

6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Proposed Salt Lake City Area Integrated Projects Firm Power Rate and Colorado River Storage Project Transmission and Ancillary Services Rates Adjustments.

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Proposed Rate Adjustments.

SUMMARY: The Western Area Power Administration's (Western) Colorado River Storage Project (CRSP) Customer Service Center (CSC) is proposing rates (Proposed Rates) for long-term sales of Salt Lake City Area Integrated Projects (SLCA/IP) firm power, CRSP transmission service, and ancillary services. The current firm power rate expires November 30, 1999. The current firm transmission rate expires September 30, 1997, but is expected to be extended for 1 additional year, through September 30, 1998, or until superseded by the proposed firm point-to-point transmission rate. The Proposed Rates will provide sufficient revenue to pay all annual costs, including operation, maintenance, replacement, and interest expenses, and to repay investment and irrigation assistance obligations within the required period. The rates and their impacts are explained in greater detail in a rate brochure to be provided to all interested parties. The Proposed Rates are scheduled to go into effect on April 1, 1998. This Federal Register notice initiates the formal process for the Proposed Rates.

DATES: The consultation and comment period will begin on the date of publication of this Federal Register notice and will end [Insert 90 days after date of publication of this FEDERAL REGISTER notice]. The public information forums and public comment meeting dates are:

1. Public information forum - August 1, 1997, 1 p.m., Salt Lake City, Utah.

Public comment forum - September 19, 1997, 1 p.m., Salt Lake City, Utah.

2. Public information forum - August 5, 1997, 1 p.m., Golden, Colorado.
Public comment forum - September 16, 1997, 1 p.m., Golden, Colorado.
3. Public information forum - August 6, 1997, 1 p.m., Albuquerque, New Mexico.
Public comment forum - September 17, 1997, 1 p.m., Albuquerque, New Mexico.
4. Public information forum - August 7, 1997, 1 p.m., Phoenix, Arizona.
Public comment forum - September 18, 1997, 1 p.m., Phoenix, Arizona.

ADDRESSES:

1. Doubletree Hotel (Previously Red Lion), 255 South West Temple, Salt Lake City, Utah.
2. Marriott Denver West, 1717 Denver West Boulevard, Golden, Colorado.
3. Albuquerque Marriott, 2101 Louisiana Boulevard NE, Albuquerque, New Mexico.
4. Western Area Power Administration, Desert Southwest Region, 615 South 43rd Avenue, Phoenix, Arizona.

Western must receive written comments by the end of the consultation and comment period to be assured consideration. Oral comments will be received at the public comment meetings.

Written comments are to be sent to: Mr. David Sabo, CRSP Manager, CRSP Customer Service Center, Western Area Power Administration, P.O. Box 11606, Salt Lake City, Utah, 84121-0606, or e-mail sabo@wapa.gov.

FOR FURTHER INFORMATION CONTACT: Carol Tafoya-Loftin, Rates Manager, CRSP Customer Service Center, Western Area Power Administration, P.O. Box 11606, Salt Lake City, Utah, 84121-0606, (801) 524-6380; e-mail: tafoya@wapa.gov, or visit CRSP CSC's home page at: www.wapa.gov/crsp/crsp.htm.

PROPOSED RATE FOR SLCA/IP FIRM POWER

SLCA/IP Firm Power Rate

The Proposed Rate for SLCA/IP firm power is designed to recover an annual amount of revenue requirement that includes the repayment of power investment, payment of interest, purchased power, operation, maintenance and replacement expenses, and the repayment of irrigation assistance costs, as required by law.

The Deputy Secretary of the Department of Energy (DOE) approved the existing Rate Schedule SLIP-F5 for SLCA/IP firm power on October 25, 1994 (Rate Order No. WAPA-63). The Federal Energy Regulatory Commission (FERC) confirmed and approved the rate schedule on April 1, 1996, in FERC Docket No. EF95-5171-000. The existing Rate Schedule will expire on November 30, 1999. Under Rate Schedule SLIP-F5, the energy rate is 8.9 mills/kWh, and the capacity rate is \$3.83 per kW-month. The composite rate (revenue requirements per kWh) is 20.17 mills/kWh. The Proposed Rate for SLCA/IP firm power is 8.20 mills/kWh for energy and \$3.48 per kW-month for capacity. The proposed composite rate is 17.75 mills/kWh. This firm power rate is to be applied to all firm power customers, and is to become effective April 1, 1998.

Although the proposed composite rate reflects a decrease from the existing composite rate, the net effect does not necessarily result in an equivalent reduction in cost to the SLCA/IP firm power contractors. Two primary factors account for this decrease. First, annual net revenue requirements have reduced by \$6.4 million. Second, due to constraints at Glen Canyon Dam, as a result of the long-term Glen Canyon Dam Operating Criteria, and generating constraints on other SLCA/IP facilities, the contractor will normally be receiving less Federally generated resource during on-peak hours. In order to receive its full SLCA/IP resource allocation the

contractor must purchase replacement power from other sources through Western Replacement Power (WRP) and/or Customer Displacement Power (CDP) as outlined in amended contracts with Western. In addition to the actual costs of the replacement power purchased on the open market, the contractor will pay the incremental administrative costs that Western incurs for providing this service. Due to the restrictions of the Federal hydro facilities and resulting replacement resource costs, the total overall costs to the contractors may in fact increase.

Lastly, the proposed firm power rate does not include pension benefits from Civil Service Retirement System and health benefits, which were included in the last rate adjustment. The inclusion of these costs will depend upon the outcome of a final legal decision of Western's authority to include these costs in the rate base. Should these costs be included, it is anticipated that they will increase the composite rate by .07 mills/kWh.

WRP and CDP Administrative Charges

The first year the WRP and CDP replacement options are effective, April 1, 1998, through March 31, 1999, will be considered the base year for cost determination. Estimated costs for charges will be used during the base year. Prior to and during the base year, Western, in consultation with Colorado River Energy Distributors Association (CREDA) and other interested SLCA/IP firm power customers, will develop a method for tracking actual incremental WRP and CDP administrative costs. Subsequent years' charges will be based upon base year costs and streamlining experiences.

ADJUSTMENT CLAUSES ASSOCIATED WITH THE PROPOSED RATES FOR SLCA/IP FIRM POWER

Transformer Losses Adjustment

This provision contained in Rate Schedule SLIP-F5 will remain the same under the Proposed Rates for SLCA/IP firm power.

Power Factor Adjustment

This provision contained in Rate Schedule SLIP-F5 will remain the same under the Proposed Rates for SLCA/IP firm power.

Purchased Resources Adjustment

This provision contained in Rate Schedule SLIP-F5 will remain the same under the Proposed Rates for SLCA/IP firm power; however, it will be applicable only to those contractors who are not receiving service under the amendment to the firm power sales contract effective April 1, 1997.

WRP Adjustment

Each contractor electing to receive WRP will pay for its share of the incremental administrative costs Western incurs as a direct result of providing this service to the firm SLCA/IP power contractor. The contractor will also pay for its proportionate share of the costs of the purchased replacement resource. These costs are not included in the firm power base rate.

CDP Adjustment

Each contractor electing to receive CDP will pay for its share of the incremental administrative costs Western incurs as a direct result of providing this service to the contractor. This cost is not included in the firm power base rate.

PROPOSED RATES FOR CRSP TRANSMISSION

The Proposed Rates for CRSP transmission service are based on a revenue requirement that recovers: (i) the CRSP transmission system investment and interest costs for facilities associated with providing all transmission service; and (ii) the operation, maintenance, and replacement costs allocated to transmission service. These revenue requirements are offset by appropriate CRSP transmission system revenues. The Proposed Rates are applicable to existing and future CRSP point-to-point transmission service.

The rates for CRSP transmission service include the cost for scheduling, system control, and dispatch service.

Firm Point-to-Point

The firm point-to-point rate is based on revenue requirements of a 5-year cost evaluation period. CRSP transmission related investments are annualized. Transmission-related annual costs such as operation, maintenance and replacements and interest costs to arrive at the total annual transmission cost need to be recovered. The annual costs are reduced by revenue credits such as non-firm wheeling revenues and phase shifter revenues. The resultant net annual cost to be recovered is divided by the capacity reservation needed to meet firm power and transmission commitments in kW to derive a cost/kW-year. This is done for 5 future years, the results averaged, and the cost/kW-year average used as the firm point-to-point transmission rate. The Proposed Rate for firm point-to-point CRSP transmission service is \$2.07 per kW-month for 1998, beginning April 1, 1998. This proposed rate may be adjusted each year by a recalculation based on the formula below, as needed. The rate formula is expected to be in effect until March 31, 2003.

The cost/kW-year is calculated using the following formula:

$$\begin{aligned} & \text{Total Annual Costs} \\ & - \text{Total Revenue Credits} \\ & \text{Total Net Annual Costs to recover} \\ & \div \text{Total Firm Capacity reservations} \\ & \text{Unit Cost/Year (\$/kW-year)} \end{aligned}$$

Non Firm Point-to-Point Rate

The Proposed Rate for non firm point-to-point CRSP transmission service is a kWh rate based on market conditions but never higher than the firm point-to-point rate. This rate will remain in effect concurrently with the firm point-to-point rate.

Network Transmission Service Rate

The Proposed Rate for network transmission, if offered by CRSP CSC, would be consistent with the CRSP CSC Tariff Equivalent Package, and the rate methodology in FERC Order 888.

Western is not currently providing network transmission on its CRSP transmission system and only has available transmission capacity on isolated portions of the CRSP transmission system.

PROPOSED RATES FOR ANCILLARY SERVICES

Western will provide ancillary services, subject to availability, as described below and as listed in Table 1. The Proposed Rates are designed to recover only the costs incurred for providing the service(s).

It is anticipated that in June 1998, the Western Area Upper Colorado (WAUC) control area, within which most of the CRSP transmission system lies, currently operated by the CRSP CSC, will be merged into two other control areas, the Western Area Colorado Missouri (WACM) control area operated by Western's Rocky Mountain Region (RMR) and the Western Area

Lower Colorado (WALC) control area operated by Western's Desert Southwest Region (DSWR).

Proposed Rate for Scheduling, System Control, and Dispatch Service

Scheduling, system control, and dispatch costs are accumulated as an annual cost of all personnel and other related costs involved in providing the service for the CRSP CSC. That cost is divided by the number of yearly schedules performed to derive a rate per schedule. Up to five schedule changes per transaction per day are allowed at no extra charge.

The proposed rate will be applied to all schedules which must be pre-scheduled and/or real-time dispatched within or out of the WACM control area and do not pertain to a SLCA/IP firm electric service or CRSP transmission schedule.

The rate for the WAUC control area is \$21.35 per schedule per day and will be in effect only until the WAUC control area merges. At that time, the tariffs developed by Western's RMR and DSWR Regions as operators of the WACM and WALC control areas, respectively, will apply.

Proposed Rate for Reactive Supply and Voltage Control

Applicable tariffs are being developed by Western's RMR and DSWR Regions as operators of the WACM and WALC control areas, respectively, in which CRSP transmission facilities reside. This ancillary service is not included in any CRSP CSC transmission service rate, and the CRSP transmission customer will be required to purchase this service from RMR and/or DSWR.

Proposed Rate for Regulation and Frequency Response Service

The CRSP CSC may obtain regulation on the open market for the customer and pass through

the cost, with an added 10 percent administrative charge, if regulation is unavailable from SLCA/IP facilities. If the CRSP CSC has regulation available for sale, based on hydrological conditions, it will charge the SLCA/IP firm power capacity rate currently in effect. The transmission customer serving loads within the transmission provider's control area is required to acquire this ancillary service either from Western, from a third party, or by self supply.

Proposed Rate for Energy Imbalance Service

The energy imbalance tariff will be based on a ± 2.5 percent deadband, with a maximum of five deviations outside the band per month. Net deviations within the deadband limits will be accumulated through the time period. Energy imbalance will be settled on a seasonal basis, either in cash or energy return as mutually agreed upon. Energy returns will be returned in like hours, onpeak for onpeak and offpeak for offpeak. Cash settlements will be based on SLCA/IP's average like-hour purchase costs during the season. Positive or negative excursions outside the deadband greater than the five times per month maximum will be assessed a penalty charge of 100 mills/kWh. This rate will not apply under system emergency conditions. This ancillary service is not included in any CRSP CSC transmission service rate. The transmission customer serving loads within the transmission provider's control area is required to acquire this ancillary service either from Western, from a third party, or by self supply.

Proposed Rate for Operating Reserve - Spinning Reserve Service

It is unlikely that spinning reserves will be available from SLCA/IP resources. If spinning reserves are unavailable from SLCA/IP resources, the CRSP CSC may obtain spinning reserves on the open market for the customer and pass through the cost, with an added 10 percent administrative charge.

If the CRSP CSC has spinning reserves available for sale from SLCA/IP resources, it will charge the SLCA/IP firm power capacity rate currently in effect. Energy taken with the spinning reserve capacity will be settled on a seasonal basis, either in cash or energy as mutually agreed upon. Energy returns will be returned in like hours, onpeak for onpeak and offpeak for offpeak, unless otherwise mutually agreed. Cash settlements will be based on SLCA/IP's average like-hour purchase costs during the season.

This ancillary service is not included in any CRSP CSC transmission service rate. The transmission customer serving loads within the transmission provider's control area is required to acquire this ancillary service either from Western, from a third party, or by self supply.

Proposed Rate for Operating Reserve - Supplemental Reserve Service

It is unlikely that supplemental reserves will be available from the SLCA/IP resources. If supplemental reserves are unavailable from SLCA/IP resources, the CRSP CSC may obtain supplemental reserves on the open market for the customer, and pass through the cost, with an added 10 percent administrative charge.

If the CRSP CSC has supplemental reserves available for sale from SLCA/IP resources, it may charge the SLCA/IP firm power capacity rate currently in effect. Energy taken with the supplemental reserve capacity will be settled on a seasonal basis, either in cash or energy as mutually agreed upon. Energy returns will be returned in like hours, onpeak for onpeak and offpeak for offpeak, unless otherwise mutually agreed. Cash settlements will be based on SLCA/IP's average like-hour purchase costs during the season.

This ancillary service is not included in any CRSP CSC transmission service rate. The transmission customer serving loads within the transmission provider's control area is required

to acquire this ancillary service either from Western, from a third party, or by self supply.

TABLE 1 - PROPOSED ANCILLARY SERVICE RATES

Type of Ancillary Service	Rate
Scheduling, System Control and Dispatch - is required to schedule the movement of power through, out of, within, or into a control area.	WAUC control area - \$21.35/schedule/day (until merged). After consolidation, the WALC and/or WACM charges will apply.
Reactive Supply and Voltage Control - is reactive power support provided from generation facilities that is necessary to maintain transmission voltages within acceptable limits of the system.	DSWR and/or RMR Tariff
Regulation and Frequency Control - is providing generation to match resources and loads on a real-time continuous basis.	Market price plus 10 percent administrative charge or, if available, current firm power capacity rate.
Energy Imbalance Service - is provided when a difference occurs between the scheduled and actual delivery of energy to a load or from a generation resource within a control area over a single month.	Deviations are accumulated at the end of the season and are to be exchanged with like hours of energy or charged at the average purchase rate, plus a penalty of 100 mills/kWh.
Spinning Reserve Service - is providing capacity that is available the first 10 minutes to serve load and is synchronized with the power system.	Market price plus 10 percent administrative charge or, if available, current firm power capacity rate.
Supplemental Reserve Service - is providing capacity that is not synchronized, but can be available to serve loads within 10 minutes.	Market price plus 10 percent administrative charge or, if available, current firm power capacity rate.

Since the Proposed Rates constitute a major rate adjustment as defined at 10 C.F.R. §903.2, both public information forums and public comment forums will be held. After review of public comments, Western will recommend the Proposed Rates or revised Proposed Rates for approval on an interim basis by the Deputy Secretary of DOE.

The Proposed SLCA/IP firm power, CRSP transmission, and ancillary service rates are being established pursuant to the Department of Energy Organization Act (42 U.S.C. 7101 *et seq.*) and

the Reclamation Act of 1902 (43 U.S.C. 371 *et seq.*), as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and other acts specifically applicable to the projects involved.

By Amendment No. 3 to Delegation Order No. 0204-108, published November 10, 1993 (58 FR 59716), the Secretary of DOE delegated (1) the authority to develop long-term power and transmission rates on a nonexclusive basis to the Administrator of Western; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the FERC. Existing DOE procedures for public participation in power rate adjustments are found at 10 CFR Part 903.

Availability of Information

All brochures, studies, comments, letters, memoranda, and other documents made or kept by Western for developing the Proposed Rates are and will be made available for inspection and copying at the CRSP Customer Service Center, at 257 East 200 South, Suite 475, Salt Lake City, Utah 84111.

REGULATORY PROCEDURE REQUIREMENTS

Regulatory Flexibility Analysis

Pursuant to the Regulatory Flexibility Act of 1980 (5 U.S.C. 601, *et seq.*), each agency, when required by 5 U.S.C. 553 to publish a proposed rule, is further required to prepare and make available for public comment an initial regulatory flexibility analysis to describe the impact of the proposed rule on small entities. In this instance, the initiation of the SLCA/IP firm power rate, CRSP transmission rate and ancillary service rate adjustments are related to nonregulatory

services provided by Western at a particular rate. Under 5 U.S.C. 601(2), rules of particular applicability relating to rates or services are not considered rules within the meaning of the act. Since the SLCA/IP firm power rate, CRSP transmission rates and ancillary service rates are of limited applicability, no flexibility analysis is required.

Environmental Evaluation

In compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321 *et seq.*), the Council on Environmental Quality Regulations (40 CFR Parts 1500 through 1508); and the DOE NEPA Regulations (10 CFR Part 1021), Western has determined that this action is categorically excluded from the preparation of an environmental assessment or an environmental impact statement.

Determination Under Executive Order 12866

DOE has determined that this is not a significant regulatory action because it does not meet the criteria of Executive Order 12866, 58 FR 51735, and Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by Office of Management and Budget is required.

Dated: June 13, 1997

J. M. Shafer
Administrator