



6450-01-P

## **DEPARTMENT OF ENERGY**

### **Western Area Power Administration**

#### **Loveland Area Projects, Colorado River Storage Project, Pacific Northwest-Pacific Southwest Intertie Project, Central Arizona Project, and Parker-Davis Project—Rate Order No. WAPA-163**

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

**ACTION:** Notice of Order Concerning Formula Rates for Western Area Power Administration (Western) Transmission Projects to use under the WestConnect Point-to-Point Regional Transmission Service Participation Agreement (PA).

**SUMMARY:** The Deputy Secretary of Energy confirmed and approved Rate Order No. WAPA-163 and Rate Schedule WC-8, placing new hourly, non-firm, point-to-point transmission service formula rates for the Loveland Area Projects (LAP), Colorado River Storage Project (CRSP), Pacific Northwest-Pacific Southwest Intertie Project (INT), Central Arizona Project (CAP), and Parker-Davis Project (P-DP) in use under WestConnect's PA into effect on an interim basis.

**DATES:** The provisional rates under Rate Schedule WC-8 will be placed into effect on an interim basis on the first day of the first full billing period beginning on or after June 1, 2014.

**FOR FURTHER INFORMATION CONTACT:** Ms. Lynn C. Jeka, CRSP Manager, Colorado River Storage Project Management Center, 150 East Social Hall Avenue, Suite 300, Salt Lake City, UT 84111-1580, telephone (801) 524-6372; or Mr. Thomas Hackett, Rates Team Lead, Colorado River Storage Project Management Center, 150 East Social Hall Avenue, Suite 300, Salt Lake City, UT 84111-1580, telephone (801) 524-5503; or e-mail

[WestConnect@wapa.gov](mailto:WestConnect@wapa.gov).

**SUPPLEMENTARY INFORMATION:** WestConnect consists of a group of electric utilities currently providing transmission service in the Western Interconnection. Its members are a mixture of investor- and consumer-owned utilities and Western. The WestConnect membership encompasses an interconnected grid stretching from western Nebraska to southern California and from Wyoming to the United States-Mexico border. In June 2009, Western began participating in the WestConnect Pricing Experiment (Experiment), which offered potential customers the option of scheduling a single transaction for hourly, non-firm, point-to-point transmission service over multiple transmission providers' systems at a single rate. The original term of the Experiment was 2 years and expired on June 30, 2011. In 2011, WestConnect filed with the Federal Energy Regulatory Commission (FERC) to extend the term of the Experiment for 2 additional years, until June 30, 2013.

To participate in the Experiment, Western converted its "all-hours," non-firm, point-to-point, formula transmission rates into on-peak and off-peak rates, similar to other Experiment participants. Western established these on-peak and off-peak rates for the Experiment on an annual basis using the authority granted to Western's Administrator in Delegation Order No. 00-037.00 and Delegation Order No. 00-037.00A to set rates for short-term sales.

On April 16, 2013, WestConnect submitted to FERC an Amended and Restated PA that offers the coordinated hourly, non-firm, point-to-point transmission service on a permanent basis, effective July 1, 2013. On June 28, 2013, FERC issued an order conditionally accepting the PA and regional tariffs. In its order, FERC stated it was approving the proposal based on voluntary participation, and any customer that does not want to take service under the WestConnect Tariff provision may continue to take service under standard tariff provisions.

Since the PA is now offering this coordinated, hourly, non-firm, point-to-point transmission

service on a permanent basis, Western proposed to establish a permanent rate schedule for hourly, non-firm, point-to-point transmission for on-peak and off-peak hours for the WestConnect transmission product (78 FR 66695, Nov. 6, 2013).

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) The authority to develop power and transmission rates to Western'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, to remand, or to disapprove such rates to FERC. Existing Department of Energy procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985.

Under Delegation Order Nos. 00-037.00A and 00-001.00E and in compliance with 10 CFR part 903 and 18 CFR part 300, I hereby confirm, approve, and place Rate Order No. WAPA-163, the provisional formula rates for hourly, non-firm, point-to-point transmission service, into effect on an interim basis. The new Rate Schedule WC-8 will be promptly submitted to FERC for confirmation and approval on a final basis. The interim rates will be in effect until FERC confirms, approves, and places the rate schedule in effect on a final basis through May 31, 2019, unless Western withdraws from the WestConnect PA, and posts notice of such withdrawal on the Open Access Same-Time Information System (OASIS), prior to May 31, 2019.

Dated: May 6, 2014.

Daniel B. Poneman,  
Deputy Secretary.

**DEPARTMENT OF ENERGY  
DEPUTY SECRETARY**

In the matter of: )  
)  
Western Area Power Administration )  
Rate Adjustment for the ) Rate Order No. WAPA-163  
Loveland Area Projects )  
Colorado River Storage Project )  
Pacific Northwest-Pacific Southwest Intertie Project) )  
Central Arizona Project )  
Parker-Davis Project )

**ORDER CONFIRMING, APPROVING, AND PLACING THE WESTERN AREA POWER  
ADMINISTRATION’S TRANSMISSION SERVICE FORMULA RATES FOR USE UNDER  
THE WESTCONNECT PARTICIPATION AGREEMENT INTO EFFECT ON AN INTERIM  
BASIS**

These transmission service formula rates are established pursuant to Section 302 of the Department of Energy (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 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. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western Area Power Administration’s (Western) 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, to remand or to disapprove such rates to the Federal Energy Regulatory Commission (FERC). Existing DOE procedures for public

participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985.

### **Acronyms/Terms and Definitions**

As used in this Rate Order, the following acronyms/terms and definitions apply:

| <u>Acronym/Term</u>                                      | <u>Definition</u>  |
|--|--|
| <u>Experiment:</u>                                       | WestConnect's Pricing Experiment offers customers the option of purchasing point-to-point transmission service across multiple Transmission Providers' systems at a single regional rate, as an alternative to point-to-point service with pancaked rates currently offered under the individual open access transmission tariffs. |
| <u>Formula Rates:</u>                                    | Formula rates use a series of calculations to produce an annual revenue requirement. This is the transmission owner's FERC-approved, filed rate, which can change from year to year. This obviates the need for transmission owners to file traditional rate cases at set intervals and prevents regulatory lag.                   |
| <u>Open Access Same-Time Information System (OASIS):</u> | An electronic posting system that the Transmission Provider maintains for transmission access data that allows all transmission customers to view the data simultaneously.   |
| <u>Provisional Formula Rate:</u>                         | A formula rate which has been confirmed, approved, and placed into effect on an interim basis by the Deputy Secretary.   |
| <u>Tariff:</u>   | Western Area Power Administration's Open Access Transmission Service Tariff.   |
| <u>Transmission Provider:</u>                            | An entity that administers a transmission tariff and provides transmission service to Transmission Customers under applicable transmission service agreements.   |
| <u>WestConnect PA:</u>                                   | WestConnect's Point-to-Point Regional Transmission Service Participation Agreement.  |

## **Effective Date**

The Provisional Formula Rates will take effect on the first day of the first full billing period beginning on or after June 1, 2014.

## **Public Notice and Comment**

Western has followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR part 903, in the development of these formula rates and rate schedule. The steps Western took to involve interested parties in the rate process were:

1. Western published a *Federal Register* notice on November 6, 2013 (78 FR 66695), officially announcing the proposed formula transmission rates, initiating the public comment period that ended December 6, 2013, and outlining procedures for public participation.
2. On November 15, 2013, Western e-mailed a copy of the published *Federal Register* notice to Loveland Area Projects (LAP), Colorado River Storage Project (CRSP), Pacific Northwest-Pacific Southwest Intertie Project (INT), Central Arizona Project (CAP), and Parker-Davis Project (P-DP) transmission customers and interested parties. Additionally, the link to Western's Web site was provided, which contains the WestConnect Rate Conversion Table.
3. Written comments were received from the Arizona Municipal Power Users' Association, Phoenix, Arizona, and the Irrigation & Electrical Districts Association of Arizona, Phoenix, Arizona, during the consultation-and-comment period. These comments are addressed below.

All comments received have been considered in the preparation of this Rate Order.

## **Description**

WestConnect consists of a group of electric utilities currently providing transmission service in the Western Interconnection. Its members are a mixture of investor- and consumer-owned

utilities and Western. The WestConnect membership encompasses an interconnected grid stretching from western Nebraska to southern California and from Wyoming to the United States-Mexico border. Western began participating in the Experiment in June 2009, which offered potential customers the option of scheduling a single transaction for hourly, non-firm, point-to-point transmission service over multiple transmission providers' systems at a single rate. The original term of the Experiment was 2 years and expired on June 30, 2011. In 2011, WestConnect filed with FERC to extend the term of the Experiment for 2 additional years, until June 30, 2013.

To participate in the Experiment, Western had to convert its "all-hours," non-firm, point-to-point formula transmission rates into on-peak and off-peak rates similar to other Experiment participants. Western's FERC-approved Tariff transmission rate designs for all regions yield an "all-hours" transmission rate that does not make a rate distinction between on-peak and off-peak, but rather spreads the annual revenue requirements over all hours of the year. Western established on-peak and off-peak rates for the Experiment using the authority granted to Western's Administrator in Delegation Order No. 00-037.00 and, subsequently, Delegation Order No. 00-037.00A to set rates for short-term sales.

On April 16, 2013, WestConnect submitted to FERC an Amended and Restated PA that offers the coordinated hourly, non-firm, point-to-point transmission service at a single rate on a permanent basis, effective July 1, 2013. On June 28, 2013, FERC issued an order conditionally accepting the PA and regional tariffs. In its order, FERC stated it was approving the proposal based on voluntary participation and any customer that does not want to take service under the WestConnect tariff provision may continue to take service under standard tariff provisions.

#### **Formula Rate for Transmission Service under WestConnect PA**

Since the PA is now offering a coordinated, hourly, non-firm, point-to-point transmission service on a permanent basis, Western established a permanent rate schedule (Rate Schedule WC-8) for hourly, non-firm, point-to-point transmission for on-peak and off-peak hours for the WestConnect transmission product. The single rate schedule with separate project rates, which applies to the applicable Western Transmission Projects, is effective June 1, 2014. The interim rates will be in effect until FERC confirms, approves, and places the rate schedule in effect on a final basis through May 31, 2019, unless Western withdraws from the WestConnect PA, and posts notice of such withdrawal on the OASIS, prior to May 31, 2019. Rate Schedule WC-8 establishes a conversion factor that is applied to the existing Transmission Provider's non-firm transmission service formula rates, which have been established under separate rate schedules and under separate rate orders (Rate Schedule SP-NFT6 under No. WAPA-161; L-NFPT1 under No. WAPA-155; INT-NFT3 under No. WAPA-157; CAP-NFT2 under No. WAPA-158; and PD-NFT7 under No. WAPA-138) in order to convert Western's "all-hours" transmission rates to on-peak and off-peak transmission rates.

### **Certification of Rates**

Western's Administrator certified that the Provisional Formula Rates for transmission service under WestConnect's PA in Rate Schedule WC-8 are the lowest possible rates consistent with sound business principles. The Provisional Formula Rates were developed following administrative policies and applicable laws.

### **Comments**

Western received two comment letters during the public consultation-and-comment period. The comments expressed in these letters have been paraphrased, where appropriate, without compromising the meaning of the comments.

Comment: A commenter expressed concern about the fact that only 8 of 18 WestConnect participants are part of the WestConnect PA, and the lack of participation should caution Western's continued participation.

Response: It is accurate that of the 18 members of WestConnect, only 8, including Western, have executed the PA. However, those eight entities have been participating since the inception of the Experiment in July 2009, and these are the only WestConnect members operating contiguous transmission systems that create a rate pancake for customers that may want or need to move across multiple systems.

Additionally, the PA executed by Western and the other entities allows Western to withdraw at any time due to the occurrence or material risk of adverse regulatory action, such as subjecting its rates to review under the Federal Power Act (FPA), or to withdraw in 90-days by written notice for any reason. Therefore, Western has determined its continued participation is warranted at this time.

Comment: A commenter noted the pending litigation in the Court of Appeals for the District of Columbia regarding FERC Order 1000 and surmised that the outcome of the litigation will determine the level of risk Western and other non-jurisdictional utilities might have in dealing with WestConnect. Thus, the commenter stated Western should wait until the outcome of the pending litigation to make a decision about making rates used for the WestConnect PA a permanent offering.

Response: The litigation referred to by the commenter generally concerns the authority of FERC to mandate regional planning and mandatory cost allocation under FERC Order 1000. It has no relevance to WestConnect's PA and the efforts to reduce transmission rate pancaking. A transmission provider choosing to participate in the WestConnect transmission pricing

methodology does not increase its risk of ultimately falling under the requirements of FERC Order 1000. Further, prior to beginning the Experiment, the participants sought a declaratory order from FERC confirming that the proposal was structured in such a way that the rates, revenue requirements, and costs of non-jurisdictional participants would not become subject to FERC review. In response, on September 18, 2008, FERC issued a declaratory order agreeing that participation by the non-jurisdictional participants in the proposal would not subject their rates, revenue requirements, or costs to review under FPA sections 205 or 206.<sup>1</sup> Also, the June 2013 approval by FERC of the WestConnect PA specifically acknowledged it is based on voluntary participation and that customers not wishing to take service under the WestConnect tariff could continue to take service under each Transmission Provider's standard tariff provisions. Therefore, the pending litigation referenced by the commenter provides no basis for Western to delay this rate process.

Comment: A commenter stated the proposed rate filing would result in cross-subsidization among the projects.

Response: It is not accurate to assume there will be cross-subsidies among the projects simply by virtue of the development of Rate Schedule WC-8. Although Western is publishing a single rate schedule for WestConnect transactions, the rate schedule points back to the transmission rate schedule for each individual project. The rates for each of Western's transmission projects will continue to be developed individually in a public process, just as they are now, and will continue to maintain separate rate schedules. Revenues from one project will not in any way be transferred to or used to cover the costs of another project as a result of Western establishing Rate Schedule WC-8. The rate order will take Western's publically-developed, non-firm, point-

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<sup>1</sup> Docket No. EL08-68 (124 FERC ¶ 62,240).

to-point transmission rates and convert these into on-peak and off-peak rates only for purposes of the PA. This effort does not set a single rate across multiple Western projects, nor will it change in any way how Western's existing formula transmission rates are structured for any of the projects. For WestConnect transactions crossing multiple transmission systems, all are electronically tagged in such a way that each project gets the appropriate share of revenue from each transaction based on the pricing of all the transmission providers in a given transaction. This ensures that revenues are assigned to the appropriate project.

Comment: Comments were received questioning Western's use of a "minor rate adjustment" process, including Western's failure to hold public information and/or comment forums.

Response: The administrative processes followed by Western in establishing power and transmission rates are set out in 10 CFR part 903. Section 903.2(f) defines a "minor rate adjustment" as one that will (1) produce less than 1 percent change in the annual revenues of the power system, or (2) is for a power system which has either annual sales normally less than 100 million kilowatt-hours or an installed capacity of less than 20,000 kilowatts. Western began participating in the WestConnect Experiment upon its inception in July 2009 and notified customers and interested parties. The pricing experiment uses segments of five Western transmission systems (CAP, CRSP, INT, LAP, and P-DP). Since that time, the total Western revenues received from WestConnect transactions consistently meet the less than 1 percent change in annual revenues threshold. Western followed the requirements of a minor rate adjustment by allowing for a 30-day consultation-and-comment period, as outlined in 10 CFR part 903.14.

Comment: Comments were received questioning Western's use of formula rates in this effort.

Response: The rate-setting regulation followed by Western, 10 CFR part 903, in effect since

1985, allows for the use of formula rates. Section 903.2(m) specifically excludes a change in the monetary charge pursuant to a formula stated in a rate schedule or contract from the definition of a rate adjustment. Any and all of Western's existing formula rates have been established in formal public processes following the requirements of 10 CFR part 903. Therefore, Western's use of formula rates in this instance is authorized and appropriate.

### **Availability of Information**

All documents related to this action are available for inspection and copying at the following Western locations: Desert Southwest Regional Office, 615 South 43rd Avenue, Phoenix, Arizona; Rocky Mountain Regional Office, 5555 East Crossroads Boulevard, Loveland, Colorado; and Colorado River Storage Project Management Center, 150 East Social Hall Avenue, Suite 300, Salt Lake City, Utah. These documents are also available on Western's Web site at <http://www.wapa.gov/dsw/pwrmtk/WestConnect/Default.htm>.

### **Ratemaking Procedure Requirements**

#### Environmental Compliance

In compliance with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.), 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), Western has determined this action is categorically excluded from preparing an environmental assessment or an environmental impact statement.

#### Determination Under Executive Order 12866

Western 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.

#### Submission to the Federal Energy Regulatory Commission

The Provisional Formula Rates herein confirmed, approved, and placed into effect on an interim basis, together with supporting documents, will be submitted to FERC for confirmation and final approval.

### **ORDER**

In view of the foregoing and under the authority delegated to me, I confirm and approve on an interim basis, effective on the first full billing period on or after June 1, 2014, formula rates, under Rate Schedule WC-8, for use under WestConnect's Point-to-Point Regional Transmission Service. This rate schedule shall remain in effect on an interim basis, pending FERC's confirmation and approval of it or substitute formula rates on a final basis through May 31, 2019, unless Western withdraws from the WestConnect PA, and posts notice of such withdrawal on the OASIS, prior to May 31, 2019.

Dated: May 6, 2014.

Daniel B. Poneman,  
Deputy Secretary.

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**LOVELAND AREA PROJECTS  
COLORADO RIVER STORAGE PROJECT  
PACIFIC NORTHWEST-PACIFIC SOUTHWEST INTERTIE PROJECT  
CENTRAL ARIZONA PROJECT  
PARKER-DAVIS PROJECT**

**SCHEDULE OF RATES FOR USE UNDER WESTCONNECT REGIONAL  
NON-FIRM TRANSMISSION SERVICE  
(Approved Under Rate Order No. WAPA-163)**

Effective:

The first day of the first full billing period beginning on or after June 1, 2014, through May 31, 2019, unless Western withdraws from the WestConnect Point-to-Point Regional Transmission Service Participation Agreement, and posts notice of such withdrawal on the Open Access Same-Time Information System (OASIS), prior to May 31, 2019.

Applicable:

This schedule of rates applies to any WestConnect Regional, Non-Firm, Point-to-Point Transmission Service that uses a Western Area Power Administration Transmission Project (TP), i.e., Central Arizona Project, Colorado River Storage Project, Loveland Area Projects, Pacific Northwest-Pacific Southwest Intertie Project, and Parker-Davis Project.

Rate:

The transmission rates to be used in this formula rate calculation will be the applicable TP's in effect hourly, non-firm, point-to-point transmission rate as posted on the applicable TP's Web site and on the OASIS.

Formula Rate Calculation:

On-peak, hourly, non-firm, point-to-point transmission rate:

TP's non-firm, point-to-point, "all hours" transmission rate  
47.49 percent (the percentage of FERC-defined on-peak hours).

Off-peak, hourly, non-firm, point-to-point transmission rate:

TP's non-firm, point-to-point, "all hours" transmission rate  
52.51 percent (the percentage of FERC-defined off-peak hours).

The converted rates resulting from using this formula will be posted on the applicable TP's Web site and on the OASIS and will be used for applicable WestConnect Regional Non-Firm Point-to-Point Transmission Service transactions only.

[FR Doc. 2014-11026 Filed 05/12/2014 at 8:45 am; Publication Date: 05/13/2014]