

**156 FERC ¶ 62,039**  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

United States Department of Energy  
Western Area Power Administration  
(Central Valley Project, California-Oregon Transmission  
Project, and Pacific Alternating Current Intertie)

Docket No. EF16-3-000

ORDER CONFIRMING AND APPROVING RATE SCHEDULES  
ON A FINAL BASIS

(July 14, 2016)

Summary:

On March 3, 2016, the Deputy Secretary of Energy (Deputy Secretary) filed a request for final confirmation and approval of an extension of Western Area Power Administration's (Western) Rate Schedules<sup>1</sup> applicable to the sale of power, transmission, and ancillary services for the Central Valley Project (CVP),<sup>2</sup> the California-Oregon Transmission Project (COTP),<sup>3</sup> the Pacific Alternating Current Intertie (PACI),<sup>4</sup>

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<sup>1</sup> Rate Schedule CV-F13 (base resource and first preference power); Rate Schedule CPP-2 (custom product power); Rate Schedule CV-T3 (firm and non-firm point-to-point transmission service); Rate Schedule CV-NWT5 (network integration transmission service); Rate Schedule COTP-T3 (firm and non-firm point-to-point transmission service); Rate Schedule PACI-T3 (firm and non-firm point-to-point transmission service); Rate Schedule CV-TPT7 (third party transmission service); Rate Schedule CV-UUP1 (unreserved use penalties); Rate Schedule CV-RFS4 (regulation and frequency response); Rate Schedule CV-SPR4 (spinning reserves); Rate Schedule CV-SUR4 (supplemental reserves); Rate Schedule CV-EID4 (energy imbalance service); and Rate Schedule CV-GID1(generator imbalance). These rate schedules were previously approved on a final basis in *U.S. Dept. of Energy – Western Area Power Admin. (Central Valley Project, California-Oregon Transmission Project, and Pacific Alternating Current Intertie)*, 137 FERC ¶ 62,201 (2011).

<sup>2</sup> The CVP consists of twelve multipurpose hydroelectric projects whose power output is sold to preference customers in the Central Valley of California.

<sup>3</sup> The COTP is a 342-mile, 500-kV transmission project that interconnects the Pacific Northwest to California by way of an alternating current intertie.

and third-party transmission. The Deputy Secretary placed the rates into effect on an interim basis effective October 1, 2016<sup>5</sup> and requests final confirmation and approval of the rates for the period October 1, 2016 through September 30, 2019.<sup>6</sup>

Notice of the application was published in the *Federal Register*,<sup>7</sup> with comments, protests, or motions to intervene due on or before April 1, 2016. The City of Redding, California; the City of Santa Clara, California; Northern California Power Agency; and the Modesto Irrigation District filed timely motions to intervene, raising no substantive issues. 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,<sup>8</sup> and established the scope of Commission review. The scope of Commission review is limited to:

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<sup>4</sup> The PACI is a 500-kV transmission project of which Western owns a portion of the facilities.

<sup>5</sup> Rate Order No. WAPA-173, placing the rate schedules into effect on an interim basis, was issued on February 26, 2016, under authority delegated to the Deputy Secretary by Department of Energy Delegation Order No. 00-037.00A and 00-001.00F (Delegation Orders).

<sup>6</sup> Western Area Power Administration, FERC FPA Electric Tariff, Rate Schedules, [CVP Power Rate, CVP Power Rate, 1.0.0](#), [Custom Product Rate, Custom Product Rate, 1.0.0](#), [CVP PTP Transmission Rate, CVP PTP Transmission Rate, 1.0.0](#), [CVP NITS Rate, CVP NITS Rate, 1.0.0](#), [COTP Transmission Rate, COTP Transmission Rate, 1.0.0](#), [PACI Transmission Rate, PACI Transmission Rate, 1.0.0](#), [3rd Party Trans. Rate, 3rd Party Trans. Rate, 1.0.0](#), [Unreserved Use Penalties, Unreserved Use Penalties, 1.0.0](#), [Spinning Reserve Rate, Spinning Reserve Rate, 1.0.0](#), [Supplemental Reserve Rate, Supplemental Reserve Rate, 1.0.0](#), [Reg & Freq Response Rate, Reg & Freq Response Rate, 1.0.0](#), [Energy Imbalance Rate, Energy Imbalance Rate, 1.0.0](#), [Generator Imbalance Rate, Generator Imbalance Rate, 1.0.0](#).

<sup>7</sup> 81 Fed. Reg. 13,355 (2016).

<sup>8</sup> 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.<sup>9</sup>

The Commission is prohibited from reviewing policy judgments and interpretations of laws and regulations made by the power generating agencies.<sup>10</sup> 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.<sup>11</sup>

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<sup>9</sup> *Id.*

<sup>10</sup> 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.

<sup>11</sup> See, e.g., *U.S. Dept. of Energy – Western Area Power Admin. (Boulder Canyon Project)*, 61 FERC ¶ 61,229 at 61,844 (1992), *aff'd in relevant respects sub nom. Overton Power District No. 5 v. Watkins*, 829 F. Supp. 1523, (D. Nevada 1993), *vacated and remanded with directions to dismiss sub nom. Overton Power District No. 5 v. O'Leary*, 73 F.3d 253 (9th Cir. 1996); *U.S. Dept. of Energy – Western Area Power Admin. (Salt Lake City Area Integrated Projects)*, 59 FERC ¶ 61,058 at 61,240-41 & nn.17& 20 (1992), *reh'g denied*, 60 FERC ¶ 61,002 (1992).

Discussion:

Western states that on August 25, 2015, it published a notice in the *Federal Register*<sup>12</sup> in which it proposed to extend, without adjustment, the existing Central Valley Project power, transmission, and ancillary services formula rates; California-Oregon Transmission Project transmission formula rate; Pacific Alternating Current Intertie transmission formula rate; and third-party transmission service formula rate.

In the instant filing, Western states that the formula rates expire on September 30, 2016; therefore, it proposes to extend previously approved Rate Schedules CV-F13, CPP-2, CV-T3, CV-NWT5, COTP-T3, PACI-T3, CV-TPT7, CV-UUPI, CV-SPR4, CV-SUR4, CV-RFS4, CV-EID4, and CV-GID1 through September 30, 2019. Western states that the rates and revenue requirements resulting from the approved formula rate methodologies are recalculated each year, based on updated financial and operational data. Western contends that the existing formula rates provide sufficient revenue to repay all annual expenses, including interest expense, and to repay capital investments within the allowable periods, thus ensuring repayment within the cost recovery criteria set forth in Department Of Energy Order No. RA 6120.2.

Our review indicates that Western's total revenues to be collected under the proposed rates will be sufficient to recover Western's costs of producing and transmitting the power and energy, including the recovery of the remaining federal investment, with interest, over the remaining repayment period. Moreover, since the revenues generated by the proposed rates recover no more than Western's annual costs and the remaining federal investment, the rates are the lowest possible to customers.

Since, Western rates are consistent with the standards of review delegated to the Commission by the Secretary of Energy, they merit final confirmation and approval.

The Director:

Confirms and approves on a final basis an extension of Western's Rate Schedules CV-F13, CPP-2, CV-T3, CV-NWT5, COTP-T3, PACI-T3, CV-TPT7, CV-UUPI, CV-RFS4, CV-SPR4, CV-SUR4, CV-EID4, and CV-GID1 for the period October 1, 2016 through September 30, 2019.

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<sup>12</sup> 80 Fed. Reg. 51,556 (2015)

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