

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Western Area Power Administration  
(Olmsted Powerplant Replacement Project)

Docket No. EF23-4-000

ORDER CONFIRMING AND APPROVING RATE SCHEDULE  
ON A FINAL BASIS

(July 6, 2023)

Summary:

On March 17, 2023, the Western Area Power Administration's (Western) Administrator (Administrator) filed a request for final confirmation and approval of the proposed formula-based rate for electric power service at Western's Olmsted Powerplant Replacement Project (Olmsted Project).<sup>1</sup> The Administrator placed the rate into effect on an interim basis effective May 1, 2023,<sup>2</sup> and requests final confirmation and approval for the period May 1, 2023 through April 30, 2028.<sup>3</sup>

Notice of the filing was published in the *Federal Register*<sup>4</sup> with comments, protests, or motions to intervene due on or before April 17, 2023. No responsive filings 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

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<sup>1</sup> The Olmsted Project is located at the mouth of Provo Canyon in northern Utah and is part of the Central Utah Project, a participating project of the Colorado River Storage Project.

<sup>2</sup> Rate Order No. WAPA-205, placing formula-based Rate Schedule F-2 into effect on an interim basis, was issued on March 14, 2023, under the authority granted to the Deputy Secretary by the Department of Energy Delegation Order Nos. 00-037.00B and 00-001.00F.

<sup>3</sup> Western Area Power Administration, Rate Schedules, [WAPA-205 F-2, Olmsted Project Electric Power Service \(1.0.0\)](#).

<sup>4</sup> 88 Fed. Reg. 18,313 (2023).

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>5</sup> 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.<sup>6</sup>

The Commission is prohibited from reviewing policy judgments and interpretations of laws and regulations made by the power generating agencies.<sup>7</sup> The Commission may reject the rate determinations of Western's Administrator only if it finds them to be arbitrary, capricious, in violation of the law, in violation of Department of Energy regulations (e.g., Order No. RA 6120.2 which prescribes Western's financial reporting policies, procedures, and methodologies), or in violation of agreements between the Administrator and the applicable power generating agency. The Commission considers its role as that of an appellate body that reviews the record developed by the

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<sup>5</sup> See Section 1.3 of Delegation Order No. 00-037.00B.

<sup>6</sup> *Id.*

<sup>7</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.

Administrator. In other words, the Commission only affirms or remands the rates submitted to it for final review.<sup>8</sup>

Discussion:

Western states that the instant filing is an extension of the initial rate schedule for the Olmsted Project with no proposed changes to the existing formula rate. However, Western states that 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. Western states that the annual energy production of the Olmsted Project is expected to average 21,700,000 kilowatt-hour per year.<sup>9</sup> Western also states that the completed power repayment study determined that approximately \$1.6 million will be needed for the Olmsted Project during fiscal year 2023.<sup>10</sup>

Western states that the rate proposed for electric power service at the Olmsted Project is designed to recover an annual revenue requirement that includes power investment repayment, interest, operation and maintenance within the allowable period. Western explains that the Olmsted Project is a "take all pay all project," which means that the annual revenue requirement is not dependent on the amount of energy available each year.<sup>11</sup> Western states that the annual revenue requirement is proportionally distributed among all customers that have an allocated portion of the Olmsted Project's energy production.

By statute,<sup>12</sup> Western must repay the federal investment from power revenues within a reasonable period of time, which as a general practice is 50 years. Our review

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<sup>8</sup> *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 (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).

<sup>9</sup> Filing at 97.

<sup>10</sup> *Id.* at 99.

<sup>11</sup> *Id.* at 95.

<sup>12</sup> 16 U.S.C. § 825s (2012).

indicates that the revenues to be collected under the proposed formula rate will be sufficient to recover Western's costs, including 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.

Western maintains that the proposed formula rate is the lowest possible rate consistent with sound business principles, and that the rate will produce revenues sufficient to recover all annual costs, including interest expenses, and to repay investments within the allowable period.

The Commission's review indicates that the proposed formula rate for electric power service will ensure that 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-based Rate Schedule F-2 for the period May 1, 2023 through April 30, 2028.

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,

Natalie Y. Tingle-Stewart, Acting Director  
Division of Electric Power  
Regulation – Central