foregoing energy but shall be furnished from the station service system without charge and shall be classed as station losses and not considered in the amounts of firm or secondary energy in the promulgating of rates and charges.

(*b*) *Procedure respecting States' allocations*

Should either of the States not take its full allocation prior to April 26, 1950, the other may then contract and give notice of withdrawal of the energy not so taken up to 3.9169 per centum of the total firm energy, provided that the combined amount used by the two States shall not, at any time, exceed 35.2518 per centum of such total firm energy.

The District shall have the right to use for pumping Colorado River water into and in its aqueduct, so much of the firm energy allocated to the States, the City, the Company, and The Nevada-California Electric Corporation as may not be in use by them. So much of the energy allocated to the States not contracted for by them and not in use by them or the District, shall be taken and paid for, fifty-five percent (55%) by the City, forty percent (40%) by the Company, and five percent (5%) by The Nevada-California Electric Corporation. Such energy shall be released to the District by the City, Company, and The Nevada-California Electric Corporation, respectively, in the ratio of the above stated percentages (unless they agree upon different ratios), subject to the following provisions:

(i) If the District shall make a firm contract with the United States for the then remaining balance of the period ending May 31, 1987, for part or all of such unused States' energy (subject to the first right of the States thereto) such contract shall be made effective upon two years' written notice to the Secretary, and compensation to the allottees affected for main transmission-line property rendered idle;

(ii) If the District does not so make a firm contract for such energy, then energy allocated to the States but not in use by them, shall be released to the District upon not less than fifteen (15) months' written notice to the Secretary and at such compensation as the District and the allottees affected may agree upon, to cover cost and overhead of replacing energy which otherwise would have been received at the Pacific Coast end of the main transmission lines by the allottees affected. Such cost shall include interest (at the rate of cost of money to the allottee affected) on investment in, and depreciation and operation and maintenance of, the plant capacity while required for the generation of such substitute energy; and also appropriate allowance for similar interest on and maintenance and depreciation of plant capacity rendered idle because of cessation of generation of such substitute energy until such time as such plant capacity would otherwise have been installed by the allottees affected for their own requirements. If the District and the allottees affected fail to agree on the amount of such compensation, such energy shall nevertheless be released to the District, and the disagreement shall be determined by arbitration. Pending such determination, energy so released shall be paid for by the District at the rate for firm energy but the determination of compensation by arbitration shall not be controlled by such rate.

(iii) If, due to temporary deficiency in secondary energy regularly used by the District, substitute energy is requested by the District in excess of the energy made available under the foregoing subparagraph (ii) the City, the Company, and/or The Nevada-California Electric Corporation may release so much energy as may be practicable on the same terms as provided in such subparagraph.

(iv) In the event the District shall fail for any reason to use all or any of the firm energy herein allotted to it, then the Secretary shall dispose of such unused energy until required by the District, crediting on the District's obligation the proceeds of such disposition as received; provided, however, that no disposition of such firm energy shall be made by the Secretary without first giving to the City, the Company and The Nevada-California Electric Corporation the opportunity to contract on equal terms and conditions, to be prescribed by the Secretary, for such energy, in the same proportion, and subject to the same rights with respect to proportions thereof not taken by others, as in the case of secondary energy. The rights of the City, the Company and The Nevada-California Electric Corporation so to contract shall be deemed to have been waived unless, within 30 days after offer by the Secretary of such opportunity, such offer is accepted.

Except as hereinabove provided in this article, each of the States of Arizona and Nevada may at any time prior to May 31, 1987, enter into a contract or contracts with the United States which shall entitle it to all or any part of the energy allocated to it for use within such State. Such contract or contracts shall continue in force until May 31, 1987, but shall obligate the United States to deliver energy, and the State to take and/or pay for the same, only in accordance with notices of withdrawal of energy and notices of relinquishment of energy given as hereinafter provided. The quantities of electrical energy specified in contracts entered into by the State of Nevada prior to the promulgation of these Regulations shall be deemed to have been taken pursuant to notices of withdrawal duly given, the effective dates of which were the dates of such contracts respectively.

After execution of any such contract, if the State shall desire to take energy thereunder, it may, at any time or times prior to May 31, 1987, file with the Secretary and the allottees involved notices of withdrawal of energy in form to be prescribed by the Secretary, each of which notices shall state (1) the quantity of energy to be taken annually thereunder, in kilowatt hours, (2) the maximum demand in horsepower to be required, and (3) an effective date, not earlier than the expiration of a period conforming to the following schedule, to run from the date when such notice from the State has been received by both the Secretary and all the allottees involved:

Schedule of notices of withdrawal of energy

A notice which together with all prior notices given by the same State within 12 consecutive months		Period of Notice
Exceeds in maximum demand	And does not exceed in maximum demand	
0 horsepower	5,000 horsepower	6 months.
5,000 horsepower	12,500 horsepower	12 months.
12,500 horsepower	20,000 horsepower	18 months.
20,000 horsepower	40,000 horsepower	24 months.
40,000 horsepower		36 months.

Provided, that any such notice may, within thirty days after receipt thereof by the Secretary and at the option of the United States, be declared to be of no force or effect if at the time it is given the State is in default under its contract or contracts for energy. If after giving a notice of withdrawal of energy, the State shall desire delivery of such energy or any part thereof under said notice in advance of, or later than, the expiration of the period of notice hereinabove required, the required period may be adjusted, with the written consent of the allottees affected, filed with the Director. All energy taken by the State shall first be released by the City, the Company, and The Nevada-California Electric Corporation severally in the proportion of their respective obligations with reference thereto. In the event that energy required by the State shall be in quantity exceeding that which the above allottees are obligated so to release, such excess, to the extent that energy allocated to the State may be in use by the District, shall be released by the District. Energy may be released temporarily or permanently in different proportions pursuant to agreement between the State and the allottees involved, which energy upon relinquishment shall revert to the allottees in the proportion in which it was released.

Except as hereinafter otherwise provided, the obligation of the State to take and/or pay for energy, may be terminated in whole or in part upon the effective date of a "notice of relinquishment," given as hereinafter provided, and the obligation of the various allottees to take and/or pay for the same, shall in such case be reinstated as of such effective date. Each notice of relinquishment shall be filed with the Secretary and the allottees involved in form to be prescribed by the Secretary, in accordance with the following schedule, and shall state (1) the notice or notices of withdrawal whereunder the State became obligated with respect to the energy it proposes to relinquish, and shall be given only after the effective date or dates of the notice or notices of withdrawal to which it relates; (2) the quantity of energy annually in kilowatt-hours relinquished; (3) the maximum demand in horsepower relinquished, and (4) an effective date, not earlier than the expiration of a period conforming to such schedule to run from the date when such notice from the State has been received by both the Secretary and all the allottees involved:

Schedule of notices of relinquishment

A notice of *relinquishment* which together with all prior notices of *relinquishment* given by the same State within 12 consecutive months		Period of notice
Exceeds in maximum demand	And does not exceed in maximum demand	
0 horsepower	5,000 horsepower	6 months.
5,000 horsepower	12,500 horsepower	12 months.
12,500 horsepower	20,000 horsepower	18 months.
20,000 horsepower	40,000 horsepower	24 months.
40,000 horsepower		36 months.

After a State gives a notice of relinquishment of energy, the effective date thereof may be advanced or delayed at the request of the State, with the written consent of the allottees involved.

Relinquishment of energy shall be without prejudice to the right, from time to time, again to withdraw energy and again to relinquish the same in the manner hereinabove provided.

Whenever the amount of electrical energy in use by the said States is in excess of five thousand (5,000) horsepower of maximum demand, the allottees affected shall be compensated for property rendered idle by the use of such excess. If the States and the allottees affected fail to agree on such compensation, the disagreement shall be determined by arbitration.

(c) *Secondary Energy*

The District shall have the first right to the use of any or all secondary energy for pumping Colorado River water into and in its aqueduct.

The right to use any secondary energy which is unused by the District shall be as follows:

Allottee	*Percentage*
City of Los Angeles	55.00
Southern California Edison Company Ltd	40.00
Nevada-California Electric Corp	5.00

Any secondary energy not used by any of the above shall be available, for the time being, to any others of the above in the ratio of their above respective percentages. If any secondary energy is available after the requirements of the above allottees are satisfied, the United States reserves the right for the time being to take, use, or dispose of such energy as it sees fit.

5. COMPONENTS OF CHARGES

The charges for electrical energy generated at the Boulder power plant shall consist of two components; (a) the energy charge, and (b) the generating charge.

6. BASIS OF ENERGY RATES

The energy rates, subject to the other articles of these Regulations, shall be such as will yield for the 50-year period ending May 31, 1987, revenues which, together with revenues from the sale of stored water, will be sufficient, but not more than sufficient, to provide the following amounts annually during said 50-year period:

(a) The cost of operation and maintenance of the project, less miscellaneous revenues, excluding the operation and maintenance costs of those parts of the project operated by the Agents.

(b) The annuity required, taking into account interest thereon, for the purpose of meeting the cost of replacements of parts of the dam and appurtenant works requiring replacement during said 50-year period. For the purpose of determining the costs to be charged against the amount accruing from the above annuity the replacement of any item or part, the cost of which is $5,000 or more at the time of replacement, shall be charged against such amount but if such cost is less than $5,000 it shall be charged to maintenance.

(c) The sum of $300,000 annually to each of the States of Arizona and Nevada.

(d) The sum of $500,000 annually to the Colorado River Development Fund.

(e) The annuity required to repay to the Treasury of the United States, with interest, the advances, less revenues accruing during the construction period from the sale of electrical energy under interim contracts, made to the Colorado River Dam

Fund prior to June 1, 1937, within 50 years from that date (excluding $25,000,000 for flood control and the costs of generating machinery and equipment), and the annuities required to repay to the Treasury of the United States, with interest, any additional advances made after June 1, 1937 (excluding the costs of generating machinery and equipment plus interest), on the basis of repayment with interest of such advances in a 50-year period beginning June 1 immediately following the year of operation in which the advances were made. The amounts to be amortized by the rates will be taken as the amounts shown by the books of account of the Bureau of Reclamation, after reconciliation with accounts of the Treasury of the United States.

7. UNIFORMITY OF ENERGY RATES

Rates for firm energy, as originally determined and as subsequently revised, shall be uniform for all allottees of firm energy. Rates for secondary energy, as originally determined and as subsequently revised, shall be uniform for all users of secondary energy.

8. RELATIONSHIP BETWEEN RATES FOR FIRM AND SECONDARY ENERGY

The secondary energy rate, for any period, shall be a rate per kilowatt-hour which is the average of (1) a rate which bears the same ratio to the firm energy rate, for the same period, as 0.3 bears to 1.1, and (2) a rate which is 0.8 mill less than the rate for firm energy: *Provided, however*, That as to both firm and secondary energy the rates shall be computed to the nearest thousandth of a mill, and the rate for secondary energy shall not be less than 0.2 mill per kilowatt-hour. (Expressed by formula: Secondary energy rate=Firm energy rate times 0.6363636 . . . , minus 0.4; but not less than 0.2 mill per kilowatt-hour.

9. FIRM ENERGY RATE

Subject to revision and adjustment at the times, to the extent and in the manner hereinafter set out, the rate per kilowatt hour for firm energy for the period from June 1, 1937, to May 31, 1987, shall be 1.163 mills.

10. SECONDARY ENERGY RATE

Subject to revision and adjustment at the times, to the extent and in the manner hereinafter set out, the rate per kilowatt-hour for secondary energy for the period from June 1, 1937, to May 31, 1987, shall be 0.340 mill. Energy taken by any allottee, which is entitled to secondary energy, in excess of its obligation for firm energy shall be at the secondary rate. Energy taken by any allottee, which is not entitled to secondary energy, in excess of its obligation for firm energy but within its allocation thereof shall be at the secondary rate.

11. CREDITS TO ALLOTTEES NOT TAKING THEIR FULL FIRM ENERGY OBLIGATIONS

Any allottee not taking its full minimum annual obligation of firm energy in any year of operation will receive as credit toward such obligation, out of any revenues received from energy taken in the same year of operation by other allottees in excess of their firm energy allocations, an amount not to exceed the product of the number of kilowatt-hours of firm energy not taken and, in the case of the District, not resold for the District's account, times the current secondary energy rate. The credit to any such allottee shall be in the proportion that the kilowatt-hours of firm energy not taken by it and, in the case of the District, not resold for the District's account, bears to the total kilowatt-hours of firm energy not taken by all the allottees entitled to credit hereunder and not resold for the District's account.

12. CREDITS TO ADJUST PAYMENTS OCCASIONED BY ENERGY RATE REDUCTION

Adjustments will be made, by credits, and not by cash refunds, with any contractor who shall enter into a contract under the provisions of the Adjustment Act and these regulations, for payments made for energy billed for the period prior to the effective date of such contract, as amount to overpayments on the basis of energy rates herein promulgated and the number of kilowatt-hours previously billed. The credits will be applied as evenly as practicable on energy bills over the period commencing June 1, 1941, and ending May 31, 1950, or over the remaining period of the contract involved, whichever period is the shorter. Such overpayments shall not bear interest. The total amount of such credits given to all contractors in any year of operation shall not exceed the revenues which otherwise would have accrued in such year in excess of the amounts necessary to meet the current and accrued payments and transfers specified in Article 6 (a), (b), (c), and (d) hereof.

13. PAYMENTS TO STATES AND TRANSFERS TO COLORADO RIVER DEVELOPMENT FUND

Payments to the States of Arizona and Nevada and transfers to the Colorado River Development Fund for amounts due under the Adjustment Act for the period from June 1, 1937, to the effective date of the Adjustment Act will be made from revenues received after said effective date after providing for the operation and maintenance costs, and the annuity for replacements for current year of operation. The balance of such revenues remaining will be paid to each of the States of Arizona and Nevada in the ratio that $300,000 bears to $1,100,000 and transfers to said Fund will be made in the ratio that $500,000 bears to $1,100,000 until the balance due for said period from June 1, 1937, to the effective date of the Adjustment Act is extinguished without interest.

14. ADJUSTMENT OF ENERGY RATES

Energy rates, both firm and secondary, will be adjusted either upward or downward by the Secretary at the intervals and for the purposes stated below:

(a) As of June 1, 1947 and thereafter at intervals of five (5) years, to reflect, subject to the limitations hereinafter contained, over the remaining portion of the 50-year period ending May 31, 1987, proper correction for the amounts by which revenues actually accrued and the revenues then estimated by the Secretary to accrue, over the said remaining portion of the said 50-year period, from the sale of energy and stored water, have varied from the estimates used for the last preceding determination or revision of energy rates. Such variations as may be occasioned by default in the performance of a contract to purchase firm energy shall not result in an increase in energy rates charged other contractors. Prior to any such revision the Secretary will give all allottees an opportunity to be heard.

In the event of a deficiency in the amount of defined firm energy due to shortage of water available for the generation of firm energy, reduction in the amount to be amortized within the period ending May 31, 1987, will be made, as of June 1, 1947, or as of any subsequent adjustment date under this Article 14 (a), in the manner and to the extent provided in this article 14 (a) if such deficiency exceeds:

(i) Thirty percent (30%) in any one year prior to June 1, 1947; or in the case of any such subsequent adjustment date, thirty percent (30%) in any one year since the date of the last preceding adjustment date; or

(ii) Twenty-five percent (25%) in the entire period prior to June 1, 1947; or in the case of any such subsequent adjustment date, twenty-five percent (25%) in the five-year period preceding such adjustment date; or

(iii) In the aggregate cumulated from June 1, 1937, three percent (3%) of the total defined firm energy for the 50-year period ending May 31, 1987; that is, three percent (3%) of 205,769,000,000 kw-hr., or 6,173,070,000 kw-hr.

As of June 1, 1947, or as of any such subsequent adjustment date, the Secretary shall determine in kilowatt-hours the total of any

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excesses of deficiencies of single years under (i) and of any excess of deficiency of the entire interval under (ii). Whichever quantity of kilowatt-hours of excess deficiency is the larger shall be multiplied by the rate for firm energy, in effect for the period during which the deficiency occurred. The product of such multiplication shall be subtracted from the total amount remaining, as of the date of the adjustment, to be amortized within the period ending May 31, 1987.

If as of any such date of adjustment there is an excess of deficiency under (iii), as determined by the Secretary, then the kilowatt-hours of such excess deficiency, to the extent they in turn exceed any excesses of kilowatt-hours theretofore determined under (i), (ii) or (iii) with regard to which there has already been a reduction in the amount to be amortized within the period ending May 31, 1987, in a like manner will be multiplied by the firm energy rate effective when the excess deficiencies occurred and the product shall be subtracted from the total amount remaining, as of the date of the adjustment, to be amortized within the period ending May 31, 1987.

Estimated future revenues from the sale of secondary energy for the period ending May 31, 1987, will be determined by first subtracting from 40,000,000,000 kilowatt-hours the kilowatt-hours of energy which had been used at secondary rates up to the date of the adjustment, excluding energy the revenues from which had been credited to the allottees as offsetting credits for unused firm energy obligations. The answer obtained will be divided by the number of years remaining in the period. The amount thus secured will be taken as the secondary energy considered as revenue producing in each remaining year of the period unless such amount exceeds the transmission line capacity available for transmission of secondary energy. In the latter event the secondary energy considered as revenue producing will be taken as that part of such amount for which transmission line capacity is available.

In the event that, at the time of any rate adjustment hereunder, the entire said amount of secondary energy (40,000,000,000 kwh.) shall have been used, an estimate of secondary energy reasonably anticipated to be used during the remainder of the period ending May 31, 1987, shall be made by the Secretary, and the anticipated revenues therefrom shall be considered in such rate adjustment. The estimate so made shall be revised and revenues from use of such additional secondary energy shall be considered in all subsequent rate adjustments.

(b) As of June 1, 1942, and thereafter as of June 1 of each succeeding year, to make proper correction for variations between previous estimates and actual costs of operation and maintenance of that part of the project operated directly by the United States for past years and to provide for the operation and maintenance costs of such part of the project as estimated by the Secretary for the year of operation then beginning. The cost estimated for the year of operation then beginning less any extraordinary expenses estimated to be incurred in that year shall be considered for rate making purposes as the estimated cost for each remaining year of the 50-year period. Before making such estimate, the Secretary will give all allottees an opportunity to present their views. Such estimate may be made on the advice and recommendations of such expert or experts as the Secretary may select.

(c) As of June 1, 1942, and thereafter as of June 1 of each succeeding year, properly to reflect variations from previous estimates of the requirement for an annuity for replacements. Unless and until experience has proven otherwise the proper amount for this annuity will be taken as one and one-quarter percent (1.25%) of the cost of those features of the dam and appurtenant works, exclusive of penstocks, requiring replacement, the cost of which as of June 1, 1940, will be taken as $6,127,139. Unless and until experience has proven otherwise, the annuity for the penstocks will be taken as $6,640.

(d) As of June 1, 1942, and as of each June 1 following a year of operation in which additional advances have been made for the dam and appurtenant works, to provide until May 31, 1987, the annuity required to repay, with interest, such additional advances, on the basis of repayment with interest of such advances in a 50-year period beginning June 1 following the date of such advances. Advances for costs incidental but additional to the installation of additional generating machinery and equipment will be considered as additional advances for the dam and appurtenant works and amortized through the energy rates.

(e) As of June 1, 1987, adjustments shall be made, through refunds or collections as the Secretary may find necessary to achieve consummation of the principle that the revenues shall be sufficient but not more than sufficient to provide the amounts set forth in Article 6 of these regulations, as modified by the provisions of Articles 14 (a) and 15 (c) hereof.

15. AMORTIZATION PERIODS

(a) *Investment prior to June 1, 1937.* The amortization period for advances to the Colorado River Dam Fund for the dam and appurtenant works made prior to June 1, 1937, will be the 50-year period ending May 31, 1987.

(b) *Investment subsequent to June 1, 1937.* The amortization period for advances to the Colorado River Dam Fund for the dam and appurtenant works made subsequent to June 1, 1937, will be the 50-year period beginning June 1, immediately following the year of operation in which the funds were advanced.

(c) *Act of God, etc.* In the event that deficiency in revenues from firm energy shall be caused by Act of God or of the public enemy or any major catastrophe or other unforeseen or unavoidable cause, such deficiency shall not be reflected in any revision or adjustment of the energy charge but the amount of such deficiency for the purpose of computing rates and charges shall be deducted from the amount, otherwise to be amortized within the period ending May 31, 1987.

16. DIVISION OF GENERATING MACHINERY AND EQUIPMENT

For the purpose of determining the generating charges to be paid by the various allottees, the generating machinery and equipment shall be divided into sections, based on the use made of the machinery in the generation of electrical energy. The present generating charges shall be based upon the following sections:

(a) *Main Generating Facilities:*

Section G–1—Units N–1, N–2, N–3, and N–4.—This section shall include the main generating units designated as above, and appurtenant equipment and facilities, including the main butterfly valves. In general, this includes all equipment and appurtenances shown under F. P. C. Account Nos. 323, 324, and 325 for units N–1 to N–4.

Section G–2—Units N–5 and N–6.—(Same as section G–1, except as to units designated.)

Section G–3—Units A–1 and A–2.—(Same as section G–1, except as to units designated.)

Section G–4—Units A–6 and A–7.—(Same as section G–1, except as to units designated.)

Section G–5—Unit A–8.—(Same as section G–1, except as to units designated.)

Section G–6—Unit A–5.—(Same as section G–1, except as to units designated.)

(b) *Transforming and Switching Facilities:*

Section T–1–A—Banks N–1–N–2 and N–3–N–4.—This section shall include the transforming, switching, and appurtenant equipment associated with the designated banks or units. This section includes the transformers and their appurtenant equipment up to the point of attachment, but exclusive of the generator voltage bus. In general, this includes all the equipment costs shown in F. P. C. Account No. 343 for units N–1 to N–4.

Section T–1–B.1 (Banks X and Y).—This section shall include the transforming, switching, and appurtenant equipment associated with the designated transformer banks. This section shall include the 16.5 kv. cable from point of attachment to the terminals of the oil circuit breakers located at elevation 643.5

and connecting to bank X with its appurtenant facilities; and shall also include the reactor assembly from the point of attachment to the 16.5 kv. transfer bus, the 16.5 kv. oil circuit breaker and cable connecting to bank Y with its appurtenant equipment. This section shall extend on the high-voltage side to the point of attachment to the Citizens Utilities circuit.

Section T–1–B.2 (Banks X and Y).—This section shall include the high-voltage facilities from the point of attachment to the Citizens Utilities circuit to the point of attachment of the high-voltage circuit to the State of Nevada switchyard structure.

Section T–1–B.3—State of Nevada switchyard.—This section shall include the high-voltage facilities and appurtenant equipment used by the State of Nevada.

Section T–1–B.5—California-Pacific Utilities Company switchyard.—This section includes the high-voltage facilities and appurtenant equipment used exclusively by the California Pacific Utilities Company.

Section T–1–B.6—Citizens Utilities Company switchyard.—This section shall include the high-voltage facilities and appurtenant equipment used exclusively by the Citizens Utilities Company.

Section T–1–C—Southern Nevada Power Company switchyard.—This section shall include the high-voltage facilities and appurtenant equipment used by the Southern Nevada Power Company.

Section T–1–D—Boulder City switchyard.—This section shall include the high-voltage facilities and appurtenant equipment used by Boulder City.

Section T–2—Banks N–5–N–6.—This section shall include the transforming, switching, and appurtenant equipment associated with the designated banks or units. This section includes the transformers and their appurtenant equipment up to the point of attachment, but exclusive of the generator voltage bus.

Section T–3—Banks A–1–A–2.—(Same as section T–2, except as to units designated.)

Section T–4—Banks A–6–A–7.—(Same as section T–2, except as to units designated.)

Section T–5—Bank A–8.—(Same as section T–2, except as to units designated.)

Section T–6—Bank A–5.—(Same as section T–2, except as to units designated.)

(c) *Common Facilities:*

Section C. F. common facilities.—This section shall include all the common facilities.

17. COMPONENTS OF GENERATING CHARGES

The generating charge for each contractor shall consist of the following components:

(a) *Amortization component.*—This component shall be such as will yield prior to June 1, 1987, revenues which will be sufficient to provide the annuities required prior to said date in the amortization of the cost of generating machinery and equipment (including interest prior to commencement of the amortization period involved), with interest, during the amortization periods provided in this Article 17 (a). The amounts to be amortized by generating charges will be the construction cost of generating machinery and equipment (including interest prior to commencement of the amortization period involved), as recorded on the books of accounts of the Bureau of Reclamation. The amortization period for costs of generating machinery and equipment paid out of advances from the Treasury to the Colorado River Dam Fund prior to June 1, 1937, shall be the 50-year period ending May 31, 1987. The amortization period for costs of generating machinery and equipment paid out of advances from the Treasury to the Colorado River Dam Fund subsequent to June 1, 1937, shall be the 50-year period beginning with the first day of the month next following the date on which such machinery and equipment is placed in service. Parts of generating machinery and equipment not fully installed at the time such machinery and equipment is placed in operation shall have the same amortization period as the original equipment with which they are associated. Any future betterment or addition to generating machinery and equipment, the cost of which is in excess of $5,000, shall have an amortization period of 50 years, beginning with the first day of the month immediately following completion of installation. Any betterment or addition, the cost of which is less than $5,000, will be charged as maintenance.

(b) *Replacement annuity component.*—Unless and until experience has proven otherwise, as determined by the Secretary, the proper amount for this annuity shall be taken as 1.25 percent of the total cost of such generating machinery and equipment as is replaceable within the 50-year period as of June 1 of the particular year of operation and such annuity shall be paid over a period concurrent with the amortization payments. The replacement of any item or part of an 82,500 kv. a. generating unit and appurtenant equipment, and any item or part other than an item or part for a 40,000 kv. a. generating unit and appurtenant equipment, the cost of which is $5,000 or more at the time of replacement, shall be charged as replacement. Any item or part, the replacement cost of which is less than $5,000 at the time of replacement, shall be charged to maintenance. For 40,000 kv. a. generating units and appurtenant equipment the division in this respect shall be $3,000.

(c) *Operation and maintenance component.*—This component shall be based upon the costs of operation and maintenance of that portion of the Boulder Power Plant operated and maintained by the Operating Agents, in accordance with the provisions of the Agency contract.

18. APPORTIONMENT OF GENERATING CHARGES

(a) *Common facilities.* (I) For the period to June 1, 1942, amortization charges shall be apportioned to each main generating unit actually installed at the rate of $550.00 per month. After June 1, 1942, the amortization charges for common facilities shall be apportioned equally among the main generating units actually installed, and such charges shall include the amortization over the balance of the period ending May 31, 1987, of that portion of the installments that would have been required and have accrued but have not been paid in full as a result of the limited fixed monthly payments specified above. In the apportionment of charges an 82,500 kv. a. unit shall be considered as one unit and a 40,000 kv. a. unit shall be considered as a half unit.

(II) Replacement charges for common facilities shall be apportioned on the same basis as the amortization charges of these facilities except that the charges for the period prior to June 1, 1942, shall be at the rate of $180.00 per month for each main generating unit actually installed. After June 1, 1942, the replacement charges for common facilities shall include an additional annuity which will provide the same accumulation during the balance of the period as would have been provided had the charges been paid in full and not limited by the fixed monthly payments specified above.

(b) *Amortization component.* Unless otherwise agreed to by the allottees affected:

(1) a direct charge to cover the entire cost of amortization, together with a proper share of the amortization cost of common facilities as provided in (a) (I) above, shall be paid by an allottee for the machinery and equipment installed for the sole use of such allottee;

(2) the amortization charges, including a proper share of the amortization cost of common facilities as provided in (a) (I) above, for a section or sections of machinery and equipment used jointly will be apportioned on the basis of energy taken, both firm and secondary, with the minimum annual obligation of each allottee as the minimum considered;

(3) for the purposes of apportioning charges under this Article 18 (b), (c), and (d), Sections G–1 and G–3 shall be considered as one section.

(c) *Replacement annuity component.* The apportionment of charges for replacements for the generating machinery and equipment, including in the case of generating units a proper share of the replacement charges for common facilities as provided in (a) (II) above, shall be on the same basis as apportionment of the amortization component whether as described under (b) above or as otherwise agreed to by the allottees affected.

(d) *Operation and maintenance component.* The apportionment of charges for the operation and maintenance of generating machinery and equipment operated by the Agents, unless otherwise agreed to by the allottees affected, shall be on the same basis as apportionment of the amortization component described under (b) above.

(e) *Agreements of allottees regarding generating charges, etc.* Agreements between allottees regarding apportionment of generating charges shall be in writing and shall be filed with the Secretary; and any such agreements filed with the Secretary after Dec. 31, 1942, shall be only prospective in effect, and any such agreement shall be effective unless within sixty days after being filed with the Secretary said agreement is determined and announced by the Secretary to be detrimental to the interests of the United States, in which event such agreement shall be of no force or effect with regard to apportionment of generating charges.

Nothing in these regulations shall modify or affect the relative rights and obligations of The Nevada-California Electric Corporation and the City, as successors in interest of the Southern Sierras Power Company and Los Angeles Gas and Electric Corporation, respectively, with regard to generating charges in connection with Sections G–5, T–5, and C. F.

19. ADJUSTMENT OF GENERATING CHARGES

As of June 1 of each year the Secretary will furnish each allottee with a statement of the estimated generating charges for each allottee for the year of operation ending May 31 of the next succeeding calendar year. For the preparation of such estimate the agents shall each furnish not later than May 1 their estimates of cost of operation and maintenance for the coming year of operation. Monthly bills will be rendered on the basis of one-twelfth (1/12) each month of the estimate of generating charges contained in such statement subject to adjustment to actual costs following the close of each year of operation.

20. USE OF UNITS OTHERWISE THAN IN REGULAR ASSIGNMENT

The use by any allottee of equipment upon which another allottee is obligated to pay the charges will be permitted upon such terms as may be agreed to by the parties affected, but no such use shall modify the total charges to be made by the United States.

21. ADJUSTMENT OF GENERATING CHARGES FOR THE PERIOD PRIOR TO JUNE 1, 1941

Adjustments will be made by means of collections or credits for the generating charges for the period prior to June 1, 1941, as expeditiously as circumstances will permit. These adjustments shall include:

(a) Payment, if required, by each allottee of sufficient money for amortization of cost of generating machinery and equipment to provide a total amount equal to that which would have accrued with interest on the date of collection from annual payments for this purpose if the Adjustment Act and these regulations had been in effect on June 1, 1937;

(b) Payment, if required, from each allottee of sufficient money to provide a total amount for replacements equal to that which would have accrued with interest on the date of collection from annual payments for this purpose if the Adjustment Act and these regulations had been in effect on June 1, 1937;

(c) Adjustments by collections or credits to properly reflect the distribution between the various allottees of operation and maintenance costs as if the Adjustment Act and these regulations had been in effect on June 1, 1937; and

(d) With each allottee entering into a contract modifying its existing contract to conform to the Adjustment Act, an adjustment shall be made by credits against charges provided for in such contract, and not by cash refunds, as follows:

(1) To each allottee which was, by the existing contracts, designated as a generating agent, there shall be allowed the cost incurred on or after June 1, 1937, and prior to the effective date of the agency contract in generating electrical energy for itself and for other allottees, including compensation paid by it to the United States for the use of machinery and equipment furnished and installed by the United States (less any amount of said cost which may have been paid to said generating agent by the United States pursuant to Article 12 of the existing contract for lease of power privilege);

(2) To each allottee which was not, by the said existing contracts, designated as a generating agent, there shall be allowed all amounts paid by it to the United States prior to the effective

date of the agency contract for credit to the lessees under the said contract for lease of power privilege (other than advance payments for power-plant machinery and equipment) on account of use of the leased equipment and on account of maintenance of said equipment, including repairs to and replacement thereof.

22. ADVANCE PAYMENTS FOR GENERATING MACHINERY AND EQUIPMENT

Any advance payments made at any time by any allottee for repayment of costs of generating machinery and equipment over and above that currently required will be credited with proper allowance for interest to such allottee's obligation to repay such costs with interest and/or such allottee's proportionate share of annuities for replacements of machinery and equipment.

23. ACT OF GOD, DEFAULTS, ETC.

In the event that delivery of energy to any contractor or contractors shall be interrupted by Act of God or of the public enemy or other unforeseen or unavoidable cause, affecting the generating machinery and equipment used for the service of such contractor or contractors, the amount otherwise payable during such period for amortization of such machinery and equipment shall be deducted from the total amount to be so amortized within the period fixed for amortization thereof. Default in the performance of any contract for firm energy shall not result in an increase of the amortization and replacement annuity components of the generating charges against other contractors.

24. ACCOUNTING BY OPERATING AGENTS

Accounts of costs incurred by the Operating Agents under the Agency Contract shall be kept in accordance with the "Uniform System of Accounts Prescribed for Public Utilities and Licensees subject to the Provisions of the Federal Power Act" as adopted by the Federal Power Commission by Order Number 42 on June 16, 1936, as the same may have been or from time to time may be amended; provided, however, that if there shall be any inconsistency between said uniform system of accounts and any specific provision of the Agency Contract or of these Regulations, such Agency Contract and these Regulations shall control; and provided further, that in the event of uncertainty as to the application of any of the provisions of said uniform system of accounts or of said Agency Contract or of these Regulations to the matter of accounting by the Operating Agents for costs incurred, such uncertainty shall be referred to and determined by the Secretary.

25. ARBITRATION OF DISPUTES

Whenever a controversy arises between one allottee and another and these regulations provide that the matter shall be determined by arbitration, each disputant shall name one arbitrator and these two shall name a third. If either disputant has notified the other that arbitration is demanded and that it has named an arbitrator, and if thereafter the other disputant fails to name an arbitrator for fifteen days, the Secretary, if requested by either disputant, shall name such arbitrator, who shall proceed as though named by the disputant. The two arbitrators so named shall meet within five days after appointment of the second, and name the third. If they fail to do so, the Secretary will, on request by either disputant or arbitrator, name the third. If a controversy involves more than two allottees, three arbitrators shall be named in the manner agreed to at the time by the disputants, or if they are unable to agree, as determined by the Secretary. A decision by any two of the three arbitrators shall be binding on the disputants.

26. APPLICATION OF REGULATIONS

In accordance with Section 11 of the Adjustment Act these regulations shall apply to any contractor for energy from the project only if it executes a contract, pursuant to the Adjustment Act, modifying its existing contract. Prior regulations promulgated under the Project Act shall be repealed as to any contractor executing a contract pursuant to the Adjustment Act, as of the effective date of said contract.

27. FUTURE REGULATIONS

The Secretary will from time to time promulgate such additional or amendatory regulations as may be required for the administration of the project in accordance with the provisions of the Project Act, the Adjustment Act and contracts executed pursuant thereto; provided, however, that no right under any contract then existing shall be impaired or obligation thereunder be extended thereby. Opportunity to present their views shall be afforded such contractors by the Secretary prior to modification or repeal of any of these regulations or promulgation of additional regulations, except that if in the judgment of the Secretary exigencies require prompt action he may act without affording such opportunity, provided that within thirty days of the date of such action he affords to such contractors an opportunity for a hearing if requested in connection with such action.