



## DEPARTMENT OF ENERGY

### Western Area Power Administration

#### **Proposed Salt Lake City Area Integrated Projects Firm Power Rate and Colorado River Storage Project Transmission and Ancillary Services Rates – Rate Order No. WAPA-199**

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of proposed firm power fixed rate and transmission and ancillary services formula rates.

**SUMMARY:** The Colorado River Storage Project Management Center (CRSP MC) of the Western Area Power Administration (WAPA) proposes a new Salt Lake City Area Integrated Projects (SLCA/IP) fixed firm power rates for use December 1, 2021, through December 31, 2023. The existing rates for these services are not set to expire until September 30, 2025; however, CRSP MC is initiating this rate action in response to a 35-percent projected increase to the firm power composite rate caused by a large increase in purchased power costs due to ongoing drought conditions and a small increase to Operation, Maintenance, and Replacement (OM&R) expenses. Based on the FY 2021 toll on the Upper Colorado River Basin Fund (Basin Fund) and the drought-induced purchased power projections from the Reclamation May 24-Month Study, existing rates will not sustain a balance in the Basin Fund capable of supporting operations. CRSP MC proposes modifying how purchased power is calculated, and purchased power costs would be assessed on a pass-through-cost basis charged to each customer. CRSP MC proposes modifying language to implement the Cost Recovery Charge (CRC) throughout the year, if warranted, and would be able to implement a CRC if water levels drop below the intake structures at Glen Canyon Dam. Additionally, updated Colorado River Storage Project (CRSP) transmission and ancillary services rate schedules are proposed for use December 1, 2021, through December 31, 2023, with no material change proposed other than updating effective dates.

**DATES:** A consultation and comment period will begin [INSERT DATE OF

**PUBLICATION IN THE *FEDERAL REGISTER***] and end August 31, 2021. This provides approximately 65 days for public comment, in accordance with WAPA's authority under 10 CFR 903.14 to shorten the otherwise 90-day comment period for good cause. Concluding the comment period by August 31, 2021, will enable CRSP MC to implement the rates by the effective date of December 1, 2021. Further delaying implementation to January 1, 2022, given projected costs of purchased power, would reduce the Basin Fund by a further \$10 million due to the deficiency of current rates in light of escalating purchased power costs. CRSP MC will present a detailed explanation of the proposed rates and other modifications at a public information forum on July 7, 2021, 12 p.m. to 2 p.m. Mountain Daylight Time (MDT). CRSP MC will present a purchased-power-specific public information forum on July 28, 2021, 12 p.m. to 2 p.m. MDT. CRSP MC will present a CRC-specific public information forum on July 29, 2021, 12 p.m. to 2 p.m. MDT. CRSP MC will accept oral and written comments at a public comment forum on August 11, 2021, 12 p.m. to no later than 2 p.m. MDT. CRSP MC will accept written comments any time during the consultation and comment period. CRSP MC will provide a 14-day consultation and comment period specifically for purchased power after the CRSP MC posts the final purchased power amounts to its website at:

*<https://www.wapa.gov/regions/CRSP/rates/Pages/rates.aspx>*.

**ADDRESSES:** Written comments and requests for information about Federal Energy Regulatory Commission (FERC) actions concerning the proposed rates submitted by WAPA to FERC for approval should be sent to: Mr. Rodney Bailey, Acting CRSP Manager, Colorado River Storage Project Management Center, Western Area Power Administration, 1800 South Rio Grande Avenue, Montrose, CO 81401, or e-mail: *CRSPMC-rate-adj-@wapa.gov*. CRSP MC will post information about the proposed rates and written comments received to its website at:

*<https://www.wapa.gov/regions/CRSP/rates/Pages/rates.aspx>*.

The public information and comment forums will be conducted online. CRSP MC will post webinar and call-in information a week before each respective forum to its website at:

<https://www.wapa.gov/regions/CRSP/rates/Pages/rates.aspx>.

**FOR FURTHER INFORMATION CONTACT:** Mr. Thomas Hackett, Rates Manager, Colorado River Storage Project Management Center, Western Area Power Administration, (801) 524-5503, or e-mail: [CRSPMC-rate-adj@wapa.gov](mailto:CRSPMC-rate-adj@wapa.gov).

**SUPPLEMENTARY INFORMATION:** On August 17, 2020, under Rate Order No. WAPA-190, WAPA's Administrator placed the following rate schedules into effect on an interim basis, effective October 1, 2020, and through September 30, 2025, pending confirmation and final approval by FERC:<sup>1</sup> SLIP-F11 for SLCA/IP Firm Power, SP-NW5 for Network Integration Transmission Service, SP-PTP9 for Firm Point-to-Point Transmission Service, SP-NFT8 for Non-Firm Point-to-Point Transmission Service, SP-UU2 for Unreserved Use Penalties, SP-EI5 for Energy and Generator Imbalance Service, SP-SSR5 for Operating Reserves – Spinning and Supplemental Reserve Services, and SP-SS1 for Sale of Surplus Products. On December 17, 2020, FERC approved and confirmed the rate schedules on a final basis through September 30, 2025.<sup>2</sup>

WAPA is proposing a 2-year rate to address worsening drought conditions in the southwestern United States and volatile purchased power costs. The proposed firm power rate is a fixed rate; the proposed transmission and ancillary services rates continue to use the formula-based methodology that includes an annual update to the financial and load data in the rate formulas. The proposed rates would go into effect December 1, 2021, and remain in effect until December 31, 2023, or until WAPA supersedes or changes the rates through another public rate process pursuant to 10 CFR part 903, whichever occurs first.

The proposed base rates would provide sufficient revenue to recover annual OM&R expenses, interest expense, irrigation assistance, and capital repayment requirements within the cost recovery criteria set forth in Department of Energy (DOE) Order No. RA 6120.2

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<sup>1</sup> 85 FR 52115 (Aug. 24, 2020).

<sup>2</sup> Order Confirming and Approving Rate Schedules on a Final Basis, FERC Docket No. EF20-7-000, 173 FERC ¶ 61,230 (2020).

WAPA proposes that purchased power required to supplement hydropower deliveries up to contractual levels would be passed through to firm power customers under a separate charge, which would be in addition to the base rate for hydropower deliveries. Any customer not wanting to receive its share of the purchased power costs would not be charged the purchased power charge and would receive a proportionate amount of capacity and energy from WAPA each month, charged at the base rate, reflecting actual hydropower generation levels. If WAPA identifies a viable proposal to reduce the total purchased power expenses in the power rate and provide additional flexibility to the customers, it will be set forth during a public information forum. WAPA will develop a rate schedule to pass through the purchased power costs. A draft of the new rate schedule will be included in the brochure.

SLCA/IP FIRM POWER RATE:

Under the current Rate Schedule SLIP-11, the energy rate is 11.43 mills per kilowatt-hour (mills/kWh), and the capacity rate is \$4.85 per kilowatt-month (\$/kWmonth). The composite rate of all charges, used for reference only as a comparison against other wholesale power rates, is 27.45 mills/kWh.

The revenue requirement for the proposed rate is based upon the most current data available, specifically the fiscal year (FY) 2020 historical financial data and the FY 2023 work plans for WAPA and the Bureau of Reclamation (Reclamation), and the *May 24-Month Study*. Table 1 shows a comparison of costs of the existing rate structures, without the additional purchased power expenses.

**Table 1 – COMPARISON OF EXISTING AND PROPOSED FIRM POWER RATES**

Rate Schedule	Existing Rate Under Rate Schedule SLIP-F11 Effective October 1, 2020	Proposed Rate Under Rate Schedule SLIP-F12 Effective December 1, 2021	Change
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Base Rate:			
Firm Energy: (mills/kWh)	11.43	12.70	+11.11%
Firm Capacity: (\$kW/month)	4.85	5.40	+11.25%
Composite Rate: (mills/kWh)	27.45	30.44	+10.89%
Purchased Power Rate:			
Average Monthly Purchase Energy (mills/kWh)	N/A	Market Price	

Currently, WAPA uses Reclamation’s most-probable monthly water releases and end-of-month elevations as reported in Reclamation’s *August 24-Month Study* (24-month Study), provided by Reclamation – Upper Colorado Basin, to determine the first year of firming-energy-purchase projections. For energy-purchase projections in subsequent years, WAPA uses a subset of Reclamation’s annual August Colorado River Simulation System (CRSS) model traces to estimate energy purchase projections, using a rolling average value to minimize fluctuations. WAPA continues to evaluate methodologies used to forecast purchased power. Under rate schedule SLIP-F12, WAPA will use the *August 24-Month Study* to determine generation and projected sales for the two rate years. WAPA will propose actions to be implemented when Lake Powell’s water level drops below the level at which its turbines cannot generate power. These actions will be included in the new rate schedule. Any additional changes to methodologies will be posted in the rate brochure and presented at the public information forum for purchased power. WAPA will update the rate brochure throughout the rate process as data and processes are updated or added.

COST RECOVERY CHARGE:

WAPA will continue to use a Cost Recovery Charge (CRC), if necessary, as a mechanism to adequately recover and maintain a sufficient balance in the Basin Fund in the event projected expenses significantly exceed projected revenue estimates. The Basin Fund is a revolving fund and operates without annual appropriations. The CRC is an additional surcharge on all Sustainable Hydro Power (SHP) energy deliveries, which are long-term energy sales provided under WAPA’s SLCA/IP firm electric service contracts. The CRC may be implemented when, among other things, the Basin Fund’s cash balance is at risk due to low hydropower generation,

high prices for firming power, or emergency capitalized investment funding. The CRC is based only on Basin Fund cash analysis and is independent of the SLCA/IP Power Repayment Study calculations.

WAPA proposes to reserve the right to implement a CRC throughout the year using guidance from the existing implementation tiers and the latest 24-month Study from Reclamation. An established CRC would be in effect for 12 months from the date implemented. If circumstances dictate the need to reassess an established CRC, the updated CRC would supersede the previous CRC and remain in effect for 12 months. The CRC is implemented at WAPA’s discretion based on the balance of the Basin Fund and WAPA’s ability to meet contractual requirements.

The minimum Basin Fund carryover balance is \$40 million.

**Table 3 – CRC IMPLEMENTATION TIERS**

<b>Tier</b>	<b>Criteria, if the Basin Fund Beginning Balance is:</b>	<b>Notification</b>
i	Greater than \$150 million with an expected decrease to below \$75 million	Annually
ii	Less than \$150 million but greater than \$120 million with an expected 50-percent decrease in the next CY	
iii	Less than \$120 million but greater than \$90 million with an expected 40-percent decrease in the next CY	
iv	Less than \$90 million but greater than \$60 million with an expected 25-percent decrease in the next CY	Semi-Annual (May/November)
v	Less than \$60 million but greater than \$40 million with an expected decrease to below \$40 million in the next CY	Monthly

Under this proposal, WAPA reserves the right to implement a CRC throughout the year using the criteria in Table 3 if annual water releases from Glen Canyon Dam fall below 8.23 million acre-feet regardless of the Basin Fund balance.

WAPA would establish an energy waiver level (WL) using the CRC formula. Customers could accept either the CRC or WL. The WL provides WAPA the ability to reduce purchase power expenses by delivering less energy than its contractual obligations. For those customers who agree to schedule no more energy than their proportionate share of the WL, WAPA would waive the CRC for that year.

WAPA continues to refine the CRC process and the details of the CRC calculations. Any

recommended changes will be provided in the customer rate brochure and set forth at the public information forum for the CRC.

#### TRANSMISSION SERVICES:

##### **Annual Transmission Revenue Requirement (ATRR)**

WAPA does not propose any changes to the existing formula rate for calculating ATRR, applicable to both Network Integration and Point-to-Point transmission service rates. The ATRR is the annual cost of the CRSP Transmission System adjusted for Non-Firm Point-to-Point revenue credits, other miscellaneous charges or credits, and the prior year true-up.

##### **Unreserved Use Penalties**

WAPA proposes no changes to the Unreserved Use penalty rate.

#### ANCILLARY SERVICES:

##### **Energy Imbalance and Generator Imbalance Services**

WAPA proposes no changes to the Energy Imbalance and Generator Imbalance Rate Schedule. These services are provided to CRSP, as a Transmission Service Provider, by the Western Area Colorado Missouri Balancing Authority under Rate Schedule L-AS9.

##### **Spinning and Supplemental Reserves**

WAPA proposes no changes to the Operating Reserves – Spinning and Supplemental Reserves Services formula rate.

##### **Sale of Surplus Products**

WAPA proposes no changes to the rate schedule for the sale of the following surplus energy and capacity products: energy, regulation, reserves, and frequency response.

##### **Joint Dispatch Transmission Service**

Joint Dispatch Transmission Service is currently being added, in a separate parallel process, to WAPA's rates under Rate Order No. WAPA-195<sup>3</sup> and is proposed to be effective October 1, 2021. This Rate Order would supersede WAPA-195 for the purpose of

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<sup>3</sup> 86 FR 21726 (Apr 23, 2021).

aligning expiration dates. No other changes are proposed.

## **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.<sup>4</sup> The proposed action is a major rate adjustment, as defined by 10 CFR 903.2(e). In accordance with 10 CFR 903.15(a) and 10 CFR 903.16(a), CRSP MC will hold public information and public comment forums for this rate adjustment. CRSP MC will review and consider all timely public comments at the conclusion of the consultation and comment period and adjust the proposal, as appropriate. The rates will then be approved on an interim basis.

CRSP MC is proposing the SLCA/IP firm power rate and revised CRSP transmission and ancillary services formula rates in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152).<sup>5</sup>

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. S1-DEL-S4-2021, effective February 25, 2021, the Acting Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary for Science (and Energy). By Redelegation Order No. S4-DEL-OE1-2021, effective March 25, 2021, the Acting Under Secretary for Science (and Energy) redelegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Assistant Secretary for Electricity. By Redelegation Order No. 00-002.10-05, effective July 8, 2020, the

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<sup>4</sup> 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

<sup>5</sup> 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 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 projects involved.



Assistant Secretary for Electricity further redelegated the authority to confirm, approve, and place such rates into effect on an interim basis to WAPA's Administrator. This redelegation order, despite predating the February 2021 and March 2021 delegations, remains valid.

### **Availability of Information**

All brochures, studies, comments, letters, memoranda, or other documents that the CRSP MC initiates or uses to develop the proposed rates are available for inspection and copying at the Colorado River Storage Project Management Center, 1800 South Rio Grande Avenue, Montrose, Colorado. Many of these documents and supporting information are also available on WAPA's website at: <https://www.wapa.gov/regions/CRSP/rates/Pages/rates.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.<sup>6</sup>

### **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 June 21, 2021, by Tracey A. LeBeau, Interim Administrator, Western Area Power Administration, pursuant to delegated authority from the Secretary of Energy. That document, with the original signature and date, is maintained by DOE. For administrative purposes only, and in compliance with requirements of

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<sup>6</sup> 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).

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 June 22, 2021.

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

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