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[6450-01-P]

DEPARTMENT OF ENERGY

Southeastern Power Administration

Proposed Rate Adjustment for Kerr-Philpott System

AGENCY: Southeastern Power Administration (Southeastern), DOE.

ACTION: Notice of public hearing and opportunities for review and comment.

SUMMARY: Southeastern will host a public information and comment forum to discuss its proposal to replace existing schedules of rates and charges applicable for the sale of power from the Kerr-Philpott System effective for a five-year period from October 1, 2015, through September 30, 2020. Southeastern will evaluate all comments received in this process.

DATES: Written comments are due on or before **[INSERT DATE 90 DAYS AFTER**

THE DATE OF PUBLICATION IN THE FEDERAL REGISTER]. A public

information and comment forum will be held in Boydton, Virginia, at 10:00 A. M. on April 21, 2015. Persons desiring to speak at the forum should notify Southeastern at least seven (7) days before the forum is scheduled so that a list of forum participants can be prepared. Others present at the forum may speak if time permits. Persons desiring to attend the forum should notify Southeastern at least seven (7) days before the forum is scheduled. Unless Southeastern has been notified by the close of business on April 14, 2015, that at least one person intends to be present at the forum, the forum may be canceled.

ADDRESSES: Written comments should be submitted to: Kenneth E. Legg, Administrator, Southeastern Power Administration, Department of Energy, Elberton, GA 30635. The public comment forum will meet at the John H. Kerr Visitor Assistance Center, 1930 Mays Chapel Road, Boydton, Virginia, 23917; Phone: (434) 738-6633.

FOR FURTHER INFORMATION CONTACT:

Virgil G. Hobbs III, Assistant Administrator, Finance and Marketing, Southeastern Power Administration, Department of Energy, 1166 Athens Tech Road, Elberton, GA 30635-6711, (706) 213-3800; Email: Virgil.Hobbs@sepa.doe.gov.

SUPPLEMENTARY INFORMATION: The Federal Energy Regulatory Commission (FERC), by order issued March 11, 2011, 134 FERC ¶ 62,233, confirmed and approved Rate Schedules VA-1-B, VA-2-B, VA-3-B, VA-4-B, CP&L-1-B, CP&L-2-B, CP&L-3-B, CP&L-4-B, AP-1-B, AP-2-B, AP-3-B, AP-4-B, NC-1-B, and Replacement-2-A, for the period October 1, 2010, through September 30, 2015. A repayment study prepared in January of 2015 showed that existing rates are adequate to recover all costs required by present repayment criteria. However, approval of the existing rate schedules expires September 30, 2015.

The existing rate schedules include two true-up mechanisms. First, the base capacity and base energy charge are subject to annual adjustment on April 1 of each year based on transfers to plant in service for the preceding fiscal year. The adjustment is for each increase of \$1,000,000 to plant in service and increase of \$0.013 per kilowatt per month added to the capacity charge and 0.052 mills per kilowatt-hour added to the energy charge. Second, the

rates include a true-up of the capacity and energy rates based on the variance of the actual net revenue available for repayment from the planned net revenue available for repayment. The adjustment is for every \$100,000 under-recovery of the planned net revenue available for repayment, the base capacity charge is increased by \$0.02 per kilowatt per month, up to a maximum of \$0.75 per kilowatt per month, and the base energy charge is increased by 0.10 mills per kilowatt-hour, up to a maximum of 3.0 mills per kilowatt-hour. For every \$100,000 over-recovery of the planned net revenue available for repayment, the base capacity charge is reduced by \$0.02 per kilowatt per month, up to a maximum of \$0.75 per kilowatt per month, and the base energy charge is reduced by 0.10 mills per kilowatt-hour, up to a maximum of 3.0 mills per kilowatt-hour.

The initial base capacity charge for the current rate schedules was \$3.65 per kilowatt per month. The initial base energy charge was 14.63 mills per kilowatt-hour. As of April 1, 2015, the base capacity charge has increased to \$4.30 per kilowatt per month and the base energy charge has increased to 17.23 mills per kilowatt-hour because of transfers to plant in service. The true-up adjustment for net revenue available for repayment reduced the April 1, 2015 capacity charge to \$4.18 per kilowatt per month and the energy charge to 16.63 mills per kilowatt-hour. The existing rates are adequate to meet repayment criteria. However, implementation of the true-ups incorporated in the rate schedules has proven to be difficult for Southeastern staff and customers to understand, and the rates have proven to be volatile. Southeastern is proposing to modify the true-up in an effort to simplify the process and stabilize the rates.

Proposed Unit Rates

The initial base rates for capacity and energy will be as follows:

Capacity: \$3.97 per kW per month

Energy: 16.04 mills per kWh

Southeastern proposes to eliminate the true-up mechanism for transfers to plant in service. The rates are based on a repayment study that projects the Kerr-Philpott System are expected to produce the following net revenue available for repayment (rounded to nearest \$10,000):

Fiscal Year	Estimated Annual Net Revenue Available for Repayment	Cumulative Net Revenue Available for Repayment
2015	\$ 2,130,000	\$ 2,130,000
2016	\$ 2,120,000	\$ 4,250,000
2017	\$ 1,830,000	\$ 6,080,000
2018	\$ 1,640,000	\$ 7,720,000
2019	\$ 1,640,000	\$ 9,360,000
2020	\$ 1,720,000	\$ 11,080,000
2021	\$ 1,800,000	\$ 12,880,000
2022	\$ 1,870,000	\$ 14,750,000
2023	\$ 1,950,000	\$ 16,700,000
2024	\$ 2,040,000	\$ 18,740,000

The proposed rates include a true-up of the capacity and energy rates based on the cumulative net revenue available for repayment from the table above. For every \$100,000

under-recovery of the planned cumulative net revenue available for repayment, Southeastern will increase the base capacity charge by \$0.02 per kilowatt per month, up to a maximum of \$0.75 per kilowatt per month, and increase the base energy charge by 0.10 mills per kilowatt-hour, up to a maximum of 3.0 mills per kilowatt-hour. For every \$100,000 over-recovery of the planned cumulative net revenue available for repayment, Southeastern will reduce the base capacity charge by \$0.02 per kilowatt per month, up to a maximum of \$0.75 per kilowatt per month, and reduce the base energy charge by 0.10 mills per kilowatt-hour, up to a maximum of 3.0 mills per kilowatt-hour, to be implemented April 1 of the next fiscal year.

The initial base rate is a revenue reduction of \$1,301,000 annually, or about six percent (6%) under the base rates currently in effect.

Southeastern is proposing the following rate schedules to be effective for the period from October 1, 2015, through September 30, 2020. The capacity charge and energy charge will be the same for all rate schedules. These rate schedules are necessary to accommodate the transmission and scheduling arrangements that are available in the Kerr-Philpott System.

Rate Schedule VA-1-C

Available to public bodies and cooperatives in Virginia and North Carolina to whom power may be transmitted and scheduled pursuant to contracts between the Government, Virginia Electric and Power Company (also known as Dominion Virginia Power [DVP]), and DVP's Transmission Operator, currently PJM Interconnection, LLC (PJM).

Rate Schedule VA-2-C

Available to public bodies and cooperatives in Virginia and North Carolina to whom power may be transmitted pursuant to contracts between the Government, DVP, and PJM. The customer is responsible for providing a scheduling arrangement with the Government.

Rate Schedule VA-3-C

Available to public bodies and cooperatives in Virginia and North Carolina to whom power may be scheduled pursuant to contracts between the Government, DVP, and PJM. The customer is responsible for providing a transmission arrangement.

Rate Schedule VA-4-C

Available to public bodies and cooperatives in the service area of DVP and PJM. The customer is responsible for providing a scheduling arrangement with the Government and for providing a transmission arrangement.

Rate Schedule CP&L-1-C

Available to public bodies and cooperatives in North Carolina to whom power may be transmitted and scheduled pursuant to contracts between the Government and Duke Energy Progress (as successor of Carolina Power & Light).

Rate Schedule CP&L-2-C

Available to public bodies and cooperatives in North Carolina to whom power may be transmitted pursuant to contracts between the Government and Duke Energy Progress (as successor of Carolina Power & Light). The customer is responsible for providing a scheduling arrangement with the Government.

Rate Schedule CP&L-3-C

Available to public bodies and cooperatives in North Carolina to whom power may be scheduled pursuant to contracts between the Government and Duke Energy Progress (as successor of Carolina Power & Light). The customer is responsible for providing a transmission arrangement.

Rate Schedule CP&L-4-C

Available to public bodies and cooperatives in the service area of Duke Energy Progress. The customer is responsible for providing a scheduling arrangement with the Government and for providing a transmission arrangement.

Rate Schedule AP-1-C

Available to public bodies and cooperatives in Virginia to whom power may be transmitted and scheduled pursuant to contracts between the Government, American Electric Power Service Corporation and the American Electric Power Service Corporation's Transmission Operator, currently and the PJM Interconnection, LLC (PJM).

Rate Schedule AP-2-C

Available to public bodies and cooperatives in Virginia to whom power may be transmitted pursuant to contracts between the Government, American Electric Power Service Corporation, and PJM. The customer is responsible for providing a scheduling arrangement with the Government.

Rate Schedule AP-3-C

Available to public bodies and cooperatives in Virginia to whom power may be scheduled pursuant to contracts between the Government, American Electric Power Service

Corporation, and PJM. The customer is responsible for providing a transmission arrangement.

Rate Schedule AP-4-C

Available to public bodies and cooperatives in the service area of American Electric Power Service Corporation and PJM. The customer is responsible for providing a scheduling arrangement with the Government and for providing a transmission arrangement.

Rate Schedule NC-1-C

Available to public bodies and cooperatives in Virginia and North Carolina to whom power may be transmitted pursuant to a contract between the Government and PJM and scheduled pursuant to a contract between the Government and Duke Energy Progress (as successor of Carolina Power & Light).

Rate Schedule Replacement-2-B

This rate schedule shall be applicable to the sale energy purchased to meet contract minimum energy and sold under appropriate contracts between the Government and the Customer.

The referenced repayment studies are available for examination at 1166 Athens Tech Road, Elberton, GA 30635. Proposed Rate Schedules VA-1-C, VA-2-C, VA-3-C, VA-4-C, CP&L-1-C, CP&L-2-C, CP&L-3-C, CP&L-4-C, AP-1-C, AP-2-C, AP-3-C, AP-4-C, NC-1-B, and Replacement-2-B are also available.

Issued at Elberton, Georgia, on February 26, 2015.

Kenneth E. Legg,
Administrator.

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