

6450-01-P

**DEPARTMENT OF ENERGY**

Western Area Power Administration

Transmission and Ancillary Services Rates, Loveland Area Projects, Notice of Proposed Rate Adjustments

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

**ACTION:** Notice of Proposed Rate Adjustments.

**SUMMARY:** The Western Area Power Administration (Western) is proposing transmission service and ancillary service rate adjustments (Proposed Rates) for the Loveland Area Projects (LAP). This action is necessary because the existing transmission rate (1993) is no longer sufficient to recover annual costs (including interest expense) and capital requirements.

The Proposed Rates are scheduled to go into effect April 1, 1998. Western requests approval of a rate methodology for each service. Once approved, the rates will be adjusted on or about October 1 each year by updating the revenue requirement and load data to the most currently available. This Federal Register notice initiates the formal process for the Proposed Rates.

The current firm transmission rate for LAP expires January 31, 1999, but will be superseded by this rate adjustment for new and existing transmission service. Heretofore, there have been no rates for the six ancillary services defined by Federal Energy Regulatory Commission (FERC) Order 888. Please refer to Table 1 for a summary of the Proposed Rates and their methodology.

**DATES:** The consultation and comment period will begin on the date of publication of this Federal Register notice and will end [insert 90 days after publication of this Federal

Register notice]. Written comments should be received by Western by the end of the comment period to be assured consideration. Western will present a detailed explanation of the proposed rate at the public information forum which will be held at the following date and time:

1. October 23, 1997 -- 1 p.m. MDT, Denver, CO.

Western will receive written and oral comments at the public comment forum which will be held at the following date and time:

2. November 18, 1997 -- 1 p.m. MST, Denver, CO.

**ADDRESSES:**

Western's public information forum will be held at the following place:

1. Fairfield Inn  
6851 Tower Road  
Denver, CO 80249  
(303) 576-9640

Western's public comment forum will be held at the following place:

2. Fairfield Inn  
6851 Tower Road  
Denver, CO 80249  
(303) 576-9640

Written comments are to be sent to: Regional Manager, Rocky Mountain Region (RMR), Western Area Power Administration, P.O. Box 3700, Loveland, Colorado 80539-3003 or faxed to the Regional Manager at (970) 490-7213.

**FOR FURTHER INFORMATION CONTACT:** Daniel T. Payton, Rates Manager, RMR, Western Area Power Administration, P.O. Box 3700, Loveland, CO 80539-3003, (970) 490-7442, or e-mail (dpayton@wapa.gov).

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- I. PROPOSED RATES FOR LAP TRANSMISSION

The RMR will offer network, firm point-to-point, and non-firm point-to-point transmission service to all Transmission Customers. The Proposed Rates will be applicable to existing and future transmission service. As demonstrated in the rate methodology, Western will be taking transmission service on the same basis as other Transmission Customers. The cost of transmission service for serving Western's Contract Rates of Delivery will continue to be included in the LAP firm power rate, consistent with existing contracts. These contracts will expire in the year 2024.

The RMR proposes to implement the LAP transmission rates in three steps:

STEP 1 -- April 1, 1998

The first step will be: the existing rate (\$1.88/kW-Month) plus one-third of the difference between the existing transmission rate (\$1.88/kW-Mo) and the proposed rate. The revenue requirement for the first step is based on FY 1996 financial data; the load is based on 1995 data.

STEP 2 -- October 1, 1998

The second step will be: the existing rate (\$1.88/kW-Month) plus two-thirds of the difference between the existing rate and the recalculated rate based on financial and load data for FY 1997 (October 1, 1996, to September 30, 1997).

STEP 3 -- October 1, 1999

The third step will be: the recalculated rate based on financial and load data for FY 1998 (October 1, 1997, to September 30, 1998).

The transmission rates will be recalculated and revised every year effective October 1, based on the methodologies presented in the following sections. Western will provide notice of changes in rates no later than July 1 of each year.

I.A. Proposed Revenue Requirement for Transmission Service

An annual fixed charge methodology was used to determine the revenue requirement to be recovered from network, firm, and non-firm transmission service. The annual transmission costs included are operation and maintenance expenses, administrative and general expenses, interest expense, and depreciation expense.

#### I.B. Network Transmission Service

The monthly charge for network transmission service is the product of the Transmission Customer's load-ratio share times one-twelfth of the annual transmission revenue requirement. The current revenue requirement is \$43,554,579.

The customer's load-ratio share is the ratio of a network customer's network load to Western's LAP transmission system total load, calculated on a rolling 12-month basis (12 coincident peak (12-cp)). The network customer's monthly network load is its hourly load coincident with Western's LAP transmission system monthly transmission system peak. The LAP transmission system total load is the monthly system peak minus the coincidental peak usage of all firm point-to-point transmission service customers, plus the reserved capacity for all firm point-to-point transmission service customers. The 12-cp for the LAP transmission system is 1,118,245 kW, based on 1995 data.

#### I.C. Firm Point-to-Point Transmission Service

The rate for firm point-to-point transmission service is the annual revenue requirement for transmission divided by the 12-cp monthly peak of the LAP transmission system. The current estimate is \$3.25/kW-Month ( $\$43,554,579 / 1,118,245 \text{ kW} / 12$  months). Western may discount these rates to promote short-term firm sales.

#### I.D. Non-Firm Point-to-Point Transmission Service

Non-firm transmission service is available for periods ranging from 1 hour to 1 month. The rate for non-firm transmission service may be discounted based upon market conditions, but never higher than the firm point-to-point rate, converted to energy equivalent at 100% load factor. The current maximum rate is 4.45 mills/kWh ( $\$3.25/\text{kW-Month}/730$  hours).

## II. PROPOSED RATES FOR ANCILLARY SERVICES

Western will provide ancillary services, subject to availability, as described in Table 1 of this notice. The Proposed Rates are designed to recover only the costs incurred for the service(s). The ancillary services, as defined by FERC, are control area-based rates.

It is anticipated that in June 1998, the Western Area Lower Missouri (WALM) control area will be merged with a portion of the existing Western Area Upper Colorado (WAUC) control area operated by Western's Colorado River Storage Project Customer Service Center, to form the Western Area Colorado Missouri (WACM) control area which will be operated by Western's RMR. The following ancillary service rate calculations are for the WACM control area, effective June 1998.

An annual fixed charge methodology was used to determine the revenue requirement to be recovered by each ancillary service. The annual generation costs included are operation and maintenance expenses, administrative and general expenses, interest expense, and depreciation expense.

### II.A. Proposed Rate for Scheduling, System Control, and Dispatch Service

Scheduling, system control, and dispatch costs are calculated as an annual cost of all personnel and other related costs involved in providing the service for RMR customers. That cost is divided by the number of schedules per year to derive a rate per schedule per day.

The rate for the WACM control area is \$25.71 per schedule per day and will be in effect in June 1998.

## II.B. Proposed Rate for Reactive Supply and Voltage Control from Generation

### Sources

RMR's Reactive Supply and Voltage Response Service costs are calculated as an annual cost of Bureau of Reclamation generation plant investment for both LAP and Salt Lake City Area-Integrated Projects (SLCA-IP), and applying to that cost the percentage of the generation resource required to provide reactive support in the control area to yield an annual cost. That annual cost is then divided by the 12-cp average of the total load that requires VAR support in the control area, yielding a rate for the combined WACM control area effective June 1998 of \$0.12/kW-Month (or .27 mills/kWh for non-firm service, based on a 60 percent annual load factor).

## II.C. Proposed Rate for Regulation and Frequency Response Service

Western's Regulation and Frequency Response Service rate is determined by considering the annual revenue requirement of Bureau of Reclamation regulating plants for both LAP and SLCA-IP, and dividing that by the load requiring regulation in the WACM control area (exclusive of those known loads that provide their own automatic generation control). The resulting rate for the WACM control area effective June 1998 is \$0.15/kW-Month (or .34 mills/kWh for non-firm service, based on 60 percent annual load factor).

## II.D. Proposed Rate for Energy Imbalance Service

The Energy Imbalance Service rate will be applied against deviations outside a 3 percent bandwidth ( $\pm 1.5$  percent deviations), with a 2 MW deviation minimum.

Negative excursions (under deliveries) greater than 1.5 percent and occurring more than five times per month will be assessed a penalty charge of 100 mills/kWh;

e.g., the sixth time an under delivery occurs within a month, the 100 mills/kWh charge will be applied.

Any positive excursion (over delivery) will be credited to the customer for 50 percent of the market value of the over delivery within 30 days.

#### II.E. Proposed Rate for Operating Reserves: Spinning, Supplemental, and Emergency Use

It is unlikely that reserves will be available from WACM resources on a long-term basis.

If Western has Spinning or Supplemental Reserves available for short-term sale from WACM resources, Western will charge the LAP or the SLCA-IP firm power capacity rate in effect at the time of the sale. The current LAP firm power capacity rate is \$2.85/kW-Month. The proposed SLCA-IP firm power capacity rate is \$3.48/kW-Month.

If Spinning or Supplemental Reserves are unavailable from WACM resources, Western may obtain the reserves on the open market for the customer and pass through the cost of those reserves, plus a cost for administration.

When reserves are called on for Emergency Use, Western will assess a charge for energy used, at the greater of 30 mills/kWh or the prevailing market energy rate in the Region.

The Transmission Customer will be responsible for the transmission service to get these reserves to their destination.

### **III. TABLE 1 - SUMMARY OF LAP PROPOSED SERVICE RATES**

Service	Rate Calculation or Basis	Proposed Rate
Network Transmission	Customer's Load Ratio Share * 1/12 * Annual Transmission Revenue Requirement (\$43,554,579)	Based upon customer load share
Firm Point-to-Point Transmission	Total Annual Revenue Requirement /12 CP / 12 months (\$43,554,579 / 1,118,245 kW / 12)	\$3.25/kW-month
Non Firm Point-to-Point Transmission	Firm point-to-point rate/730 hours per month (\$3.25/kW-Month / 730)	Maximum of 4.45 mills/kWh
Scheduling, System Control, and Dispatch	Annual cost of personnel and related costs / number of schedules per year  Before consolidation into WACM: \$1,098,873 / 33,800 schedules  After consolidation into WACM: \$1,223,140 / 47,580 schedules	Before: \$32.51/schedule /day  After: \$25.71/schedule /day
Reactive Supply and Voltage Control from Generation Sources	Total Annual Revenue Requirement for Generation * Percentage of Resource Capacity Used for Reactive Power = Annual Revenue Requirement for Reactive Power / Load in Control Area Requiring Reactive Power / 12 months  Before consolidation into WACM: \$51,456,799 * 2.82% = \$1,448,509; then, \$ 1,448,509 / 1,383,432 kW / 12  After consolidation into WACM: \$73,299,264 * 2.82% = \$2,063,374; then \$2,063,374 / 1,407,918 kW / 12	Before: \$0.09/kW-Month  After: \$0.12/kW-Month

<p>Regulation and Frequency Response</p>	<p>Total Annual Revenue Requirement for Regulation / Load in Control Area Requiring Regulation / 12 Months</p> <p>Before consolidation into WACM: \$1,746,658 / 1,353,712 kW / 12</p> <p>After consolidation into WACM: \$2,531,065 / 1,407,918 kW / 12</p>	<p>Before: \$0.11/kW-Month</p> <p>After: \$0.15/kW-Month</p>
<p>Energy Imbalance</p>	<p>Charge for Energy Imbalance will be applied to deviations outside a 3 percent bandwidth.</p> <p>Negative deviations above 1.5 percent, occurring more than five times per month, will be assessed 100 mills/kWh, with a 2 MW minimum deviation.</p> <p>Any Positive deviations above 1.5 percent will be credited to customer at 50 percent of average monthly non-firm market price in WACM control area.</p>	<p>As described.</p>
<p>Spinning/ Supplemental/ Emergency Use Reserves</p>	<p>Anticipate no long-term surplus reserves available for sale.</p> <p>If available from a WACM resource on short-term basis, Spinning/Supplemental reserves would be assessed the LAP or SLCA-IP firm power capacity rate in effect at the time the request is made.</p> <p>If Spinning/Supplemental reserves are unavailable from a WACM resource, Western would offer to purchase and pass-through cost of the reserves, plus a cost for administration.</p> <p>Emergency Use reserves will be charged the greater of 30 mills/kWh or the prevailing market energy rate in the Region.</p>	<p>Spinning/Supplemental Reserves will be charged the Current Firm Power Capacity Rates: LAP: \$2.85/kW-Month Or SLCA-IP: \$3.48/kW-Month (Proposed)</p> <p>Emergency Use will be charged &gt; of 30 mills/kWh or prevailing market.</p>

IV. Authorities

Transmission and ancillary services rates for the LAP are being established pursuant to the Department of Energy (DOE) 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 section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s) and other acts specifically applicable to the projects involved.

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 are found at 10 CFR Part 903.

**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. In this instance the initiation of the LAP transmission rate and ancillary service rate adjustments are related to non-regulatory services provided by Western at particular rates. Under 5 U.S.C. 601(2), rules of particular applicability relating to rates or services are not considered rules within the meaning of the act. Since the LAP transmission rates and ancillary services are of limited applicability, no flexibility analysis is required.

**Environmental Compliance:** Western will conduct an environmental evaluation of the proposed rates and develop the appropriate level of environmental documentation pursuant to the National Environmental Policy Act (NEPA) 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).

**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.

**Availability of Information:** All brochures, studies, comments, letters, memoranda, or other documents made or kept by Western for developing the proposed rates, will be made available for inspection and copying at the RMR Office, located at 5555 East Crossroads Boulevard, Loveland, Colorado, 80537, during normal business hours.

Dated: September 11, 1997

Michael S. HacsKaylo  
Acting Administrator