

190 FERC ¶ 62,068  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Western Area Power Administration  
(Loveland Area Projects)

Docket No. EF25-1-000

ORDER CONFIRMING AND APPROVING RATE SCHEDULES  
ON A FINAL BASIS

(February 3, 2025)

Summary:

On November 15, 2024, the Administrator for Western Area Power Administration (WAPA) filed a request for final confirmation and approval of formula-based rates<sup>1</sup> for firm electric service (L-F13) and sale of surplus products (L-M4) at WAPA's Loveland Area Projects.<sup>2</sup> The Administrator placed the rates into effect on an interim basis effective January 1, 2025,<sup>3</sup> and requests final confirmation and approval for the period January 1, 2025, through December 31, 2029.<sup>4</sup> WAPA states that the proposed rates for the Loveland Area Projects firm power in Rate Schedule L-F13 will be implemented in two steps. WAPA states that the step one increase will occur on January 1, 2025 and the step two increase will occur on January 1, 2026. WAPA further states

---

<sup>1</sup> Western Area Power Administration, Rate Schedules, [WAPA-212 L-F13, LAP Firm Electric Service \(2.0.0\)](#), [WAPA-212 L-M4, LAP Sale of Surplus Products \(2.0.0\)](#).

<sup>2</sup> The Loveland Area Projects consist of the Fryingpan-Arkansas Project and the Pick-Sloan Missouri Basin Program – Western Division. The Pick-Sloan Missouri Basin Program – Eastern Division is marketed separately.

<sup>3</sup> Rate Order No. WAPA-212, placing formula-based Rate Schedules L-F13 and L-M4 into effect on an interim basis, was issued on November 12, 2024, under the authority granted to WAPA's Administrator under Redefinition Order No. S3-DEL-WAPA1-2023.

<sup>4</sup> Formula-based Rate Schedules L-F13 and L-M4 supersede Rate Schedules L-F12 and L-M3, which were approved on a final basis in *U.S. Dept. of Energy – Western Area Power Admin.*, Docket No. EF23-1-000 (Sep. 12, 2023) (delegated order).

that annual revenue requirements will increase for the five-year rate period by approximately \$13.3 million, from \$74.6 million to \$87.9 million, or 17.8 percent.

WAPA maintains that the proposed formula rates are the lowest possible rates consistent with sound business principles, and that the proposed formula rates will produce revenues sufficient to recover all annual costs, including interest expenses, and to repay investments and irrigation aid within the allowable periods.

Notice of the application was published in the *Federal Register*<sup>5</sup> with comments, protests, or motions to intervene due on or before December 15, 2024. 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 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 Department of Energy Organization Act grants the Secretary of Energy authority to approve WAPA's rates on both an interim and final basis.<sup>6</sup> The Secretary of Energy, in turn, delegated the authority to confirm and approve WAPA's rates on a final basis to the Commission.<sup>7</sup> The delegation establishes the standard and scope for Commission review of WAPA's rates. The scope of Commission review is limited to: (1) whether the rates are the lowest possible to customers consistent with sound business principles; (2) 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 (3) the assumptions and projections used in developing the rate components that are subject to Commission review.<sup>8</sup>

The Commission is prohibited from reviewing policy judgments and interpretations of laws and regulations made by the power generating agencies.<sup>9</sup> The

---

<sup>5</sup> 89 Fed. Reg. 93,571 (2024).

<sup>6</sup> 42 U.S.C. § 7152; Pub. L. 95-91, 91 Stat. 565 (1977).

<sup>7</sup> Department of Energy Delegation Order No. 00-037.00A, §§ 1.1, 3 (Delegation Order).

<sup>8</sup> *Id.* § 1.3.

<sup>9</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 Federal Power Marketing

Commission may reject the rate determinations of WAPA'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 WAPA'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>10</sup>

#### Discussion:

WAPA states that under the current rate methodology, rates for firm electric service at the Loveland Area Projects are designed to recover an annual revenue requirement that includes power investment repayment, aid to irrigation repayment, interest expense, purchased power, operation and maintenance, and other expenses within the allowable period. Under the proposed rates, the total annual revenue requirement is \$81.3 million and \$87.9 million for firm electric service in steps one and two, respectively.<sup>11</sup> The step one increase will occur on January 1, 2025, and that rate will be in effect until the step two increase occurs on January 1, 2026. The rate established in the

---

Administrations, such as WAPA, market the output of the projects. *See* Delegation Order at § 1.3.

<sup>10</sup> *See, e.g., U.S. Dept. of Energy – W. 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 – W. Area Power Admin. (Salt Lake City Area Integrated Projects)*, 59 FERC ¶ 61,058, at 61,240-41 & nn.17 & 20, *reh'g denied*, 60 FERC ¶ 61,002 (1992).

<sup>11</sup> The Fryingpan-Arkansas Project and the Pick-Sloan Missouri Basin Program – Western Division retain separate financial status and therefore each have a separate Power Repayment Study. Each Power Repayment Study determines each project's revenue requirement, and the two revenue requirements are combined to develop one rate for the Loveland Area Projects firm electric service. The proposed revenue requirement for the Fryingpan-Arkansas Project is \$18.7 million for step one and \$21.6 million for step two. The proposed revenue requirement for the Pick-Sloan Missouri Basin Program – Western Division is \$62.6 million for step one and \$66.3 million for step two.

step two increase will be in effect through December 31, 2029.

WAPA states that the existing formula rates, under Rate Schedules L-F12 and L-M3, expire on December 31, 2027, however WAPA has determined that the existing formula rates are not sufficient to recover WAPA's costs. Therefore, WAPA proposes revised formula rates for the Loveland Area Projects' firm electric service and sales of surplus products. According to WAPA, under proposed Rate Schedule L-F13, the composite rate for firm electric service will be 39.84 mills/kilowatt-hour (mills/kWh) for step one and 43.10 mills/kWh for step two; the firm energy rate will be 19.92 mills/kWh for step one and 21.55 mills/kWh for step two; and the firm capacity rate will be \$5.22 per kilowatt-month for step one and \$5.65 per kilowatt-month for step two. WAPA states that there are no changes to the formula rate for the sale of surplus products under proposed Rate Schedule L-M4, which will continue to charge for each product (energy, frequency response, regulation, and reserves) based on market rates plus administrative costs, and that the customer will be responsible for acquiring transmission service necessary to deliver the products, for which a separate charge may be incurred.

By statute,<sup>12</sup> WAPA must repay the federal investment from power revenues within a reasonable period of time, which, as a general practice, is 50 years. Our review of the Power Repayment Study<sup>13</sup> included in WAPA's filing indicates that the revenues to be collected under the proposed rates should be sufficient to recover WAPA's costs, including recovery of the remaining federal investment, with interest, over the remaining repayment period.<sup>14</sup> Moreover, since the revenues generated by the proposed rates recover no more than WAPA's annual costs and the remaining federal investment, the rates are the lowest possible to customers. Our review also indicates that WAPA's submittal was prepared in a manner consistent with Department of Energy Order No. RA 6120.2, which requires WAPA's financial statements to be prepared in accordance with generally accepted accounting principles, as appropriate, and that its repayment analyses be prepared using sound forecasting techniques designed to approximate as closely as possible actual results.

The Commission's review indicates that the proposed formula rates for firm electric service and sale of surplus products are consistent with the standards by which they must be judged – i.e., the standards in the Delegation Order – and merit final

---

<sup>12</sup> 16 U.S.C. § 825s.

<sup>13</sup> The Power Repayment Study is used to determine if projected power revenues will be sufficient to pay project costs assigned to power within the prescribed repayment period. *See* WAPA Filing, ex. 013-RMR LAP WAPA-212 at 25.

<sup>14</sup> *See id.* at 25-31. *See also* WAPA Filing, exs. 018-RMR LAP WAPA-212 and 019-RMR LAP WAPA-212.

Docket No. EF25-1-000

- 5 -

confirmation and approval. Therefore, the proposed rates are confirmed and approved as requested.

The Director:

Confirms and approves on a final basis WAPA's proposed formula-based Rate Schedules L-F13 and L-M4 for the period January 1, 2025, through December 31, 2029.

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, Director  
Division of Electric Power  
Regulation – Central

Document Content(s)

EF25-1-000.docx.....1