

144 FERC ¶ 62,213
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

United States Department of Energy

Docket No. EF13-5-000

Western Area Power Administration
Washoe Project, Stampede Division

ORDER CONFIRMING AND APPROVING RATE SCHEDULE
ON A FINAL BASIS

(September 5, 2013)

Summary:

On April 24, 2013, the Deputy Secretary of Energy (Deputy Secretary) filed a request for final confirmation and approval of Western Area Power Administration's (Western) Rate Schedule SNF-7, for a non-firm power formula rate applicable to the Washoe Project, Stampede Division (Washoe Project).¹ The Deputy Secretary placed the rates into effect on an interim basis effective August 1, 2013,² and requests final confirmation and approval of the rates for the period August 1, 2013, through September 30, 2017.³ Western states that it is proposing to extend, without adjustment, the existing formula rate in Rate Schedule SNF-7,

¹ The Washoe Project is a small (3.65 MW) multipurpose hydroelectric project operated for irrigation, flood control, and to provide electricity principally to two federal fish hatcheries.

² Rate Order No. WAPA-60, placing the rate schedule into effect on an interim basis, was issued on April 23, 2013, under authority delegated to the Deputy Secretary by Department of Energy Delegation Order Nos. 00-037.00 (Delegation Order).

³ Rate Schedule SNF-7 supersedes the present rate schedule, which was approved on a final basis in *United States Department of Energy – Western Area Power Administration (Washoe Project, Stampede Division)*, 127 FERC ¶ 62,043 (2009).

for a five-year rate period beginning August 1, 2013, through September 30, 2017.

Western maintains that the existing formula rate methodology collects annual revenue sufficient to recover annual expenses, including interest, capital requirements, and deficit recovery, thus ensuring Washoe Project repayment within the cost recovery criteria.

Notice of the application was published in the *Federal Register*, 78 Fed. Reg. 12,308 (2013), with comments, protests, or motions to intervene due on or before May 24, 2013. No adverse comments or protests were filed. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules 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,⁴ and established the scope of Commission review. The scope of Commission review is limited to:

- 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.⁵

The Commission is prohibited from reviewing policy judgments and interpretations of laws and regulations made by the power generating agencies.⁶

⁴ Delegation Order § 3.

⁵ *Id.*

⁶ The power generating agencies include the Bureau of Reclamation, the
(continued)

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.⁷

Discussion:

In the instant filing, Western states that the Washoe Project's Non-Firm Power Formula Rate Schedule SNF-7 expires on July 31, 2013. Western explains that the formula rate, calculated annually, transfers reimbursable expenses not recovered by contract into the Central Valley Project power revenue requirement. Western further explains that the existing formula rate methodology collects annual revenue sufficient to recover annual expenses, including interest, capital requirements, and deficit recovery, thus ensuring Washoe Project repayment within the cost recovery criteria. Western further states that for the extension period, August 1, 2013, through September 30, 2017, there is no adjustment to the formula rate. Western states that under the formula rate, the forecasted annual revenue is \$361,000, a reduction of approximately \$418,000 from the prior rate period, August 1, 2008, through July 31, 2013, due to completion of deficit repayment. Western further states that the Washoe Project is scheduled to recover the remaining \$1.6 million deficit by 2015 and all appropriate costs. Thus, Rate

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.

⁷ See, e.g., *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, et al. v. Watkins, et al.*, 829 F. Supp. 1523 (D. Nevada 1993), *vacated and remanded with directions to dismiss, Overton Power District No. 5, et al. v. O'Leary, et al.*, 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 & nn17 and 20, *reh'g denied*, 60 FERC ¶ 61,002 (1992).

Docket No. EF13-5-000

- 4 -

Order No. WAPA-160 extends the existing Rate Schedule SNF-7 through September 30, 2017, thereby continuing to ensure the Washoe Project repayment within the cost recovery criteria.

By statute,⁸ Western must repay the federal investment within a reasonable period of time, which as a general practice is 50 years. Our review of Western's Power Repayment Study (PRS) indicates that the revenues to be collected under the proposed rate 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 PRS 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 PRS be prepared using sound forecasting techniques designed to approximate as closely as possible actual results.

The Commission's review indicates the proposed rate will ensure Western will be able to meet its financial obligations. Therefore, the proposed rate is confirmed and approved as requested.

The Director:

Confirms and approves on a final basis Western's proposed formula rate for the Washoe Project for the period August 1, 2013 through September 30, 2017.

⁸ 16 U.S.C. § 825s (2006).

Docket No. EF13-5-000

- 5 -

Authorities:

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation -- Central, under 18 C.F.R. §375.307. 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)

EF13-5-000.DOC.....1-5