



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Central Valley Project - Rate Order No. WAPA-194

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed formula rates for Energy Imbalance Market services, Sale of Surplus Products, and revisions to existing Energy Imbalance and Generator Imbalance rate schedules.

SUMMARY: Western Area Power Administration (WAPA) proposes new formula rates and revisions to the existing Energy Imbalance (EI) and Generator Imbalance (GI) rate schedules for the Central Valley Project (CVP). The new rates are associated with two events: participation in the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM) and aligning CVP's Sale of Surplus Products (SSP) with other WAPA regions.

DATES: A consultation and comment period will begin [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*] and end [INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

WAPA will present a detailed explanation of the proposed formula rates and other modifications at a public information forum that will be held on August 17, 2020, from 9 a.m. to 12 p.m. PDT. WAPA also will host a public comment forum on August 17, 2020, starting at 1 p.m. which will remain open until all comments are acknowledged, or no later than 4 p.m. PDT. WAPA will conduct both the public information forum and public comment forum via WebEx. Instructions for participating

in the forums via WebEx will be posted on WAPA's website at least 14 days prior to the public information and comment forums at

<https://www.wapa.gov/regions/SN/rates/Pages/Rate-Case-2021-WAPA-194.aspx>.

WAPA will accept written comments any time during the consultation and comment period.

ADDRESSES: Written comments and requests to be informed of Federal Energy Regulatory Commission (FERC) actions concerning the proposed formula rates and other changes submitted by WAPA to FERC for approval should be sent to: Ms. Sonja Anderson, Regional Manager, Sierra Nevada Region, Western Area Power Administration, 114 Parkshore Drive, Folsom, California 95630, or email: *SNR-RateCase@wapa.gov*. WAPA will post information about the proposed formula rates, other changes and written comments received to its website at:

<https://www.wapa.gov/regions/SN/rates/Pages/Rate-Case-2021-WAPA-194.aspx>.

FOR FURTHER INFORMATION CONTACT: Ms. Autumn Wolfe, Rates Manager, Sierra Nevada Region, Western Area Power Administration, (916) 353-4686 or email: *SNR-RateCase@wapa.gov*.

SUPPLEMENTARY INFORMATION: To accommodate WAPA's participation in EIM as a Transmission Provider within the Balancing Authority of Northern California (BANC) Balancing Authority Area (BAA), WAPA is proposing new formula rate schedules for: (1) EIM Administrative Service (CV-EIM1S), (2) EIM EI Service (CV-EIM4S), and (3) EIM GI Service (CV-EIM9S). WAPA is planning to participate in the EIM through BANC as the Balancing Authority and EIM Entity for the WAPA Sub-Balancing Authority Area (Sub-BAA). EIM settles EI and GI services differently than

WAPA's existing rate schedules for similar services. In EIM, CAISO economically dispatches energy under its EIM Tariff to meet the imbalances for loads and resources over multiple BAAs. CAISO provides a centralized, automated, and region-wide dispatch for imbalances. The proposed new EIM Administrative Services formula rate would allow WAPA to pass through administrative costs incurred by WAPA resulting from its participation in EIM as a Transmission Provider. The proposed new formula rates and cost allocation for Administrative, EI and GI services would be in effect when WAPA is participating in the EIM, and to the extent WAPA incurs associated settlements during market suspension or contingency.

In no relation to EIM, WAPA proposes revising existing rate schedules for EI services (CV-EID4) and GI services (CV-GID1). WAPA proposes to settle EI services financially rather than with energy. The proposed component one modification to both EI and GI schedules is: "[EI service/GI service] is applied to deviations as follows unless otherwise dictated by contract or policy: (1) deviations within the bandwidth will be tracked and settled financially, at the greater of the California Independent System Operator market price, or WAPA's actual cost." The GI schedule further adds to component one: "to the extent that an entity incorporates intermittent resources, deviations will be charged as follows unless otherwise dictated by contract or policy: (1) deviations within the bandwidth will be tracked and settled financially at the greater of the California Independent System Operator market price or WAPA's actual cost." The revised EI services (CV-EID5) and GI services (CV-GID2) rate schedules would remain in effect when the EIM has been suspended.

In addition to the changes to accommodate EIM, WAPA Sierra Nevada Region (SN)

is proposing a new rate schedule for the sale of surplus products (CV-SSP1) to make its practices consistent with other WAPA regions. This new formula rate would be for the sale of surplus energy and capacity products such as: energy, regulation, reserves, frequency response, and resource sufficiency.

The proposed rates will provide WAPA with sufficient revenue to recover annual Operation, Maintenance and Replacement (OM&R) expenses, interest expense, aid to irrigation, and capital repayment requirements while ensuring repayment of the project within the cost recovery criteria set forth in Department of Energy (DOE) Order Resource Application 6120.2.

WAPA's proposed formula rates would go into effect on April 1, 2021 and remain in effect until December 31, 2024, or until WAPA changes the formula rates through another public rate process pursuant to 10 CFR part 903, whichever occurs first.

EIM Administrative Service Charge

WAPA proposes a new rate schedule, CV-EIM1S. This rate would apply under Schedule 1S of the WAPA Tariff. Rates under CV-EIM1S would apply when WAPA, as Transmission Provider, is participating in EIM and when EIM has not been suspended. EIM Administrative service and associated rates would apply in addition to the services provided under Schedule 1 of the WAPA Tariff, which are incorporated in existing WAPA transmission service rates. To the extent WAPA incurs EIM Administrative service related charges during periods of market suspension or contingency, as described in Section 11 of Attachment S to the WAPA Tariff, Schedule 1S and CV-EIM1S shall also apply to ensure that WAPA, as Transmission Provider, remains revenue-neutral for its participation in EIM.

EIM Administrative service recovers the administrative costs for participating in the EIM by WAPA as a Transmission Provider including, but not limited to, such administrative charges as may be incurred by WAPA from the EIM Market Operator (MO) and those MO charges passed through by the EIM Entity.

Unless such charges are allocated to the Transmission Customer directly by the EIM Entity, all Transmission Customers purchasing Long-Term Firm Point-to-Point Transmission Service, Short-Term Firm Point-to-Point Transmission Service, Non-Firm Point-to-Point Transmission Service, or Network Integration Transmission Service from WAPA would be required to acquire EIM Administrative Service from WAPA.

Under the proposal, the EIM MO's administrative service charge, as defined in the MO Tariff, would be included in this rate. This rate also includes administrative charges assessed to WAPA by the EIM Entity based on net energy load within the WAPA Sub-BAA. The new proposed formula rate for EIM Administrative Service Charge would be sub-allocated to WAPA's Transmission Customers based on load ratio share for the time period in which WAPA incurs EIM administrative costs.

WAPA's costs for EIM start up, including software, hardware, or other features, to implement EIM, would not be included as administrative costs under this schedule. WAPA proposes to treat its startup costs for EIM under the cost allocations procedures discussed under the Energy Imbalance Market Cost Allocation heading below.

EIM Energy Imbalance (EI) Service

WAPA proposes a new rate schedule, CV-EIM4S. This rate would apply under Schedule 4S of the WAPA Tariff. Rates under CV-EIM4S would apply when WAPA, as Transmission Provider, is participating in EIM and when EIM has not been suspended.

In accordance with Section 11 of Attachment S to the WAPA Tariff, Schedule 4 of the WAPA Tariff would apply when WAPA is not participating in EIM or when EIM has been suspended. To the extent WAPA incurs EIM EI service related charges from the EIM Entity during periods of market suspension or contingency, as described in Section 11 of Attachment S to the WAPA Tariff, Schedule 4S and CV-EIM4S would also apply to ensure that WAPA, as Transmission Provider, remains revenue-neutral for its participation in the EIM.

EI service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within the WAPA Sub-BAA. WAPA offers this service when transmission service is used to serve load within the WAPA Sub-BAA.

Unless subsequently imposed by the MO as part of the MO Tariff and promulgated by WAPA through rate proceedings, there would be no incremental transmission charge assessed for transmission use related to EIM EI service. Transmission Customers must have transmission service rights, as set forth in Attachment S of WAPA's Open Access Transmission Tariff (OATT).

The formula rate for EI service is the deviation of the Transmission Customer's metered load compared to the load component of the Base Schedule settled as Uninstructed Imbalance Energy (UIE) for the period of the deviation at the applicable Load Aggregation Point (LAP) price where the load is located.

Unless such charges are allocated to the Transmission Customer directly by the EIM Entity, a Transmission Customer would be responsible for any pass-through charges/credits associated with applicable EI service charges allocated to WAPA, as Transmission Provider, for its participation in the EIM, in accordance with this rate

schedule. WAPA would sub-allocate load charges based on a Transmission Customer's load ratio share.

EIM Generator Imbalance (GI) Service

WAPA proposes new rate schedule, CV-EIM9S. This rate would apply under Schedule 9S of the WAPA Tariff. Rates under CV-EIM9S would apply when WAPA, as Transmission Provider, is participating in EIM and when EIM has not been suspended. In accordance with Section 11 of Attachment S to the WAPA Tariff, Schedule 9 of the WAPA Tariff would apply when WAPA is not participating in the EIM and when the EIM has been suspended. To the extent WAPA incurs EIM GI Service related charges from the EIM Entity during periods of market suspension or contingency, as described in Section 11 of Attachment S to the WAPA Tariff, Schedule 9S and CV-EIM9S would also apply to ensure WAPA, as Transmission Provider, remains revenue neutral for its participation in EIM.

GI service is provided when a difference occurs between the output of a generator that is not an EIM Participating Resource located in the WAPA Sub-BAA, as reflected in the resource component of the Transmission Customer Base Schedule, and the delivery schedule from that generator to (1) another BAA, (2) the BANC BAA, or (3) a load within the WAPA Sub-BAA.

Unless subsequently imposed by the MO as part of the MO Tariff and promulgated by WAPA through rate proceedings, there would be no incremental transmission charge assessed for transmission use related to EIM GI service. Transmission Customers must have transmission service rights, as set forth in Attachment S of WAPA's OATT.

WAPA's formula rate for GI services does not have a direct rate component for GI services for Non-Participating Resources. WAPA expects all Participating Resources to directly settle with CAISO. However, if charges are allocated to the Transmission Provider by the EIM Entity, a Transmission Customer would be responsible for any pass-through charges/credits associated with applicable GI Service charges allocated to WAPA, as Transmission Provider, for its participation in EIM, in accordance with this rate schedule. Such charges may include those due to operational adjustments of any affected Interchange. WAPA would direct assign charges and/or sub-allocate charges based on the Transmission Customer's load ratio share. The EIM Entity does not allow Non-Participating Resources. In the event the EIM Entity modifies its procedures to allow Non-Participating Resources, WAPA may update this rate.

Sale of Surplus Products (SSP)

WAPA-SN has traditionally marketed surplus products such as energy, regulation, and reserves through negotiated rates and under bilateral contracts. WAPA is proposing to add a new rate schedule, CV-SSP1, to make WAPA-SN's practices consistent with other WAPA regions. This proposed rate would be for the sale of surplus energy and/or capacity products. This includes: (1) Energy, (2) Frequency Response, (3) Regulation, (4) Reserves, and (5) Resource Sufficiency. If any surplus products are available, WAPA could make the product(s) available for sale, provided entities enter into separate agreement(s) which would specify the terms of sale(s).

WAPA would determine the charge for each product at the time of sale to be the greater of WAPA's cost or market rates to include transmission charges. WAPA would use a separate agreement(s) to specify the terms of sale(s). The customer would be

responsible for acquiring additional transmission service necessary to deliver the product(s), for which a separate charge may be incurred from the transmission provider.

WAPA proposes to include two new products for sale: Frequency Response Reserve (FRR) and Resource Sufficiency. FRR is a new product requirement based on Reliability Standard BAL-003-1.1, as approved by North American Electric Reliability Corporation. FRR is used to serve load immediately in the event of a system contingency. Generating units that are on-line and generating at less than maximum output provide these reserves. FRR supplies capacity that is available immediately to serve load and is synchronized with the power system. BANC is implementing this requirement in April 2021, and WAPA therefore proposes inclusion of FRR in this proposed rate.

Resource Sufficiency product supplies capacity for EIM balancing resources and load. WAPA bids energy into the EIM market for immediate dispatch. Resource Sufficiency is not a spin or regulation product. It is a new product available to BANC EIM members as a balancing product. WAPA's Merchant is responsible for and handles the supply of the product; as a result, WAPA proposes adjustments to the EIM base schedule market submission.

Energy Imbalance Market Cost Allocation

WAPA is proposing a cost allocation methodology for EIM implementation costs and net EIM ongoing charges and/or benefits to flow through to the CVP Power Revenue Requirement (PRR). WAPA proposes BANC, WAPA, and Reclamation EIM implementation costs be recovered over a period not to exceed three years. WAPA has identified four separate categories to allocate ongoing charges and/or benefits: (1) conforming loads; (2) non-conforming loads; (3) small loads; and (4) statutory loads.

A conforming load is a type of load generally associated with a weather-based element, which is somewhat predictable based on given conditions. For conforming loads, WAPA proposes to allocate the net EIM ongoing cost and/or net benefits to the CVP PRR.

A non-conforming load changes abnormally – such as a factory that consumes high demand intermittently. For non-conforming loads, WAPA proposes to allocate the net EIM ongoing charges and/or benefits directly to the customer(s) with the non-conforming load(s), in accordance with WAPA’s applicable business practice posted on its Open Access Same-time Information System (OASIS), or at <http://www.oasis.oati.com/wasn/index.html>.

For customers with loads less than one megawatt and are too small to identify, WAPA proposes to allocate EIM implementation costs and net ongoing charges and/or benefits to the CVP PRR. WAPA proposes to assign load charges and/or benefits for those customers with statutory obligations, such as Project Use, to the CVP PRR. Under this proposal, customers with small loads or with statutory obligations will not directly pay nor benefit from EIM charges.

Legal Authority

Existing DOE procedures for public participation in power and transmission rate adjustments (10 CFR part 903) were published on September 18, 1985, and February 21, 2019.¹ The proposed action constitutes a minor rate adjustment, as defined by 10 CFR 903.2(e). In accordance with 10 CFR 903.15(a) and 10 CFR 903.16(a), WAPA will hold public information and public comment forums for this rate adjustment. WAPA

¹ 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

will review and consider all timely public comments at the conclusion of the consultation and comment period and make amendments or adjustments to the proposal as appropriate.

WAPA is establishing the formula rates for CVP in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152). This Act transferred to, and vested in, the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation (Reclamation) under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to WAPA'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, or to remand or disapprove such rates, to FERC. By Delegation Order No. 00-002.00S, effective January 15, 2020, the Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary of Energy. By Redefinition Order No. 00-002.10E, effective February 14, 2020, the Under Secretary of Energy further delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Assistant Secretary for Electricity. By Redefinition Order No. 00-002.10-5, effective July 8, 2020, the Assistant Secretary for Electricity further delegated the authority to confirm, approve, and place such rates into effect on an interim basis to

WAPA's Administrator. This rate action is issued under Redelelegation Order No. 00-002.10-05 and Department of Energy (DOE) procedures for public participation in rate adjustments set forth at 10 CFR part 903.

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents that WAPA initiates or uses to develop the proposed formula rates are available on WAPA's website at <https://www.wapa.gov/regions/SN/rates/Pages/Rate-Case-2021-WAPA-194.aspx>.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

WAPA 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.²

Determination Under Executive Order 12866

WAPA 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.

Signing Authority

This document of the Department of Energy was signed on July 24, 2020, by Mark A. Gabriel, Administrator, Western Area Power Administration, pursuant to delegated authority from the Secretary of Energy. That document, with the original signature and

² 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).

date, is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on July 28, 2020.

Treena V. Garrett,
Federal Register Liaison Officer,
U.S. Department of Energy.

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