



## DEPARTMENT OF ENERGY

### Western Area Power Administration

#### Desert Southwest Region - Rate Order No. WAPA-209

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

**ACTION:** Notice of proposed formula rates for transmission and firm electric service.

**SUMMARY:** The Desert Southwest Region (DSW) of the Western Area Power Administration (WAPA) proposes new formula rates for firm and nonfirm point-to-point (P2P) and network integration (Network) transmission service. DSW also proposes to revise the existing formula rates for Parker-Davis Project (PDP) firm electric service (FES) and firm transmission service of Salt Lake City Area/Integrated Projects (SLCA/IP) power. The proposed new formula rates and revisions to existing formula rates would combine the transmission service rates of the Central Arizona Project (CAP), the southern portion of the Pacific Northwest-Pacific Southwest Intertie Project (Intertie), and PDP; and the facilities use charge for the Electrical District No. 5 to Palo Verde Hub Project (ED5-PVH). DSW's proposed formula rates will be effective January 1, 2024, through September 30, 2028. Publication of this *Federal Register* notice begins the formal process for the proposed formula rates.

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

DSW will present a detailed explanation of the proposed formula rates and other modifications at a public information forum that will be held on [INSERT DATE 37 DAYS AFTER PUBLICATION IN *FEDERAL REGISTER*] from 10 a.m. to no later

than 12 p.m. Mountain Standard Time (MST), or until the last comment is received.

DSW will host a public comment forum that will be held on **[INSERT DATE 60 DAYS AFTER PUBLICATION IN *FEDERAL REGISTER*]**, from 10 a.m. to no later than 12 p.m. MST, or until the last comment is received. The public information forum and the public comment forum will be conducted virtually. Instructions for participating in the forums will be posted on DSW’s website at least 14 days prior to the public information and comment forums at:

*www.wapa.gov/regions/DSW/Rates/Pages/OTR.aspx*.

DSW 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 submitted by WAPA to FERC for approval should be sent to: Jack D. Murray, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, or email: *dswpwrmrk@wapa.gov*. DSW will post information about the proposed formula rates, other changes, and written comments received to its website at: *www.wapa.gov/regions/DSW/Rates/Pages/OTR.aspx*.

**FOR FURTHER INFORMATION CONTACT:** Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, (602) 605-2565 or email: *dswpwrmrk@wapa.gov*.

**SUPPLEMENTARY INFORMATION:** FERC approved and confirmed the following Rate Schedules under the applicable Rate Orders on a final basis through the dates indicated below:

Rate Schedules	Rate Order Nos.	Dates	
		Approval	Expiration

CAP-FT3 <sup>1</sup>	WAPA-193	12/10/2020	12/31/2025
INT-FT5 <sup>2</sup>	WAPA-192	3/2/2021	9/30/2023
PD-FT7 <sup>3</sup>	WAPA-184	1/31/2019	9/30/2023
CAP-NFT3 <sup>1</sup>	WAPA-193	12/10/2020	12/31/2025
INT-NFT4 <sup>2</sup>	WAPA-192	3/2/2021	9/30/2023
PD-NFT7 <sup>3</sup>	WAPA-184	1/31/2019	9/30/2023
CAP-NITS3 <sup>1</sup>	WAPA-193	12/10/2020	12/31/2025
INT-NTS4 <sup>4</sup>	WAPA-200	10/25/2022	9/30/2026
PD-NTS4 <sup>4</sup>	WAPA-200	10/25/2022	9/30/2026
PD-F7 <sup>3</sup>	WAPA-184	1/31/2019	9/30/2023
PD-FCT7 <sup>3</sup>	WAPA-184	1/31/2019	9/30/2023

Rate Schedules CAP-FT3, INT-FT5, and PD-FT7 apply to long-term and short-term firm P2P transmission service. Rate Schedules CAP-NFT3, INT-NFT4, and PD-NFT7 apply to nonfirm P2P transmission service. Rate Schedules CAP-NITS3, INT-NTS4, and PD-NTS4 apply to Network transmission service. Rate Schedules PD-F7 and PD-FCT7 apply to PDP FES and transmission service of SLCA/IP power, respectively. Existing rate schedules do not apply to ED5-PVH; rather, since the project began commercial operation in 2015, DSW has charged for the use of ED5-PVH facilities through a contractual arrangement with customers.<sup>5</sup> The facilities use charge for ED5-PVH is designed to recover all costs incurred by WAPA in connection with the project including debt service, operation, maintenance, replacements, and extraordinary repairs.

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<sup>1</sup> Order Confirming and Approving Rate Schedules on a Final Basis, Docket No. EF20-10-000.

<sup>2</sup> Order Confirming and Approving Rate Schedules on a Final Basis, Docket No. EF20-9-000.

<sup>3</sup> Order Confirming and Approving Rate Schedules on a Final Basis, Docket No. EF19-1-000.

<sup>4</sup> Order Confirming and Approving Rate Schedules on a Final Basis, Docket No. EF21-6-000.

<sup>5</sup> The ED5-PVH is a 109-mile transmission project completed under WAPA's Transmission Infrastructure Program (TIP). TIP was established to implement Section 402 of the American Recovery and Reinvestment Act and manage WAPA's \$3.25 billion borrowing authority to support projects facilitating the delivery of renewable resources in the western United States. Pub. L. 111-5 (Feb. 17, 2009).

The rates for transmission service on CAP, Intertie, and PDP, and the facilities use charge for ED5-PVH, have substantially converged over the last several years. DSW proposes to combine the rates and charge into “One Transmission Rate” (OTR), which would be applicable to these projects. The OTR would provide benefits to DSW’s customers by allowing more efficient scheduling and use of each project’s transmission facilities, eliminating multiple charges (rate pancaking) among the transmission systems, and providing rate and financial stability by having a larger revenue requirement and more diverse customer base.

Although the transmission service rates and facilities use charge would be combined under the OTR, the projects will remain separate for financial accounting and repayment purposes. The proposed formula rates under the OTR would provide sufficient revenue to recover annual operation, maintenance, and replacement costs, interest expense, and capital repayment requirements while ensuring repayment of the projects within the cost recovery criteria set forth in Department of Energy (DOE) Order RA 6120.2.

To implement the OTR, DSW is proposing new rate schedules containing formula rates for firm and nonfirm P2P and Network transmission service. These new schedules will supersede the existing rate schedules for CAP, Intertie, and PDP transmission service and replace the contractual charge for the use of ED5-PVH facilities. DSW also proposes to make changes to the existing formula rates for PDP FES and firm transmission service of SLCA/IP power so they align with the new proposed rate schedule for firm P2P transmission service.

DSW's proposed formula rates for firm and nonfirm P2P and Network transmission service under the OTR, along with PDP FES and firm transmission service of SLCA/IP power, would go into effect on January 1, 2024, and remain in effect through September 30, 2028, or until DSW changes the formula rates through another public rate process pursuant to 10 CFR part 903, whichever occurs first. Since Rate Schedules INT-FT5, PD-FT7, INT-NFT4, PD-NFT7, PD-F7, and PD-FCT7 expire on September 30, 2023, DSW has initiated a separate rate action to extend these rate schedules to provide time to complete the public process for the OTR.

### **Firm Point-to-Point Transmission Service**

DSW proposes a new rate schedule, DSW-FT1, for long-term and short-term firm P2P transmission service on CAP, Intertie, PDP, and ED5-PVH. This new rate schedule will contain formulas to calculate the rates for firm P2P transmission service. For long-term transmission service (one year or longer), the annual rate for each kilowatt per year (kW-year) will be equal to the combined annual transmission revenue requirement (ATRR) of each project, which is the amount of revenue that each project needs to cover the costs associated with its transmission system, divided by the combined anticipated long-term capacity reservations for each project, rounded to the nearest 12-cent increment. For short-term transmission service (up to one year), the maximum rate for each kilowatt will be equal to the annual long-term rate divided by the applicable period of time (i.e., monthly, weekly, daily and hourly) and rounded to five decimal places.

These long-term and short-term rates will be calculated annually using updated financial and capacity reservation information, as applicable. This new rate schedule will supersede Rate Schedules CAP-FT3, INT-FT5, and PD-FT7.

#### **Nonfirm Point-to-Point Transmission Service**

DSW proposes a new rate schedule, DSW-NFT1, for nonfirm P2P transmission service on CAP, Intertie, PDP, and ED5-PVH. This new rate schedule will contain a formula to calculate the rate for nonfirm P2P transmission service. The nonfirm rate will be calculated by dividing the annual long-term rate for firm P2P transmission service by 8,760 hours and rounding to five decimal places. The rate will be calculated annually using updated information, as applicable. This new rate schedule will supersede Rate Schedules CAP-NFT3, INT-NFT4, and PD-NFT7.

#### **Network Transmission Service**

DSW proposes a new rate schedule, DSW-NTS1, for Network transmission service on CAP, Intertie, PDP, and ED5-PVH. This new rate schedule will contain a formula to calculate the monthly charge for Network transmission service. The monthly charge will be determined by multiplying the customer's load ratio share, the ratio of the customer's network load to the transmission provider's total load, times one twelfth ( $1/12$ ) of the combined ATRR of each project. The combined ATRR will be calculated annually using updated financial information. This new rate schedule will supersede Rate Schedules CAP-NITS3, INT-NTS4, and PD-NTS4.

#### **PDP Firm Electric Service**

DSW proposes to revise Rate Schedule PD-F7 so the transmission charge aligns with the proposed new rate schedule, DSW-FT1, for long-term and short-term firm

P2P transmission service on CAP, Intertie, PDP, and ED5-PVH. No changes are being proposed to the energy or capacity charges. DSW also proposes to make other minor changes to Rate Schedule PD-F7. Specifically, the rate schedule will be modified to indicate that recently approved Rate Schedule DSW-UU1<sup>6</sup> will apply to unauthorized transmission overruns. In addition, the section on transmission losses will be deleted because it only pertained to deliveries made with meters located at distribution voltage, a situation that no longer exists for DSW. The revised rate schedule, PD-F8, will supersede PD-F7.

### **PDP Transmission Service of SLCA/IP Power**

DSW proposes to revise Rate Schedule PD-FCT7 to align with the proposed new rate schedule, DSW-FT1, for long-term and short-term firm P2P transmission service on CAP, Intertie, PDP, and ED5-PVH. DSW also proposes to make minor changes to sections of Rate Schedule PD-FCT7 addressing adjustment for losses and overrun of capacity. Specifically, the new rate schedule will be modified to reflect that recently approved Rate Schedules DSW-TL1 and DSW-UU1<sup>7</sup> will apply to transmission losses service and unreserved use, respectively. The revised rate schedule, PD-FCT8, will supersede PD-FCT7.

### **Table of Rate Schedules**

The table below provides a crosswalk from the existing rate schedules to the proposed rate schedules.

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<sup>6</sup> Order Confirming and Approving Rate Schedules on a Final Basis, FERC Docket No. EF21-6-000.

<sup>7</sup> Ibid./

Rate Schedules	
Existing	Proposed
CAP-FT3, INT-FT5 & PD-FT7	DSW-FT1
CAP-NFT3, INT-NFT4 & PD-NFT7	DSW-NFT1
CAP-NITS3, INT-NTS4 & PD-NTS4	DSW-NTS1
PD-F7	PD-F8
PD-FCT7	PD-FCT8

### **Prepayment of Service**

DSW proposes long-term firm P2P and Network transmission service under Rate Schedules DSW-FT1 and DSW-NTS1 be prepaid one month in advance and credited in a subsequent month. The Intertie and PDP long-term firm P2P transmission customers currently prepay for service and will experience no change. As discussed below, CAP long-term firm P2P and PDP Network transmission customers and ED5-PVH facilities use customers will start prepaying for service when the rate schedules become effective.

The monthly prepayment for long-term firm P2P transmission service will be based on the capacity reserved. The monthly prepayment for Network transmission service will be based on the most recent bill. Since transmission customers that currently do not prepay for service will have two payments each month during the first two months, one for service in arrears and one for prepayment, DSW proposes an optional four-month transitional period to phase in prepayments. With a transitional period, the two additional payments that are necessary during the first two months will be evenly distributed over the first four months to help mitigate the potential financial burden on customers.

### **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>8</sup> The proposed action constitutes a major rate adjustment, as

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<sup>8</sup> 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

defined by 10 CFR 903.2(d). In accordance with 10 CFR 903.15(a) and 10 CFR 903.16(a), DSW will hold public information and public comment forums for this rate adjustment. DSW will review and consider all timely public comments at the conclusion of the consultation and comment period and adjust the proposal as appropriate. The formula rates will then be approved on an interim basis.

WAPA is establishing the formula rates for transmission and firm electric service in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152).<sup>9</sup>

By Delegation Order No. S1-DEL-RATES-2016, 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-S3-2023, effective April 10, 2023, 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 for Infrastructure. By Redelegation Order No. S3-DEL-WAPA1-2023, effective April 10, 2023, the Under Secretary for Infrastructure further redelegated the authority to confirm, approve, and place such rates into effect on an interim basis to WAPA's Administrator.

### **Availability of Information**

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<sup>9</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 (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.

All brochures, studies, comments, letters, memorandums, or other documents that DSW initiates or uses to develop the proposed formula rates are available on WAPA's website at [www.wapa.gov/regions/DSW/Rates/Pages/OTR.aspx](http://www.wapa.gov/regions/DSW/Rates/Pages/OTR.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>10</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 5, 2023, by Tracey A. LeBeau, 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 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*.

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<sup>10</sup> In compliance with the National Environmental Policy Act (NEPA) of 1969, as amended, 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).

Signed in Washington, DC, on June 27, 2023.

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

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