



DEPARTMENT OF ENERGY

Western Area Power Administration

Formula Rates for Central Valley Project Power, Transmission, and Ancillary Services; and California-Oregon Transmission Project Transmission Service - Rate Order No. WAPA-207

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed power, transmission, and ancillary services formula rates.

SUMMARY: The Sierra Nevada Region (SN) of the Western Area Power Administration (WAPA) proposes new formula rates for the Central Valley Project (CVP) power, transmission, and ancillary services; and California-Oregon Transmission Project (COTP) transmission service. The existing formula rates for these services expire on September 24, 2024, and December 31, 2024. SN proposes to keep the same formula rates, without adjustments, for these services. SN proposes no material changes aside from updating the effective dates.

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*]. SN will present a detailed explanation of the proposed formula rates at a public information forum that will be held on November 15, 2023, at 10 a.m. PST to no later than 12:30 p.m. PST. SN will host a public comment forum on November 15, 2023, at 1:30 p.m. to no later than 3:30 p.m. PST. The public information forum and the public comment forum will be conducted via Microsoft Teams. Instructions for participating in the forums will be posted on SN'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-2024-WAPA-207.aspx>.

ADDRESSES: Written comments and requests to be informed of Federal Energy Regulatory Commission (FERC) actions concerning the proposed formula rates submitted by SN to FERC for approval should be sent to Bryan W. Griess, Acting Regional Manager, Sierra Nevada Region, Western Area Power Administration, 114 Parkshore Drive, Folsom, CA 95630, or email: *SNR-RateCase@wapa.gov*. SN will post information about the proposed formula rates and written comments received to its website at: <https://www.wapa.gov/regions/SN/rates/Pages/Rate-Case-2024-WAPA-207.aspx>.

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

SUPPLEMENTARY INFORMATION: On December 2, 2011, FERC approved and confirmed Rate Schedules for CVP power, transmission, and ancillary services; COTP transmission; and Pacific Alternating Current Intertie (PACI) transmission under Rate Order No. WAPA-156. That rate order was extended by Rate Order Nos. WAPA-173 and WAPA-185. These rates are set to expire on September 30, 2024.¹ The formula rate schedules are:

- CV-F13 Base Resource and First Preference Power
- CPP-2 Custom Product Power
- CV-T3 Firm and Non-Firm Point-to-Point Transmission Service
- CV-NWT5 Network Integration Transmission Service
- COTP-T3 Firm and Non-Firm Point-to-Point Transmission Service
- PACI-T3 Firm and Non-Firm Point-to-Point Transmission Service (to be handled in a separate rate case)

¹ See Docket No. EF11-9-00 (137 FERC ¶62,201) (2011). Extended by Docket No. EF16-3-000 (156 FERC ¶62,039) (2016). Extended by Docket No. EF19-4-000 (168 FERC ¶62,150) (2019).

- CV-TPT7 Third-Party Transmission Service
- CV-UUP1 Unreserved Use Penalties
- CV-RFS4 Regulation and Frequency Response
- CV-SPR4 Spinning Reserves
- CV-SUR4 Supplemental Reserves

On April 27, 2021, the FERC confirmed and approved Rate Order No. WAPA-194, which placed into effect formula rates for the Energy Imbalance Market (EIM) services, Sale of Surplus Products, and revisions to existing rate schedules for Energy Imbalance and Generator Imbalance services. These rates are set to expire on December 31, 2024.²

The formula rate schedules are:

- CV-EIM1S EIM Administrative Service Charge
- CV-EIM4S EIM Energy Imbalance Service
- CV-EIM9S EIM Generator Imbalance Service
- CV-SSP2 Sale of Surplus Products
- CV-EID5 Energy Imbalance Service
- CV-GID2 Generator Imbalance Service

The proposed rates continue the formula-based methodology that includes an annual update to the financial, load, and other data in the rate formulas. SN intends the proposed formula-based rates to go into effect October 1, 2024. The proposed formula rates would remain in effect until September 30, 2029, or until WAPA supersedes or changes the formula rates through another public rate process pursuant to 10 CFR part 903, whichever occurs first.

The proposed formula rates would provide sufficient revenue to recover annual costs within the cost recovery criteria set forth in Department of Energy (DOE) Order RA

² See Docket No. EF21-1-000 (86 FERC ¶11760) (2021).

6120.2. SN proposed rate schedules are located on our website at:

<https://www.wapa.gov/regions/SN/rates/Pages/Rate-Case-2024-WAPA-207-Proposed-Rate-Schedules.aspx>. For more detailed information on the proposed rate formulas, example calculations and cost comparisons, please visit the customer Proposed Rate Brochure located on SN's website at:

<https://www.wapa.gov/regions/SN/rates/Documents/Rate-Order-WAPA-207-Proposed-Rate-Brochure.pdf>

Proposed Power Revenue Requirement and Allocation to Preference Customers

Before the start of each Fiscal Year (FY), SN would continue to calculate and publish an annual Power Revenue Requirement (PRR) to determine the total cost of power. The total cost of power is allocated to SN's preference customers, namely, First Preference (FP) customers based on their FP percentages, and the remaining amount to Base Resource (BR) customers based on their BR allocation, adjusted for programs, such as hourly exchange. The Trinity River Division Act of 1955 (69 Stat. 719) and the Flood Control Act of 1962 (76 Stat. 1173, 1191-1192) accorded first preference to CVP power to customers in Trinity, Tuolumne, and Calaveras Counties. A BR customer, under the 2004 and 2025 Marketing Plans, is an entity that has executed a BR contract and is allocated a percentage of the BR.

SN prepares a Power Repayment Study (PRS) each FY to determine if revenue will be sufficient to repay, within the required periods, all costs assigned to the commercial power function. Generally, the PRR includes Operation and Maintenance (O&M) expenses, purchased power for Project Use and FP customers' loads, interest, and other expenses (including any other statutorily required costs or charges), investment repayment, and the Washoe Project annual PRR. Revenues from Project Use, transmission, ancillary services, and other services offset expenses in the PRR; and the remainder is collected from BR and FP customers. The PRR is reviewed during March

of each year; and if such review results in a change of \$5 million or more to the annual PRR, collections are adjusted over the remaining 6-month period. The PRR is an estimate of revenues and expenses including investment and repayment projections from the PRS. Any variance from estimate to actual will increase or decrease annual project repayment. Project repayment is measured over the long term to ensure repayment is met and to maintain rate stability.

For SN to meet the load requirements beyond delivered BR for Full Load Service (FLS) customers and Variable Resource (VR) customers, SN may make Supplemental Power (SP) purchases pursuant to the Custom Product Power (CPP) rate schedule. FLS and VR customers who contract with SN for such service will pay all SP costs. FLS customers pay a portfolio management charge according to their contract, whereas VR customers pay a scheduling charge per the rate schedule.

Proposed Transmission and Ancillary Services Revenue Requirements and Formula Rates

At least annually, SN will publish the CVP transmission rates for Point-to-Point and Network Integration Transmission Service (NITS), the COTP transmission rates, and CVP regulation and frequency response service rates. SN prepares a detailed cost-of-service study to determine the costs, by project, that support the transfer capability of each transmission system and the cost that supports the generation capability of the CVP system. Generally, the costs allocated through the cost-of-service study for the transmission systems include O&M, interest, and depreciation expenses. SN's costs for scheduling, system control and dispatch service associated with CVP and COTP transmission service are included and recovered through the respective transmission system's Revenue Requirement. Third-party transmission service costs are passed through directly to each requesting customer.

SN proposes the Unreserved Use Penalties continue to be assessed at 200 percent of the effective point-to-point transmission rate when transmission service is used and not reserved or when used in excess of the reservation. The required spinning and supplemental reserves charges are based on a price consistent with the California Independent System Operator's (CAISO) market price plus all costs incurred for the sale of these reserves. Customers who have a contractual obligation to provide spinning and supplemental reserves and do not fulfill their obligation will be assessed a penalty equal to the greater of SN's actual cost or 150 percent of the market price.

For Energy Imbalance (EI) service, when the EIM is suspended, customers outside of their contractual bandwidth (under delivery) will pay the greater of 150 percent of the market price or SN's actual cost. Given SN's EI customers are and will continue to operate under existing agreements, SN will continue its existing rate methodology for EI. SN proposes the GI rate use the same tiered methodology as SN's proposed EI service rate.

Proposed Sale of Surplus Products Formula Rates

The proposed rates would be for the sale of surplus energy and/or capacity products. This includes Energy, Frequency Response Reserve, Regulation, Reserves, and Resource Sufficiency. If CVP surplus products are available, SN could make the product(s) available for sale, provided entities enter into separate agreement(s) which would specify the terms of sale(s).

Proposed EIM Service Formula Rates

SN will continue participation in the EIM as a Transmission Service Provider (TSP) within the Balancing Authority of Northern California (BANC) Balancing Authority Area (BAA). SN is proposing continued formula rate schedules for: (1) EIM Administrative Service, (2) EIM EI Service, and (3) EIM GI Service. 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 EIM Administrative Services formula rate continues to allow SN to pass through administrative costs incurred by SN resulting from its participation in EIM as a Participating Resource Scheduling Coordinator (PRSC). The formula rates and cost allocation for Administrative, EI, and GI services would be in effect when SN is participating in the EIM, and to the extent SN incurs associated settlements during market suspension or contingency.

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, 2019.³ The proposed action is a major rate adjustment, as defined by 10 CFR 903.2(d). In accordance with 10 CFR 903.15(a) and 10 CFR 903.16(a), SN will hold public information and public comment forums for this rate adjustment. SN 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.

SN is establishing the formula rates for COTP and CVP transmission, CVP power, and other related services in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152).⁴

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 the WAPA 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

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

⁴ 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.

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

All brochures, studies, comments, letters, memorandums, or other documents that SN initiates or uses to develop the proposed formula rates are available for inspection and copying at the Sierra Nevada Region, located at 114 Parkshore Drive, Folsom, California. Many of these documents and supporting information are also available on SN's website at:

<https://www.wapa.gov/regions/SN/rates/Pages/Rate-Case-2024-WAPA-207.aspx>

Ratemaking Procedure Requirements

Environmental Compliance

SN 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.⁵

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

⁵ 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).

This document of the Department of Energy was signed on August 24, 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*.

Signed in Washington, DC, on August 25, 2023.

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

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