



6450-01-P

DEPARTMENT OF ENERGY

Southwestern Power Administration

Integrated System Rate Schedule

AGENCY: Southwestern Power Administration, DOE.

ACTION: Notice of Rate Order.

SUMMARY: The Deputy Secretary has approved and placed into effect on an interim basis Rate Order No. SWPA-71, which provides the following Integrated System Non-Federal Transmission Service (NFTS) Rate Schedule:

Rate Schedule NFTS-13A, Wholesale Rates for Non-Federal Transmission Service

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

SUPPLEMENTARY INFORMATION: Pursuant to Delegation Order Nos. 00-037.00A, effective October 25, 2013, and 00-001.00F, effective November 17, 2014, Rate Order No. SWPA-71, is approved and placed into effect on an interim basis for the period January 1, 2017, through September 30, 2017, pursuant to the following rate schedule:

Rate Schedule NFTS-13A, Wholesale Rates for Non-Federal Transmission Service, which supersedes the existing Rate Schedule NFTS-13, Wholesale Rates for Non-Federal Transmission Service.

Southwestern Power Administration's (Southwestern) Administrator has determined that an additional section within Southwestern's Integrated System NFTS Rate Schedule is necessary to better align Southwestern's rate schedule with standard practices utilized by the Southwest Power Pool, Inc. (SPP) Regional Transmission Organization. The new section 2.3.6 establishes a procedure for determining an Annual Revenue Requirement (ARR) for customers that choose to contract for Network Integration Transmission Service (NITS) on Southwestern's transmission system pursuant to the SPP Open Access Transmission Tariff (OATT).

The NFTS-13 Rate Schedule included a stated rate for NITS that is calculated by dividing Southwestern's monthly revenue requirement, derived from Southwestern's NFTS ARR identified within the Southwestern 2013 Integrated System Power Repayment Studies (PRS), by the net transmission capacity available for NITS. Modifying Southwestern's rate schedule to include an ARR for SPP NITS, rather than applying a stated rate better aligns with standard practices utilized by SPP. Therefore, in place of applying the NITS stated rate for SPP NITS on Southwestern's transmission system, the proposed Section 2.3.6 includes a procedure for determining and updating an SPP NITS ARR, as a portion of Southwestern's NFTS ARR, based on the amount of revenue assumed to be recovered on an annual basis from NITS customers in each approved PRS. If additional customers choose to contract for SPP NITS on Southwestern's transmission system, the new Section 2.3.6 methodology updates the SPP NITS ARR. The title of the NFTS-13 Rate Schedule was changed to NFTS-13A to reflect the addition of Section 2.3.6.

The Southwestern 2013 PRS indicated that rates (total Southwestern NFTS ARR) prescribed by NFTS-13, Wholesale Rates for Non-Federal Transmission Service, as approved in Docket No. EF14-1-000, for the period October 1, 2013, through September 30, 2017, are

sufficient to meet repayment criteria and will have no impact on the amortization or status of repayment forecasted in the Southwestern 2013 PRS and will not require rate changes.

Revenues based on current rates remain sufficient to meet repayment criteria.

The Southwestern Administrator has followed Title 10, Part 903, Subpart A of the Code of Federal Regulations, "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions," in connection with the rate schedule revisions. The public was advised by notice published in the *Federal Register* (81 FR 75814), November 1, 2016, of the proposed rate schedule change and of the opportunity to provide written comments for a period of 30 days ending December 1, 2016. One customer provided comments during the period of public participation related to the proposed rate schedule change, which consisted of some clarifying questions that Southwestern answered and one comment on phrasing that Southwestern acknowledged.

Information regarding this rate proposal, including studies and other supporting material, and comments received is available for public review in the offices of Southwestern Power Administration, Williams Tower I, One West Third Street, Tulsa, Oklahoma 74103. Following review of Southwestern's proposal within the Department of Energy, I approve Rate Order No. SWPA-71.

Dated: December 23, 2016

Elizabeth Sherwood-Randall
Deputy Secretary

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
DEPUTY SECRETARY

In the matter of:

Southwestern Power Administration) Rate Order
Integrated System Non-Federal Transmission Service Rate Schedule) No. SWPA-71

ORDER CONFIRMING, APPROVING AND PLACING REVISED
POWER RATE SCHEDULES 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 has issued this interim rate order.

BACKGROUND

In July 2013, Southwestern completed its review of the adequacy of the current rate schedules for the Integrated System and finalized its 2013 Power Repayment Studies (2013 PRS). The studies indicated that the proposed rates would meet cost recovery criteria for the Integrated System, including the identified Non-Federal Transmission Service (NFTS) Annual Revenue Requirement (ARR). The Federal Energy Regulatory Commission (FERC)

confirmation and approval of the following Integrated System rate schedules was provided in a FERC order issued in Docket No. EF14-1-000 on January 9, 2014,¹ for the period October 1, 2013, through September 30, 2017:

Rate Schedule P-13, Wholesale Rates for Hydro Peaking Power

Rate Schedule NFTS-13, Wholesale Rates for Point-to-Point and Network Transmission Service

Rate Schedule EE-13, Wholesale Rate for Excess Energy

Based on operations under the approved rate schedules, the Administrator determined that an additional section outlining a new methodology within Southwestern's Integrated System Non-Federal Transmission Service (NFTS-13) Rate Schedule is necessary to better align Southwestern's rate schedule with standard practices utilized by the Southwest Power Pool, Inc. (SPP) Regional Transmission Organization. A new section 2.3.6 is proposed that establishes a procedure for determining an ARR for customers that choose to contract for Network Integration Transmission Service (NITS) on Southwestern's transmission system pursuant to the SPP Open Access Transmission Tariff (OATT).

The new Section 2.3.6 does not change Southwestern's NFTS ARR, as determined in its 2013 PRS, but rather replaces the current stated-rate for SPP NITS with a revenue-requirement based methodology that includes determining the SPP NITS ARR portion of Southwestern's NFTS ARR. Furthermore, the new Section 2.3.6 affects only those customers that choose to contract for SPP NITS on Southwestern's transmission system under the SPP OATT.

The designation of the aforementioned rate schedule has been revised from NFTS-13 to NFTS-13A to reflect that an addition has been made.

Southwestern followed Title 10, Part 903 Subpart A, of the Code of Federal Regulations,

¹ 146 FERC ¶62,016

“Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions” (Part 903) in connection with the proposed Rate Schedule NFTS-13A. An opportunity for customers and other interested members of the public to review and comment on the proposed rate schedule was announced by notice published in the *Federal Register* November 1, 2016, (81 FR 75814), with written comments due by December 1, 2016. One customer provided comments during the period of public participation related to the proposed rate schedule change, which consisted of some clarifying questions that Southwestern answered and one comment on phrasing that Southwestern acknowledged.

DISCUSSION

The NFTS-13 Rate Schedule includes a stated rate for NITS that is calculated by dividing Southwestern’s monthly revenue requirement, derived from Southwestern’s NFTS ARR identified within the 2013 PRS, by the net transmission capacity available for NITS. Modifying Southwestern’s rate schedule to include an ARR for SPP NITS, rather than applying a stated rate, better aligns with standard practices utilized by SPP. Therefore, in place of applying the NITS stated rate for SPP NITS on Southwestern’s transmission system, the new Section 2.3.6 in NFTS-13A includes a procedure for determining and updating an SPP NITS ARR, as a portion of Southwestern’s NFTS ARR, based on the amount of revenue assumed to be recovered on an annual basis from NITS customers in each approved PRS. If additional customers choose to contract for SPP NITS on Southwestern’s transmission system, the proposed Section 2.3.6 methodology updates the SPP NITS ARR.

COMMENTS AND RESPONSES

Southwestern received comments from one customer during the period of public participation related to the proposed rate schedule change, which consisted of some clarifying

questions that Southwestern answered and one comment on phrasing that Southwestern acknowledged. Southwestern made no change to the proposed rate schedule as a result of the questions and comment received. The questions and comment, with Southwestern's responses in underlined text, are detailed below.

Questions:

1. Will NITS for delivery to loads within Southwestern's system only be available under the terms of the SPP OATT? Yes, for new transmission service. Additionally, as current Southwestern transmission service agreements expire (for grandfathered service or service under Southwestern's OATT), they will not be renewed; so if continued service is desired, it would be under a new SPP OATT agreement.

If not, under what conditions may a customer elect to take Southwestern NITS? Per Southwestern's agreement with SPP, which is filed as Attachment AD of the SPP OATT, new Southwestern OATT NITS agreements will not be entered into.

2. Approximately how many MWs of Southwestern NITS Capacity are currently reserved? 66 MW is currently reserved as NITS under both the Southwestern and SPP OATTs.
3. Will current Southwestern NITS customers be allowed to renew their Southwestern NITS Agreement(s), or will they transition to SPP NITS? As current Southwestern transmission service agreements expire (for grandfathered service or service under Southwestern's OATT), they will not be renewed; so if continued service is desired, it would be under a new SPP OATT agreement, per SPP OATT Attachment AD.
4. Do you expect Section 2.3.5. to apply to both SPP NITS and Southwestern NITS? I

believe the peak billing demand methodology is different. Section 2.3.5 applies to Southwestern NITS only. The new Section 2.3.6 applies to SPP NITS only.

5. My understanding is that SPP bills NITS load on a 12CP basis, whereas, Southwestern bills NITS load on a 1CP basis (per 2.3.5). Is it correct that NITS Transmission Customers on Southwestern's system will pay less for SPP NITS service than for equivalent Southwestern NITS service? Southwestern NITS customers are billed on a 1 CP basis and SPP NITS customers are billed on 12 CP basis, both in accordance with their respective OATT's.

As to whether or not SPP NITS will cost less than Southwestern NITS, several factors will have to be assessed to make that determination, including the entities' proportion of load at the time of the monthly CP and the amount of transmission service reserved that was transitioned to SPP NITS (per the proposed Section 2.3.6). Additionally, entities choosing to utilize SPP NITS will be subject to various SPP charges (i.e. Schedule 11) that may add cost to the SPP NITS. The analysis of these costs can only be determined by the particular customer and their unique set of circumstances. Therefore, a statement that conveys certainty of a lower cost for SPP NITS cannot be made.

Comment:

1. There are several general references in the proposed NFTS-13A to Network Integration Transmission Service. In a few instances, the document refers to SPP NITS or Southwestern NITS. I think it would be good to clarify in each instance if we are referring to SPP NITS, Southwestern NITS, or both. Comment

acknowledged. We will review the language and ensure the final rate schedule has clarity between SPP NITS and Southwestern NITS.

AVAILABILITY OF INFORMATION

Information regarding this rate schedule change is available for public review in the offices of Southwestern Power Administration, Williams Tower I, One West Third Street, Tulsa, Oklahoma 74103.

ADMINISTRATOR'S CERTIFICATION

The revised rate schedule will repay all costs of the Integrated System including amortization of the power investment consistent with the provisions of Department of Energy Order No. RA 6120.2. In accordance with Delegation Order Nos. 00-037.00A, effective October 25, 2013, and 00-001.00F, effective November 17, 2014, and Section 5 of the Flood Control Act of 1944, the Administrator has determined that the proposed Integrated System rate schedule is consistent with applicable law and the lowest possible rates consistent with sound business principles.

ENVIRONMENT

The Southwestern NEPA Compliance Officer determined that the currently-approved Integrated System rates fall within the class of actions that are categorically excluded from the requirements of preparing either an Environmental Impact Statement or an Environmental Assessment. No additional evaluation of the environmental impact of the proposed rate schedule changes was conducted because no change in anticipated revenues was contemplated.

ADMINISTRATIVE PROCEDURES

The Administrative Procedure Act (5 U.S.C. 553(d)) (APA) prescribes that the required publication or service of a substantive rule shall be made not less than 30 days before its

effective date, except (1) a substantive rule that grants or recognizes an exemption or relieves a restriction; (2) interpretative rules and statements of policy; or (3) as otherwise provided by the agency for good cause found and published with the rule. For the reasons stated in the paragraph that follows, the Department of Energy (DOE) finds good cause to waive the 30-day delay in effective date because a 30-day delay would be unnecessary.

In this action, Southwestern updates the method for charging non-Federal transmission customers who choose to contract for SPP NITS on Southwestern's transmission system under the SPP OATT from a stated rate to a revenue-requirement based charge, to better align with standard practices utilized by SPP. Because the NITS-13A rate schedule change will result in no change in anticipated revenues, it is considered a "minor rate adjustment" pursuant to 10 CFR part 903, Subpart A, and Southwestern has treated it as such in the rate schedule actions to date. A "minor rate adjustment" is defined as a rate adjustment that (1) will produce less than 1 percent change in the annual revenues of the power system; or (2) is for a power system that has either annual sales normally less than 100 million kilowatt hours or an installed capacity of less than 20,000 kilowatts. When consistent with the APA, DOE regulations also provide that the effective date of rate schedules put into effect on an interim basis by the Deputy Secretary may be sooner than 30 days after the Deputy Secretary's decision when making a minor rate adjustment.

Additionally, DOE emphasizes that there were no substantive issues or concerns raised during the public comment period for the NITS-13A rate schedule action.

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, 2017, the Southwestern Integrated System Rate Schedule NFTS-13A which shall remain in effect on an interim basis through September 30, 2017, or until the FERC confirms and approves the rates on a final basis.

Dated: December 23, 2016

Elizabeth Sherwood-Randall

Deputy Secretary

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