



6450-01-P

DEPARTMENT OF ENERGY

Southwestern Power Administration

Sam Rayburn Dam Project Power Rate

AGENCY: Southwestern Power Administration, DOE.

ACTION: Notice of Rate Order.

SUMMARY: Pursuant to Delegation Order Nos. 00-037.00A, effective October 25, 2013, and 00-001.00F, effective November 17, 2014, the Deputy Secretary has approved and placed into effect on an interim basis Rate Order No. SWPA-69, which increases the power rate for the Sam Rayburn Dam Project (Rayburn) pursuant to the Rayburn Rate Schedule (SRD-15) to supersede the existing rate schedule.

DATES: The effective period for the rate schedule specified in Rate Order No. SWPA-69 is January 1, 2016, through September 30, 2019.

FOR FURTHER INFORMATION CONTACT: Mr. Marshall Boyken, Senior Vice President, Chief Operating Officer, Southwestern Power Administration, U.S. Department of Energy, Williams Center Tower I, One West Third Street, Tulsa, Oklahoma 74103, (918) 595-6646, marshall.boyken@swpa.gov.

SUPPLEMENTARY INFORMATION: Rate Order No. SWPA-69, which has been approved and placed into effect on an interim basis, increases the power rate for Rayburn pursuant to the following rate schedule:

Rate Schedule SRD-15, Wholesale Rates for Hydro Power and Energy Sold to Sam Rayburn Dam Electric Cooperative, Inc. (Contract No. DE-PM75-92SW00215)

The rate schedule supersedes the existing rate schedule shown below:

Rate Schedule SRD-13, Wholesale Rates for Hydro Power and Energy Sold to Sam Rayburn Dam Electric Cooperative, Inc. (Contract No. DE-PM75-92SW00215) (superseded by SRD-15)

Southwestern Power Administration's (Southwestern) Administrator has determined, based on the 2015 Rayburn Current Power Repayment Study, that the existing power rate will not satisfy cost recovery criteria specified in Department of Energy Order No. RA 6120.2 and Section 5 of the Flood Control Act of 1944. The finalized 2015 Rayburn Power Repayment Studies indicate that an increase in annual revenue of \$333,672, or 7.9 percent, beginning January 1, 2016, will satisfy cost recovery criteria for Rayburn. The proposed Rayburn rate schedule would increase annual revenues from \$4,230,120 to \$4,563,792, to recover the costs associated with increased operations and maintenance costs as well as increased interest expense associated with investments and replacements in the hydroelectric generating facilities.

The Administrator has followed title 10, part 903 subpart A, of the Code of Federal Regulations (10 CFR part 903), "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions" in connection with the proposed rate schedule. On October 9, 2015, Southwestern published notice in the *Federal Register*, (80 FR 61206), of the proposed power rate increase for Rayburn. Southwestern provided a 30-day comment period as an opportunity for customers and other interested members of the public to review and comment on the proposed power rate increase with written comments due by November 9, 2015.

Southwestern did not hold the combined Public Information and Comment Forum (Forum) because Southwestern did not receive any requests to hold the Forum. One comment was received from Gillis, Borchardt and Barthel, LLP, on behalf of the Sam Rayburn Dam Electric Cooperative, Inc., which stated they had no objection to the proposed rate adjustment.

Information regarding this rate proposal, including studies and other supporting material, is available for public review and comment in the offices of Southwestern Power Administration, Williams Center Tower I, One West Third Street, Tulsa, Oklahoma 74103. Following review of Southwestern's proposal within the Department of Energy, I approved Rate Order No. SWPA-69 which increases the existing Rayburn power rate to \$4,563,792 per year for the period January 1, 2016 through September 30, 2019.

Dated: December 17, 2015

Dr. Elizabeth Sherwood-Randall
Deputy Secretary

DEPARTMENT OF ENERGY
DEPUTY SECRETARY OF ENERGY

In the matter of:

Southwestern Power Administration) Rate Order
Sam Rayburn Dam Project Rate) No. SWPA-69

ORDER CONFIRMING, APPROVING AND PLACING INCREASED
POWER RATE SCHEDULE IN EFFECT ON AN INTERIM BASIS

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Pursuant to Sections 302(a) and 301(b) of the Department of Energy Organization Act, Public Law 95-91, the functions of the Secretary of the Interior and the Federal Power Commission under Section 5 of the Flood Control Act of 1944, 16 U.S.C. 825s, relating to the Southwestern Power Administration (Southwestern) were transferred to and vested in the Secretary of Energy. By Delegation Order No. 00-037.00A, the Secretary of Energy delegated to the Administrator of Southwestern the authority to develop power and transmission rates, delegated to the Deputy Secretary of the Department of Energy the authority to confirm, approve, and place in effect such rates on an interim basis, and delegated to the Federal Energy Regulatory Commission (FERC) the authority to confirm and approve on a final basis or to disapprove rates developed by the Administrator under the delegation. Pursuant to that delegated authority, the Deputy Secretary issued this interim rate order.

BACKGROUND

The Sam Rayburn Dam (Rayburn) is located on the Angelina River in the State of Texas in the Neches River Basin. Since the beginning of its operation in 1965, its power has been marketed as an isolated project, under contract with Sam Rayburn Dam Electric Cooperative, Inc.

(SRDEC) (Contract No. DE-PM75-92SW00215).

FERC confirmation and approval of the current Rayburn rate schedule was provided in FERC Docket EF14-2-000 issued on February 6, 2013, (146 FERC ¶62,105) effective for the period October 1, 2013, through September 30, 2017.

DISCUSSION

Southwestern prepared a 2015 Current Power Repayment Study which indicated that the existing power rate would not satisfy present financial criteria regarding repayment of investment within a 50-year period due to increased U.S. Army Corps of Engineers (Corps) operations and maintenance expenses as well as increased interest expense associated with investments and replacements in the hydroelectric generating facilities. The 2015 Revised Power Repayment Study indicated the need for a 7.9 percent revenue increase. These preliminary results provided the basis for the proposed revenue increase.

The 2015 Revised Power Repayment Study was finalized and indicates that an increase in annual revenues of \$333,672 (7.9 percent) is necessary beginning January 1, 2016, to accomplish repayment in the required number of years. Accordingly, Southwestern has prepared a proposed rate schedule based on the additional revenue requirement to ensure repayment.

Southwestern conducted the rate adjustment proceeding in accordance with title 10, part 903, subpart A of the Code of Federal Regulations (10 CFR part 903), "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions." More specifically, opportunities for public review and comment during a 30-day period on the proposed Rayburn power rate were announced by a *Federal Register* notice published on October 9, 2015 (80 FR 61206), with written comments due November 9, 2015. The combined Public Information and Comment Forum scheduled for October 28, 2015, in Tulsa, Oklahoma was not held because Southwestern did not receive any requests to hold the forum. Southwestern provided the *Federal*

Register notice, together with any requested supporting data, to the customer and interested parties for review and comment during the public comment period.

Southwestern will continue to perform its Power Repayment Studies annually, and if the 2016 results should indicate the need for additional revenues, another rate filing will be conducted and updated revenue requirements implemented for FY 2017 and thereafter.

Following the conclusion of the comment period on November 9, 2015, Southwestern finalized the Power Repayment Studies and rate schedule for the proposed annual rate of \$4,563,792 which is the lowest possible rate needed to satisfy repayment criteria. This rate represents an annual increase of 7.9 percent. The Administrator made the decision to submit the rate proposal for interim approval and implementation.

COMMENTS AND RESPONSES

Southwestern received one comment during the public comment period. The comment on behalf of the Sam Rayburn Dam Electric Cooperative, Inc. expressed no objection to the proposed rate increase.

AVAILABILITY OF INFORMATION

Information regarding this power rate increase, including studies, comments and other supporting material, is available for public review in the offices of Southwestern Power Administration, One West Third Street, Tulsa, OK 74103.

ADMINISTRATION'S CERTIFICATION

The 2015 Rayburn Revised Power Repayment Study indicates that the increased power rate of \$4,563,792 will repay all costs of the project including amortization of the power investment consistent with the provisions of Department of Energy Order No. RA 6120.2. In accordance with Delegation Order No. 00-037.00A (October 25, 2013), and Section 5 of the

Flood Control Act of 1944, the Administrator has determined that the proposed Rayburn power rate is consistent with applicable law and is the lowest possible rate consistent with sound business principles.

ENVIRONMENT

The environmental impact of the power rate increase proposal was evaluated in consideration of the Department of Energy's guidelines for implementing the procedural provisions of the National Environmental Policy Act and was determined to fall within the class of actions that are categorically excluded from the requirements of preparing either an Environmental Impact Statement or an Environmental Assessment. (10 C.F.R. Part 1021, App. B to Subpart D, § B1.1 "Changing rates & prices").

ORDER

In view of the foregoing and pursuant to the authority delegated to me by the Secretary of Energy, I hereby confirm, approve and place in effect on an interim basis, effective January 1, 2016, through September 30, 2019, the annual Rayburn rate of \$4,563,792 for the sale of power and energy from Rayburn to the Sam Rayburn Dam Electric Cooperative Inc., under Contract No. DE-PM75-92SW00215. This rate shall remain in effect on an interim basis through September 30, 2019, or until the FERC confirms and approves the rate on a final basis, or until it is superseded by a subsequent rate.

Dated: December 17, 2015

Dr. Elizabeth Sherwood-Randall
Deputy Secretary

UNITED STATES DEPARTMENT OF ENERGY
SOUTHWESTERN POWER ADMINISTRATION
RATE SCHEDULE SRD-15¹
WHOLESALE RATES FOR HYDRO POWER AND ENERGY
SOLD TO SAM RAYBURN DAM ELECTRIC COOPERATIVE, INC.
(CONTRACT NO. DE-PM75-92SW00215)

Effective:

During the period January 1, 2016, through September 30, 2019, in accordance with interim approval from Rate Order No.SWPA-69 issued by the Deputy Secretary of Energy on December 17, 2015, and pursuant to final approval by the Federal Energy Regulatory Commission.

Applicable:

To the power and energy purchased by Sam Rayburn Dam Electric Cooperative, Inc., (SRDEC) from the Southwestern Power Administration (Southwestern) under the terms and conditions of the Power Sales Contract dated October 7, 1992, for the sale of all Hydro Power and Energy generated at the Sam Rayburn Dam.

Character and Conditions of Service:

Three-phase, alternating current, delivered at approximately 60 Hertz, at the nominal voltage, at the point of delivery, and in such quantities as are specified by contract.

¹ Supersedes Rate Schedule SRD-13

1. Wholesale Rates, Terms, and Conditions for Hydro Power and Energy

- 1.1. These rates shall be applicable regardless of the quantity of Hydro Power and Energy available or delivered to SRDEC; provided, however, that if an Uncontrollable Force prevents utilization of both of the project's power generating units for an entire billing period, and if during such billing period water releases were being made which otherwise would have been used to generate Hydro Power and Energy, then Southwestern shall, upon request by SRDEC, suspend billing for subsequent billing periods, until such time as at least one of the project's generating units is again available.
- 1.2. The term "Uncontrollable Force," as used herein, shall mean any force which is not within the control of the party affected, including, but not limited to, failure of water supply, failure of facilities, flood, earthquake, storm, lightning, fire, epidemic, riot, civil disturbance, labor disturbance, sabotage, war, acts of war, terrorist acts, or restraint by court of general jurisdiction, which by exercise of due diligence and foresight such party could not reasonably have been expected to avoid.
- 1.3. Hydro Power Rates, Terms, and Conditions
 - 1.3.1. Monthly Charge for the Period of January 1, 2016 through September 30, 2019
\$380,316 per month (\$4,563,792 per year) for Sam Rayburn Dam Hydro Power and Energy purchased by SRDEC from January 1, 2016, through September 30, 2019.

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