



4310-MN-P

DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

[A10-1517-0008-000-00-0-2, 4P10000]

Notice of Intent to Contract for Hydroelectric Power Development on the San Juan-Chama Project, New Mexico

AGENCY: Bureau of Reclamation, Interior.

ACTION: Notice of intent to accept proposals, select lessee, and contract for hydroelectric power development on the San Juan-Chama Project.

SUMMARY: Current Federal policy allows non-Federal development of electrical power resource potential on Federal water resource projects. The Bureau of Reclamation, (Reclamation), in coordination with the Department of Energy, Western Area Power Administration (Western), will consider proposals for non-Federal development of hydroelectric power on the San Juan-Chama Project at any or all of the conduit locations specified in this Notice. Reclamation is considering such hydroelectric power development under a lease of power privilege. Western would have the first opportunity to purchase and/or market the power that would be generated by such development under a lease of power privilege. No Federal funds will be available for such hydroelectric power development. This Notice presents background information, proposal content guidelines, and information concerning selection of a non-Federal entity to develop hydroelectric power on the San Juan-Chama Project.

DATES: A written proposal and seven copies must be submitted on or before 5:00 p.m. (Mountain Standard Time) on January 6, 2014. A proposal will be considered timely

only if it is received in the office of the Area Manager at or before 5:00 p.m. on the above-designated date. Interested entities are cautioned that delayed delivery to the Area Manager's office due to failures or misunderstandings of the entity and/or of mail, overnight, or courier services will not excuse lateness and, accordingly, are advised to provide sufficient time for delivery. Late proposals will not be considered.

ADDRESSES: Send written proposal and seven copies to Mr. Mike Hamman, Area Manager, Bureau of Reclamation, Albuquerque Area Office, 555 Broadway NE, Suite 100, Albuquerque, New Mexico 87102-2352; telephone (505) 462-3551. A copy of the proposal should also be sent at or about the time it is due at Reclamation to Ms. Lynn Jeka, CRSP Manager, Western Area Power Administration, 150 Social Hall Avenue, Suite 300, Salt Lake City, Utah 84111-1534; telephone (801) 524-6372.

FOR FURTHER INFORMATION CONTACT: Technical data may be obtained from Mr. Joseph Alderete, Bureau of Reclamation, Albuquerque Area Office, 555 Broadway NE, Suite 100, Albuquerque, New Mexico 87102-2352; telephone (505) 462-3578.

Reclamation will be available to meet with interested entities only upon written request to Mr. Alderete. Upon request, Reclamation will provide an opportunity for a site visit. Reclamation reserves the right to schedule a single meeting and/or visit to address the questions of all entities that have submitted questions or requested site visits.

Information related to operation and maintenance of the Azotea Tunnel and the three other drop structures may be obtained by contacting Mr. Alderete or Mr. Victor Salazar, Bureau of Reclamation, Chama Field Division, 193 North Pinon Drive, P.O. Box 426, Chama, New Mexico 87520-0426; telephone (575) 756-2175.

Information related to Western's purchasing and/or marketing of the power may

be obtained by contacting Ms. Lynn Jeka, CRSP Manager, Western Area Power Administration, 150 Social Hall Avenue, Suite 300, Salt Lake City, Utah 84111-1534; telephone (801) 524-6372.

SUPPLEMENTARY INFORMATION: The San Juan-Chama Project was authorized as a participating project of the Colorado River Storage Project on June 13, 1962, by Public Law 87-483. The project is a Federal Reclamation project located in northern New Mexico, near the town of Chama, and diverts Colorado River water through a series of three dams, three diversions, and three tunnels. The Azotea Tunnel Outlet empties into Willow Creek and has the capacity to deliver 950 cubic feet per second. Reclamation maintains easements along Willow Creek. The Jicarilla Apache Indian Reservation is an adjacent landowner.

Reclamation, in coordination with Western, is considering hydroelectric power development on the San Juan-Chama Project under a lease of power privilege at up to four conduit drops along the project. These locations are the Azotea Tunnel Outlet, the drop located at Station 1565+00, the drop located at Station 1702+75, and the drop located at Station 1831+17. The station drops are all located downstream of the Azotea Tunnel Outlet along Willow Creek and are all features of the San Juan-Chama Project.

A lease of power privilege is an alternative to Federal hydroelectric power development. It is a contractual right given to a non-Federal entity to use a Reclamation facility for electric power generation consistent with Reclamation project purposes. Leases of power privilege have terms not to exceed 40 years. The general authority for lease of power privilege under Reclamation law includes, among others, the Town Sites and Power Development Act of 1906 (43 U.S.C. Sec. 522) and the Reclamation Project

Act of 1939 (43 U.S.C. Sec. 485h(c)) (1939 Act).

Reclamation will be the lead Federal agency for ensuring compliance with the National Environmental Policy Act (NEPA) for any lease of power privilege considered in response to this Notice. A lease of power privilege may be issued only after Reclamation has reviewed and approved compliance with NEPA, the National Historic Preservation Act (NHPA), and the Endangered Species Act (ESA). Any lease of power privilege on the San Juan-Chama Project must accommodate existing contractual commitments related to operation and maintenance of the Azotea Tunnel Outlet and other San Juan-Chama Project facilities. The lessee (*i.e.*, successful proposing entity) will be responsible for operation and maintenance of the proposed hydropower development within the existing Federal features. Because the United States is responsible for the operation and maintenance of the San Juan-Chama Project, a negotiated agreement will be included in the lease development process to address coordination of operation and maintenance, including cost-sharing arrangements associated with any additional operation and maintenance costs incurred due to operation of the hydropower facilities.

All costs incurred by the United States related to development and operation and maintenance of the hydropower facilities under a lease of power privilege, including NEPA compliance and development of the lease of power privilege, would be at the expense of the lessee. In addition, the lessee would be required to make annual payments to the United States for the use of a government facility in the amount of at least 3 mills per kilowatt-hour of generation. The lease issued to the lessee will contain provisions for inflation adjustments to the required annual payments throughout the term of the lease. Such annual payments to the United States would be deposited as a credit to the Upper

Colorado River Basin Fund.

Proposal Content Guidelines

Interested parties should submit proposals explaining in as precise detail as is practicable how the hydropower potential would be developed. Proposals may include any or all of the conduit drops specified in this Notice. In their proposals, interested parties should:

(a) Provide all information relevant to the qualifications of the proposing entity to plan and implement such a project, including, but not limited to, information about preference status, the type of organization, length of time in business, experience in funding, design and construction of similar projects, industry rating(s) that indicate financial soundness and/or technical and managerial capability, experience of key management personnel, history of any reorganizations or mergers with other companies, and any other information that demonstrates the interested entity's organizational, technical, and financial ability to perform all aspects of the work. Interested parties should also include a discussion of past experience in operating and maintaining similar facilities and provide references as appropriate. The term "preference entity," as applied to a lease of power privilege, means an entity qualifying for preference under Section 9(c) of the 1939 Act as a municipality, public corporation or agency, or cooperative or other non-profit organization financed in whole or in part by loans made pursuant to the Rural Electrification Act of 1936, as amended.

(b) Provide geographical locations and describe principal structures and other important features of the proposed development including roads and transmission lines. Estimate and describe installed capacity and the capacity of the power facilities. Also

describe seasonal or annual generation patterns. Include estimates of the electrical energy that would be produced from the facility for each month in dry, average, and wet hydrologic scenarios. If capacity and energy can be delivered to another location, either by the proposing entity or by potential wheeling agents, specify where capacity and energy can be delivered. Include concepts for power sales and contractual arrangements, involved parties, and the proposed approach to wheeling if required.

(c) Indicate plans for acquiring title to or the right to occupy and use lands necessary for the proposed development, including such additional lands as may be required during construction.

(d) Identify water rights applicable to the operation of the proposed development(s), the holder of such rights, and how these rights would be used, acquired, or perfected.

(e) Discuss any studies necessary to adequately define impacts of the development on the San Juan-Chama Project and the environment. Describe any significant environmental issues associated with the development and the proposing entity's approach for gathering relevant data and resolving or mitigating such issues to protect and enhance the quality of the environment. Explain any proposed use of the hydropower development for conservation and utilization of the available water resources in the public interest.

(f) Describe anticipated contractual arrangements with Reclamation, which has operation and maintenance responsibility for the San Juan-Chama Project feature(s), that are proposed for utilization in the hydropower development under consideration. Describe how the hydropower development would operate in harmony with the San Juan-

Chama Project and existing applicable contracts related to operation and maintenance of San Juan-Chama Project feature(s) being considered for modification.

(g) Describe plans for assuming liability for damage to the operational and structural integrity of the San Juan-Chama Project caused by construction, operation, and/or maintenance of the hydropower development.

(h) Identify the organizational structure planned for the long-term operation and maintenance of any proposed hydropower development.

(i) Provide a management plan to accomplish such activities as planning, NEPA compliance, NHPA compliance, ESA compliance, lease of power privilege development, design, construction, facility testing, and start of hydropower production. Prepare schedules of these activities as applicable. Describe what studies are necessary to accomplish the hydroelectric power development and how the studies would be implemented.

(j) Estimate development cost. This cost should include all investment costs such as the cost of studies to determine feasibility, NEPA compliance, NHPA compliance, ESA compliance, design, construction, and financing as well as the amortized annual cost of the investment. Also, the annual operation, maintenance, and replacement expense for the hydropower development; annual lease payments to the United States; expenses that may be associated with the San Juan-Chama Project; and the anticipated return on investment should be included. If there are transmission or wheeling expenses associated with the hydropower development, these should also be included. Identify proposed methods of financing the hydropower development. An economic analysis should be presented that compares the present worth of all benefits and the costs of the

hydropower development.

Selection of Lessee

Proposals will be evaluated with equal consideration given to the following criteria: (1) the relevant qualifications of the proposing entity, based on past experience, to develop similar hydropower projects in terms of complexity and scale; (2) the proposed overall design of the project in terms of how the principal structures fit within the existing project features, including the optimization of developing the hydropower potential with consideration to environmental factors; (3) the projected developmental and operational costs, including construction, operation and maintenance costs as well as the overall cost effectiveness of the power produced at the proposed hydropower facility; (4) the marketing plan for the power produced at the proposed hydropower facility; and (5) the proposed organizational structure for the long-term operation and maintenance of the proposed hydropower facility including the qualifications of the operating entity. A proposal will be deemed unacceptable if it is inconsistent with San Juan-Chama Project purposes, as determined by Reclamation.

Reclamation will give preference to those entities that qualify as preference entities (as defined under **Proposal Content Guidelines**, item (a), of this Notice) provided that their proposal is at least as well adapted to developing, conserving, and utilizing the water and natural resources as other submitted proposals and that the preference entity is well qualified. Preference entities would be allowed 30 days to improve their proposals, if necessary, to be made at least equal to a proposal(s) that may have been submitted by a non-preference entity.

Power Purchasing and/or Marketing Considerations

Western would have the first opportunity to purchase and/or market the power that would be generated by the project under a lease of power privilege and will be given 60 days from the date of the initial offer from the Lessee to make their decision. Western will consult with Reclamation on such power purchasing and/or marketing considerations.

In the event Western elects to purchase and/or market the power generated by the hydropower development, Western may market the power available from the project as part of its Salt Lake City Area Integrated Projects (SLIP) or on a stand-alone basis, first to preference entities qualified under criteria established by Western, and second to non-preference entities, by developing an individual marketing plan for this power. This marketing plan would be developed through a separate subsequent public process beginning with a notice in the *Federal Register* of Western's intent to market the power. The marketing plan would include all aspects of marketing the power, including assignment of power to qualified preference and/or non-preference entities, pricing, transmission, and delivery of power. Western would recover the costs it would incur in purchasing and/or marketing the power through the rates charged for the power. Firm power rates would be established through a public process, initiated by a notice in the *Federal Register*, separate from the marketing plan.

Notice and Time Period to Enter Into Lease of Power Privilege

Reclamation will notify, in writing, all entities submitting proposals of Reclamation's decision regarding selection of the potential lessee. The selected potential lessee will have 15 months from the date of such notification to accomplish NEPA compliance, NHPA compliance, ESA compliance, and enter into a lease of power

privilege for the proposed development of hydropower on the San Juan-Chama Project. The lease of power privilege will address only the sites identified in the lessee's proposal and will not provide broad development rights elsewhere on the San Juan-Chama Project. The lessee will then have up to 9 months from the date of execution of the lease to complete the designs and specifications and an additional year to begin construction. Such timeframes may be adjusted for just cause resulting from actions and/or circumstances that are beyond the control of the lessee.

Dated: June 27, 2013.

Signed:

Larry Walkoviak
Regional Director
Upper Colorado Region

[FR Doc. 2013-18911 Filed 08/06/2013 at 8:45 am; Publication Date: 08/07/2013]