

6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Proposed Rates for Central Valley and California-Oregon Transmission Project

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Proposed Rates.

SUMMARY: The Western Area Power Administration (Western) is proposing rates (Proposed Rates) for Central Valley Project (CVP) commercial firm power, power scheduling service, CVP transmission, transmission of CVP power by others, network transmission, California-Oregon Transmission Project (COTP) transmission, and ancillary services. The current rates expire April 30, 1998. The Proposed Rates will provide sufficient revenue to pay all annual costs, including interest expense, and repayment of required investment within the allowable period. The rate impacts are detailed in a rate brochure to be provided to all interested parties. The Proposed Rates are scheduled to go into effect on October 1, 1997, to correspond with the start of the Federal fiscal year, and will remain in effect through September 30, 2002. This Federal Register notice initiates the formal process for the Proposed Rates.

DATES: The consultation and comment period will begin from the date of publication of this Federal Register notice and will end (insert 90 days after date of publication in the Federal Register). A public information forum at which Western will present a detailed explanation of the Proposed Rates is scheduled for March 25, 1997, beginning at 9 a.m. PST, at the Sierra Nevada Region, Western Area Power Administration, 114 Parkshore Drive, Folsom, CA 95630-4710. A public comment forum at which Western will receive oral and written comments is scheduled for April 22, 1997, beginning at 9 a.m. PDT, at the same location. Western should receive written comments by the end of the consultation and comment period to be assured consideration.

ADDRESSES: Written comments are to be sent to: James C. Feider, Regional

Manager, Sierra Nevada Region, Western Area Power Administration, 114 Parkshore Drive, Folsom, CA 95630-4710.

FOR FURTHER INFORMATION CONTACT: Debbie Dietz, Rates Manager, Sierra Nevada Region, Western Area Power Administration, 114 Parkshore Drive, Folsom, CA 95630-4710, (916) 353-4453.

SUPPLEMENTARY INFORMATION: The Proposed Rates for CVP commercial firm power are designed to recover an annual revenue requirement that includes the investment repayment, interest, purchase power, and operation and maintenance expense. A cost of service study allocates the projected annual revenue requirement for commercial firm power between capacity and energy. The capacity revenue requirement includes 100 percent of capacity purchase costs, 50 percent of the investment repayment, interest expense, and power operation and maintenance expense allocated to commercial power, and 100 percent of fixed transmission expense. These annual costs are reduced by the projected revenue from sales of CVP transmission to determine the capacity revenue requirement. The energy revenue requirement includes 100 percent of energy purchase costs and 50 percent of the investment repayment, interest expense, and power operation and maintenance expense allocated to commercial power. These annual costs are reduced by the projected revenue from sales of surplus power to determine the energy revenue requirement. The resulting capacity/energy revenue requirement split varies from 51 percent allocated to capacity in fiscal year (FY) 1998 to 44 percent allocated to capacity in FY 2002. The average capacity/energy revenue requirement split for the five-year period is 47 percent to capacity and 53 percent to energy.

The Proposed Rates will also include an Annual Energy Rate Alignment (AERA). The AERA will be applied to firm energy purchases from Western at or above an average

annual load factor of 80 percent. The AERA is the difference between the estimated market purchase rate used in the cost of service study for CVP commercial firm power and the CVP energy rate. The billing for the AERA will occur at the end of each fiscal year.

The Proposed Rates for CVP commercial firm power, applicable revenue requirement split between capacity and energy, and the AERA are provided in Table 1 below.

Table 1 -- Proposed Commercial Firm Power Rates

Effective Period	Total Composite (mills/kWh)	Capacity (\$/kW-mo)	Energy (mills/kWh)	Capacity/ Energy split	AERA (mills/kWh)
10/01/97 to 09/30/98	20.64	5.00	10.11	51/49	3.06
10/01/98 to 09/30/99	19.59	4.57	9.98	49/51	3.65
10/01/99 to 09/30/00	19.59	4.51	10.10	49/51	4.01
10/01/00 to 09/30/01	18.59	3.95	10.30	45/55	4.30
10/01/01 to 09/30/02	20.09	4.15	11.35	44/56	3.76

The Deputy Secretary of the Department of Energy (DOE), approved the existing Rate Schedule CV-F8 for CVP commercial firm power on September 19, 1995 (Rate Order No. WAPA-72, 60 FR 52671, October 10, 1995), and the Federal Energy Regulatory Commission (FERC) confirmed and approved the rate schedule on March 14, 1996, under FERC Docket No. EF95-5012-000 (74 FERC ¶ 62,136). The existing Rate Schedule CV-F8 became effective on October 1, 1995, for the period ending April 30, 1998. Under Rate Schedule CV-F8, the composite rate on October 1, 1997, is 26.50 mills per kilowatt-hour (mills/kWh), the base energy rate is 16.93 mills/kWh, the tier energy rate is 26.48 mills/kWh, and the capacity rate is \$4.58 per kilowatt-month (kW-mo). The Proposed Rates for CVP commercial firm power will result in an overall

composite rate decrease of approximately 22 percent on October 1, 1997, when compared with the current CVP commercial firm power rates under Rate Schedule CV-F8. Table 2 provides a comparison of the current rates in Rate Schedule CV-F8 and the Proposed Rates along with the percentage change in the rates.

Table 2 -- Comparison of Current and Proposed Rates

Percentage Change in Commercial Firm Power Rates						
Effective Period	Total Composite (mills/kWh)	Percent Change	Capacity (\$/kW-mo)	Percent Change	Base Energy (mills/kWh)	Percent Change
Current Rate Schedule						
Existing 10/01/97 and thereafter	26.50	4.58	16.93
Proposed Rates						
10/01/97 to 09/30/98	20.64	-22	5.00	+9	10.11	-40
10/01/98 to 09/30/99	19.59	-26	4.57	9.98	-41
10/01/99 to 09/30/00	19.59	-26	4.51	-2	10.10	-40
10/01/00 to 09/30/01	18.59	-30	3.95	-14	10.30	-39
10/01/01 to 09/30/02	20.09	-24	4.15	-9	11.35	-33

Adjustment Clauses Associated With the Proposed Rates for CVP Commercial Firm Power

Power Factor Adjustment

This provision contained in Rate Schedule CV-F8, will remain the same under the Proposed Rates for CVP commercial firm power.

Low Voltage Loss Adjustment

This provision contained in Rate Schedule CV-F8, will remain the same under the Proposed Rates for CVP commercial firm power.

Revenue Adjustment

The methodology for the Revenue Adjustment contained in Rate Schedule CV-F8, will remain the same under the Proposed Rates for CVP commercial firm power.

Proposed Rate for Power Scheduling Service

The Proposed Rate for power scheduling service is \$73.80 per hour and is based on an estimated time to provide the service. Power scheduling service provides for the scheduling of resources to meet loads and reserve requirements.

Proposed Rates for CVP Transmission

The Proposed Rate for firm CVP transmission service is \$0.48 per kW-mo., an 11.6 percent increase from the existing rate of \$0.43 per kW-mo. currently under Rate Schedule CV-FT2. The Proposed Rate for non-firm CVP transmission service is 1.00 mill/kWh, an 18.7 percent reduction in the existing 1.23 mills/kWh rate. Service of firm or non-firm transmission for one year or less may be at rates lower than the Proposed Rates.

The Proposed Rates for CVP transmission service are based on a revenue requirement

that recovers: (i) the CVP transmission system costs for facilities associated with providing all transmission service; and (ii) the non-facilities costs allocated to transmission service. These rates include the cost for scheduling, system control and dispatch service, and reactive supply and voltage control associated with the transmission service. The Proposed Rates are applicable to existing CVP firm transmission service and future point-to-point transmission service.

Proposed Rate for Transmission of CVP Power by Others

Transmission service costs incurred by Western in the delivery of CVP power over a third party's transmission system to a CVP customer, will be directly passed through to that CVP customer. Rates under this schedule are proposed to be automatically adjusted as third party transmission costs are adjusted.

Proposed Rate for Network Transmission

The Proposed Rate for network transmission service, if offered by Western, is the product of the network customer's load ratio share times one twelfth (1/12) of the annual network transmission revenue requirement. The load ratio share is based on the network customer's hourly load coincident with Western's monthly CVP transmission system peak minus coincident peak for all firm CVP (including reserved capacity) point-to-point transmission service. The Proposed Rate for network transmission service is based on a revenue requirement that recovers: (i) the CVP transmission system costs for facilities associated with providing all transmission service; and (ii) the non-facilities costs allocated to transmission service. These rates include the cost for scheduling, system control and dispatch service, and reactive supply and voltage control needed to provide the transmission service.

Proposed Rates for COTP Transmission

The Proposed Rates for firm transmission service for Western's share of the California-

Oregon Transmission Project (COTP) are \$1.66 per kW-mo. for FY 1998 and \$1.12 per kW-mo. for FY 1999 through FY 2002. These Proposed Rates for firm COTP transmission service result in 18.2 percent (FY 1998) and 44.8 percent (FY 1999 through FY 2002) reductions in the existing rate of \$2.03 per kW-mo. The Proposed Rates for non-firm COTP transmission service are 2.28 mills/kWh for FY 1998 and 1.54 mills/kWh for FY 1999 through FY 2002. These Proposed Rates for non-firm COTP transmission service result in 18.0 percent (FY 1998) and 44.6 percent (FY 1999 through FY 2002) reductions in the existing rate of 2.78 mills/kWh. Service of firm or non-firm transmission for one year or less may be at rates lower than the Proposed Rates.

The Proposed Rates for COTP transmission service are based on a revenue requirement that recovers the costs associated with: (i) Western's participation in the COTP; (ii) the offering of this service; and (iii) scheduling, system control and dispatch service, and reactive supply and voltage control needed to provide the transmission service. The Proposed Rates are applicable to existing COTP transmission service and future point-to-point transmission service

Proposed Rates for Ancillary Services

Western will provide ancillary services, subject to availability, at the Proposed Rates listed in Table 3. The Proposed Rates are designed to recover only the costs incurred by Western for providing the service(s). Sales of ancillary services of one year or less may be at rates lower than the Proposed Rates.

Table 3 -- Proposed CVP Ancillary Services Rates

<u>Ancillary Service Type</u>	<u>Rate</u>
<p><i>Transmission Scheduling, System Control and Dispatch Service</i> -- is required to schedule the movement of power through, out of, within, or into a control area.</p>	<p>Included in appropriate transmission rates.</p>
<p><i>Reactive Supply and Voltage Control</i> -- is reactive power support provided from generation facilities that is necessary to maintain transmission voltages within acceptable limits of the system.</p>	<p>Included in appropriate transmission rates.</p>
<p><i>Regulation and Frequency Response Service</i> -- providing generation to match resources and loads on a real-time continuous basis.</p>	<p>Monthly: \$1.39 per kW-mo. Weekly: \$0.3192 per kW-week. Daily: \$0.0456 per kW-day.</p>
<p><i>Energy Imbalance Service</i> -- is provided when a difference occurs between the scheduled and actual delivery of energy to a load or from a generation resource within a control area over a single month.</p>	<p><u>Within Limits of Deviation Band:</u> Accumulated deviations are to be corrected or eliminated within 30 days. Any net deviations that are accumulated at the end of the month (positive or negative) are to be exchanged with like hours of energy or charged at the composite rate for CVP commercial firm power, then in effect.</p>
<p>Hourly Deviation (MW) is the net scheduled amount of energy for the hour minus the hourly net metered (actual delivered) amount.</p>	<p><u>Outside Limits of Deviation Band:</u> (i) Positive Deviations - no charge, lost to the system. (ii) Negative Deviations - during <i>on-peak hours</i>, the greater of 3 times the Proposed Rates for CVP commercial firm power or any additional cost incurred. During <i>off-peak hours</i>, the greater of the Proposed Rates for CVP commercial firm power or any additional cost incurred.</p>
<p><i>Spinning Reserve Service</i> -- is providing capacity that is available the first ten minutes to take load and is synchronized with the power system.</p>	<p>Monthly: \$1.14 per kW-mo. plus adder. Weekly: \$0.2688 per kW-wk. plus adder. Daily: \$0.0384 per kW-day plus adder. Hourly: \$0.0016 per kWh plus adder. Adder for purchasing energy to motor unit will be at market purchase rate.</p>
<p><i>Supplemental Reserve Service</i> -- is providing capacity that is not synchronized, but can be available to serve loads within ten minutes.</p>	<p>Monthly: \$1.14 per kW-mo. Weekly: \$0.2688 per kW-wk. Daily: \$0.0384 per kW-day Hourly: \$0.0016 per kWh.</p>

Since the Proposed Rates constitute a major rate adjustment as defined by the procedures for public participation in general rate adjustments, as cited below, both a public information forum and a public comment forum will be held. After review of public comments, Western will recommend the Proposed Rates (and as amended) for approval on an interim basis by the Deputy Secretary of DOE.

Power and transmission rates for the CVP are established pursuant to the Department of Energy Organization Act (42 U.S.C. 7101 *et seq.*) and the Reclamation Act of 1902 (43 U.S.C. 371 *et seq.*), as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and Acts of Congress approved August 26, 1937 (50 Stat. 844, 850); August 12, 1955 (69 Stat. 719); and October 23, 1962 (76 Stat. 1173, 1191), and Acts amendatory or supplementary thereof.

By Amendment No. 3 to Delegation Order No. 0204-108, published November 10, 1993 (58 FR 59716), the Secretary of DOE delegated (1) the authority to develop long-term power and transmission rates on a nonexclusive basis to the Administrator of Western; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the FERC. Existing DOE procedures for public participation in power rate adjustments (10 CFR Part 903) became effective on September 18, 1985 (50 FR 37835).

Availability of Information

All brochures, studies, comments, letters, memoranda, or other documents made or kept by Western for developing the Proposed Rates, are and will be made available for inspection and copying at the Sierra Nevada Region Office, located at 114 Parkshore Drive, Folsom, California 95630-4710.

REGULATORY PROCEDURE REQUIREMENTS:

Regulatory Flexibility Analysis

Pursuant to the Regulatory Flexibility Act of 1980 (5 U.S.C. 601, *et seq.*), each agency, when required to publish a proposed rule, is further required to prepare and make available for public comment an initial regulatory flexibility analysis to describe the impact of the proposed rule on small entities. Western has determined that (1) this rulemaking relates to services offered by the Sierra Nevada Region and therefore is not a rule within the purview of the Act, and (2) the proposed rates for the services offered by the Sierra Nevada Region would not cause an adverse economic impact to such entities. The requirements of this Act can be waived if the head of the agency certifies that the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities. By his execution of this Federal Register notice, Western's Administrator certifies that no significant economic impact on a substantial number of small entities will occur.

Environmental Compliance

Pursuant to the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR Parts 1500 through 1508); and the DOE NEPA Implementing Procedures and Guidelines (10 CFR Part 1021), Western conducts environmental evaluations of the proposed rates and develops the appropriate level of environmental documentation.

Review Under the Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1980, 44 U.S.C. 3501-3520, Western has received approval from the Office of Management and Budget for the collection of customer information in this rule, under control number 1910-1200.

Determination Under Executive Order 12866

DOE has determined that this is not a significant regulatory action because it does not meet the criteria of Executive Order 12866, 58 FR 51735. Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by Office of Management and Budget is required.

Issued at Golden, Colorado, February 20, 1997.

J. M. Shafer
Administrator