



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Rocky Mountain Region Transmission, Ancillary Services, and Sale of Surplus

Products-Rate Order No. WAPA-174

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Proposed Transmission, Ancillary Services, and Sale of Surplus Products Formula Rates.

SUMMARY: The Western Area Power Administration (Western) Loveland Area Projects' (LAP) Transmission and Western Area Colorado Missouri Balancing Authority's (WACM) Ancillary Services formula rates under Rate Schedules L-NT1, L-FPT1, L-NFPT1, L-AS1, L-AS2, L-AS3, L-AS4, L-AS5, L-AS6, L-AS7, L-AS9, and L-UU1 expire on September 30, 2016. Western is proposing modifications to the existing formula rate schedules and also is proposing to add a new rate schedule, referred to as "LAP Marketing Sale of Surplus Products, L-M1." Western has prepared a brochure that provides detailed information on the proposed formula rates. If adopted, the proposed formula rates, under Rate Schedules L-NT1, L-FPT1, L-NFPT1, L-AS1, L-AS2, L-AS3, L-AS4, L-AS5, L-AS6, L-AS7, L-AS9, L-UU1, and L-M1, will become effective October 1, 2016, and will remain in effect through September 30, 2021, or until superseded. Publication of this Federal Register notice (FRN) begins the formal process for consideration of the proposed formula rates.

DATES: The consultation and comment period begins today and will end [INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Western will present a detailed explanation of the proposed formula rates and other modifications addressed within this FRN at a public information forum that will be held on March 28, 2016, at noon

MDT. Western will accept oral and written comments at a public comment forum that will be held on March 28, 2016, from 2:30 p.m. to no later than 4:00 p.m. MDT. Western will accept written comments any time during the consultation and comment period.

ADDRESSES: The location for both the public information forum and the public comment forum is the Western Area Power Administration, Rocky Mountain Region, 5555 East Crossroads Boulevard, Loveland, Colorado. Send written comments to Mr. Bradley S. Warren, Senior Vice President, Rocky Mountain Regional Manager, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, Colorado 80538-8986, or at e-mail LAPTransAdj@wapa.gov. Western will post information about the rate process, as well as comments received via letter and e-mail, on its Web site at: <http://www.wapa.gov/regions/RM/rates/Pages/2017-rate-adjustment.aspx>. Written comments must be received by the end of the consultation and comment period to be considered by Western in its decision process.

As access to Western facilities is controlled, any United States (U.S.) citizen wishing to attend must present an official form of picture identification (ID), such as a U.S. driver's license, U.S. passport, U.S. Government ID, or U.S. Military ID prior to signing into Western. Foreign nationals should contact Western via Mrs. Sheila D. Cook, Rates Manager, at telephone number (970) 461-7211 or by e-mail at scook@wapa.gov 30 days in advance of the meeting to obtain the necessary form for admittance to Western's Rocky Mountain Regional Office.

FOR FURTHER INFORMATION CONTACT: Mrs. Sheila D. Cook, Rates Manager, Rocky Mountain Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, Colorado 80538-8986, at telephone number (970) 461-7211, or by e-mail at scook@wapa.gov.

SUPPLEMENTARY INFORMATION: Under the existing formula rate schedules, approved under Rate Order No. WAPA-155¹, charges are recalculated annually using updated financial and load information, as applicable. The proposed formula rates continue this approach. If adopted, these proposed formula rates will be in effect October 1, 2016, through September 30, 2021. This FRN describes proposed changes to the services referenced below.

TRANSMISSION SERVICES:

Formula Rate for Annual Transmission Revenue Requirement

Under this proposal, there will be no change to the existing formula rate for calculating the Annual Transmission Revenue Requirement (ATRR), which is applicable to both Network Integration and Point-to-Point transmission service. The ATRR is the annual cost of the LAP Transmission System, adjusted for Non-Firm Point-to-Point revenue credits, costs that increase the capacity available for transmission, other miscellaneous charges or credits, and the prior year true-up.

Proposed Change to Forward-Looking Transmission Rate Methodology

Western is proposing to shorten the forward-looking transmission rate projection period for this ATRR calculation from sixteen months to four months. In the previous rate adjustment process, Western incorporated a forward-looking transmission rate methodology to calculate the ATRR to recover transmission expenses and investments on a current basis rather than a historical basis. Presently, Western projects transmission costs two years into the future relying on current year actual data for approximately the first eight months of the year and projecting for the remaining four months of the year plus twelve additional months. Western is proposing to remove the last twelve months of projections, thus only having to true-up the projected costs for

¹ WAPA-155 was approved by the Deputy Secretary of Energy on September 2, 2011 (76 FR 61184), and confirmed and approved by FERC on a final basis on December 2, 2011, in Docket No. EF11-10-000. *See United States Department of Energy, Western Area Power Administration*, 137 FERC ¶ 62,200.

the four-month period of the current year. This method would allow Western to more accurately match cost recovery with cost incurrence without introducing unnecessary, large true-ups caused by estimating the second year. This proposal would be a change to the inputs for the annual charge, rather than a change to the formula rate.

When actual cost information for a year becomes available, Western will continue to calculate the actual revenue requirement. Revenue collected in excess of Western's actual revenue requirement will be included as a credit in the ATRR in the following year. Similarly, any under-collection of the revenue requirement will be recovered in the following year. This true-up procedure ensures Western recovers no more or no less than the actual transmission costs for the year. For example, as Fiscal Year (FY) 2016 actual financial data becomes available, the under- or over-collection of revenue for FY 2016 can be determined. When the FY 2018 charge is calculated, it would include an adjustment for revenue under- or over-collected in FY 2016.

Formula Rate for Network Integration Transmission Service (Rate Schedule L-NT1)

Western proposes no changes to the Network Integration Transmission Service Formula Rate, but proposes to make minor edits to the rate schedule. Those edits would consist of rearranging the order of the sections and removing the section setting forth the annual ATRR. In the future, each year's ATRR will be identified in a separate tracking document posted on Western's Web site, as well as posted on Western's Transmission Services Open Access Same Time Information System (OASIS) Web site under Loveland Area Projects Transmission (LAPT).

Formula Rates for Firm and Non-Firm Point-to-Point Transmission Service (Rate Schedules L-FPT1 and L-NFPT1)

Western proposes a change in the formula rate for Firm Point-to-Point transmission service to clarify the denominator of the formula includes both Firm Point-to-Point transmission capacity reservations and Network Integration transmission service capacity. Western proposes the

denominator read as “Firm Transmission Capacity Reservations plus Network Integration Transmission Service Capacity” rather than the current language “LAP Transmission System Total Load.”

The proposed formula rate for Point-to-Point transmission service would be:

$$\text{P-T-P Formula Rate} = \frac{\text{Annual Transmission Revenue Requirement}}{\text{Firm Transmission Capacity Reservations (kW) plus Network Integration Transmission Service Capacity (kW)}}$$

In addition, Western also proposes to make minor editorial changes to the firm and non-firm rate schedules. Those edits would consist of rearranging the order of the sections and deleting the sections setting forth the annual charges under the formula rates. In the future, the annual charges will be identified in a separate tracking document posted on Western’s Web site as well as posted on the LAPT OASIS Web site.

Transmission Losses Service (Rate Schedule L-AS7)

Western proposes no changes to the Transmission Losses formula rate but proposes to make minor editorial changes to the rate schedule. Those edits would consist of rearranging the order of the sections, moving text within the sections, making minor edits to the language within the “applicable” section, and deleting the “rate” section.

Penalty Rate for Unreserved Use of Transmission Service (Rate Schedule L-UU1)

Western proposes no changes to the Unreserved Use penalty formula rate but plans to make minor editorial changes to the rate schedule. Those edits would consist of rearranging the order of the sections, moving text within the sections, and deleting the “rate” section.

ANCILLARY SERVICES:

Scheduling, System Control, and Dispatch Service (Rate Schedule L-AS1)

Western proposes no changes to the Scheduling, System Control, and Dispatch formula rate,

but plans to make minor editorial changes to the rate schedule. Those edits would consist of adding LAPT and Colorado River Storage Project Transmission (CRCM) to the title, rearranging the order of the sections, and deleting the section setting forth the annual charge under the formula rate. In the future, the annual charge will be identified in a separate tracking document posted on Western's Web site as well as posted on the LAPT and CRCM OASIS Web sites.

Reactive Supply and Voltage Control from Generation or Other Sources Service (Rate Schedule L-AS2)

Western proposes to eliminate Reactive Supply and Voltage Control from Generation or Other Sources (VAR Support Service) exemptions and begin assessing VAR Support Service charges for all transmission transactions on the LAPT and CRCM transmission systems, as contract provisions allow. In order to maintain transmission voltages on the transmission system within acceptable limits, generating facilities under the control of the Control Area operator, WACM, are operated to produce or absorb reactive power. Thus, VAR Support Service must be provided for each transaction on the transmission systems within the Control Area either directly by the Transmission Service Provider (TSP) or indirectly by the TSP making arrangements with the Control Area operator. Furthermore, the Transmission Customers are required to purchase this service from the TSP. If the TSP acquires the service from the Control Area, the charges are to reflect only a pass-through of the costs charged to the TSP by the Control Area operator, as stated in the Federal Energy Regulatory Commission's (FERC) pro forma open access transmission tariff language.² WACM has both Federal TSPs (LAPT and CRCM) and non-Federal TSPs.

Historically, based on the assumption some LAPT and CRCM transmission customers have non-Federal generation resources inside WACM, and they have agreed to make their non-

² 75 FERC ¶ 61,080 (FERC Order 888), Appendix D, "Pro Forma Open Access Transmission Tariff", Schedule 2, "Reactive Supply and Voltage Control from Generation Sources Service" (April 24, 1996).

Federal generation resources inside WACM available to the WACM operator for VAR Support Service, Western has allowed some of these LAPT and CRCM transmission customers to receive an exemption from LAPT and CRCM VAR Support Service charges. As a result of these exemptions, the cost for LAPT and CRCM to provide VAR Support Service on their transmission systems has been shifted to the remaining (non-exempted) transmission customers. WACM, the Control Area operator, has always taken the position the non-Federal TSPs have adequate non-Federal generation resources to provide VAR Support Service on their transmission systems and therefore WACM has never charged any non-Federal TSPs for VAR Support Service. In the future, WACM plans to pursue efforts to verify that this presumption continues to be warranted for all of the non-Federal TSPs.

Western is now proposing to take the same position with the Federal TSPs, i.e., that the Federal generation resources connected to the LAPT and CRCM transmission systems provide adequate VAR Support Service on the LAPT and CRCM transmission systems, without the addition of the non-Federal generation resources. It will be inappropriate, therefore, for LAPT and CRCM TSPs to continue to provide VAR Support Service charge exemptions to its transmission customers. The elimination of the LAPT and CRCM VAR Support Service exemptions will lead to the recovery of the LAPT and CRCM VAR Support Service costs from all LAPT and CRCM transmission customers instead of only a portion of them.

Western is also proposing changes to both the numerator and the denominator of the formula rate for VAR Support Service. The numerator will be changed to include the annual cost of other resources used to provide VAR Support Service in addition to the revenue requirement for Federal generation. The denominator will be changed to state “Transmission Transactions in WACM Requiring VAR Support Service” rather than “Load in WACM requiring VAR Support Service.”

The proposed formula rate for VAR Support Service is as follows:

$$\text{VAR Support Formula Rate} = \frac{\text{Annual Revenue Requirement for VAR Support Service}}{\text{Transmission Transactions in WACM Requiring VAR Support Service (kW)}}, \text{ where}$$

Numerator is: Annual Revenue Requirement for VAR Support Service = (Revenue Requirement for Generation x % of Resource Capacity Used for VAR Support Service (1 Minus Power Factor)) + Other Resources, e.g., energy and transmission costs for condensing Federal generating units.

Denominator is: Transmission Transactions in WACM Requiring VAR Support Service = Transmission Capacity usage on Federal Transmission Systems (Point-to-Point Transmission Service as well as Network Integration Transmission Service on LAPT and CRCM Transmission Systems) + Transmission Capacity usage by other TSPs inside WACM.

In addition, Western also proposes to make edits to the VAR Support Service rate schedule. Those edits would consist of adding LAPT and CRCM to the title, rearranging the order of the sections, removing language regarding exemptions, clarifying the rate is applicable to Federal transmission customers serving load inside WACM and to non-Federal TSPs/owners/operators who request the service from WACM or who do not adequately supply VAR Support Service on their systems, and deleting the section setting forth the annual charge under the formula rate. In the future, the annual charge will be identified in a separate tracking document posted on Western's Web site as well as posted on the LAPT and CRCM OASIS Web sites.

Regulation and Frequency Response Service (Rate Schedule L-AS3)

In order to more accurately allocate costs based on cost causation principles, Western is proposing a change to the current load-based assessment of the Regulation and Frequency Response Service (Regulation Service) formula rate. The current load-based assessment is

applicable to (1) all load inside WACM and (2) installed nameplate capacity of all intermittent resources serving load inside WACM.

Western is not proposing any changes to the application of the load-based assessment for the load inside WACM. The charge will continue to be one-for-one for each megawatt (MW) of load inside WACM. Western is, however, proposing to modify the one-for-one MW load-based assessment for the installed nameplate of intermittent resources serving load inside WACM. It would instead include a “variable capacity multiplier” to be applied to the installed capacity for Variable Energy Resources (VER) serving load inside WACM.

The proposed formula rate for Regulation Service is as follows:

$$\begin{aligned}
 \text{Regulation Service} &= \frac{\text{Total Annual Revenue Requirement for Regulation Service}}{\text{Load inside WACM Requiring Regulation Service (kW)}} \\
 \text{Formula Rate} &= \frac{\text{Total Annual Revenue Requirement for Regulation Service}}{\text{Load inside WACM Requiring Regulation Service (kW)} \\
 &\quad + \\
 &\quad (\text{Installed Nameplate Capacity of Wind Generators Serving Load inside WACM} \\
 &\quad \quad \times \\
 &\quad \quad \text{Wind Capacity Multiplier) (kW)} \\
 &\quad + \\
 &\quad (\text{Installed Nameplate Capacity of Solar Generators Serving Load inside WACM} \\
 &\quad \quad \times \\
 &\quad \quad \text{Solar Capacity Multiplier) (kW)}
 \end{aligned}$$

Regulation Service is necessary to provide for the continuous balancing of resources with obligations and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Regulation Service is accomplished by committing on-line generation whose output is raised or lowered as necessary, predominantly through the use of automatic generation control (AGC) equipment, to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the TSP (or the Control Area Operator who performs this function for the TSP). The TSP must offer this service when the transmission service is used to serve load within its Control Area.

Western markets the maximum amount of power from its Federal projects, leaving little flexibility for additional regulation needs within WACM. More VER connecting to the system

results in a significant increase in regulation needs and costs and presents operational constraints in managing the significant fluctuations normally associated with VER. These costs are allocated to all customers taking Regulation Service regardless of their ability or inability to influence the condition.

The Annual Revenue Requirement for Regulation Service will not be affected by the inclusion of the multipliers. The proposed change will result in the denominator increasing, because more units of capacity will be charged, which in turn will cause the overall Regulation Service charge to be lower. The lower charge will then be allocated to each unit of capacity, thereby lowering the costs incurred by the load and assigning more of the costs for regulating capacity to those customers predominantly contributing to the need for Regulation Service.

In order to determine the “variable capacity multipliers,” Western has developed a “Regulation Analysis” tool that allows Western to determine the hourly impacts of both load and variable energy generation on WACM. The Regulation Analysis tool focuses on 95 percent (%) of the events where the Control Area’s Area Control Error (ACE) limit was exceeded within the 10 minute duration range. Recent analysis using the Regulation Analysis tool has shown wind resources consume a disproportionate amount of regulating capacity. As an example, the results for the July 2014 to June 2015 average indicate a 2.25 or 225% wind capacity multiplier.

WACM does not have a significant amount of solar generation impacting its balancing authority area and, therefore, does not have sufficient solar generation data available to perform a thorough analysis at this time. Therefore, Western proposes to identify a solar capacity multiplier of 1.00 or 100%. This multiplier does not change the current denominator, but allows the denominator to change if and when solar generation becomes more prevalent in the WACM footprint.

The Regulation Analysis will be completed on a monthly basis with an annual average, based on most current data available, typically July to June, used for the annual formula rate updates that go into effect each October 1 of the effective rate period.

In addition, Western proposes to make edits to the Regulation Service rate schedule. Those edits will consist of adding LAPT and CRCM to the title, rearranging the order of the sections, clarifying the rate is applicable to Federal transmission customers and non-Federal TSPs requesting the service that serve load within WACM, and removing the section setting forth the annual charge under the formula rate. In the future, the annual charge will be identified in a separate tracking document posted on Western's Web site as well as posted on the LAPT and CRCM OASIS Web sites.

Energy and Generator Imbalance Services (Rate Schedules L-AS4 and L-AS9)

Western proposes no changes to the Energy Imbalance Service or Generator Imbalance Service formula rates, but plans to make minor editorial changes to the rate schedules. Those edits would consist of adding LAPT to the title, rearranging the order of the sections, and deleting the "rate" section.

Rate Schedules for Operating Reserves Service - Spinning and Supplemental (Rate Schedules L-AS5 and L-AS6)

Western proposes no changes to the Spinning and Supplemental Reserves Service formula rates, but proposes to make editorial changes to the rate schedules. Those edits would consist of adding LAPT to the schedule, clarifying the "applicable" language, and rearranging the order of the sections.

LAP MARKETING SERVICES:

LAP Marketing Sale of Surplus Products (L-M1)

Western is proposing to implement a new LAP Marketing rate schedule that would be

applicable to the sale of LAP surplus energy and capacity products. At this time, Western proposes to include reserves, regulation, and frequency response. If LAP resources are available, the charge will be determined based on market rates plus administrative costs. In the future, if Western considers offering additional products for sale, a revised or new rate schedule will be proposed via a public rate adjustment process.

Legal Authority

Western will hold both a public information forum and a public comment forum. After review of public comments, Western will take further action on the proposed formula rates and other modifications addressed in this FRN, and follow procedures for public participation consistent with 10 CFR part 903.

Western is establishing formula rates for LAP Transmission, WACM, LAPT, and CRCM Ancillary Services, and LAP Marketing Sales of Surplus Products under the Department of Energy (DOE) Organization Act (42 U.S.C. 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts specifically applicable to the projects involved.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to FERC.

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents Western

initiates or uses to develop the proposed formula rates are available for inspection and copying at the Rocky Mountain Regional Office, located at 5555 East Crossroads Boulevard, Loveland Colorado 80538-8986. Many of these documents and supporting information are also available on Western's RMR Web site under the 2017 Rate Adjustment – Transmission and Ancillary Services section located at <http://www.wapa.gov/regions/RM/rates/Pages/rates.aspx>

RATEMAKING PROCEDURE REQUIREMENTS:

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: January 20, 2016.

Mark A. Gabriel,
Administrator.

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