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# Federal Energy Regulatory Commission

# 1992 Annual Report

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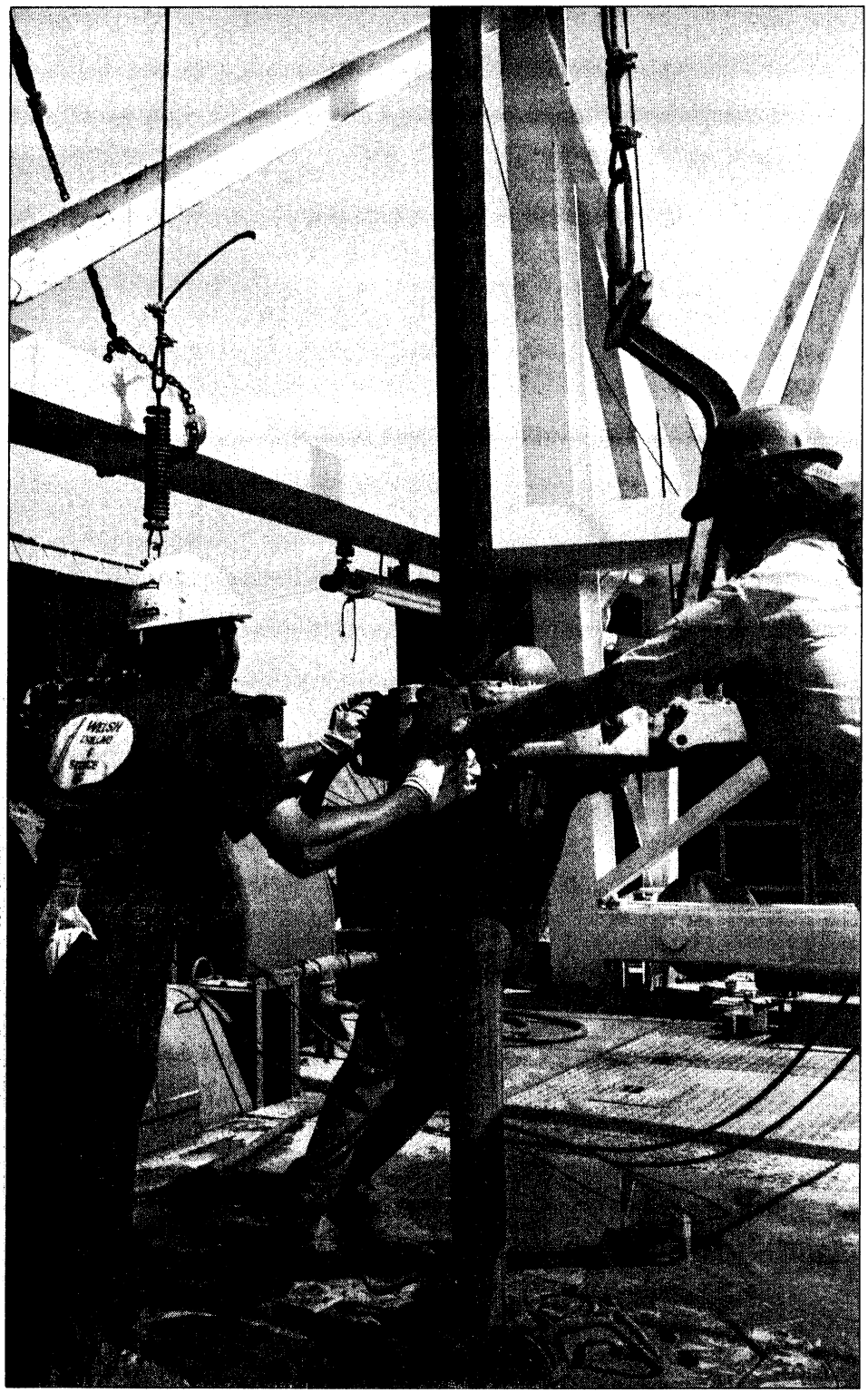

*Drilling crew near Houston, Texas, can cut to depths of 20,000 feet to extract dissolved natural gas from hot saline water.*

# Federal Energy Regulatory Commission

# 1992 Annual Report

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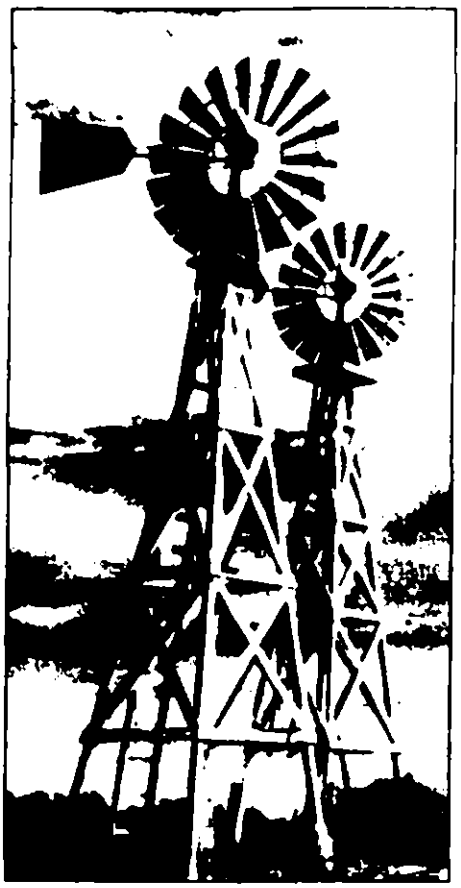

*Energy captured from the wind in the old manner on a Nebraska ranch. (Bureau of Reclamation photo by Leona Smith)*


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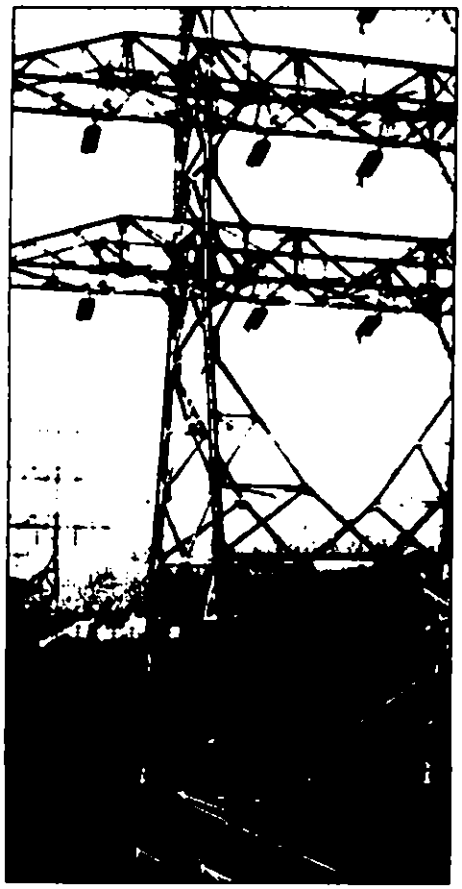
# The Commission In Brief



*Power lines near Los Angeles carry electricity that is sold in the wholesale market under rates that are controlled by the Commission. (DOE photo by Jack Schneider)*

The Federal Energy Regulatory Commission (FERC) is an independent agency. Its function is to oversee America's natural gas industry, electric utilities, hydroelectric projects and oil pipeline transportation system.

The Commission was created through the Department of Energy Organization Act on October 1, 1977. At that time, the Federal Power Commission, FERC's predecessor which was established in 1920, was abolished and FERC inherited most of the FPC's energy agenda.

The Federal Energy Regulatory Commission administers numerous laws and regulations involving key energy issues. These include:

- transportation and sale of natural gas in interstate commerce;
- transportation of oil in interstate commerce;
- regulation of electric utility wholesale rates and transactions;
- licensing and inspection of private, municipal, and state hydroelectric projects; and
- oversight of related environmental matters.

FERC's main legal authority comes from the Federal Power Act of 1935 (FPA), the Natural Gas Act of 1938 (NGA), the Natural Gas Policy Act of 1978 (NGPA), the Public Utility Regulatory Policies Act of 1978 (PURPA), and the Energy Policy Act of 1992.

The Commission has five members who are appointed by the President with the advice and consent of the Senate to five-year staggered terms. Each Commissioner has an equal vote on regulatory matters and no more than three Commissioners may belong to the same political party. One member is designated by the President to serve as Chair and is FERC's administrative head.

The Commission generally meets twice a month to transact business. It considers on a case-by-case basis license and certificate applications, rate filings, and other matters submitted by regulated entities, and sets industry-wide rules. Commission meetings are open to the public under provisions of the Government in the Sunshine Act.◆

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# Members of the Federal Energy Regulatory Commission

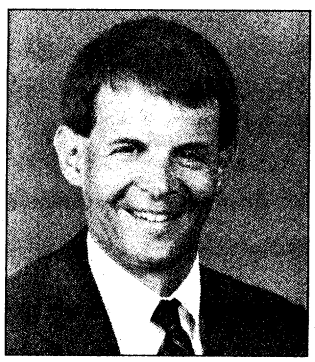
(As of June 1993)

Elizabeth Anne Moler
Chair

Vicky A. Bailey
Commissioner

James J. Hoecker
Commissioner

William L. Massey
Commissioner



Donald F. Santa, Jr.
Commissioner

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# Letter From the Chair

To the Senate and House of Representatives:

I am pleased to submit to the Congress the Federal Energy Regulatory Commission's annual report, covering the fiscal year from October 1, 1991 through September 30, 1992.

This is the 72nd report issued by the Commission and its predecessor, the Federal Power Commission. As an independent agency, FERC's major responsibilities are to oversee key operating functions of the natural gas, electric utility, hydroelectric power, and oil pipeline transportation industries.

For fiscal year 1992, Congress appropriated $141,071,000 to support Commission activities. Under the authority of the Omnibus Budget Reconciliation Act of 1986 and other laws, the Commission recovers all of its costs from regulated industries through fees and annual charges. Revenues generated from these sources are used to offset congressional appropriations and result in a net cost to the treasury of zero dollars. Therefore, the users and beneficiaries of the Commission's services—not the general taxpayers—pay its operating costs.

Elizabeth A. Moler

Elizabeth A. Moler
Chair

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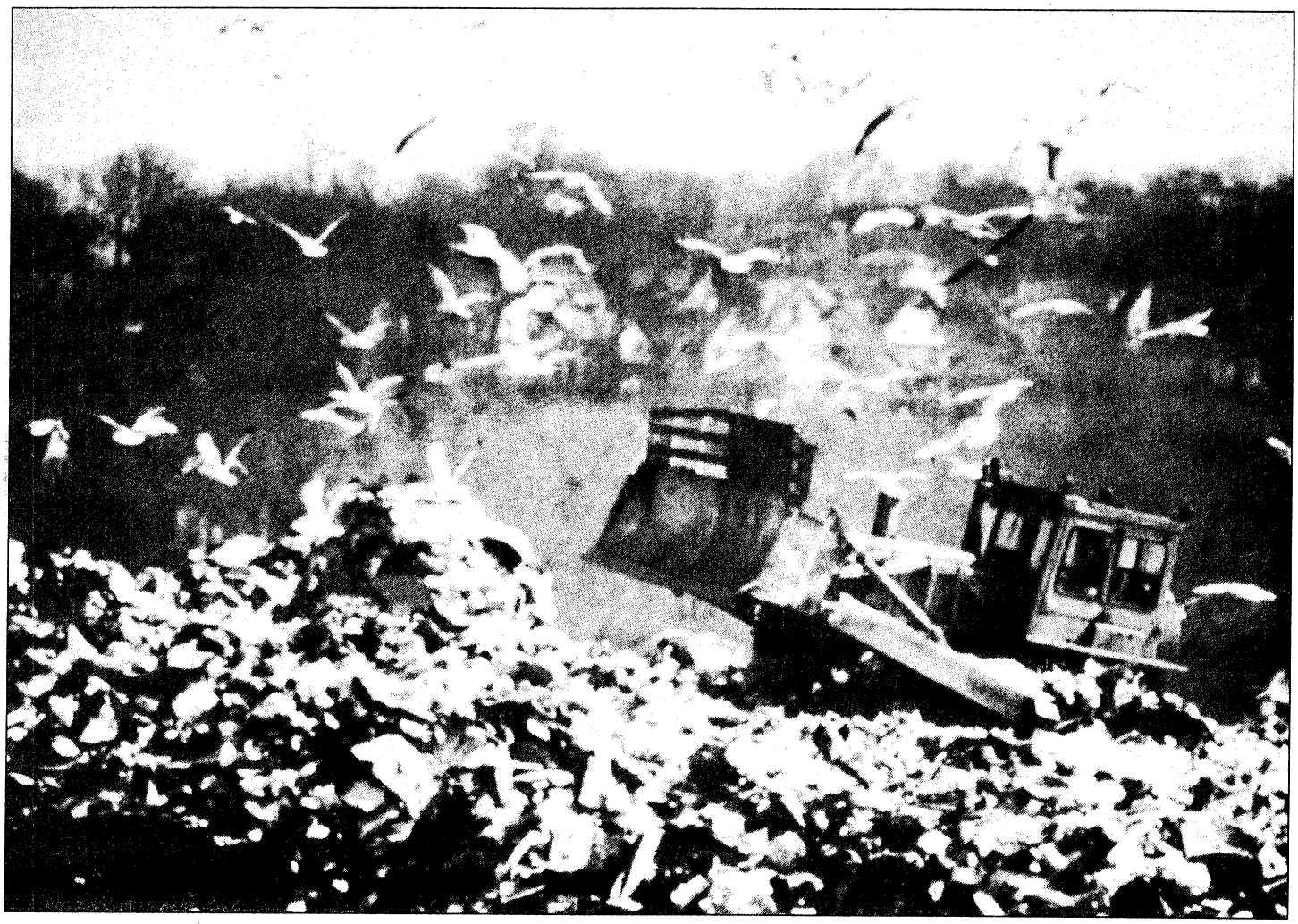

*Municipal waste is being put to good use as a source of cogeneration to save gas and oil in producing electricity.*

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# Commission Responsibilities

## Natural Gas

The Natural Gas Act (NGA), the Natural Gas Policy Act (NGPA), the Outer Continental Shelf Lands Act (OCSLA) the Natural Gas Wellhead Decontrol Act (NGWDA), and the Energy Policy Act are the primary laws the Commission administers to oversee America's natural gas pipeline and producer industries.

Under the NGA, the Commission regulates both the transportation and sale for resale of natural gas in interstate commerce. Companies providing services, and constructing and operating interstate pipeline facilities, must first obtain Commission certificates of public convenience and necessity. In addition, Commission approval is required to end (abandon) facility use and services, as well as to set rates for these services.

The FERC also regulates the transportation of natural gas as authorized by the NGPA and the OCSLA. Natural gas transmission facilities used solely for NGPA-authorized transportation may be constructed without prior Commission certification.

The NGPA's wellhead pricing program required the Commission to administer ceiling prices for certain categories of natural gas production in interstate and intrastate commerce. On January 1, 1993, the Natural Gas Wellhead Decontrol Act removed all remaining NGPA wellhead price controls for natural gas and all Natural Gas Act filing requirements for natural gas producers.

Finally, the Department of Energy Organization Act vests approval authority in the Commission to oversee construction and operation of facilities needed by pipelines at the point of entry to import or export natural gas.

## Electric Power

The Commission oversees wholesale electric rates and service standards, as well as the transmission of electricity in interstate commerce. Sales of electricity for resale (sales between public utilities or by a public utility to a municipality or a cooperative), transmission and interchanges comprise a little over a quarter of total U.S. investor-owned electric utility sales. Retail electric sales (sales to end-use customers such as homeowners and businesses) are generally regulated by state public utility commissions.

The Commission ensures that wholesale and transmission rates charged by utilities are just and reasonable and not unduly discriminatory or preferential. It also reviews utility pooling and coordination agreements.

In addition, the Commission oversees the issuance of certain stock and debt securities, assumption of obligations and liabilities, and mergers. FERC reviews the holding of officer and director positions between top officials in utilities and major firms supplying electrical equipment to the power companies or underwriting securities.

Finally, the Commission reviews rates set by the federal power marketing administrations, such as the Bonneville Power Administration, makes determinations as to exempt wholesale generator status under the Public Utility Holding Company Act, and certifies qualifying small power production and cogeneration facilities.

## Hydroelectric Power

Hydroelectric activity was the first work undertaken by the Federal Power Commission, the FERC's predecessor after Congress passed the Federal Water Power Act in 1920. This work includes project licensing, dam safety, project compliance activities, investigation and assessment of headwater benefits, review of project proposals by other federal agencies, and interagency coordination.

Commission licensing costs are offset by annual charges collected from license holders. The Commission also determines charges for a licensee's use of federal lands, federal dams, and Indian reservations.

Licensed projects receive comprehensive safety inspections from FERC engineers stationed in Washington and at five regional offices. The dam safety program is a key Commission priority.

## Oil Pipelines

Under the Interstate Commerce Act (ICA) and the Energy Policy Act of 1992, the Commission regulates the rates and practices of oil pipeline companies engaged in interstate transportation. The objective is to establish just and reasonable rates so as to encourage maximum use of oil pipelines—a relatively inexpensive means of bringing oil to market—while protecting shippers and consumers against unjustified costs.

The Commission does not oversee the construction of oil pipelines or regulate the supply or price of oil or oil products. Its function is to assure shippers equal access to pipeline transportation, equal service conditions on a pipeline, and reasonable rates for moving petroleum and petroleum products by pipeline.◆

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# Administration

*The Commission participates in the federal government program which promotes the use of alternative fuels vehicles.*

## Operating Expenses

Funding available for the Commission's 1992 fiscal year (FY) was $146.5 million. The Commission had $140.0 million in obligations that were divided into four major categories:

- Salaries and benefits—$91.5 million or about 65 percent
- Fixed costs (i.e., building rents and utilities) and other support costs (i.e., postage, telephones, telecommunications, data processing and printing)—$35.3 million or 25 percent
- Contracts (e.g., environmental reviews)—$11.0 million or about 8 percent
- Travel to conduct dam safety inspections, audits, compliance investigations, and work related to certificate and rate filings—$2.2 million or about 2 percent.

Obligations for the three program areas were:

- Natural Gas and Oil—$66.2 million 47 percent
- Hydropower—$43.2 million 31 percent
- Electric Power—$30.6 million 22 percent

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## Revenue

In fiscal year 1992, the Commission collected revenues of $142.8 million. Of that, $141.1 million was applied directly to offset the Commission's FY 1992 appropriation, which reduced it to $0. The remaining $1.7 million of revenue exceeded the appropriation and was deposited in the U.S. Treasury. Following is a breakdown of the type of revenue collected:

- Annual charges— $126.4 million — 88.5 percent
- Filing fees— $13.6 million — 9.5 percent
- Miscellaneous— $2.8 million — 2.0 percent

## Automated Data Processing

The Commission now is fully equipped with multipurpose automated work stations at Washington headquarters and five regional offices. The Commission continued to install local area networks (LANs) during fiscal year 1992. A Commission-wide network of over 300 workstations, connecting each of the Commission's offices, was completed during fiscal year 1992.
A new LAN initiative was begun in fiscal year 1992 that will replace the pc-based LAN with a client-server system. A very aggressive installation schedule predicts the completion of installations in FERC Washington offices by the end of fiscal year 1993 and the addition of all regional offices by the end of fiscal year 1994.

During the spring of fiscal year 1992, the Commission conducted a pilot Remote Public Access (RPA) project to provide remote access to docket sheets. The initial pilot, with 20 companies, was successful and the pilot was slowly expanded until there were 50 pilot users.
The successful, error-free operation of the system for a month with 50 users indicated that RPA could be opened to the public, and the system went "live" in October 1992 with over 200 users.

Additional types of information were added to the Commission Issuance Posting System (CIPS) during fiscal year 1992. Users can now download OCA's Interpretive Letter Orders and OPPR's Environmental Compliance Letters. CIPS usage increased in FY 1992 to approximately 94,000 calls annually.

Fiscal year 1992 marked the beginning of a fundamental change in the functioning of the Commission's Records and Information Management System (RIMS). A Request for Proposals, which specifies systems design, equipment, and application programs needed to add powerful new features and capabilities to the RIMS, was issued. Proposal evaluation, leading to contract award, was nearing completion during the fourth quarter. Every element of the RIMS was reevaluated. The new RIMS design will permit users to search for needed information through both indices and key words and phrases contained within the text of each document. Access to the new RIMS will be decentralized through the addition of dial-up telecommunications facilities. Ease of access and use will be greatly improved for all users. Document availability will be reduced from hours to minutes. Available formats will be expanded dramatically from "paper only" to "paper plus a wide variety of electronic formats." The new system represents a significant advance in reducing the time spent in searching for and acquiring the Commission's public information.

## Printing and Distribution

During fiscal year 1992, the Printing and Distribution Services Programs produced and distributed 51.2 million pages of material. This included court briefs, decisions, orders, regulations, environmental impact statements and administrative printing through both the Government Printing Office and the Commission's internal copier center.

## Public Reference Room

The Public Reference Room serves as the Commission's point of contact for fulfilling the public's information needs and is the official repository of the Commission's records and documents. The Public Reference Room serves as both a library and reference center for the public and Commission staff. Under the Commission's information rules, 18 C.F.R., Part 388, most documents are readily available for public inspection and photocopying.

During fiscal year 1992, the Public Reference Room incorporated several new operational and procedural systems designed to offer a more responsive level of service while improving turn-around time to those clients who use the reference room. These included:

- Initiating a new Voice Mail System to increase productivity and to provide more personalized service to the public; and
- Working with the Office of the Secretary to introduce a new procedural change designed to expedite the release of draft orders on Commission meeting days.

In addition to these operational changes, staff has also streamlined operations internally to be more responsive. Records and Information Management System (RIMS) terminals now allow the public to order documents directly, thereby eliminating duplication of effort. Service lists are also readily available and can be easily downloaded within the Public Reference Room. Finally, staff has realigned the publications holding area in an effort to provide more efficient, responsive service.◆

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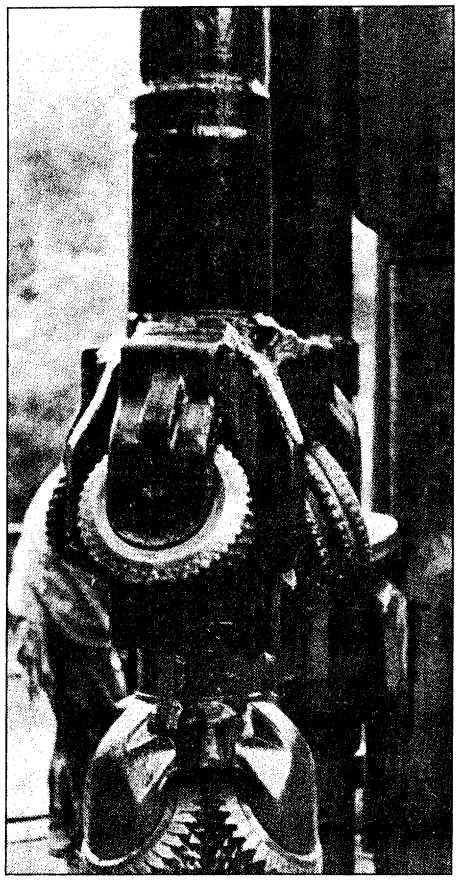
# Natural Gas



*The biting end of a natural gas rig is this drill bit, capable of cutting thousands of feet into the earth's crust.*

## Overview

Since the mid 1980's, the Commission has pursued a comprehensive program to create a flexible regulatory framework for America's natural gas industry. The Commission's key objectives are to provide for more extensive service options and to enable parties to respond quickly to fast-changing market conditions.

It is equally important to eliminate inconsistent regulatory policies which are at odds with increasingly competitive energy markets. A clear gas strategy developed by the Commission has helped avoid conflicting regulations, eliminated regulatory impediments to competition, and allowed the demand for gas and gas transportation service to play a larger role in price determination.

During fiscal year 1992, the Commission implemented its natural gas strategy by issuing new regulations that encourage competitive market forces and change the roles of natural gas pipelines. This was the Commission's highest natural gas priority.

Under Order No. 636 issued on April 8, 1992—and reaffirmed in Order Nos. 636-A, issued August 3, 1992, and 636-B, issued November 27, 1992—gas pipelines must unbundle their sales services from their transportation services. The primary role of these pipelines will be that of open-access transporters operating in a competitive environment. Local distribution companies (LDCs) and other end-users will become gas shippers, rather than sales customers of the pipelines, and will be able to buy gas from competing suppliers, including pipelines.

The series of orders, known as the Restructuring Rule, address the following major areas:

- Unbundling of sales and transportation services;
- Blanket sales certificates for interstate pipelines;
- Open access transportation;
- "No-notice" firm transportation service;
- Capacity assignment;
- Rate design;
- Abandonment of sales and transportation service; and
- Transition costs incurred during restructuring.

The Commission expects to have reviewed all pipeline restructurings by the end of fiscal year 1993.

## Regulatory Change

The natural gas industry has undergone significant changes since it began in the early 1900's. Through the years, the Commission has adapted its regulatory policies to address these changes. Over the past several years, competition and market forces have increasingly influenced the Commission's gas regulatory framework.

During the 1970's, price controls on regulated gas supplies hampered the development of gas reserves and eventually led, in part, to the natural gas shortage of that period. In response, Congress passed the Natural Gas Policy Act of 1978 (NGPA). The legislation removed certain price controls and led to the gradual deregulation of gas prices at the wellhead.

The NGPA also gave the Commission authority to establish rules to permit intrastate and interstate pipelines to transport gas on behalf of others at cost-based rates. Gas regulation in the early 1980's was characterized by programs designed to dovetail competitive elements in the industry with those still requiring Commission oversight.

In 1985, the Commission issued Order No. 436 which, among other things, provided for open-access transportation of gas supplies under blanket certificate authority. This order secured, for gas consumers, the benefits of competition at the wellhead by allowing non-discriminatory access to gas supplies from a variety of sources.

By 1986, the Commission's regulatory philosophy rested on these principles:

- Where markets are competitive, government should allow them to operate with as light a regulatory hand as possible;
- Where markets are less than competitive, government should put in place regulatory policies that will foster competition; and
- Where competition is not occurring and cannot be made to occur readily, government should regulate so as to simulate the processes found in competitive markets.

Implementing this philosophy involved developing five basic policies and programs that would:

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- Equitably allocate among industry sectors take-or-pay costs incurred by interstate pipelines through uneconomic gas contracts in which purchased gas could not be sold under existing market conditions;
- Design rates to avoid future take-or-pay problems and to effectively allocate gas and gas services;
- Promote fair market practices;
- Revamp abandonment procedures; and
- Improve data collection efficiency by establishing automated systems.

Coinciding with increased demand for natural gas, pipelines moved toward transportation-oriented services—a policy fostered by the Commission. Long-term gas purchase contracts with fixed pricing and take-or-pay provisions are no longer the predominant basis for developing major pipeline purchase strategies. Meanwhile, the Commission implemented initiatives that addressed many of the issues the industry faced in coping with the new competitive environment.

These initiatives included:

- Natural gas pipeline capacity brokering/assignment;
- A gas inventory charge program;
- Take-or-pay settlement cost recovery mechanisms;
- Transportation services as comparable substitutes for pipeline sales services;
- More efficient rate design methodologies; and
- Streamlined pipeline construction rules.

In fiscal year 1992, the Commission continued to develop and refine gas programs to accommodate major changes in the industry. A substantial portion of Commission activity involved restructuring natural gas pipeline services through Order No. 636 and related orders.

## Natural Gas Pipeline Restructuring

Order No. 636 finalizes the structural changes in the Commission's regulation of the natural gas industry in response to changes brought about by:

- The Natural Gas Policy Act of 1978 (NGPA);
- The Commission's open access transportation program; and
- The Natural Gas Wellhead Decontrol Act of 1989.

As a result of the new regulations, all natural gas suppliers, including the pipeline as merchant, will compete for gas purchasers on an equal footing. This will ensure that the benefits of decontrol accrue to consumers to the maximum extent as envisioned by the NGPA and the Decontrol Act.

The Commission's aim is to improve the competitive structure of the natural gas industry while maintaining adequate and reliable service. The Commission will regulate pipelines as merchants and as open access transporters in a manner that:

- Ensures that all shippers have meaningful access to the pipeline grid so that willing buyers and sellers can meet in a competitive, national market to transact the most efficient deals possible; and
- Provides consumers with access to an adequate supply of gas at a reasonable price.

The mechanics of implementing the restructuring rule are to be developed in restructuring proceedings between each pipeline and its customers. The major components of restructuring are:

**Unbundling of sales and transportation services.** The rule requires pipelines to unbundle their sales services from their transportation services at an upstream point near the production area.

**Blanket sales certificates for interstate natural gas pipelines.** The rule issues blanket sales certificates to pipelines so they can offer unbundled firm and interruptible sales services at market-based rates.

**Open access transportation.** Pipelines must provide open access transportation services that are equal in quality for all gas supplies, whether purchased from the pipeline or elsewhere. Pipelines must also provide access to storage on an open access basis.

**"No-notice" firm transportation service**. Pipelines are required to provide a no-notice firm transportation service if they were providing no-notice bundled, city-gate, firm sales service on May 19, 1992. The no-notice service allows firm shippers to receive gas up to their daily contract entitlement without penalty.

**Capacity assignment.** Pipelines must implement a capacity releasing program so that firm shippers can release unwanted capacity to those desiring capacity. Information on the availability of capacity must be posted on an electronic bulletin board.

**Rate design.** Pipeline transportation rates must be developed under the Straight Fixed Variable (SFV) method of cost classification, allocation, and rate design unless the Commission allows the pipeline to use some other method. The SFV method assigns all fixed costs to the reservation charge. As a general guideline, if the use of SFV results in a cost impact to an individual customer of 10 percent or greater, the pipeline must use ratemaking techniques to minimize the cost impact.

The Commission's 1989 Policy Statement Providing Guidance with Respect to the Designing of Rates will no longer apply to apportioning fixed costs to the reservation and usage charges. It remains applicable to other areas such as determining rates for interruptible transportation, discounting rates, and

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the requirement previously advanced in Order No. 436 that rates reasonably reflect variations in the cost of providing service due to the distance over which transportation is provided.

**Abandonment of sales and transportation service.** After restructuring, pipelines are authorized pregranted abandonment of:

- Interruptible and short-term (less than one year) firm transportation at the expiration of the contract;
- Unbundled firm and interruptible sales service at the expiration of the contract;
- Long-term firm transportation upon termination of each individual transportation arrangement, subject to the firm shipper's right of first refusal, i.e., willingness to match competing bids, and the right of the parties to determine the pipeline's service obligation through contractual provisions such as roll-over or evergreen clauses; and
- Storage (transportation as now defined includes storage).

**Transition costs incurred during restructuring.** The Commission recognizes that pipeline companies will likely incur costs as a result of implementing the requirements of Order No. 636. The restructuring rule permits pipelines to flow through 100% of prudently incurred transition costs—90% to firm transportation customers and 10% to interruptible customers. These costs fall into four categories:

- Gas supply realignment costs resulting from pipelines reforming or buying out existing gas supply contracts;
- Unrecovered gas costs remaining in the purchased gas adjustment Account No. 191 when a pipeline adopts market-based pricing for its gas sales and terminates its purchased gas adjustment mechanism;
- Stranded costs representing assets now used to provide bundled sales service (such as gas in storage, and capacity on upstream pipelines) that cannot be directly assigned to customers of the pipeline's unbundled services; and
- Costs associated with physically implementing the rule or new facilities costs (e.g., meters, valves, communications equipment).

## Pipeline Rates

Under the Natural Gas Act, the Commission regulates 150 pipelines which sell and transport gas in interstate commerce. The NGA requires the Commission to ensure that tariff rates and charges are just and reasonable and not unduly discriminatory. These requirements protect consumers from excessive prices and abuses of market power and ensure that pipelines are compensated for prudent and necessary service costs—including a fair return on investment.

The Commission generally uses an historical costing approach in major rate cases. Recorded costs follow the Commission's Uniform System of Accounts. Pipeline companies can file for rate changes under Section 4 of the NGA based on an historical period and adjusted for the known and measurable changes that they expect will occur over a nine-month period.

The Commission then has 30 days to accept, reject, or suspend the filing's effectiveness for up to five months. If the Commission accepts and suspends the filing, rates may go into effect after the suspension period subject to refund—with interest—for any amounts that the Commission ultimately finds are not recoverable by just and reasonable rates.

Interstate pipelines made 129 formal rate change and tariff filings during fiscal year 1992. Thirty-one of the filings were general rate changes involving revenue increases totalling $371.3 million; 28 filings involved changes to specific rates; and 70 involved changes in tariff and operating terms and conditions. Rate change filings continue to be based on increases in overall operating costs and the impact of changes in the natural gas industry.

## Take-or-Pay Issues

Order Nos. 500 and 528 deal with take-or-pay settlement costs. Under Order No. 500, a purchase deficiency methodology was used to allocate the direct billed portion of the take-or-pay costs. Order No. 528, responding to the Court's rejection of the purchase deficiency methodology, established guidelines and initiated proceedings to examine the possible reallocation schemes for the direct billed portion of these costs. It does not affect the other aspects of Order No. 500, including pipeline absorption and the volumetric surcharge.

Order Nos. 528 and 528-A encourage pipelines to file to reallocate these costs under proposals which are best suited for their systems and are the result of discussions and agreements between the pipelines and their customers.

As of December 1992, fifteen pipelines filed under Order No. 528 to recover take-or-pay costs paid to producer-suppliers. Nineteen pipelines filed to flow through take-or-pay costs paid to upstream pipeline suppliers.

From these filings, the Commission established 27 proceedings to resolve issues raised by the filings through settlement. The Commission has approved 17 settlements; two are pending. The Commission is continuing its efforts to achieve settlements of the remaining proceedings. As implementation of Order No. 636 progresses, the Commission expects a reduction in the number of filings by pipelines to recover take-or-pay costs under Order Nos. 500 and 528.

Pipelines have filed for $10.1 billion in take-or-pay costs under Order Nos. 500 and 528. Pipelines absorbed 36 percent of these costs,

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direct billed 35 percent, and collected 29 percent through a volumetric surcharge.

## Purchased Gas Adjustments

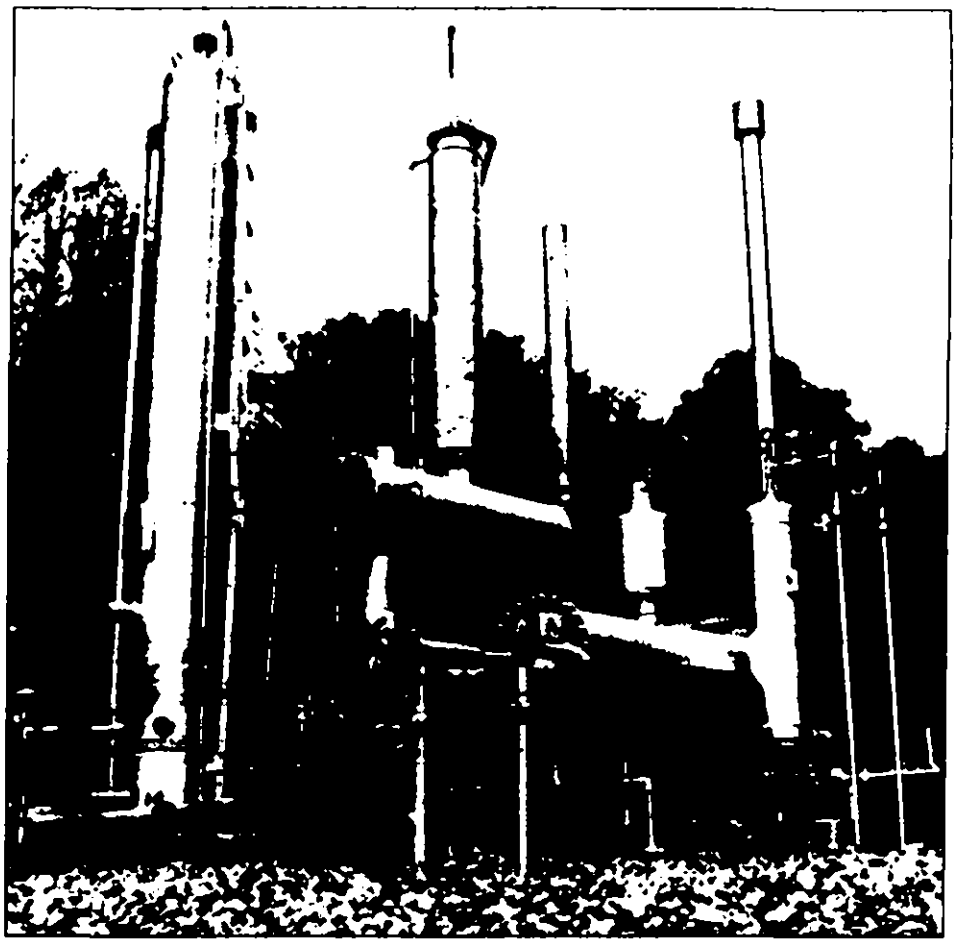
A few years ago, as many as 75 pipelines were using purchased gas adjustments (PGAs). PGAs ensure that pipelines recover, on a dollar-for-dollar basis, the costs of purchasing gas to resell to jurisdictional sales customers. During fiscal year 1992, the number of pipelines filing PGAs decreased to 40. This number will continue to decrease through fiscal year 1993 and virtually all PGAs should be terminated by early 1994.

The termination of PGA mechanisms will generally take place in conjunction with implementation of Order No. 636. The order provides that pipelines may file to recover the costs remaining in the PGA accounts as transition costs. The Commission will review the final disposition of these accounts to ensure that final recovery (or refund) of any remaining amounts accord with PGA principles and Commission regulations and policy.

While PGAs should terminate with implementation of Order No. 636, pipelines are required to continue providing a cost-based sales service to small customers for a one-year transition period. The specific form of this service is to be determined in individual restructuring proceedings. This non-PGA sales service will permit small customers an opportunity to plan and adjust to their new responsibilities under Order No. 636.

## Incentive Ratemaking

In October 1992, the Commission issued a Policy Statement on Incentive Regulation in which natural gas pipelines, oil pipelines, and electric utilities were invited to propose incentive rate mechanisms rewarding the utilities for efficiency and benefiting consumers with lower rates.



*Separators and dehydrators remove liquids from natural gas as it comes from the production wellheads.*

The policy statement affirms the principles and regulatory standards previously made by the Commission in its proposed policy statement. The first principle is that incentive regulation should encourage efficiency. The second principle is that starting rates under incentive regulation must conform to the Commission's just and reasonable standard.

Specific incentive mechanisms must be prospective, voluntary, understandable, and result in quantified benefits to consumers.

Incentive regulation differs from traditional cost-of-service regulation in that it fosters long-term efficiency by:

- Divorcing rates from the underlying cost-of-service;
- Lengthening the period between rate cases; and
- Sharing the benefits of cost savings between consumers and stockholders on a current basis.

## Accounting And Financial Reporting

The Commission continues to need reliable accounting information. In the gas sector, this information is satisfied through uniform accounting standards and reporting requirements that embrace costs and revenues reflected in pipeline rates.

Financial audits of the pipelines are conducted on a cyclical basis by the Office of the Chief Accountant. The Office of Pipeline and Producer Regulation also audits pipelines as part of its review of rate cases.

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These audits provide the Commission with an appropriate oversight function. Special emphasis is placed on costs that are automatically passed on through rates. Companies that have improperly charged customers must refund excess collections with interest.

## Pipeline Certificates

Pipelines transport natural gas from production areas to markets. America's pipeline industry is a network more than one million miles long that moves nearly a quarter of the nation's annual energy consumption to the burner tip. A major component of this network is the 280,000 miles of large-diameter pipe that moves gas in interstate commerce over long distances to markets in 48 states. These transmission facilities represent an original investment approaching $50 billion.

Generally, pipelines must apply to the Commission for case-by-case certificate authorization or blanket certificate authorization to construct and operate certain interstate gas facilities, as well as to transport or sell gas for resale in interstate commerce.

The Commission's pipeline certification program covers applications for:

- Authority for gas transportation, sale, storage, or exchange services;
- Construction and operation of facilities;
- Extension or abandonment of services; and
- Siting and constructing facilities for the import or export of natural gas.

The factors considered in evaluating applications include:

- Identifying and assessing the sources and adequacy of supply and market for the gas;
- Safety and operational aspects;
- Project financing;
- Environmental impacts of proposed projects;
- Initial rates for service; and
- Operational reliability of liquefied natural gas facilities.

The Commission's blanket certificate program streamlines the formal certification process. It allows pipelines with blanket certificate authorizations to conduct certain transactions and services on a self-implementing basis. This reduces the number of certificate filings which otherwise would be processed by the Commission on a case-by-case basis. Reviewing the numerous filings for expanded capacity was a major Commission priority in fiscal year 1992. The Commission continues to act on these proposals as quickly as it can to permit applicants to begin construction.

Besides receiving applications for projects that will provide Midwestern pipeline systems with supply flexibility, the Commission also received proposals to move additional gas supplies into Florida, California, and the Northeast.

The Commission also reviews curtailment plans mandated by the Natural Gas Policy Act. The plans ensure sales service to priority end-users in case of gas supply shortages.

## Pipeline Construction

In fiscal year 1992, the Commission issued over 200 certificates under Natural Gas Act Section 7 for construction and operation of facilities. These included 50 major construction projects (over $1 million) with a total of 1,200 miles of pipeline, five billion cubic feet per day of capacity, and a projected construction cost of $1.1 billion. Over 800 additional construction and operation activities were authorized on a prior notice basis under the Commission's blanket certificate program.

**Northeast Projects.** The Commission essentially completed action on the Northeast Open Season projects during fiscal year 1991. A final order in October 1991, in the Iroquois/Tennessee Phase II proceeding, brought to a close a four-year-long Commission effort to process applications involving increased gas service to the northeast U.S. The service approved in these projects totals 4.5 billion cubic feet of natural gas per day.

A large electric generation project, the Elgen Project Phase I, was approved by the Commission in May 1992. The Commission also processed a number of rehearings on rate and/or risk conditions, customer realignments, modified construction schedules, and extension of time filings related to previously issued Northeast projects.In September 1992, Liberty Pipeline Company and four other pipelines filed applications for a major new project (the Liberty Project), involving 500 million cubic feet per day of new gas service to the New York City area through 280 miles of pipeline and facilities costing over $600 million.

**California Markets.** The Commission approved four projects during fiscal year 1992 to serve enhanced oil recovery markets and other customer needs in California. These projects represent a gross investment of $400 million, a delivery capacity of 500 million cubic feet per day, and 450 miles of pipeline. Applications for certificates filed by Kern River Gas Transmission Company and Mojave Pipeline Company are pending. These projects represent a gross investment of almost $400 million, a delivery capacity of 650 million cubic feet per day, and 85 miles of pipeline.

**Mobile Bay Pipeline Projects.** In July 1991, the Commission issued a final order to Gateway which approved its proposal to construct facilities to connect Mobile Bay production to United's existing mainline facilities in northwest Alabama. Gateway's facilities were placed into operation in the spring of 1992.

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Transco filed a joint application with Florida Gas Transmission Company in March 1992 to expand its existing Mobile Bay line. Transco received NGA Section 7(c) authority to operate the line previously constructed under NGPA Section 311.

**Florida Projects.** Florida Gas Transmission has a pending application to expand its system by approximately 541 million cubic feet per day to its Florida customers at an estimated cost of $900 million. This Phase III expansion consists of 814 miles of pipeline and 101,500 horsepower of compression.

**Construction Certificate Phasing.** In appropriate cases, the Commission now issues an order on the merits of non-environmental issues, known as a "preliminary determination" (PD), before environmental analysis is complete. PD's give applicants an early indication of the form ultimate Commission approval might take. The Commission expects that this process will help reduce the time required to place new pipeline capacity in service. During fiscal year 1992, the Commission issued four PD's and six final certificates for cases receiving PD's in 1992 or prior years.

At the end of fiscal year 1992, pending certificate applications for major construction projects, excluding Alaska, involved 2,500 miles of pipeline with 5.5 billion cubic feet per day of capacity and a projected cost of $3.2 billion.

## Environmental Compliance

The Office of Pipeline and Producer Regulation announced the establishment of regional training courses on environmental compliance beginning in November 1992. The courses provide the regulated pipeline industry, federal and state agencies, and interested persons with a better understanding of the requirements and objectives of the Commission in ensuring compliance with all environmental certificate conditions and meeting its responsibilities under the National Environmental Policy Act and other laws and regulations.

## NGPA Section 311 Pipeline Construction and NGA Facility Replacement Activities

The Pipeline Construction rule (Order No. 555), issued by the Commission in September 1991 to expedite review of certificate applications, was not put into effect and has now been withdrawn pending further review. On September 21, 1992, the Commission issued Order No. 544, which requires companies that are:

- Constructing facilities to transport natural gas under NGPA Section 311; or
- Replacing facilities under Section 2.55(b) of the Commission's NGA regulations to notify the Commission at least 30 days before commencing construction if the cost of the project exceeds a specified limit. In 1992, the cost limit was $6.2 million.

Without advance notification of Section 311 construction projects and Section 2.55(b) facilities replacement projects, the Commission had no means, other than through press notification, of construction and environmental compliance. Accordingly, the Commission found that advance notification was necessary under certain conditions.

## NGPA Section 311 Transportation Service

The Commission issued a final rule (Order No. 537) in September 1991, adopting an interpretation of the "on behalf of" standard of NGPA Section 311 in response to Associated Gas Distributors v. FERC. The rule revised the notice and protest provisions for interstate pipeline transportation activities under Part 284 blanket transportation certificates. The prior notice requirement for blanket transportation activities was eliminated.

The order on rehearing (Order No. 537-A) issued on September 21, 1992, clarified the applicability of blanket certificates to the movement by intrastate pipelines of gas produced in adjacent federal waters or onshore or offshore in an adjacent state.

## Affiliates and Fair Market Practices

The marketing affiliates program guards against pipelines' favoring their marketing affiliates in providing transportation services. On December 4, 1992, the Commission extended the reporting requirements for affiliate transactions through December 31, 1993. Pipelines which are in full compliance with Order No. 636 will no longer be required to file the transportation log, but must maintain the information on their electronic bulletin boards.

## Capacity Brokering/ Assignment

The Commission has approved a number of individual capacity reallocation proposals over the past several years. These programs must be modified to conform with the Order No. 636 generic firm transportation capacity assignment and capacity release programs. The Commission terminated its proposed rulemaking on brokering of interstate natural gas pipeline capacity.

## Vehicular Natural Gas (VNG)

In July 1992, the Commission issued Order No. 543, which:

- Defined VNG as natural gas that will be used, in either a gaseous or liquefied state, as fuel in any self-propelled vehicle;
- Deemed VNG to be ultimately consumed in the state in which the gas is physically delivered into the vehicle's fuel tank;

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- Issued a blanket certificate to all persons that engage in sales for resale of VNG, allowing the holder to make sales of VNG for resale in interstate commerce at market rates without becoming subject to other NGA regulation by the Commission; and
- Authorized abandonment of sales service upon contract expiration or termination of each individual sales arrangement.

By removing unnecessary impediments to the sale for resale of VNG, the Commission seeks to encourage its use as a fuel.

## Gas Supply Competition

The Department of Energy regulates natural gas imports and exports. The Commission has sole responsibility for approving the point of entry where new facilities are required and over the transportation and resale of imported natural gas in interstate commerce.

Many of the proposals to serve consuming markets in the Northeast, Midwest, and California authorized by the Commission over the past few years were based on Canadian and domestic gas sources. Five projects involving Canadian gas sources were approved in fiscal year 1992.

Deregulation and imports are the biggest driving forces in gas supply competition. According to the Energy Information Administration, imports accounted for 2.0 trillion cubic feet, or over 10 percent of America's total gas consumption of 19.6 trillion cubic feet in fiscal year 1992. Canada supplied 96 percent of the imports; the remaining imports were liquefied natural gas from Algeria. Virtually all imported gas volumes moved through interstate gas pipeline facilities.

Exports during fiscal year 1992 totalled 213 billion cubic feet.

## Producer Regulation

Producer regulation began in 1954 when the Supreme Court held that the Commission's Natural Gas Act jurisdiction covered sales of gas by producers for resale in interstate commerce.

The Commission initially required individual producer rates to be "in-line" with those charged by other producers, using a company-by-company approach. The Commission then switched to an area-by-area methodology to set producer ceiling rates. In 1973, the Commission began establishing producer ceiling rates on a nationwide basis, but dedicated interstate reserves continued to decline and a severe gas shortage developed in the interstate market. Congress enacted the Natural Gas Policy Act of 1978 to respond to the worsening supply situation.

The NGPA established a series of maximum lawful prices for all categories of natural gas sold in interstate and intrastate markets. In addition, the NGPA provided for a phased schedule which would ultimately decontrol most new gas.

In July 1989, Congress enacted the Natural Gas Wellhead Decontrol Act giving competition in the wellhead market its biggest boost to date and completing the decontrol process that began with the Natural Gas Policy Act. The legislation deregulated wellhead gas prices and removed the NGA's certificate and rate filing requirements for producers on January 1, 1993.

## Oil Pipelines

The Commission has statutory authority over the regulation of 150 interstate common carrier oil pipelines under the Interstate Commerce Act and the Department of Energy Organization Act. These pipelines have an investment in carrier property of nearly $6 billion.

The Commission regulates the transportation of crude oil and petroleum products by interstate common carrier pipelines. The primary goals of the Commission in its regulation of oil pipelines are to ensure that:

- Shippers and consumers do not pay unjust or unreasonable rates;
- Transportation services are not unduly discriminatory; and
- Oil pipelines have appropriate levels of incentives to make prudent investments in their systems.

During fiscal year 1992, the Commission focused its efforts on the involved process of streamlining and modernizing its rules, regulations, and methods of regulating the oil pipeline transportation industry. As a first step in the process, a technical conference was held on April 30, 1992, to ascertain the views and concerns of pipelines, shippers, other governmental entities, and the public.

On October 24, 1992, the President signed into law the Energy Policy Act of 1992. This legislation, among other things, requires the Commission to issue a final rule, within one year, establishing a simplified and generally applicable ratemaking methodology for oil pipelines. In addition, this legislation requires the Commission to issue a rule streamlining its procedural regulations. Thus, during fiscal year 1993, the Commission will continue, now under Congressional mandate, the oil pipeline regulatory reform efforts it began the previous year.

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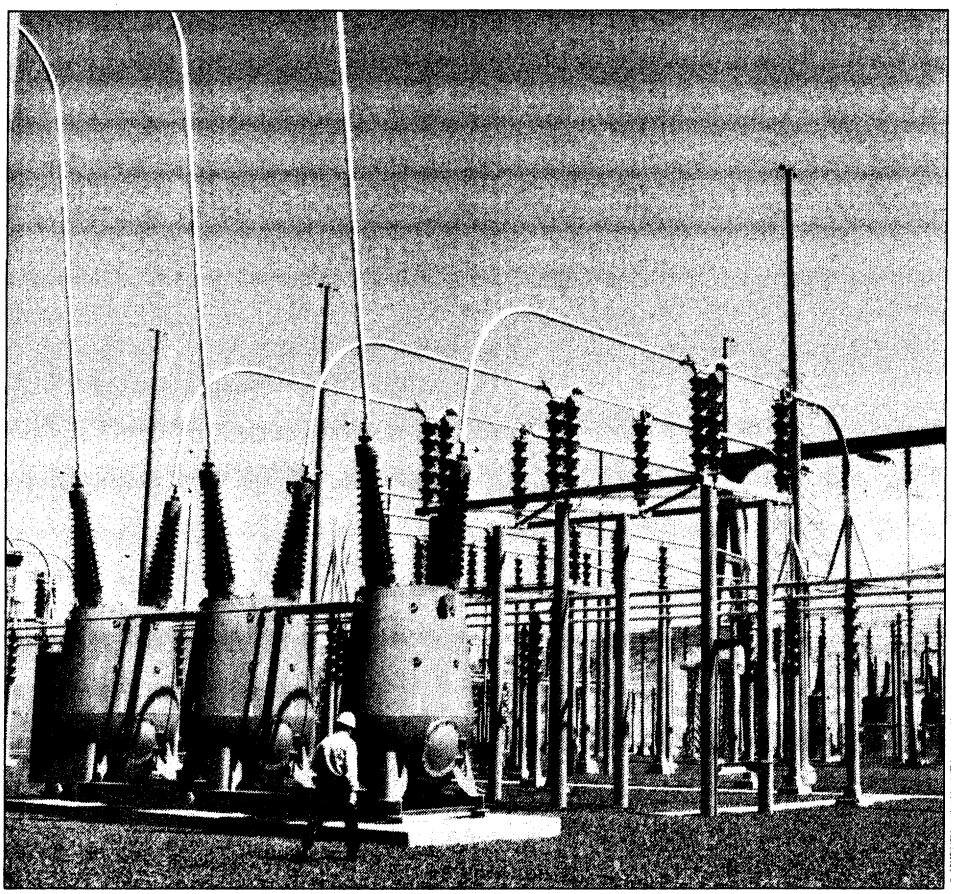
# Electric Power



*Equipment yard at a Bonneville Power Administration (BPA) converter station.*

## Public Utility Rates

The Commission has regulated rates for the transmission and sale for resale of electric energy in interstate commerce since the Federal Power Act became law in 1935.

During fiscal year 1992, public utilities filed 860 electric rate applications addressing such issues as market-based rates, transmission arrangements, unit sale rate increases, changes in delivery points, rate reductions, cancellations and other interchange and power pool services. Of these, 10 sought major wholesale rate increases totaling $102 million.

**FERC Electric Utility Rate Workload, 1992**

| Filings | Non-Formal | Formal |
|---|---|---|
| In process at start | 160 | 72 |
| Filed during year | 823 | 77 |
| Total workload | 983 | 149 |
| Processed during year | 829 | 65 |
| In process at end | 154 | 84 |

When a public utility files for rate changes or modifications to its terms or conditions of electric service, the Commission issues a public notice. Comments, protests and interventions are solicited. The staff acts on many routine, uncontested filings, freeing the Commission to decide complex and controversial cases. Approximately 85 percent of FERC's rate filings are disposed of by staff through delegated authority.

The Commission directly handles major rate increases and contested applications. The staff reviews these filings, along with any protests or interventions. The staff then presents these filings to the Commission with recommendations. The Commission may then take one of three principal actions:

- Approve the application without further review
- Reject all or part of the application
- Suspend the effectiveness of the rate application and order a hearing and investigation.

When the Commission's preliminary evaluation of an application indicates that the rate schedule or tariff may produce excessive revenues or that the filing may be unjust, unreasonable, unduly discriminatory or preferential, the Commission may suspend the effectiveness of a rate filing for up to five months. At the end of the suspension period, the new rate goes into effect, subject to refund. If the Commission orders an investigation, the case is typically

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assigned to an administrative law judge for a formal hearing, and a settlement conference is scheduled. This gives all interested parties an opportunity to resolve the issues and arrive at mutually acceptable terms. If this is unsuccessful, or only partially successful, the matter proceeds to hearing.

During fiscal year 1992, 58 settlement agreements were filed. The Commission accepted 41 settlements which resolved some or all of the issues presented. In addition, the Commission issued 35 hearing orders involving 44 dockets. On a consolidated basis, the Commission initiated 28 proceedings.

## Electric Opinions

The Commission issued six electric opinions after exceptions to ALJ's decisions, one paper hearing opinion and six rehearings of opinions. The opinions issued and the primary issues were:

- Louisiana Power & Light Opinion No. 366—involving fuel adjustment clause refunds.
- Boston Edison Opinion No. 370—involving cost of service issues for partial requirements service.
- Metropolitan Edison Opinion No. 371—dealing with gross receipts tax issues.
- The Cajun-Gulf States Opinion No. 372—resolving the litigation of a comprehensive transmission arrangement among the parties.
- Indiana Michigan Opinion No. 373—handling the rate issues of the flow through of the Rockport sale/leaseback costs.
- The Canal-Montaup Opinion No. 374—involving the prudence of the Seabrook emergency plan.

Among the rehearing cases were:

- Northeast Utilities (NU) (Opinion Nos. 346 A&B), resolving issues related to the merger, transmission access, and transmission pricing.
- Blue Ridge v. Appalachian Power (Opinion Nos. 363 A&B), resolving the Commission's first Regulatory Fairness Act Case.
- Southern California Edison electric rate case (Opinion No. 362-A), dealing with demand allocation and decommissioning.
- Boston Edison (Opinion 350-A), also dealing with decommissioning of nuclear plants.

The paper hearing order involved opportunity cost pricing. This case was related to merger transmission pricing issues.

Additionally, the Commission issued five orders resolving court remands. These included the remand and rehearing of the Pacificorp Merger on the qualifying facilities and retail wheeling issues, the Southern California Edison price squeeze issue, the Central Illinois Public Service (FA85-71) fuel adjustment clause remand, and the Southwestern (ER85-477) remand dealing with tax reform act adjustments to rates. Seven contested settlements were approved involving such issues as the Public Service Company of New Hampshire (PSNH) municipal rates paralleling PSNH's retail bankruptcy settlement and the Seabrook write-off; Central Louisiana Electric Company's Louisiana Electric Power Authority and Lafayette settlements involving caps on non-firm transmission rates; Northeast Utility's rates to Chicopee, Westfield and South Hadley; and the Pacific Gas & Electric interim settlement with Sacramento Municipal Utility District.

## Fuel Prices

The Commission has broad authority under Section 206 of the Federal Power Act to adjust utility rates that "... after hearing and upon its own motion ..." are unjust and unreasonable, including unjust fuel charges. FERC monitors electric utility fuel procurement practices under Section 208 of the Public Utility Regulatory Policies Act of 1978 (PURPA) to ensure the reasonableness of prices passed through to ratepayers under wholesale fuel adjustment clauses.

In addition to tracking the level of utility fuel costs, FERC uses the PURPA review to monitor the type of charges passed through the wholesale fuel clause. For example, during periods when fuel prices are falling, utilities generally have opportunities to reduce costs by buying-out or buying-down (i.e., taking smaller quantities) high-priced contracts and replacing them with less expensive purchases available in the market. To encourage utilities to take advantage of such cost-cutting measures, the Commission permits fuel clause treatment for buy-out and buy-down expenses. And, to ensure that ratepayers benefit from the transaction, utilities are required to provide details of the buy-out/buy-down arrangement, while also obtaining a waiver of the regulations before passing such costs through the fuel clause. Information gathered during the PURPA review is used to verify that the cost recovery complies with the Commission's regulations.

The average price of coal delivered to electric utilities during the 12-month period ending August 1992, fell slightly from the previous year. During the same period, the delivered prices for both oil and gas increased.

## Qualifying Facilities

The Public Utility Regulatory Policies Act of 1978 (PURPA), has encouraged the growth of cogeneration and small power production. PURPA requires electric utilities to buy electric energy from, and sell electric energy to, facilities that meet certain qualifications. Qualifying facilities (QFs) are exempted in whole or in part from federal and state regulations. Commission regulations permit small power producers and cogenerators that are seeking QF status either to file notice that their facilities meet applicable standards for certification, or to apply to FERC for certification.

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**Fossil Fuel Prices Paid by Electric Plants in the United States (Cents Per Million Btu)[1]**

| | 12 Months Ending August 30, 1991 | 12 Months Ending August 30, 1992 | Percent Change |
|---|---|---|---|
| Coal[2] | 143.5 | 141.9 | -1.1 |
| Oil | 234.9 | 240.3 | +2.3 |
| Gas[3] | 210.3 | 221.0 | +5.1 |

Source: Federal Energy Regulatory Commission, FERC Form 423, *Monthly Report of Cost and Quality of Fuels for Electric Plants.*

[2] Coal: Bituminous, Subbituminous, Lignite and Small Quantities of Anthracite, Wood Waste, Petroleum Coke, and Refuse

[3] No. 6 Fuel Oil

[4] Gas: Natural Gas and Small Quantities of Coke Oven, Refinery, and Blast Furnace Gas.

During fiscal year 1992, the Commission received 347 filings and completed 358 filings for QF status. Of the latter, 138 were small power producers and 220 were cogenerators. Among the completed cases:

- Granted—88 applications
- Denied, rejected, withdrawn, or dismissed—3 applications
- Self-implementing (i.e., notified the Commission of status)—267 applications.

Applications for qualifying facility status during fiscal year 1992 represented approximately 12,000 megawatts (MW) of generating capacity. Of this total, 1,092 MW were for small power and 10,700 MW for cogeneration.

In the 1980-1992 period, filings were made for approximately 107,200 MW of existing or proposed capacity. However, this is not necessarily the operable capacity of qualifying facilities, nor is it necessarily a reliable projection of future capacity. Some projects reflected in these amounts may not be built.

## Contingency Plans for Electricity Shortages

Section 202(g) of the Federal Power Act, as amended by PURPA, directs the Commission to establish rules requiring public utilities to notify it and state regulators of possible electric power shortages, and to submit contingency plans to deal with them. The purpose is to assure that all customers served directly or indirectly are treated equally if shortages occur. On October 5, 1984, the Commission issued Order No. 401 requiring public utilities to file reports of anticipated shortages, along with amendments to previously filed contingency plans. Respondents are FERC-regulated public utilities supplying full or partial firm power requirements to wholesale customers.

## Rulemaking Initiatives

On November 16, 1992, the Commission in Docket No. RM92-12-000, issued a Notice of Proposed Rulemaking (NOPR) that includes a proposal for amending Part 294 of our regulations. The NOPR would permit a public utility to not file a contingency plan or a modified plan with the Commission, provided that the utility includes certain provisions in the appropriate rate schedules. Such provisions would ensure that the utility will treat firm power wholesale customers without undue discrimination or preference, and would require reporting of modification to the appropriate state regulatory agency and to the affected wholesale customers.

The Commission's primary electric rulemaking effort during the year involved our regulatory review and streamlining proposal. The effort encompassed a thorough review of all of the regulations relating to our program. As a result of this review, on May 1, the Commission issued Order No. 541 deleting certain outdated or non-essential regulations under Parts II and III of the Federal Power Act.

Subsequently, on May 27, 1992, the Commission issued a proposed rule streamlining the electric power regulations—deleting regulations that are obsolete or requiring information that the Commission either no longer needs or which is readily available from other sources.

Work was also completed on an additional rulemaking that, among other things, modified the securities issuance regulations, modified some of the rate filing regulations, and updated regulations under Part 292 (reflecting changes that have occurred since the qualifying facilities program was initiated). Additional rulemaking efforts relating to the electric program involved the accounting changes due to the Clean Air Act amendments and the termination of the generic rate of return proceeding.

During fiscal year 1992, the Commission initiated two proceedings, in Docket Nos. RM92-6-000 and RM92-10-000, to rescind regulations that were obsolete or required information that the Commission either no longer needed or which was readily available from other sources.

In an order issued in the former proceeding, the Commission also stated that its policy would henceforth be to rely increasingly upon summary disposition to expedite case processing. The Commission felt that such reliance would reduce unwarranted litigation and remove impediments to settlements among parties.

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In Docket No. RM92-12-000, the Commission proposed further reductions in the regulatory burden in the following areas: securities transactions, accounting requirements, rate filings, and qualifying facilities.

## Mergers and Corporate Matters

The Commission is responsible for acting on applications related to corporate transactions, including mergers, property dispositions, acquisitions of securities by public utilities, and authorization to hold various interlock positions. Increased corporate activities continued during fiscal year 1992.

Numerous merger cases were processed during the last year. These included:

- Kansas Power & Light—Kansas Gas & Electric
- Public Service Company of Colorado—Colorado Ute
- Fitchburg Gas & Electric—UNITIL
- Iowa Power—Iowa Public Service

Additionally, rehearings were dealt with in the Northeast Utilities/Public Service Company of New Hampshire and the Utilicorp-Centel mergers.

In the corporate area, several unusual IPP partnership restructurings were processed. In the interlocking directorate area, the Edison Electric Institute rehearing was resolved—one of our oldest electric cases. Other interlocking directorate issues relating to commercial banks were also resolved as part of the EEI effort, thus reducing our interlock backlog from 48 to 6.

## Marginal Cost Rates

The Town of Norwood appealed the Commission's opinion on marginal cost rate design (Opinion Nos. 352 and 352-A) to the D.C. Circuit Court (Town of Norwood v. FERC, No. 91-1134). Briefs were filed on October 22, 1991, and the case was argued on January 10, 1992. The Commission's decision was upheld on April 14, 1992.

## Market-Based Rates

The Commission has approved market-based rates when the seller can demonstrate that: (1) it (and its affiliates) lacked market power over the buyer in the generation market; (2) it (and its affiliates) either lacks market power in transmission or has mitigated its transmission market power; (3) it (and its affiliates) has not erected any other barrier to entry; and (4) it has not engaged in self-dealing or other affiliate abuse.

In Docket No. ER91-576-999, Ocean State Power II (OSP II) proposed to sell power to its parent companies without Commission review of its costs and to meet the standards for demonstrating no affiliate abuse. OSP II alternatively argued that its arrangement could be supported on a cost-of-service basis. On June 25, 1992, the Commission found that OSP II had provided sufficient evidence and analysis under the applicable standards to have its rates approved on a market basis. Requests for rehearing are pending.

In Docket No. ER91-596-000, the Entergy operating companies (Mississippi Power & Light Company, Louisiana Power & Light Company, Arkansas Power & Light Company and New Orleans Public Service Company) and their affiliate, Entergy Power, Inc. (EPI), filed a proposal to sell power at market-based rates. The Entergy operating companies also filed transmission tariffs that are intended to mitigate their transmission market power. The Commission approved Entergy's proposal with modifications on March 3, 1992. In its order on rehearing August 7, 1992, the Commission upheld the major aspects of its approval. The company's compliance filing is being contested and is pending Commission action.

In Docket No. ER92-533-000, Louisville Gas & Electric Company (LG&E) proposes sales of power at market-based rates as well as open access transmission at cost-based rates. The proposal, which is currently pending, is modeled on the PSI Energy, Inc. and Energy filings previously approved by the Commission.

In Docket No. ER92-644-000, Duquesne Light Company proposes the sale of capacity and energy to the General Public Utilities Corporation for a term of twenty years at market-based rates. The sale is in conjunction with Duquesne's reactivation of certain generating stations which have been in cold reserve for several years. The application, which is contested, is currently pending and has been delayed at the company's request because the parties are negotiating an amendment.

## Transmission Issues

Consumers Power Company filed a transmission tariff for firm and non-firm transmission service to eligible utilities, including municipalities, cooperatives, qualifying facilities, and independent power producers. By order issued April 30, 1992, in Docket No. ER92-331-000, the Commission set the transmission tariff for hearing. The hearing is expected to begin early in 1993.

As discussed in the merger section, the Commission, in Northeast Utilities Service Company, defined its third party transmission pricing goals. The goals are: (1) to hold native load customers harmless; (2) to adopt the lowest reasonable rate; (3) to preclude monopoly profits; and finally, (4) an implicit underlying goal of reliability. In Pennsylvania Electric Company, Docket No. ER92-313-000, the Commission applied the goals and clarified its pricing under these basic transmission system conditions:

(1) When the transmission system is not constrained, the utility may recover its variable operating and maintenance costs plus up to a 100% contribution to its fixed costs (embedded cost rate).

(2) When the transmission system is constrained and the utility

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chooses to expand its system to remove the constraint, the utility may charge the higher of (1) the embedded cost rate or (2) a rate reflecting the incremental costs of expanding its system (expansion costs).

(3) When the system is constrained and the utility chooses not to expand its system, the utility may charge the higher of (1) its embedded costs or (2) its opportunity costs capped at its expansion costs.

Pennsylvania Electric Company (Penelec) filed an agreement for transmission service under which it proposed to charge both its embedded cost rate and its opportunity costs capped at its expansion costs. In its March 10, 1992, order the Commission found that the proposed rate went beyond holding Penelec's native-load customer harmless and was not the lowest reasonable rate for third party transmission service. The Commission, therefore, accepted the Penelec proposal contingent on Penelec's agreement to charge only the higher of its embedded cost rate or its opportunity costs capped at its expansion costs.

On July 17, 1992, the Commission denied rehearing of its March 10, 1992, order and on September 16, 1992, rejected a further request for rehearing. Penelec has recently negotiated another transmission agreement with the same customer which is pending Commission review.

Public Service Electric & Gas Company has also filed a transmission agreement which included a rate reflecting the sum of its embedded cost rate and its expansion cost. This proposal is currently pending before the Commission.

In Docket No. EL92-34-000, Duquesne Light Company proposes to sell blocks of transmission capacity in a yet-to-be constructed 500 kV transmission line at market-based rates. The rates are to be set through auction. The proposal is pending.

In a series of dockets, the operating utilities of the Southern Company proposed to price transmission service on the basis of the cumulative costs of the transmission systems of the individual affiliated utilities which are designated as the contract path for the transmission service. The Commission rejected this methodology and directed that the transmission rates be revised to reflect Southern Companies' average system-wide transmission rate.

In Docket No. ER91-559-000, Iowa Southern Utilities Company filed a transmission service agreement with the City of Pella, Iowa. For this service, the company proposed a rate, reflecting full cost of service, which was 59% higher than the rate Iowa Southern had on file for a comparable service which supported a sale by its affiliated company. The Commission concluded that the proposed rate was unduly discriminatory and directed Iowa Southern to lower the rate to the same level charged the affiliate, thus eliminating the rate differential.

## Waiver of Notice

Under the Federal Power Act, utilities are required to provide sixty days notice to the Commission and to the public of any rate schedule changes, unless the Commission otherwise orders.

In Docket No. ER91-457-000, Central Maine Power Company tendered for filing 14 agreements for service provided one to four years earlier. The Commission granted waiver of the notice requirements, but expressed dissatisfaction with the disregard of the statutory notice requirements which was reflected in the filings of Central Maine and other utilities. The Commission placed all utilities on notice that, to the extent they were transacting under agreements not yet on file with the Commission, the utilities had sixty days after publication of the order to file such rates without penalty. For filings submitted after the sixty-day amnesty period, utilities would be permitted to charge only the variable operation and maintenance expenses until the Commission accepted the rates.

In a series of subsequent cases, the Commission's waiver policy has been further addressed.

In Green Mountain Power Corporation, Docket Nos. ER92-361-000 and ER92-362-000, filings were submitted two months and five months, respectively, after service commenced. The Commission determined that the press of other business and delays in execution of the contract did not constitute legitimate reasons for waiver. Green Mountain was directed to refund amounts collected in excess of variable operation and maintenance expenses.

In Docket No. ER92-286-000, New England Power Company filed four service agreements under an existing tariff, when they had previously provided service. The company argued that in Central Maine the Commission meant to create an exception for short term agreements filed under a tariff. The Commission found that service agreements filed under an existing tariff are subject to the Central Maine policy. However, it ultimately instituted a separate amnesty for service agreements.

In Docket No. ER92-183-000, Florida Power Corporation filed agreements involving lump sum payments (contributions in aid of construction, or CIAC) for the cost of constructing facilities some five weeks outside the amnesty window of Central Maine. The company argued that it should not be subject to Central Maine because the company had a reasonable basis to question whether CIACs were jurisdictional. The Commission reaffirmed that CIACs are jurisdictional and that Central Maine applied. Ultimately, the Commission established a separate amnesty for CIACs.

The Commission also announced that it would hold a technical conference with the industry on January 25, 1993, to discuss further issues involving jurisdiction, waiver of notice, and future application of the Central Maine refund policy.

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## San Diego Gas and Electric Company v. Century Power Corporation

The Commission set for hearing complaints filed by San Diego Gas and Electric Company (Docket No. EL89-17-000) and Arizona Corporation Commission (Docket No. EL89-18-000) against Century Power Corporation (Century). The complaints alleged that Century had inappropriately passed through costs associated with gains in a sale and leaseback of a generating unit through formula rates under which the complainants had purchased power from Century. The hearing in this proceeding ended in July 1990. On December 20, 1990, Century Power Company filed a letter of agreement settling all disputes with San Diego. The Commission accepted the settlement by order issued July 19, 1991. The Administrative Law Judge issued an initial decision on April 30, 1991, on the remaining issues in the proceeding. By order issued November 10, 1992, the Commission approved a motion to dismiss the complaint filed by the Arizona Corporation Commission and terminated the docket.

## Federal Power Marketing Rates

Congress assigned the responsibility for marketing power from various federal hydroelectric developments to the Department of Energy (DOE) under the DOE Organization Act. These projects were constructed primarily by the U.S. Army Corps of Engineers and the Bureau of Reclamation. The Secretary of Energy has delegated final authority to the Commission to approve or disapprove the rates charged by the following power marketing agencies:

- Alaska Power Administration
- Southeastern Power Administration
- Southwestern Power Administration
- Western Area Power Administration.

## Congress, in the Pacific Northwest Electric Power

The Planning and Conservation Act assigned the Commission direct responsibility for confirming and approving or disapproving

Bonneville Power Administration rates on an interim or final basis. As of January 1, 1992, about 130 federally-owned hydroelectric developments requiring Commission-approved rate schedules were in operation and one was under construction. The projects had an installed capacity of over 34,000 megawatts. The Commission also is responsible for approving rates for transmitting non-federal power over federal transmission lines.

During fiscal year 1992, the Commission received five federal rate filings (representing rate increase amounts totalling $13 million) and completed 11 filings (representing rate increase amounts of $96 million).

## City of New Orleans, Louisiana v. Entergy Corporation, et al.

On August 20, 1990, in Docket No. EL90-48-000, the City of New Orleans, Louisiana (CNO) filed a complaint against Entergy Corporation and its operating subsidiaries. CNO alleged that Entergy's transfer of generating units from its subsidiary Arkansas Power & Light Company to a newly formed subsidiary Entergy Power, Inc., would significantly increase costs under the Entergy system agreement.

In March 1991, the Commission ordered a hearing of the issues of whether overall billings under the Entergy System agreement would increase because of the transfer, and if so, whether the increased charges reflect prudently incurred costs that may be passed through the Entergy System agreement.

The judge has phased the proceeding, and has issued Initial Decisions in both phases. In Phase I, the judge determined that billings under the system agreement would increase because of the spin-off. In Phase II, the judge determined that the spin-off was prudent. Briefs on exceptions to the decisions are due to be filed in 1993.

## Section 206 Investigation of Southern Company's Proposed Return on Common Equity

Southern Company requested a rate increase in Docket No. ER91-150-000. Staff's investigation into a number of Southern's other rate schedules prompted a Section 206 investigation in Docket No. EL91-29-000. In March 1991, the Commission ordered phased hearings in these consolidated dockets, which will begin late in 1992. The first phase which dealt with the return on equity, was the subject of an Initial Decision issued August 24, 1992. The decision is currently pending before the Commission on exceptions. In Phase II, all but one rate issue was resolved through settlement. An Initial Decision was issued on the remaining unresolved Phase II issue in November 1992. This decision is pending before the Commission on exceptions. Phase III, involving a contractual dispute with Cajun Electric Power Cooperative, has been settled and was accepted by the Commission in November 1992.

## Rate Schedule and Tariff Index System

The Commission recently created the Rate Schedule and Tariff Index (RATIS) which lists each public utility's current rate schedules and tariffs (agreements) on file with the Commission. RATIS provides the utilities and the public with useful data on each agreement such as the type of service provided under the agreement, all parties to the agreement and the date the agreement became effective. RATIS was designed to reduce the staff time necessary to respond to requests for

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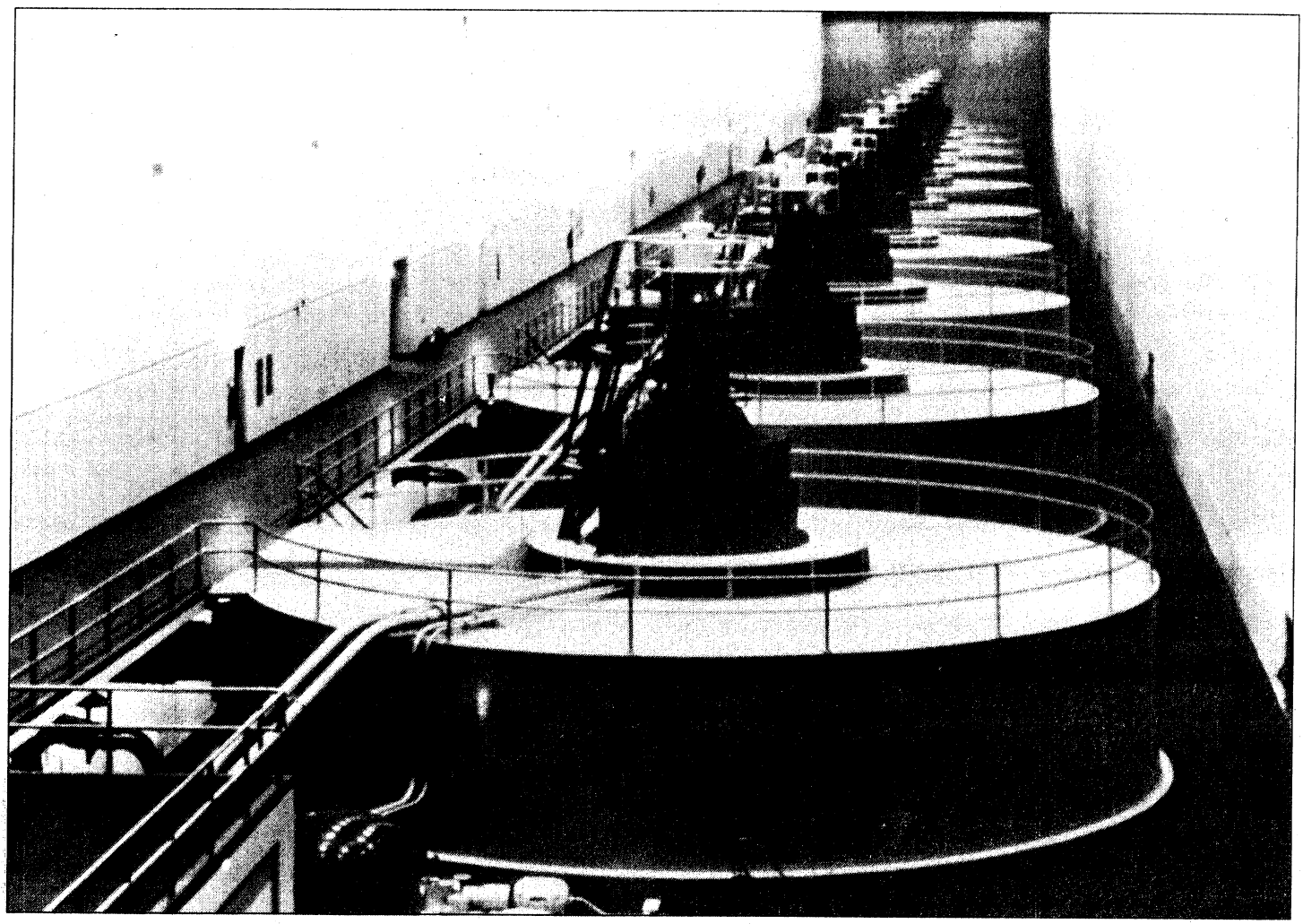

*The powerhouse of the Priest Rapids Project on the Columbia River in Washington has an installed capacity of 788,400 KW.*

such information. RATIS also enables utilities to ensure that all required agreements are on file with the Commission, and that the agreements no longer needed are not kept. Updated reports have been made available to the public through the Public Reference Room. RATIS has been received favorably by the industry.

## Electric Power Regulation Security Issuances

Under Section 204 of the Federal Power Act, the Commission regulates the issuance of securities or assumption of obligations and liabilities by public utilities and licensees. During fiscal year 1992, the Commission processed 72 Section 204 applications authorizing about $11 billion of security issues and assumption of obligations and liabilities.

## Accounting and Financial Reporting

The Commission needs continuous, reliable financial information. This information is based upon sound accounting principles uniformly applied to all jurisdictional companies. The Commission needs this information to monitor economic activity within the industry and to evaluate if the rates charged by jurisdictional entities are just and reasonable.

These needs are met by enforcing the Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act. This is done by periodic financial reporting and by conducting financial audits of jurisdictional companies.

The Office of Chief Accountant conducts financial audits on a cyclical basis. The audits enable the Commission to ensure that required financial information is reported according to FERC regulations. During the audits, special emphasis is placed on costs that are automatically passed on through rates. Companies that have improperly charged customers are ordered to refund excess collections with interest.

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## Power Pooling and Regional Transmission Groups

During fiscal year 1981, the Commission's Office of Electric Power Regulation (OEPR) completed a major study of the nation's power pools and coordinating groups and prepared a report, "Power Pooling in the United States" required by Section 205(b) of PURPA. This report was submitted to the President and the Congress in January 1982.

The federal role in encouraging further coordination appears to lie in removal of barriers to group action, continuing support for an industry-wide program to identify and capture benefits and resolving disputes brought to the Commission in individual cases.

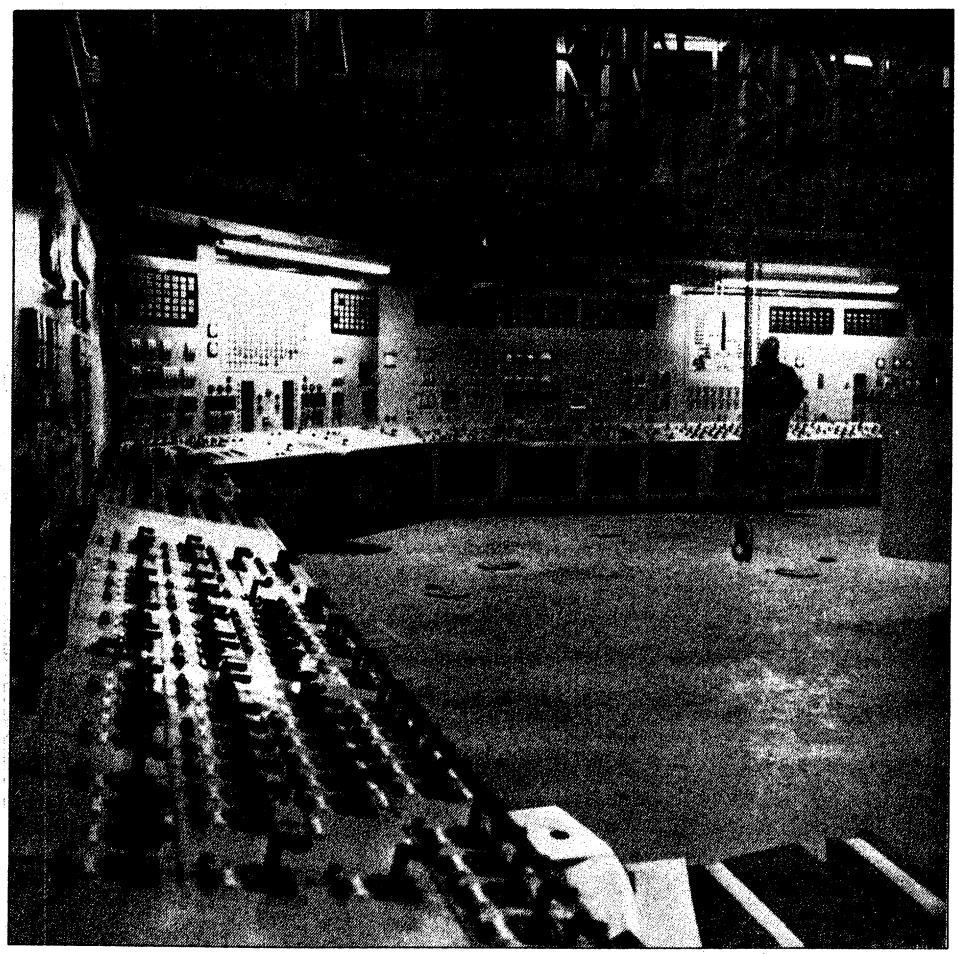
Among the conclusions of the 1982 Report were:

- The regional Reliability Councils have provided mechanisms for coordinating expansion plans and establishing mutually satisfactory operating coordination practices—results formerly achieved only by pooling agreements. Council activities include development of voluntary reserve-sharing agreements as reliability measures and experimental use of energy broker systems for economic dispatch; and
- The principal disincentives to more vigorous pursuit by utilities of further coordination are (a) insignificant or uncertain benefits in relation to costs; (b) concerns about sovereignty, obligations, and risks; (c) lack of state regulatory support for multi-state pooling; and (d) fear of exposure to anticompetitive allegations.

Based on these conclusions and others, the report included the following recommendation:

- State regulatory authorities should establish mechanisms for joint consideration of regional power needs, power resources, expansion plans, and interstate and interregional coordination benefits and issues. Regional Council or other regional studies and recommendations regarding coordination and pooling should be reviewed to determine potential regulatory problems.

The industry is clearly moving toward more competitive generation and bulk power markets. In responding to this change, the Commission is placing less emphasis on seeking incremental improvements in efficiency under traditional power pooling structures. An additional change in the industry may be a trend to utility mergers in order to capture some of the same benefits and efficiencies previously captured through pooling or coordination. The Commission has had before it several large mergers where some of the alleged benefits involve such claims. The Commission's Regional Transmission Group Proposal, released for comment shortly after the end of the fiscal year, if successful, may carry forward the Commission's earlier recommendations on pooling.◆



*Control room, electric power station.*

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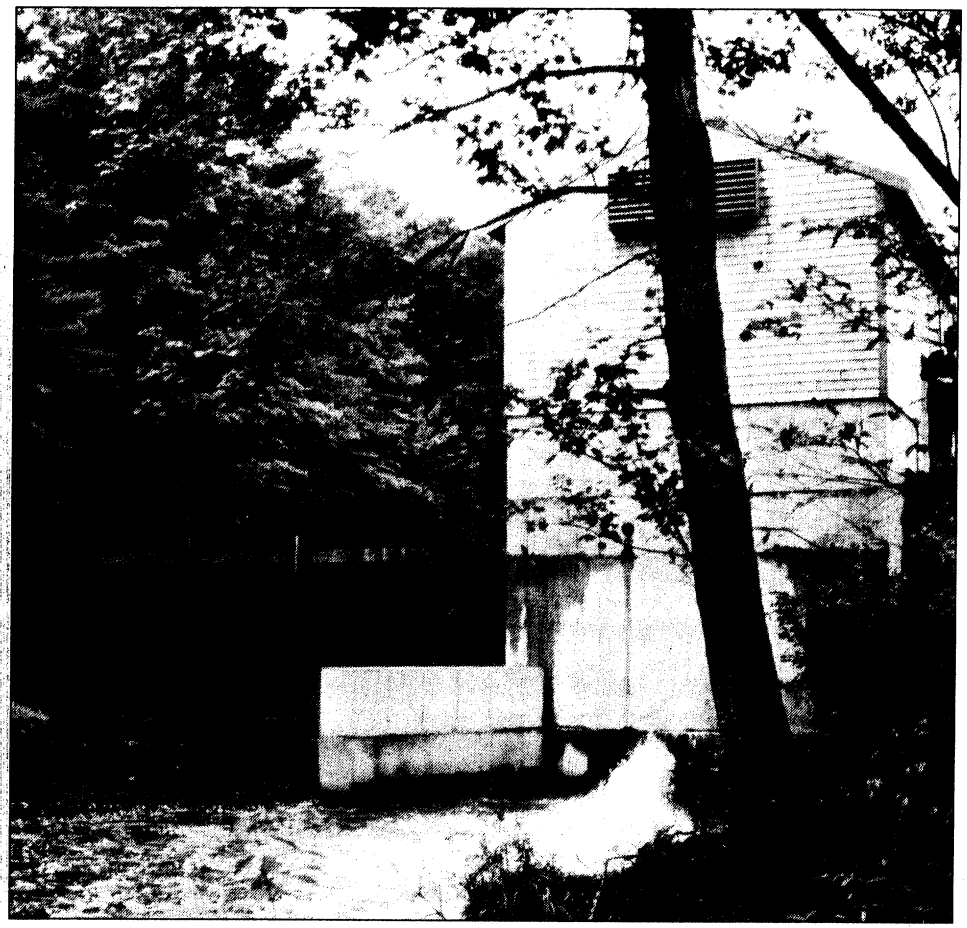
# Hydroelectric Power



*Kennebunk Light & Power Project, Mousam, Maine. Installed capacity 125 KW.*

Hydroelectric power offers an abundant, clean source of electric energy. In fiscal year 1992, hydroelectric plants supplied approximately 9.8 percent of America's electric energy.

Conventional hydroelectric projects generated an estimated 276.6 billion kilowatt-hours of electricity during the year, saving some 474 million barrels of oil or 109 million tons of coal.

In addition to providing significant generating capacity, hydro projects authorized by the Commission can improve fish and wildlife habitats, recreational opportunities, flood control and water supply.

In 1920, when the Federal Power Commission, FERC's predecessor agency, was established, about 4 million kilowatts of hydroelectric power were in place—producing about 20.5 billion kilowatt-hours annually. Within 10 years the amount of hydropower had doubled. Later, substantially more hydroelectric capacity was built by federal government agencies under such legislation as the TVA Act of 1933 and the various Flood Control and River and Harbor Acts.

The amount of hydro capacity remained stable until the early 1980's. Legislation passed during the 1970's offered regulatory and tax incentives for new hydroelectric projects. Electric utilities were required to purchase power from certain small power producers, including hydro projects under 80 MW. An energy tax credit was established under the Crude Oil Windfall Profits Tax Act. (The Act has since expired.)

In fiscal year 1992, the Office of Hydropower Licensing received 140 relicense applications. This represented a 637% increase over fiscal year 1991 relicense application filings.

The number of filings related to non-capacity amendments has increased from about 100 in fiscal year 1981 to 1,287 in fiscal year 1992. These filings reflect the compliance requirements contained in licenses and exemptions and proposed post-licensing changes to the original project.

## Licensing Activities

In fiscal year 1992, the Commission issued 39 licenses for new projects, 9 relicenses, 2 amendments to licenses for new capacity and 12 exemptions from licensing for hydropower projects. Exemptions may be obtained for projects if:

- generating capacity is being installed or increased;
- the applicant has all of the real property interests necessary to develop and operate the project; and
- the project's capacity is less than 5 MW (15 and 40 MW limit for conduit exemptions).

Commission regulations provide procedural alternatives in developing a hydropower project. A developer may, as a first step, seek

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a preliminary permit. A permit gives the developer time to perform feasibility studies while maintaining priority to apply later for a license. Since a preliminary permit is not a prerequisite, a developer may also file directly for a license or an exemption. The Commission regulations detail the filing procedures.

## Comprehensive Development

The Federal Power Act, amended by the Electric Consumers Protection Act of 1986, requires the Commission to give equal consideration and balance, in the public interest, to all uses of the waterway on which a project is located. When the Commission reviews competing interests, recreation, fish and wildlife and other non-developmental values are equally considered with power and other developmental values. The Commission weighs the economic and environmental tradeoffs of the various developmental and non-developmental uses of the waterway when determining whether, and under what conditions, it issues a hydropower license.

The Commission conducts independent evaluations of the environmental and developmental impacts that would result from licensing proposed and relicensing existing hydroelectric projects.

Staff's analyses consider the recommendations of:

- federal and state natural resource agencies;
- Indian tribes affected by project construction or operation; and
- other concerned individuals and entities.

The staff also evaluates each project's consistency with relevant state and federal comprehensive plans.

The Commission's assessment of a project's environmental and engineering aspects may lead to special license articles. These articles frequently require the licensee to implement specific mitigative or enhancement measures. Unresolved major hydropower-environmental resource conflicts may cause staff to recommend an alternative project design or denial of a license.

## Environmental Impact Statements

During fiscal year 1992, the Commission issued one final environmental impact statement (FEIS), two draft environmental impact statements (DEIS), and one supplement report to a DEIS for hydropower licensing applications.

The Commission issued an FEIS in February 1992 for the Mount Hope Pump Storage Project No. 9401, which will be located in Rockaway Township, New Jersey. The 2,000-megawatt (MW) project, estimated to generate 2,628 gigawatt-hours of energy annually, is the largest hydropower project the Commission has licensed in 15 years and the third largest it has ever approved. Project construction will inject $225 million into the local economy.

In February 1992, the Commission issued a DEIS for the 10.3-MW Shelly Hydroelectric Project No. 5090, which will be located on the Snake River in Bingham County, Idaho.

In January 1992, the Commission issued a DEIS for the existing 94-MW Kingsley Dam No. 1417 and the 25-MW North Platte/Keystone Diversion Dam No. 1835. Both projects are located in south-central Nebraska and share a 150-mile reach of the Platte River.

The Commission also issued a supplement to the DEIS for the Kingsley Dam and the North Platte/Keystone Diversion Dam Projects, revising the minimum canal maintenance flow regime for the Kingsley Project. The Commission said that issuing licenses for these projects would constitute a major federal action significantly affecting the quality of the human environment. Therefore, the EIS documents were prepared as required by the National Environmental Policy Act of 1969.

## Project Relicensing

By the end of 1991, 157 applications were filed for projects with licenses expiring in 1993. These relicense applications comprise a large part of the Commission's current and future workload.

In fiscal year 1992, the Commission continued its outreach program to inform license applicants, federal and state agencies, public interest groups, and Indian tribes about licensing and relicensing regulations. Area coordinators have held meetings across the country to explain licensing procedures, dam safety, comprehensive development and balancing, and license compliance issues.

Complementing these efforts, the Commission has conducted licensing and relicensing training seminars for the Forest Service (FS). The Commission and the FS signed a Letter of Understanding stating how they would cooperate in preparing National Environmental Policy Act (NEPA) documents.

Similarly, the Commission and the U.S. Fish and Wildlife Service have formed an Interagency Hydropower Task Force to discuss issues and disagreements that arise during the licensing and relicensing process. In 1992, they issued an interim progress report.

## The Electric Consumers Protection Act

The Electric Consumers Protection Act of 1986 (ECPA) became law on October 16, 1986. This legislation plays a significant role in the Commission's hydro program—especially relicensing.

ECPA has two primary goals:

- To assure timely and efficient processing of hydro relicensing applications to enhance competition among applicants;
- To ensure that the Commission strikes an appropriate balance between developmental and non-developmental interests.

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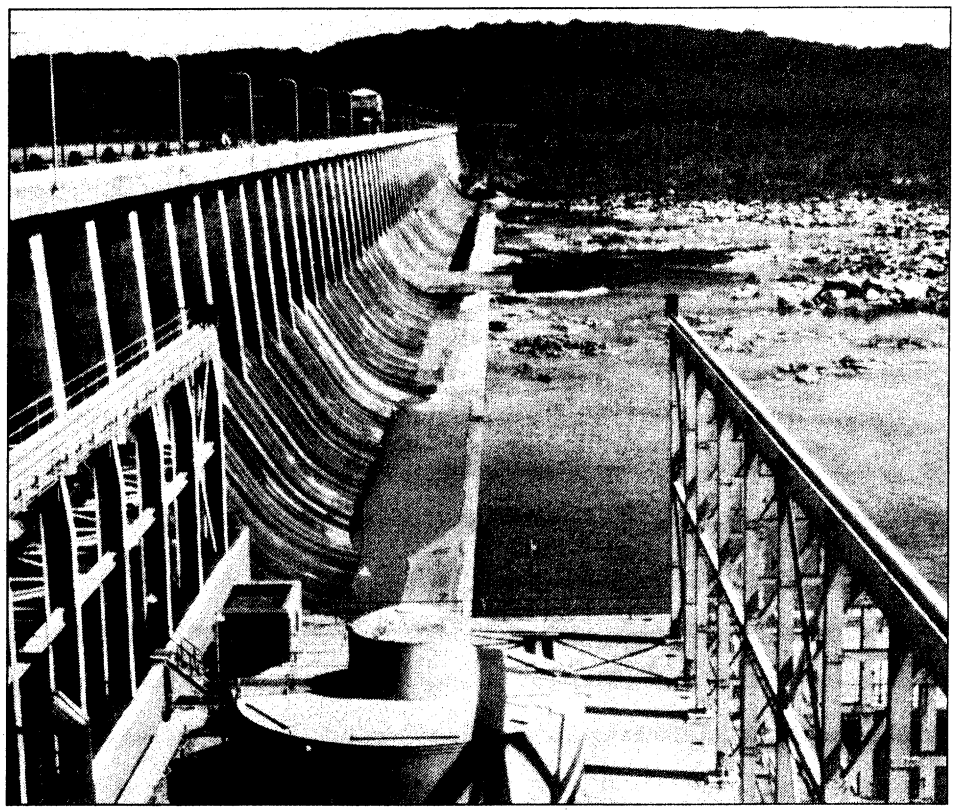

*Conowingo Dam, Philadelphia Electric Power Co. / Susquehanna Power Co., Susquehanna River, Maryland. Installed capacity: 475 MW.*

The Commission has issued several rulemakings to implement ECPA, as well as issuing case specific orders where appropriate.

## Licensing Regulation Changes

The Commission issued a Final Rule (Order No. 533-A) on November 22, 1991, clarifying Order No. 533, issued six months earlier.

Among other things, the final rule increases opportunities for public participation in the licensing and relicensing process and for federal and state agencies to comment and make recommendations in both prefiling and postfiling consultations.

The final rule:

- reestablished the time frame of one year within which a state agency must deny or grant a water quality certificate. After one year, the Commission will conclude that a state has waived its certification requirements;
- upheld the position that there is no need to grant fish and wildlife agencies additional rights to intervene in hydropower proceedings. Any differences between the fish and wildlife agencies and the Commission will be resolved during the consultation process specified in section 10(j) of the Federal Power Act;
- revised the definition of a "fishway," adding provisions for facilities for downstream passage of fish, provided downstream passage is necessary for the completion of the life cycle of the fish species (the Energy Policy Act of October 24, 1992, vacated Order 533's definition of a fishway).

## Dam Safety

Dam safety receives top priority in the Commission's hydropower program.

The Commission's dam safety program is authorized under Section 10(c) of the Federal Power Act and applicable Commission regulations. This program ensures that licensed and exempted projects are properly constructed, operated, and maintained to protect life, health, and property. The Commission's dam safety program and its regulations comply with the Federal Guidelines on Dam Safety issued in 1979 under Presidential Executive Order.

At the beginning of the licensing process, FERC staff reviews all phases of a project for safety and adequacy. They inspect a site before licensing and periodically during and after construction.

FERC staff inspects major new projects monthly when construction activity is significant. Environmental inspections are also periodically conducted at projects with major environmental and public use features. All inspections monitor compliance with standard and special terms and conditions contained in licenses and exemptions.

A licensee must hire an independent board of consultants to review the design and construction of major or complex projects. Commission regulations require inspection and evaluation of certain projects at five-year intervals by independent consulting engineers after the projects become operational. Dam owners are required to take remedial actions, ranging from minor maintenance to major repairs, when deficiencies are discovered.

All of FERC's licensed projects are inspected regularly to ensure their safety. FERC's dam safety program is the largest in the federal government. The Commission cooperates with other agencies to ensure the safety of their facilities as well.

Since 1981, several hundred dams have had safety modifications or are in the final stages of repair or evaluation. At the end of the

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1992 fiscal year, 102 dam safety modifications were ongoing or in the final stages of evaluation.

The Commission also requires an emergency action plan for all major dams. The plans provide an early warning system in case of sudden emergencies caused by natural disasters—such as hurricanes and earthquakes. The aim is to provide maximum public protection at all times.

During fiscal year 1992, Commission staff conducted about 2,000 dam safety inspections and completed final review of 148 reports of inspections by independent consultants.

## Compliance

The hydropower compliance program ensures, through monitoring and investigation, that the terms and conditions of issued licenses and exemptions are adhered to, and that actions to protect life, health, property, and the environment are taken promptly.

Section 31 of the Federal Power Act (Act) authorizes the Commission to issue administrative orders to require compliance with the Act, Commission orders, rules and regulations. The Commission issued 31 compliance orders in fiscal year 1992.

The Commission completed 10 civil penalty actions under section 31 in fiscal year 1992. A total of $140,875 in civil penalty payments was collected. The penalties ranged from $4,500 for a public safety violation to $50,000 for failing to comply with dam safety requirements.

The Commission also conducted 39 audits to improve licensee/exemptee compliance with the terms and conditions of their licenses/exemptions.

## Water Quality

Maintenance of state water quality standards and the protection of existing aquatic resources are important considerations in processing license applications and post-licensing filings. When a license or an amendment of license is issued, the Commission seeks to ensure that water quality resources are maintained or enhanced.

Project effects on dissolved oxygen, aeration, water temperature, and water chemistry are carefully examined. If, after reviewing site specific conditions, there is reason to believe that a project's operation may adversely affect water quality, changes in project facilities may be required to minimize these impacts. Monitoring may also be required to ensure that the project is operated to maintain the required water quality.

Following a construction accident at the Fall River Project (FERC no. 9885), which resulted in sedimentation of the Fall River, the Commission ordered the licensee to:

- Halt construction of the project, pending a thorough review of project design and construction methods;
- Conduct studies to assess environmental damages;
- Investigate the feasibility of potential mitigative measures; and
- Implement preliminary mitigative measures.

## Headwater Benefits

Section 10(f) of the Federal Power Act requires that the Commission determine how much an owner of a downstream non-federal hydropower development must pay the United States or an upstream licensee for the benefits provided by the upstream project.

Total headwater benefits assessments of approximately $225 million have been made since the program began in 1920. In fiscal year 1992, the Commission assessed $8.5 million for energy gain benefits received from federal projects.

## Hydropower Resources Assessment

The Commission studies the nation's water resources to identify potential hydroelectric sites and ensure that projects being considered for licensing are best adapted to existing or future development of the river basins.

As of December 31, 1992, the Commission estimated the nation's developed and undeveloped hydroelectric power potential at 149.3 million kilowatts of conventional hydroelectric generating capacity. Of this total, 73.6 million kilowatts are already developed. If all of the potential hydro sites were able to be developed, approximately 531 billion kilowatt-hours of electric energy could be produced annually, based on average stream flows. This represents the energy equivalent of about 910 million barrels of oil or 211 million tons of coal.

The December 31, 1992, estimate of hydroelectric resources is based on an annually updated inventory of potential hydroelectric power sites. In addition to 2,309 existing plants, 82 plants are under construction capable of producing 4.6 billion kilowatt-hours of electricity annually. There are 4,995 sites that have undeveloped generating potential of 224 billion kilowatt-hours.

Leading in hydroelectric production are Washington, California, and Oregon with 100.1, 40.1 and 28.8 billion kilowatt-hours, respectively. The greatest undeveloped average annual generation exists in Washington, California and Idaho, with 31.5, 24.3 and 22.7 billion kilowatt-hours, respectively.

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## Jurisdiction

The Commission reviews unlicensed operating projects for jurisdiction under Section 23(b) of the Federal Power Act. Dam safety and significant environmental problems are important factors in the process.

In fiscal year 1991, 13 orders on jurisdiction were issued. From April 1986 to September 1992, the review of unlicensed operating projects resulted in 78 orders finding that licensing is required and 62 orders finding that licensing is not required.

## Power Site Lands

During fiscal year 1992, the Commission processed 357 applications for non-waterpower uses of federal lands reserved for waterpower purposes. These non-waterpower uses included 290 mining claims, 2 mineral leases, 30 rights-of way, 2 geothermal steam leases and 33 determinations under the Federal Power Act.

All of the approximately 734 active power sites established under Section 24 of the FPA prior to April 1, 1992, have been identified by township, range and section for the public land states, and by federal reservations for the other states. This allows more expeditious handling of requests for other uses of the power sites by the Bureau of Land Management and the Commission.

## Fisheries

In fiscal year 1992, the Commission continued its efforts to ensure that fishery resources are protected and enhanced during pre-licensing and post-licensing. Before issuing a license, the Commission staff conducts an independent environmental analysis, using either an environmental assessment or an environmental impact statement, and develops appropriate terms and conditions to maintain and enhance the fishery. After a license is issued, the compliance staff monitors these terms and conditions to ensure compliance.

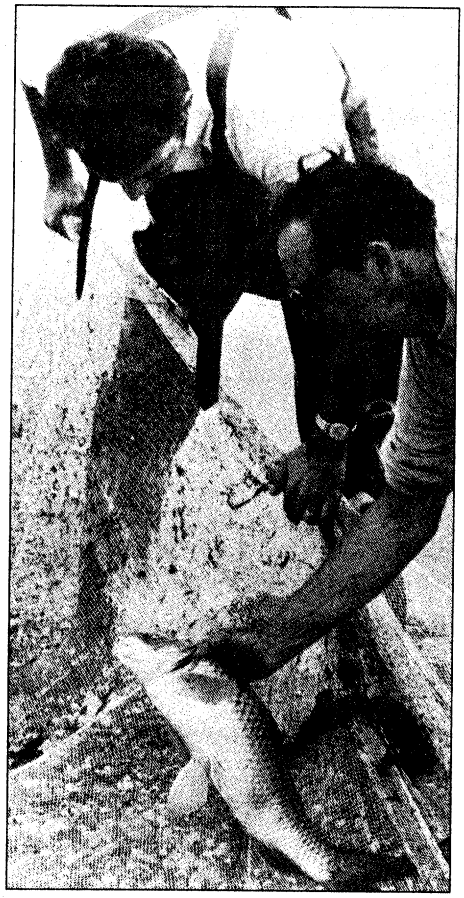
The compliance staff continues to work with other agencies and licensees to improve fish passage. For example, in fiscal year 1992, a new fish elevator entrance was constructed at the Emporia Project (FERC No. 5998) in Virginia. The entrance will better attract American shad, thereby aiding in restoring the species to the Meherrin River. Interim downstream fish passage facilities, approved by the compliance staff at the Orono (FERC No. 2710), Stillwater (FERC No. 2712), Milford (FERC No. 2534), and Howland (FERC No, 2721) Projects on the Penobscot River in Maine, will aid in restoring Atlantic salmon and river herring to the Penobscot River Basin.

The compliance staff has continued to investigate the causes of fish kills (for example those at the Youghiogheny Project (FERC No. 3623) and monitored entrainment studies at several projects, including the Townsend Project (FERC No. 3451).

The environmental contractor was directed to evaluate the effects of operating the Hells Canyon Project (FERC No. 1971) on the Snake River Sockeye and Chinook Salmon.

Recreation/Hydropower projects licensed by the Commission offer a variety of recreational opportunities. Recreational developments by licensees include facilities for camping, picnicking, swimming, boating, hiking, fishing, and hunting. The total surface area of reservoirs at licensed projects is more than 3 million acres.

Data collected by the Commission from 1990 through 1992 for approximately 1,000 licensed developments (a project consists of one or more developments) show that annual public use exceeded an average of 81,000 recreation days per development. Recreational facilities at these developments include boating facilities (such as boat ramps and canoe portages), picnic sites, campgrounds, parks, and fishing facilities. In terms of numbers, there are over 28,000 tent/trailer/recreational vehicle sites, more than 1,100 miles of trails, and 1,200 picnic areas.



*Ichthyologists seine for fish in the vicinity of a power plant on Lake Michigan. Studies of fish populations help determine the effects of thermal discharges on the lake's ecology.*

License applications for major hydropower projects include recreational plans for the project area. Those applying for a license are expected to review recreational needs in the project area and to provide public recreational facilities during the license period. With few exceptions, such as unsafe areas, project lands and waters are available to the public.

Safety considerations have come to the forefront because of increased public use at FERC projects. The Commission has also increased its monitoring of public safety measures.◆

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# List of Commission Personnel

(As of June 30, 1993)

**Chair** . . . . . Elizabeth A. Moler

**Commissioners**. . . . . Vicky A. Bailey

James J. Hoecker

William L. Massey

Donald F. Santa

**Office Directors**

Office of Pipeline and Producer Regulation . . . . Kevin P. Madden
(208-0700)

Office of General Counsel . . . . . Susan Tomasky
(208-1000)

Office of Electric Power Regulation. . . . . J. Steven Herod
(208-1200)

Office of Hydropower Licensing. . . . . Fred E. Springer
(219-2700)

Office of Economic Policy . . . . . Richard P. O'Neill
(208-0100)

Office of External Affairs . . . . . Rebecca Schaffer
(208-0004)

Office of the Executive Director (Acting) . . . . . Christy McGue
(208-0300)

Office of Chief Accountant. . . . . Russell E. Faudree, Jr.
(219-2600)

Office of the Secretary. . . . . Lois D. Cashell
(208-0400)

Office of Administrative Law Judges . . . . . Curtis L. Wagner, Jr.
(219-2500)

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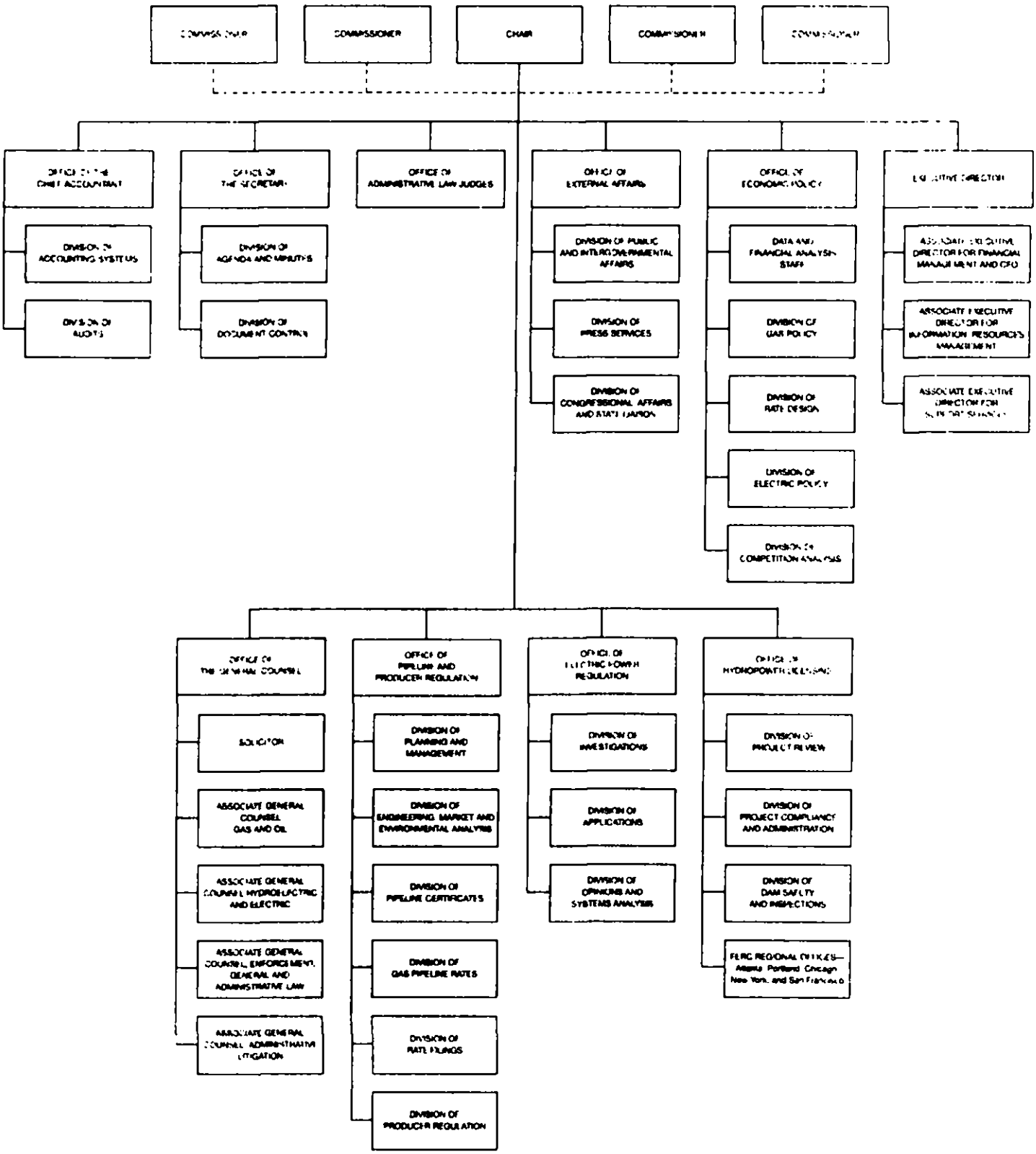
# Organizational Chart

(As of June 30, 1993)

## Federal Energy Regulatory Commission (FERC)



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# Hydroelectric Power Table

(Projects For Which Licenses Will Expire
Between January 1, 1994, And December 31, 1998)

| License Expiration Date | Licensee | FERC Project No. | State | County | River | Installation (KW) | Facilities Under License* | Period of (Years) | Subject Federal |
|---|---|---|---|---|---|---|---|---|---|
| 94/11/30 | Montana Power Co | 2188 | MT | Cascade | Missouri | 286100 | DM RS PH TL | 46 | N |
| 94/12/31 | Arizona Public Service Co | 2069 | AZ | Yavapai | Fossil Creek/ Verde River | 7000 | RS PI TU PK PH TL | 50 | N |
| 94/12/31 | City of Seattle | 2705 | WA | Whatcom | Newhalem | 1750 | DM PH | 24 | N |
| 95/04/30 | Ketchikan, City of | 1922 | AK | Ketchikan | Beaver Falls Division Creek | 7100 | DM PH | 50 | N |
| 95/06/30 | Wisconsin Public Service Corp | 1999 | WI | Marathon | Wisconsin | 5400 | DM PH | 20 | N |
| 95/12/31 | Pacific Gas & Electric Co | 2687 | CA | Shasta | Pit | 63000 | DM PH | 30 | N |
| 95/12/31 | Pacific Gas & Electric Co | 2699 | CA | Calaveras | Angels Creek | 1400 | DM PH | 30 | N |
| 96/04/30 | Southern Calif Edison Co | 1930 | CA | Kern | Kern River | 24992 | DM PH | 50 | Y |
| 96/04/30 | Southern Calif Edison Co | 1932 | CA | San Bernardino | Lytle Creek/ Santa Ana River | 400 | DM PH | 50 | Y |
| 96/04/30 | Southern Calif Edison Co | 1933 | CA | San Bernardino | Santa Ana River | 4000 | DM PH | 50 | Y |
| 96/04/30 | Southern Calif Edison Co | 1934 | CA | San Bernardino | Mill Creek/ Santa Ana River | 3250 | DM PH | 50 | Y |
| 96/06/29 | CP National Corp | 1986 | OR | Baker | Rock Creek/ Powder River | 800 | DM PH | 50 | Y |
| 96/06/30 | Maverick Co Wtr Dist | 1952 | TX | Maverick | Maverick Canal | 0 | RS | 50 | N |
| 96/11/05 | Pacific Gas & Electric Co | 2019 | CA | Calaveras | Angels Creek/ Clovey Creek | 3600 | DM PH | 50 | Y |
| 97/01/29 | Pacificorp | 1927 | OR | Douglas | N. Umpqua River | 185000 | DM PH | 50 | N |
| 97/05/11 | Minnesota Pwr & Light Co | 2663 | MN | Morrison | Crow Wing River | 1520 | DM PH | 30 | N |
| 97/08/31 | Georgia Power, Co. | 1951 | GA | Baldwin | Oconee River | 45000 | DM PH | 50 | N |
| 97/12/23 | Idaho Power Co | 2061 | ID | Twin Falls | Snake River | 60000 | DM PH | 50 | N |
| 97/12/31 | Central Maine Power Co. | 2612 | ME | Somerset | Dead River | 0 | DM RS | 50 | N |
| 98/01/31 | Wisconsin River Power Co | 1984 | WI | Adams | Wisconsin River | 35000 | DM PH | 47 | Y |
| 98/02/28 | Idaho Power Co | 1975 | ID | Gooding | Snake River | 69000 | DM PH | 50 | Y |
| 98/02/28 | Wisconsin Elec Power Co | 1980 | MI | Dickinson | Menominee River | 22700 | DM PS | 50 | Y |
| 98/03/31 | Bonners Ferry, City of | 1991 | ID | Boundary | Moyie River | 3975 | DM PH | 48 | N |
| 98/06/30 | Northern States Power Co | 1982 | WI | Chippewa | Chippewa River | 33000 | DM PH | 48 | Y |
| 98/06/30 | Heber Light & Power Co | 1994 | UT | Wasatch | Snake Creek | 750 | PH | 49 | N |

** Includes types of facilities at each project, but not total number of each type (e.g. A project may consist of multiple powerhouses or dams.): DM Dam, RS Reservoir, CL Canal, TU Tunnel, FM Flume, PI Pipeline, PK Penstock, PH Powerhouse, TR Turbine, GN Generator(s); TC Tailrace, TL Transmission Line or connection thereto.*

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**For Additional Information Contact:**

Federal Energy Regulatory Commission
Office of External Affairs
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