

**6450-01-P**

**DEPARTMENT OF ENERGY**

**Western Area Power Administration**

**Olmsted Powerplant Replacement Project - Rate Order No. WAPA-205**

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

**ACTION:** Notice of rate order concerning electric power service formula rate.

**SUMMARY:** The formula rate for the Colorado River Storage Project (CRSP) Management Center's (MC) Olmsted Powerplant Replacement Project (Olmsted Project) has been confirmed, approved, and placed into effect on an interim basis (Provisional Formula Rate). The new formula rate, under Rate Schedule Olmsted F-2, replaces the existing formula rate for this service, under Rate Schedule Olmsted F-1 , which expires on May 6, 2023. A change was made to the definition of Formula Rate in the Rate Schedule F-2 to reflect that the Annual Revenue Requirement is multiplied by the Customer's allocation percentage. The new formula rate under Rate Schedule Olmsted F-2 is effective May 1, 2023, through April 30, 2028.

**DATES:** The provisional formula rate under Rate Schedule Olmsted F-2 is effective on the first day of the first full billing period beginning on or after May 1, 2023, and will remain in effect through April 30, 2028, pending confirmation and approval by the Federal Energy Regulatory Commission (FERC) on a final basis or until superseded.

**FOR FURTHER INFORMATION CONTACT:** Rodney Bailey, CRSP Manager, CRSP Management Center, Western Area Power Administration, 1800 South Rio Grande Avenue, Montrose, CO 81401, or email: *CRSPMC-rate-adj.gov*, or Thomas Hackett,

Rates Manager, CRSP Management Center, Western Area Power Administration, 801-524-5503, or email: [hackett@wapa.gov](mailto:hackett@wapa.gov).

**SUPPLEMENTARY INFORMATION:** On August 30, 2018, FERC confirmed and approved Rate Schedule F-1 under Rate Order No. WAPA-177 on a final basis through May 6, 2023.<sup>1</sup> This schedule applies to the Olmsted Project electric power service.

Western Area Power Administration (WAPA) published a *Federal Register* notice (Proposed FRN) on November 10, 2022 (87 FR 67894), proposing no changes to the existing formula rate under Rate Order WAPA-177, but establishing a new rate period for the formula Rate Schedule Olmsted F-2. The Proposed FRN also initiated a 30-day public consultation and comment period on the new rate schedule.

### **Legal Authority**

By Delegation Order No. S1-DEL-RATES-2016, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the WAPA Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, or to remand or disapprove such rates, to FERC. By Delegation Order No. S1-DEL-S3-2022-2, effective June 13, 2022, the Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary for Infrastructure. By Redelegation Order No. S3-DEL-WAPA1-2022, effective June 13, 2022, the Under Secretary for Infrastructure further redelegated the authority to confirm, approve, and place such rates into effect on an interim basis to WAPA's Administrator. This rate

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<sup>1</sup> Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF18-4-000, 164 FERC ¶ 62,116 (2018).

action is issued under Redelelegation Order No. S3-DEL-WAPA1-2022 and Department of Energy procedures for public participation in rate adjustments set forth at 10 CFR part 903.<sup>2</sup>

Following a review of CRSP MC's proposal, Rate Order No. WAPA-205, which provides the formula rate for the Olmsted Powerplant Replacement Project, is hereby confirmed, approved, and placed into effect on an interim basis. WAPA will submit Rate Order No. WAPA-205 to FERC for confirmation and approval on a final basis.

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<sup>2</sup> 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

**DEPARTMENT OF ENERGY  
ADMINISTRATOR, WESTERN AREA POWER ADMINISTRATION**

In the Matter of: )  
Western Area Power Administration )  
Colorado River Storage Project Management Center) )  
Rate Adjustment for the ) Rate Order No. WAPA-205  
Olmsted Powerplant Replacement Project ) )  
Electric Power Service Formula Rate ) )

**ORDER CONFIRMING, APPROVING, AND PLACING THE FORMULA RATE  
FOR THE OLMSTED POWERPLANT REPLACEMENT PROJECT INTO  
EFFECT ON AN INTERIM BASIS**

The formula rate in Rate Order No. WAPA-205 is established following section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152).<sup>1</sup>

By Delegation Order No. S1-DEL-RATES-2016, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the Western Area Power Administration (WAPA) Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, or to remand or disapprove such rates, to the Federal Energy Regulatory Commission (FERC). By Delegation Order No. S1-DEL-S3-2022-2, effective June 13, 2022, the Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary for Infrastructure. By Redelegation Order No. S3-DEL-WAPA1-2022, effective June 13, 2022, the Under Secretary for Infrastructure further redelegated the authority to confirm, approve, and

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<sup>1</sup> This Act transferred to, and vested in, the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation (Reclamation) under the Reclamation Act of 1902 (ch.1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts that specifically apply to the project involved.

place such rates into effect on an interim basis to WAPA’s Administrator. This rate action is issued under Redefinition Order No. S3-DEL-WAPA1-2022 and DOE procedures for public participation in rate adjustments set forth at 10 CFR part 903.<sup>2</sup>

### **Acronyms, Terms, and Definitions**

As used in this Rate Order, the following acronyms, terms, and definitions apply:

<u>Allocation:</u>	A portion of the Olmsted Project assigned to a particular customer.
<u>Capital Repayment:</u>	The total amount of principal and interest applied to repay capital projects.
<u>Customer:</u>	An entity with a contract receiving an allocation of the Olmsted Project generation.
<u>Customer Rate Brochure:</u>	A document prepared for public distribution explaining the rationale and background for the information contained in this rate order.
<u>Energy:</u>	Measured in terms of the work it can do over time. Electric energy is expressed in kilowatt-hours or megawatt-hours.
<u>FY:</u>	WAPA’s fiscal year; October 1 to September 30.
<u>Installments:</u>	Annual Revenue Requirement billed to customers in 12 equal monthly amounts.
Marketable Energy:	The generation made available for sale.
<u>NEPA:</u>	National Environmental Policy Act of 1969, as amended.
<u>O&amp;M:</u>	Operation and maintenance expenses.
<u>OM&amp;R:</u>	Operation, maintenance, and replacement expenses.
<u>Order RA 6120.2:</u>	DOE Order outlining the power marketing administration financial reporting and rate-making procedures.

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<sup>2</sup> 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

Power: Energy (there is no capacity for Olmsted as it is an Energy only project).

Power Repayment Study (PRS): Defined in Order RA 6120.2 as a study portraying the annual repayment of power production and transmission costs of a power system through the application of revenues over the repayment period of the power system. The study shows, among other items, estimated revenues and expenses, year by year, over the remainder of the power system's repayment period (based upon conditions prevailing over the cost evaluation period), the estimated amount of Federal investment amortized during each year, and the total estimated amount of Federal investment remaining to be amortized.

Provisional Formula Rate: A formula rate confirmed, approved, and placed into effect on an interim basis by the Secretary or his/her designee.

Revenue Requirement: The revenue required by the PRS to recover annual expenses (such as operation and maintenance, interest, and deferred expenses) and repay Federal investments and other assigned costs.

### **Effective Date**

The Provisional Formula Rate Schedule Olmsted F-2 will take effect on the first day of the first full billing period beginning on or after May 1, 2023, and will remain in effect through April 30, 2028, pending approval by FERC on a final basis or until superseded.

### **Public Notice and Comment**

CRSP MC followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR part 903, in developing this formula rate. The steps CRSP MC took to involve interested parties in the rate process included:

1. On November 10, 2022, a *Federal Register* notice (87 FR 67894) (Proposed FRN) announced the proposed formula rate and launched a 30-day public consultation and

comment period.

2. On November 10, 2022, CRSP MC notified Customers and interested parties of the proposed rate and provided a copy of the published Proposed FRN.

3. CRSP MC provided a website that contained all dates, letters, presentations, the FRN, a Customer Rate Brochure, and other information about this rate process. The website is located at [www.wapa.gov/regions/CRSP/rates/Pages/rate-order-205.aspx](http://www.wapa.gov/regions/CRSP/rates/Pages/rate-order-205.aspx).

4. The 30-day consultation and comment period ended on December 12, 2022. CRSP MC received no oral or written comments

### **Power Repayment Study – Electric Power Service Formula Rate**

CRSP MC prepares a PRS each FY to determine if revenues will be sufficient to repay, within the required time, all costs assigned to the Olmsted Project. Repayment criteria are based on applicable laws, legislation, and policies, including Order RA 6120.2. To meet the Cost Recovery Criteria outlined in Order RA 6120.2, CRSP MC developed a formula rate to demonstrate that sufficient revenues will be collected under the Provisional Formula Rate to meet future obligations.

A change was made to the definition of Formula Rate in the Rate Schedule F-2 to reflect that the Annual Revenue Requirement is multiplied by the Customer's allocation percentage. Each customer will continue to be billed for its proportional share of the Olmsted Project Revenue Requirement. The Revenue Requirement is calculated every FY and is payable in 12 monthly Installments. CRSP MC will forecast Olmsted Project FY expenses by preparing a PRS, which will include estimates of future OM&R, associated interest expenses, and other assigned costs. This repayment schedule does not depend on the energy made available for sale or the year's generation amount . The

amount of each monthly installment is established in advance and submitted to the Customers on or before August 31 of the year preceding the appropriate FY. Customers are to pay reimbursable investment and the OM&R of the Olmsted Project and, in return, will receive all marketable Energy produced.

CRSP MC will calculate the revenue requirement based on two years of data. The calculation also includes an adjustment. The adjustment is the surplus or deficit in the last historic year when actual costs and repayment obligations are subtracted from revenues. This surplus or deficit is combined with the projected revenue requirement year costs to arrive at the annual revenue requirement. Each customer's annual installment pays the annual amortized portion of the United States' investment in the Olmsted Project with interest and the associated OM&R.

To date, all investments not currently in progress (or in progress and not yet complete), are accounted for as Construction in Progress costs and have not been transferred to plant accounts for capitalization. Once transferred, an amortization schedule will be calculated for repayment. Historical financial data is available through FY 2021. Current projections are based on the FY 2024 Reclamation and WAPA work plans received in February 2022, as indicated in Table 1. WAPA will update these projections on the website as data becomes available.



**Table 1 - Actual & Projected Investment and O&M, and Capital Repayment**

<b>FY</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Capital Repayment	\$385,144	\$408,263	\$408,973	\$408,898	\$408,821	\$408,742
CUWCD Olmsted O&M	\$709,657	\$1,029,299	\$1,017,876	\$483,559	\$562,421	\$543,187
USBR O&M	\$ 27,500	\$ 10,000	\$ 27,500	\$ 27,500	\$ 10,000	\$ 10,000
WAPA O&M	\$ 17,357	\$ 19,177	\$ 19,560	\$ 19,951	\$ 20,350	\$ 20,757
Provo Facility Use	\$118,841	\$ 118,841	\$ 118,841	\$118,841	\$118,841	\$118,841
<b>FY Totals</b>	<b>\$1,258,498</b>	<b>\$1,585,580</b>	<b>\$1,575,250</b>	<b>\$1,058,749</b>	<b>\$1,120,434</b>	<b>\$1,101,527</b>

The FY 2023 annual revenue requirement includes all projected FY 2023 OM&R requiring repayment through FY 2023. Annual installments are established in advance by WAPA and submitted to the Olmsted Project customers on August 31, before the new FY. The FY 2024 annual installment will include all actual OM&R requiring repayment from the FY 2022 final financial data, the projected FY 2025 OM&R work plan, and amortized payments on capital investments plus interest. Subsequent annual installment updates will use updated financial data from appropriate conforming years.

**Comments**

CRSP MC received no oral or written comments during the public consultation and comment period.

**Certification of Rates**

I have certified that the Provisional Formula Rate for the Olmsted Project electric power service under Rate Schedule Olmsted F-2 is the lowest possible rate, consistent with sound business principles. The Provisional Formula Rate was developed following administrative policies and applicable laws.

**Availability of Information**

Information about this rate adjustment, including the Customer Rate Brochure, PRSs, comments, letters, memorandums, and other supporting materials used to develop the Provisional Formula Rate, is available for inspection and copying at the CRSP MC Regional Office, 1800 South Rio Grande Avenue, Montrose, CO. Many of these documents are also available on WAPA's website at [www.wapa.gov/regions/CRSP/rates/Pages/rate-order-205.aspx](http://www.wapa.gov/regions/CRSP/rates/Pages/rate-order-205.aspx).

## **RATEMAKING PROCEDURE REQUIREMENTS**

### **Environmental Compliance**

WAPA has determined that this action fits within the following categorical exclusions listed in appendix B to subpart D of 10 CFR 1021.410: B4.3 (Electric power marketing rate changes). Categorically excluded projects and activities do not require the preparation of either an environmental impact statement or an environmental assessment.<sup>3</sup> A copy of the categorical exclusion determination is available on WAPA's website at [www.wapa.gov/regions/CRSP/rates/Pages/rate-order-205.aspx](http://www.wapa.gov/regions/CRSP/rates/Pages/rate-order-205.aspx).

### **Determination Under Executive Order 12866**

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

### **Submission to the Federal Energy Regulatory Commission**

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<sup>3</sup> The determination was done in compliance with NEPA (42 U.S.C. 4321-4347); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021).

The Provisional Formula Rate is herein confirmed, approved, and placed into effect on an interim basis, together with supporting documents, will be submitted to FERC for confirmation and final approval.

### **ORDER**

In view of the above, and under the authority delegated to me, I hereby confirm, approve, and place into effect, on an interim basis, Rate Order No. WAPA-205. The rate will remain in effect on an interim basis until: (1) FERC confirms and approves it on a final basis; (2) a subsequent rate is confirmed and approved; or (3) such rate is superseded.

#### **Signing Authority**

This document of the Department of Energy was signed on March 14, 2023, by Tracey A. LeBeau, Administrator, Western Area Power Administration, pursuant to delegated authority from the Secretary of Energy. That document, with the original signature and date, is maintained by DOE. For administrative purposes only and in compliance with Office of the Federal Register requirements, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Lakewood, CO, on March 14, 2023.

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Tracey A. LeBeau  
Administrator

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**COLORADO RIVER STORAGE PROJECT MANAGEMENT CENTER  
Olmsted Powerplant Replacement Project**

**ELECTRIC POWER SERVICE**  
**(Approved Under Rate Order No. WAPA-205)**

**Effective**

The first day of the first, full billing period beginning on or after May 1, 2023, and extending through April 30, 2028, or until superseded by another rate schedule, whichever occurs earlier.

**Available**

Within the marketing area served by the Colorado River Storage Project; parts of Northern Utah.

**Applicable**

To the sale of total plant generation to all customers with an Olmsted Project allocation.

**Character**

Alternating current, 60 hertz, three-phase, delivered and metered at the voltages and points established by contract.

**Formula Rate**

Annual Revenue Requirement (Projected Operations, Maintenance, and Replacement Costs + Projected Interest + Projected Principal Payments ± True-Up Adjustment) x Customer's Allocation Percentage.

## **Adjustments**

True-Up Adjustment: The surplus or deficit that occurred in the last historic year when actual costs and repayment obligations are subtracted from actual revenues.

Adjustment for Power Factor: The customer will be required to maintain a power factor at all points of measurement between 95 percent lagging and 95 percent leading.