



6450-01-P

DEPARTMENT OF ENERGY

SOUTHWESTERN POWER ADMINISTRATION

Robert D. Willis Power Rate

AGENCY: Southwestern Power Administration, DOE.

ACTION: Notice of public review and comment.

SUMMARY: The Administrator, Southwestern Power Administration (Southwestern), has prepared Current and Revised 2012 Power Repayment Studies which show the need for an increase in annual revenues to meet cost recovery criteria. Such increased revenues are needed to cover increased costs associated with operating and maintaining the facilities as well as increased costs associated with compliance requirements of the North American Electric Reliability Corporation. Additional revenues are also needed to recover increased costs associated with investments and replacements to the hydroelectric generating facilities. The Administrator has developed a proposed Robert D. Willis rate schedule, which is supported by a power repayment study, to recover the required revenues. The June 2012 Revised Power Repayment Study indicates that the proposed rate schedule would increase annual revenues approximately 15.4 percent from \$929,388 to \$1,072,332 effective October 1, 2012 through September 30, 2016.¹

DATES: The consultation and comment period will begin on the date of publication of this Federal Register notice and will end on ***[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]***. If requested, a combined Public Information and Comment Forum (Forum) will be held on July 31, 2012, in Tulsa, Oklahoma at 9:00 a.m.

¹ FERC on April 27, 2009 confirmed and approved the existing Robert D. Willis rate for the period October 1, 2008 through September 30, 2012. See 127 FERC ¶ 62072.

Persons desiring the Forum to be held should indicate in writing to the Southwestern Administrator (see **FOR FUTURE INFORMATION CONTACT**) by letter, email or facsimile transmission (918-595-6656) by [**INSERT DATE 5 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**], their intent to appear at such Forum.

ADDRESSES: The Forum will be held in Southwestern's office, Room 1460, Williams Center Tower I, One West Third Street, Tulsa, Oklahoma 74103.

FOR FURTHER INFORMATION CONTACT: Mr. James K. McDonald, Administrator, Southwestern Power Administration, U.S. Department of Energy, One West Third Street, Tulsa, Oklahoma 74103, (918) 595-6690, jim.mcdonald@swpa.gov.

SUPPLEMENTARY INFORMATION: Originally established by Secretarial Order No. 1865 dated August 31, 1943, Southwestern is an agency within the U.S. Department of Energy created by the Department of Energy Organization Act, P.L. 95-91, dated August 4, 1977. Guidelines for preparation of power repayment studies are included in DOE Order No. RA 6120.2 entitled Power Marketing Administration Financial Reporting. Procedures for Public Participation in Power and Transmission Rate Adjustments of the Power Marketing Administrations are found at title 10, part 903, subpart A of the Code of Federal Regulations (10 CFR part 903). Procedures for the confirmation and approval of rates for the Federal Power Marketing Administrations are found at title 18, part 300, subpart L of the Code of Federal Regulations (18 CFR part 300).

Southwestern markets power from 24 multi-purpose reservoir projects with hydroelectric power facilities constructed and operated by the U.S. Army Corps of Engineers (Corps). These projects are located in the states of Arkansas, Missouri, Oklahoma, and Texas. Southwestern's marketing area includes these States plus Kansas and Louisiana. The costs associated with the hydropower facilities of 22 of the 24 projects are repaid via revenues received under the

Integrated System rates, as are those of Southwestern's transmission facilities, which consist of 1,380 miles of high-voltage transmission lines, 25 substations, and 46 microwave and VHF radio sites. Costs associated with the Sam Rayburn and Robert D. Willis Dams, two Corps projects that are isolated hydraulically, electrically, and financially from the Integrated System, are repaid by separate rate schedules.

Following Department of Energy guidelines, the Administrator, Southwestern, prepared a Current Power Repayment Study using the existing rate. The Study indicates that Southwestern's legal requirement to repay the investment in power generating facility for power and energy marketed by Southwestern will not be met without an increase in annual revenues. The need for increased revenues is due to increased costs associated with annual operations and maintenance and to recover increased investments and replacements in the Corps hydroelectric generating facility. The Revised Power Repayment Study shows that additional annual revenues of \$142,944 (a 15.4 percent increase) are needed to satisfy repayment criteria.

Because of concerns expressed by Southwestern's customers, during their informal participation in the development of the Power Repayment Studies, regarding the magnitude of the proposed increase, Southwestern is proposing to increase revenue in two steps over a two-year period. Since our current rates are sufficient to recover all average operation and maintenance expenses during the next two years, our ability to meet both annual and long-term repayment criteria is satisfied by increasing revenues in steps over the period.

The first step of the rate increase, beginning October 1, 2012, would incorporate one half of the required revenue or 7.7 percent (\$71,472). The second step of the rate increase, beginning October 1, 2013, and ending on September 30, 2016, would incorporate the remaining one half of the revenue requirement (\$71,472 or 7.7 percent). Southwestern will continue to perform its Power Repayment Studies annually, and if the 2013 results should

indicate the need for additional revenues, another rate filing will be conducted and updated revenue requirements implemented for FY 2013 and thereafter.

Opportunity is presented for Southwestern's customers and other interested parties to receive copies of the Robert D. Willis Studies and the proposed rate schedule. If you desire a copy of the Robert D. Willis Power Repayment Studies with the proposed Rate Schedule, submit your request to the Director, Division of Resources and Rates, Office of Corporate Operations, Southwestern Power Administration, One West Third, Tulsa, OK 74103, (918) 595-6680 or via email to swparates@swpa.gov.

A Public Information and Comment Forum (Forum) is tentatively scheduled to be held on July 31, 2012, to explain to customers and interested parties the proposed rate and supporting studies and to allow for comments. A chairman, who will be responsible for orderly procedure, will conduct the Forum if a Forum is requested. Questions concerning the rate, studies, and information presented at the Forum will be answered, to the extent possible, at the Forum. Questions not answered at the Forum will be answered in writing. Questions involving voluminous data contained in Southwestern's records may best be answered by consultation and review of pertinent records at Southwestern's offices.

Persons desiring the Forum to be held should indicate in writing to the Southwestern Administrator (see **FOR FURTHER INFORMATION CONTACT**) by letter, email or facsimile transmission (918-595-6656) by ***[INSERT DATE 5 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]***, their intent to appear at such Forum. If no one so indicates his or her intent to attend, no such Forum will be held. Persons interested in speaking at the Forum should submit a request to Mr. James K. McDonald, Administrator, Southwestern, at least seven (7) calendar days prior to the Forum so that a list of forum participants can be developed. The chairman may allow others to speak if time permits.

A transcript of the Forum will be made. Copies of the transcript and all documents introduced will be available for review at Southwestern's offices (see **ADDRESSES**) during normal business hours. Copies of the transcript and all documents introduced may also be obtained, for a fee, from the transcribing service. A copy of all written comments or an electronic copy in MS Word on the proposed Robert D. Willis Rate is due on or before [**INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**]. Comments should be submitted to Mr. James K. McDonald, Administrator, Southwestern (see **FOR FURTHER INFORMATION CONTACT**).

Following review of the oral and written comments and the information gathered in the course of the proceeding, the Administrator will submit the finalized Robert D. Willis Rate Proposal and Power Repayment Studies in support of the proposed rate to the Deputy Secretary of Energy for confirmation and approval on an interim basis, and subsequently to the Federal Energy Regulatory Commission (Commission) for confirmation and approval on a final basis. The Commission will allow the public an opportunity to provide written comments on the proposed rate increase before making a final decision.

Dated: June 28, 2012

James K. McDonald
Administrator

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