



Department of Energy
Southwestern Power Administration
One West Third Street
Tulsa, Oklahoma 74103-3502

February 13, 2014

**NOTICE OF ORDER CONFIRMING AND APPROVING
SAM RAYBURN DAM POWER RATE ON A FINAL BASIS**

You are hereby notified, in accordance with the terms and conditions of your power sales contract that the Federal Energy Regulatory Commission (FERC), in Docket No. EF14-2-000, dated February 6, 2014, has confirmed and approved on a final basis the annual rate of \$4,230,120 (\$352,510 per month) for the Sam Rayburn Dam (Rayburn) project. This rate became effective for the period October 1, 2013, through September 30, 2017. This annual power rate is applicable to sales of power and energy under the terms of Contract No. DE-PM75-92SW00215, between Southwestern Power Administration and the Sam Rayburn Dam Electric Cooperative Inc.

Enclosed is a copy of the FERC's order. In addition, a copy of the new rate schedule is available on Southwestern's website at www.swpa.gov.

If you have any questions regarding the new rate schedule or its application, please contact Stephanie Bradley at (918) 595-6676, stephanie.bradley@swpa.gov.

A handwritten signature in black ink, appearing to read "Tracey Stewart".

Tracey Stewart
Acting Vice President
Office of Corporate Operations

146 FERC ¶ 62,105
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

United States Department of Energy
Southwestern Power Administration
(Sam Rayburn Dam Hydroelectric Project)

Docket No. EF14-2-000

ORDER CONFIRMING AND APPROVING RATE SCHEDULE
ON A FINAL BASIS

(February 6, 2014)

Summary

On October 3, 2013, the Deputy Secretary of Energy (Deputy Secretary) filed a request for final confirmation and approval of Southwestern Power Administration's (Southwestern) Rate Schedule SRD-13 applicable to the sale of power and energy by Southwestern from the Sam Rayburn Dam Hydroelectric Project (Sam Rayburn Project).¹ The Deputy Secretary placed the revised rate schedule into effect on an interim basis effective October 1, 2013,² and requests final confirmation and approval of the rate for the period October 1, 2013 through September 30, 2017.³ According to the application, Southwestern is increasing the current annual rate by \$280,248 or 7.1 percent.⁴

Southwestern maintains that the proposed rate will provide sufficient revenue to pay all annual costs, including interest expense, and repay power investment and irrigation aid within the allowable periods.

¹ The Sam Rayburn Project is a multipurpose hydroelectric project whose power output is sold to the Sam Rayburn Dam Electric Cooperative.

² Rate Order No. SWPA-67, placing the rate schedule into effect on an interim basis, was issued on September 30, 2013 under authority delegated to the Deputy Secretary by Department of Energy Delegation Order Nos. 00-037.00 and 00-001.00E (Delegation Orders).

³ Rate Schedule SRD-13, supersedes the prior rate schedule, which was approved on a final basis in the *United States Department of Energy-Southwestern Power Administration (Sam Rayburn Dam Hydroelectric Project)*, 126 FERC ¶ 62,244 (2009).

⁴ The existing rate is \$3,949,872 and the proposed increased rate is \$4,230,120.

Notice of the application was published in the *Federal Register*, 78 Fed. Reg. 64,494 (2013), with comments, protests, or motions to intervene due on or before November 4, 2013. None were received. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to operation of Rule 214 of the Commission's Rule of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

Standard of Review:

The Secretary of Energy has delegated the authority to confirm and approve Southwestern's rates on a final basis to the Commission,⁵ and established the scope of Commission review. The scope of Commission review is limited to:

- whether the rates are the lowest possible to customers consistent with sound business principles;
- whether the revenue levels generated by the rates are sufficient to recover the costs of producing and transmitting the electric energy including the repayment, within the period of cost recovery permitted by law, of the capital investment allocated to power and costs assigned by Acts of Congress to power for repayment; and
- the assumptions and projections used in developing the rate components that are subject to Commission review.⁶

The Commission is prohibited from reviewing policy judgments and interpretations of laws and regulations made by the power generating agencies.⁷ The Commission may reject the rate determinations of Southwestern's Administrator only if it finds them to be arbitrary, capricious, or in violation of the law, if they violate Department of Energy regulations (e.g., Department of Energy Order No. RA 6120.2, which prescribes financial reporting policies, procedures, and methodologies), or if they violate agreements between Southwestern's Administrator and the applicable power

⁵ Delegation Orders § 3.

⁶ *Id.*

⁷ The power generating agencies include the Bureau of Reclamation, the Army Corps of Engineers (Corps), and the International Boundary and Water Commission. These agencies build and operate various projects. The Power Marketing Administrations, such as Southwestern, market the output of the projects.

generating agency. The Commission considers its role as that of an appellate body which reviews the record developed by the Administrator. In other words, the Commission does not develop a record on its own. Consequently, the Commission only affirms or remands the rates submitted to it for final review.⁸

Discussion

Southwestern explains that the existing hydroelectric power rate for the Sam Rayburn Project is inadequate to meet cost recovery criteria. Southwestern further explains that the FY 2013 Power Repayment Study (PRS) indicates a need for an increase in annual revenues of \$280,248 or 7.1 percent, beginning October 1, 2013. Southwestern states that the rate increase is due to increases in the Corps' investment and replacements in the hydropower generating facility and increased operations and maintenance expenses. Southwestern maintains that the proposed annual rate is the lowest possible rate needed to repay all costs of the project, including amortization of the power investment.

By statute,⁹ Southwestern must repay the federal investment from power revenues within a reasonable period of time, which as a general practice is 50 years. Our review of Southwestern's PRS indicates that the revenues to be collected under the proposed rate will be sufficient to recover Southwestern's costs, including recovery of the remaining federal investment, with interest, over the remaining repayment period. Moreover, since the revenues generated by the proposed rate recover no more than Southwestern's annual costs and the remaining federal investment, the rate is the lowest possible to customers. Our review also indicates that the PRS was prepared in a manner consistent with Order No. RA 6120.2, which requires that Southwestern's system financial statements, must be prepared in accordance with generally accepted accounting principals, as appropriate, and that its PRS be prepared using sound forecasting techniques designed to approximate as closely as possible actual results.

Because Southwestern's proposed rate is consistent with the standards by which it must be judged, it merits final confirmation and approval.

⁸ *U.S. Department of Energy - Western Area Power Administration (Boulder Canyon Project)*, 61 FERC ¶ 61,229 at 61,844 (1992), *aff'd in relevant respects*, *Overton Power District No. 5 v. Watkins*, 829 F. Supp. 1523 (D. Nevada 1993), *vacated and remanded with directions to dismiss*, *Overton Power District No. 5 v. O'Leary*, 73 F. 3d 253 (1996); *U.S. Department of Energy - Western Area Power Administration (Salt Lake City Area Integrated Projects)*, 59 FERC ¶ 61,058 at 61,240-41 & nn.17 & 20, *reh'g denied*, 60 FERC ¶ 61,002 (1992).

⁹ 16 U.S.C. § 825s (2012).

Docket No. EF14-2-000

- 4 -

The Director:

Confirms and approves on a final basis Southwestern's proposed Rate Schedule SRD-13 for the period October 1, 2013 through September 30, 2017.

Authorities:

This action is taken pursuant to authority delegated to the Director, Division of Electric Power Regulation -- Central, under 18 C.F.R. § 375.307 of the Commission's Regulations. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

Sincerely,

Penny S. Murrell, Director
Division of Electric Power
Regulation - Central

Document Content(s)

EF14-2-000.DOC.....1-4