

149 FERC ¶ 62,196
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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 and Parker-Davis Project)

Docket No. EF14-8-000

ORDER CONFIRMING AND APPROVING RATE SCHEDULE
ON A FINAL BASIS

(Issued December 15, 2014)

Summary:

On May 21, 2014, the Deputy Secretary of Energy (Deputy Secretary) filed a request for final confirmation and approval of Western Area Power Administration's (Western) Rate Schedule WC-8,¹ applicable to formula rates under the WestConnect Point-to-Point Regional Transmission Service Participation Agreement (Participation Agreement)². The Deputy Secretary placed the rates into effect on an interim basis to be effective June 1, 2014,³ and requests final confirmation and approval of the rates for the

¹ Western Area Power Administration, FERC PA Electric Tariff, [Rate Schedules >WAPA-163 WestConnect, WAPA-163 WestConnect, 0.0.0.](#)

² Consisting of formula rates which have been established under separate rate schedules, and under separate rate orders, placing new hourly, non-firm, point-to-point transmission formula rates for the Loveland Area Projects (NFPT1), under Rate Order No. WAPA-155; Colorado River Storage Project (SP-NFT6), under Rate Order No. WAPA-161; Pacific Northwest-Pacific Southwest Intertie Project (INT-NFT3), under Rate Order No. WAPA-157; Central Arizona Project (CAP-NFT2), under Rate Order No. WAPA-158; and Parker-Davis Project (PD-NFT7), under Rate Order No. WAPA-138, for use under WestConnect's Participation Agreement.

³ Rate Order No. WAPA-163, placing the rate schedule into effect on an interim basis, was issued on May 6, 2014, under authority delegated to the Deputy Secretary by
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period June 1, 2014, through May 31, 2019.⁴

In addition, Western requests waiver of the Commission's requirements set forth in C.F.R. §§ 300.11, 300.12(b), and 300.12(c) to file Statements A through F, a Power Repayment Study (PRS), and a Cost of Service Study, respectively. Western states that the rates addressed in Rate Order No. WAPA-163, are formula rates for transmission services, are not generated through a PRS, and are designed to recover annual costs to provide specific services. Therefore, Western states that Statements A-F and the PRS do not have a direct relationship to these rates. Western states that the requirement to provide a Cost of Service Study does not apply since these are formula rates.

Western maintains that the proposed formula rates for transmission service under the WestConnect Participation Agreement under Rate Schedule WC-8 are the lowest possible rates consistent with sound business principles.

Notice of the application was published in the *Federal Register*, 79 Fed. Reg. 33, 748 (2014), with comments, protests, or motions to intervene due on or before June 20, 2014. None were received. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to operation of Rule 214 of the Commission's Rule of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

Standard of Review:

The Secretary of Energy has delegated the authority to confirm and approve Western's rates on a final basis to the Commission,⁵ and established the scope of Commission review. The scope of Commission review is limited to:

Department of Energy Delegation Order Nos. 00-037.00A and 00-001.00E (Delegation Orders).

⁴ According to Western, the interim rates will be in effect until the Commission confirms, approves, and places Rate Schedule WC-8 in effect on a final basis through May 31, 2019, unless Western withdraws from the Participation Agreement, and posts notice of such withdrawal on its Open Access Same-Time Information System, prior to May 31, 2019.

⁵ Section 3 of the Delegation Orders.

- whether the rates are the lowest possible to customers consistent with sound business principles;
- whether the revenue levels generated by the rates are sufficient to recover the costs of producing and transmitting the electric energy including the repayment, within the period of cost recovery permitted by law, of the capital investment allocated to power and costs assigned by Acts of Congress to power for repayment; and
- the assumptions and projections used in developing the rate components that are subject to Commission review.⁶

The Commission is prohibited from reviewing policy judgments and interpretations of laws and regulations made by the power generating agencies.⁷ The Commission may reject the rate determinations of Western's Administrator only if it finds them to be arbitrary, capricious, or in violation of the law, if they violate Department of Energy regulations (e.g., Department of Energy Order No. RA 6120.2, which prescribes financial reporting policies, procedures, and methodologies), or if they violate agreements between Western's Administrator and the applicable power generating agency. The Commission considers its role as that of an appellate body which reviews the record developed by the Administrator. In other words, the Commission does not develop a record on its own. Consequently, the Commission only affirms or remands the rates submitted to it for final review.⁸

Discussion:

⁶ *Id.*

⁷ The power generating agencies include the Bureau of Reclamation, the Army Corps of Engineers, and the International Boundary and Water Commission. These agencies build and operate various projects. The Power Marketing Administrations, such as Western, market the output of the projects.

⁸ *U.S. Department of Energy - Western Area Power Administration (Boulder Canyon Project)*, 61 FERC ¶ 61,229 at 61,844 (1992), *aff'd in relevant respects, Overton Power District No. 5 v. Watkins* 829 F. Supp. 1523 (D. Nevada 1993), *vacated and remanded with directions to dismiss, Overton Power District No. 5 v. O'Leary* 73 F. 3d 253 (1996); *U.S. Department of Energy - Western Area Power Administration (Salt Lake City Area Integrated Projects)*, 59 FERC ¶ 61,058 at 61,240-41 & nn.17 & 20, *reh'g denied*, 60 FERC ¶ 61,002 (1992).

Western states that 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. Western further states that, the WestConnect membership encompasses an interconnected grid stretching from western Nebraska to southern California and from Wyoming to the United States-Mexico border. Western explains that it began participating in the WestConnect Pricing Experiment (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 two years and expired on June 30, 2011. In 2011, WestConnect filed with the Commission to extend the term of the Experiment for two additional years, until June 30, 2013.

Western explains further that in order to participate in the Experiment, it 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. According to Western, its Commission approved Open Access Transmission Tariff rate is designed for all regions, yields 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 states that it established on-peak and off-peak rates for the Experiment using the authority granted to its 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 the Commission an Amended and Restated Participation Agreement 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, the Commission issued an order conditionally accepting the Participation Agreement and regional tariffs.⁹ In its order, the Commission 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.

In the instant filing, Western states that since the Participation Agreement is now offering a coordinated, hourly, non-firm, point-to-point transmission service on a permanent basis, its 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. Rate Schedule WC-8 establishes a conversion factor that is applied to the existing

⁹ See *WestConnect*, 143 FERC ¶ 61,291 (2013).

Transmission Provider's non-firm transmission service formula rates, which have been established under separate rate schedules and under separate rate orders in order to convert Western's all-hours transmission rates to on-peak and off-peak transmission rates.

By statute,¹⁰ Western must repay the federal investment within a reasonable period of time, which as a general practice is 50 years. Our review indicates that the revenues to be collected under the proposed formula rates will be sufficient to recover Western's costs, including the recovery of the remaining federal investment, with interest, over the remaining repayment period. Moreover, since the revenues generated by the proposed rate recover no more than Western's annual costs and the remaining federal investment, the rate is the lowest possible to customers. Our review also indicates that the submittal was prepared in a manner consistent with Department of Energy Order No. RA 6120.2, which requires that Western's financial statements, must be prepared in accordance with generally accepted accounting principles, as appropriate, and that its repayment analyses be prepared using sound forecasting techniques designed to approximate as closely as possible actual results.

The Commission's review indicates the proposed rates will ensure Western will be able to meet its financial obligations. Western's request for waiver to file Statements A through F, PRS, and a Cost of Service Study, respectively is granted. The Commission finds that Western has shown good cause for granting waiver. Therefore, the proposed rates are confirmed and approved as requested.

The Director:

Confirms and approves on a final basis Western's proposed Rate Schedule WC-8 for the period June 1, 2014, through May 31, 2019.

¹⁰ 16 U.S.C. § 825s (2012).

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Authorities:

This action is taken pursuant to authority delegated to the Director, Division of Electric Power Regulation -- Central, under 18 C.F.R. § 375.307 of the Commission's Regulations. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

Sincerely,

Penny S. Murrell, Director
Division of Electric Power
Regulation -- Central

Document Content(s)

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