



DEPARTMENT OF ENERGY

Western Area Power Administration

Loveland Area Projects - Rate Order No. WAPA-219

AGENCY: Western Area Power Administration, DOE.

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

SUMMARY: The Rocky Mountain (RM) region of the Western Area Power Administration (WAPA) proposes new formula rates for the Loveland Area Projects (LAP) transmission and ancillary services for RM's costs to be recovered under the Southwest Power Pool's (SPP) Open Access Transmission Tariff (Tariff) should RM decide to become a member of SPP. The proposed formula rates will become effective on the latter of RM's membership date or the go-live date of the expansion of the SPP Regional Transmission Organization (RTO) into the Western Interconnection (scheduled for April 1, 2026, as of the date of this notice) and will remain in effect for five years from the effective date, which with an effective date of April 1, 2026, will be March 31, 2031, or until superseded.

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*]. RM will present a detailed explanation of the proposed formula rates and other modifications at a public information forum that will be held on February 19, 2025, at 11 a.m. MST to no later than 12 noon MST. RM will also host a public comment forum on February 19, 2025, at 12:15 p.m. MST to no later than 1 p.m. MST. The public information forum and the public comment forum will be conducted virtually. Instructions for participating in the forums will be posted on RM's Rates website at

least 14 days prior to the public information and comment forums at:

www.wapa.gov/about-wapa/regions/rm/rm-rates/2026-rate-adjustment-rto-trans-and-anc-svcs.

RM will accept 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: Barton V. Barnhart, Regional Manager, Rocky Mountain Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, CO 80538-8986, or e-mail *LAPTransAdj@wapa.gov*. RM will post information about the proposed formula rates and written comments received to its Rates website at: *www.wapa.gov/about-wapa/regions/rm/rm-rates/2026-rate-adjustment-rto-trans-and-anc-svcs*

FOR FURTHER INFORMATION CONTACT: Sheila D. Cook, Rates Manager, Rocky Mountain Region, Western Area Power Administration, (970) 685-9562 or email: *scook@wapa.gov*.

SUPPLEMENTARY INFORMATION: On April 28, 2023, WAPA published a *Federal Register* notice titled “Recommendation for the Western Area Power Administration’s Rocky Mountain Region and Colorado River Storage Project Management Center to Pursue Final Negotiations Regarding Membership in the Southwest Power Pool Regional Transmission Organization, and for the Upper Great Plains Region to Expand its Participation” (88 FR 26298). On June 4, 2024, SPP submitted revisions to its Tariff, Bylaws, and Membership Agreement to expand the SPP

RTO into the Western Interconnection to FERC.¹ If SPP succeeds in obtaining FERC's approval of its Tariff, Bylaws, and Membership Agreement revisions, and upon further approval by the Administrator, RM plans to become a member of SPP.²

RM's membership will include RM becoming a Transmission Owner member of SPP and SPP assuming the balancing authority (BA) responsibilities for RM's Western Area Colorado Missouri (WACM) BA area. WAPA will transfer functional control of eligible LAP transmission facilities to SPP. At such time, LAP transmission and ancillary services and WACM BA ancillary services will no longer be available under WAPA's Tariff, and RM's BA contracts and the existing transmission and ancillary services rate schedules, specifically L-NT1, L-FPT1, L-NFPT1, L-UU1, L-AS1, L-AS2, L-AS3, L-AS4, L-AS5, L-AS6, L-AS7, and L-AS9, will no longer be applicable.

LAP transmission service will be provided under the SPP Tariff by SPP as the transmission service provider. Accordingly, RM will need to have new rate designs/rate schedules and rate implementation protocols in place for specific costs to be recovered under the SPP Tariff.

As of the date of this notice, SPP's anticipated deadline for filing certain SPP Tariff documents for RM (including annual revenue requirements (ARR), formula rate templates, and formula rate implementation protocols proposed in this rate filing, as well as other pertinent documents not included in this rate filing) with FERC is October 2025. RM is publishing this notice of proposed formula rates and initiating the rate consultation and comment period at this time in order for RM to obtain

¹ Southwest Power Pool, Inc., Submission of Revisions to Tariff, Bylaws, and Membership Agreement to Expand the Regional Transmission Organization into the Western Interconnections (Part 1 of 2) and (Part 2 of 2), Docket Nos. ER24-2184, ER24-2185 (June 4, 2024).

² WAPA's Colorado River Storage Project Management Center also plans to become a member of the SPP RTO, and WAPA's Upper Great Plains region plans to expand membership participation in the SPP RTO. These regions are proposing new formula rate designs/rate schedules under separate Rate Order Nos. WAPA-220 and WAPA-218, respectively.

FERC-approved formula rates prior to this SPP deadline.

If RM does not become a member of SPP, further actions under this notice of proposed rates will be canceled, and existing formula rates will remain in effect. If canceled, RM will inform customers by letter and by posting notice of such on RM's Rates website (www.wapa.gov/about-wapa/regions/rm/rm-rates/2026-rate-adjustment-rto-trans-and-anc-svcs) and will withdraw the formula rates proposed in this notice.

RM is proposing a new formula rate to calculate the ARR for its LAP transmission facilities located in both the Eastern and Western Interconnections and for its Virginia Smith Converter Station (Sidney DC Tie) that will be transferred to the functional control of SPP under the SPP Tariff. RM is also proposing a new formula rate to calculate the Sidney DC Tie Incremental Market Efficiency Use³ (Incremental MEU) share. RM is proposing a new formula rate to calculate the ARR for Scheduling, System Control, and Dispatch Service (SSCD Service) under the SPP Tariff. RM's revenue requirements will be added to the annual revenue requirements of other transmission owners in the SPP pricing Zone 104, also identified as the Loveland Area Projects Zone (LAPZ), for transmission service billed by SPP within the LAPZ. RM's revenue requirements under these proposed rates will also impact other costs for transmission service within the broader SPP footprint. For transmission and ancillary services provided under the SPP Tariff, RM also proposes to provide information related to RM's rate implementation and annual updates in "Formula Rate Implementation Protocols"

³ "Incremental Market Efficiency Use (Incremental MEU) Charge: A market recovery mechanism to compensate West DC Tie Transmission Owners for the expected loss of life of certain West DC Tie facilities due to increased utilization of the West DC Ties by the Integrated Marketplace." (SPP Proposed Tariff at Part I, Section 1, I Definitions.)

(Protocols). Each of these topics is described in more detail below.

The proposed formula rates will provide sufficient revenue to recover annual operation, maintenance, replacement, and interest expense while ensuring repayment of the project within the cost recovery criteria set forth in Department of Energy (DOE) Order RA 6120.2. For more specific information on the proposed formula rates, please see the customer rate brochure located on RM's Rates website at:

www.wapa.gov/about-wapa/regions/rm/rm-rates/2026-rate-adjustment-rto-trans-and-anc-svcs.

Proposed Transmission Formula Rate

For transmission service provided by SPP under SPP's Tariff, under Rate Schedule LAPT-ATRR, RM proposes to provide its overall LAP annual transmission revenue requirement (ATRR) as separate subtotals to distinguish LAP transmission facilities separately between Western Interconnection, Eastern Interconnection, Sidney DC Tie (for use by SPP in assessing the DC Tie Access Charge⁴ to transmission service customers proposed in the SPP filing to FERC for the RTO expansion), and other SPP zones. SPP will utilize these LAP ATRR subtotals, along with zonal and regional load and other applicable information, to calculate the applicable charges and revenue distribution for SPP transmission service under the SPP Tariff.

Consistent with RM's current transmission formula rates, RM proposes to continue recovering transmission-related expenses and investments on a forward-looking basis by using projections to estimate transmission costs for the upcoming year, with a

⁴ "DC Tie Access Charge: A charge on a transmission reservation utilizing a West DC Tie that sinks outside of the Zone where the West DC Tie is located. The Transmission Customer shall be responsible for DC Tie Access Charge determined in accordance with Schedule 14." (SPP Proposed Tariff at Part I, Section 1, D Definitions.)

true-up of incurred costs in a subsequent year. Transmission-related annual costs include operation and maintenance, administrative and general costs, interest, and depreciation. The annual costs will be reduced by applicable revenue credits received by RM under the SPP Tariff.

Revenue requirement data will be submitted to SPP in standard formula rate templates with costs classified as either “Zonal” or “Regional,” applying the definitions in the SPP Tariff. “Zonal” costs are those that meet certain criteria and are recovered within the local pricing zone, while “Regional” costs are those meeting certain criteria eligible to be recovered across SPP’s applicable West or East BA area, dependent upon where the transmission upgrade is located. The Formula Rate Template for the LAP ATRR and related information will be posted on RM’s LAPT Open Access Same-Time Information System (OASIS) website (www.oasis.oati.com/LAPT/index.html), on RM’s Rates website (www.wapa.gov/about-wapa/regions/rm/rm-rates/2026-rate-adjustment-rto-trans-and-anc-svcs), and on SPP’s Member Related Postings website (opsportal.spp.org/OASIS/Directory/Member%20Related%20Postings).

Proposed Sidney DC Tie Incremental Market Efficiency Use Formula Rate

In its FERC filing for the proposed expansion of the RTO into the Western Interconnection, SPP proposes to expand its Integrated Marketplace across the seam between the Eastern and Western Interconnections by including the West DC Ties⁵

⁵ “West DC Ties: A direct current interconnection between the Eastern Interconnection and Western Interconnection for which the DC Tie Access Charge and the Incremental Market Efficiency Use Charge may be applicable. In the Integrated Marketplace, the West DC Ties will be Non-Biddable Locations that will be used in the settlements in the TCR [Transmission Congestion Rights] Markets. The West DC Ties are Miles City, Stegall, or Sidney.” (SPP Proposed Tariff at Part I, Section W Definitions.)

into the Integrated Marketplace 5-minute market dispatch. To enable this market dispatch between the Eastern and Western Interconnections, SPP included a new Section 8.11 to Attachment AE of the SPP Tariff for the calculation of the Incremental MEU amounts. The Incremental MEU compensates each West DC Tie Transmission Owner for the expected loss of life of that owner's West DC Tie facility due to increased utilization of the West DC Ties by the Integrated Marketplace.

For SPP to compensate RM as a West DC Tie Transmission Owner of the Sidney DC Tie for Incremental MEU under SPP's Tariff, RM proposes to provide its Sidney DC Tie Incremental MEU share under Rate Schedule LAPT-DCTIE-IMEU. SPP will utilize this Sidney DC Tie Incremental MEU share along with other applicable information to calculate the amount to be paid to RM for the expected loss of life of certain Sidney DC Tie facilities due to increased utilization of those West DC Tie facilities by SPP in the Integrated Marketplace.

To simplify the calculation of the Incremental MEU and provide a consistent forward-looking known amount to be included in the market uplift, a loss-of-life will be estimated for each eligible group of West DC Tie equipment due to expected market operation impacts, and a levelized annual estimate will be provided to SPP. The loss-of-life calculations will be based upon pre-defined impact metrics directly related to the increased market use for each of the West DC Tie equipment groups eligible for cost recovery. Revenue received from SPP for RM's Sidney DC Tie Incremental MEU share will be credited against the Sidney DC Tie portion of the LAP ATRR described above.

The Sidney DC Tie Incremental MEU share data will be submitted to SPP in a

standard formula rate template in accordance with the SPP Tariff Attachment AE.

The Formula Rate Template for the Sidney DC Tie Incremental MEU share will be posted on RM's LAPT OASIS website, on RM's Rates website, and on SPP's Member Related Postings website (see web addresses listed previously).

Proposed Formula Rate for Scheduling, System Control, and Dispatch Service

SSCD Service is required to operate a Transmission Owner's SPP Tariff facilities and schedule movement of power through, out of, within, or into one or both of the SPP BA areas and certain parts of the transmission system not located within a SPP BA area. Under this proposal, RM's ARR for SSCD Service, under Rate Schedule LAPT-AS1, will be submitted to SPP in a standard formula rate template for inclusion in the SPP Tariff Schedule 1. The SSCD Service ARR will be used by SPP to determine the regional SPP Schedule 1 rate and revenue distribution for SPP through-and-out transactions and to determine the zonal SPP Schedule 1 rate and revenue distribution for the LAPZ under the SPP Tariff.

For consistency with the LAP ATRR proposal, RM proposes a formula-based rate methodology to calculate its SSCD Service ARR on a forward-looking basis by using projections to estimate costs associated with SSCD Service for the upcoming year, with a true-up of incurred costs in a subsequent year. RM's SSCD Service ARR will be derived by calculating RM's applicable annual costs associated with the provision of SSCD Service, including operation and maintenance, administrative and general, interest, and depreciation. The annual costs will be reduced by any applicable revenue received by RM under the SPP Tariff. The Formula Rate Template for the SSCD Service and related information will be posted on RM's LAPT OASIS website, on RM's Rates website, and on SPP's Member Related Postings website (see web addresses listed

previously).

Formula Rate Implementation Protocols

For transmission service provided by SPP under SPP's Tariff, RM proposes to provide information relating to RM's rate implementation and annual update procedures and timelines in "Formula Rate Implementation Protocols" (Protocols). The Protocols, together with the above-mentioned formula rate templates, comprise the Formula Rates that will be submitted to SPP to be incorporated in the SPP Tariff. All relevant information pertaining to RM's annual updates, customer notifications and review periods, and meetings will be contained in the Protocols. The Protocols will be posted on RM's LAPT OASIS website, on RM's Rates website, and on SPP's Member Related Postings website (see web addresses listed previously).

Legal Authority

DOE procedures for public participation in power and transmission rate adjustments are located at 10 CFR part 903. 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), RM will hold public information and public comment forums for this rate adjustment. RM 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.

WAPA is establishing the formula rates for LAP in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152).⁶

⁶ 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 section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts that specifically apply to the projects involved.

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 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-S3-2024, effective August 30, 2024, 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 RM 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. Many of these documents and supporting information are also available on RM's Rates website at: www.wapa.gov/about-wapa/regions/rm/rm-rates/2026-rate-adjustment-rto-trans-and-anc-svcs.

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.⁷

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 December 19, 2024, 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 December 19, 2024.

Jennifer Hartzell,

Alternate Federal Register Liaison Officer,

U.S. Department of Energy.

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⁷ 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).