



6450-01-P

DEPARTMENT OF ENERGY

Southwestern Power Administration

Integrated System Rate Schedules

AGENCY: Southwestern Power Administration, DOE.

ACTION: Notice of public review and comment on proposed extension.

SUMMARY: The Administrator, Southwestern Power Administration (Southwestern), completed an annual review of the continuing adequacy of the existing hydroelectric power rates for the Integrated System which are in effect through September 30, 2017. This review, included within the 2017 Integrated System Power Repayment Study (PRS), indicated the need for a revenue adjustment of 0.7 percent to continue to satisfy cost recovery criteria. Because the 0.7 percent revenue adjustment is within Southwestern's established ± 2 percent rate adjustment threshold, the Administrator has deferred the revenue adjustment and is proposing, to the Deputy Secretary for interim approval, a two-year extension of the Integrated System Rate Schedules for the period October 1, 2017 to September 30, 2019. Southwestern's current Integrated System Rate Schedules P-13, NFTS-13A, and EE-13 are set to expire September 30, 2017.

DATES: Written comments are due on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**.

ADDRESSES: Comments should be submitted to Marshall Boyken, Senior Vice President and 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.

FOR FURTHER INFORMATION CONTACT: Marshall Boyken, Senior Vice President and 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.

SUPPLEMENTARY INFORMATION: Originally established by Secretarial Order No. 1865 of the Secretary of the Interior dated August 31, 1943, Southwestern is a Federal Power Marketing Administration within the U.S. Department of Energy (DOE), transferred to DOE by the Department of Energy Organization Act, Pub. L. 95-91, dated August 4, 1977. Guidelines for rate extensions are under Title 10, subpart A of the Code of Federal Regulations (10 CFR 903.23). Procedures for the confirmation and approval of rates for the Federal Power Marketing Administrations are found at Title 18, chapter I, subchapter 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 the costs associated with Southwestern's transmission facilities that consist of 1,380 miles of high-voltage transmission lines, 27 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 and are not addressed in this notice.

Decision Rationale

Southwestern's current Integrated System Rate Schedules (P-13, NFTS-13A, and EE-13) are based on the 2013 PRS. Each subsequent annual PRS, through 2017, has indicated the need for a revenue adjustment that fell within a plus or minus two percent range. It is Southwestern's practice to defer revenue adjustments for the Integrated System if such adjustments are within plus or minus two percent of the revenue estimated from the current Integrated System Rate Schedules. The deferral of a revenue adjustment (rate change) provides for rate stability and savings on the administrative cost of implementation, and recognizes that the revenue sufficiency will be re-examined in the following year's PRS. Therefore, in line with the annual PRS results, Southwestern has deferred revenue adjustments in 2014, 2015, 2016 and 2017. The most recent deferral was in response to the 2017 Integrated System PRS, which concluded that the annual revenues needed to be increased by 0.7 percent. It was determined to be prudent to defer the increase in accordance with the established ± 2 percent threshold, allowing the current Integrated System Rate Schedules, which are set to expire September 30, 2017, to remain in effect.

Therefore, Southwestern is proposing an extension of the current Integrated System Rate Schedules, for the period October 1, 2017 to September 30, 2019. In accordance with 10 CFR 903.22(h) and 903.23(a)(3), the Deputy Secretary of Energy may extend existing rates on an interim basis beyond the period specified by the Federal Energy Regulatory Commission (FERC).

The current Integrated System Rate Schedules were placed in effect on an interim basis by the Deputy Secretary of Energy effective September 1, 2013, and were confirmed and approved by the FERC on a final basis on January 9, 2014, for a period that ends September 30, 2017. Since the current Integrated System Rate Schedules were first placed in effect, there has been

one change. A specific section (2.3.6) within Non-Federal Transmission Service (NFTS) rate schedule NFTS-13 was added to replace the stated-rate for customers taking Southwest Power Pool (SPP) Network Integration Transmission Service (NITS) with a revenue-requirement based methodology that includes determining the SPP NITS Annual Revenue Requirement (ARR) portion of Southwestern's NFTS ARR. The rate schedule was re-designated NFTS-13A to reflect the change to the initial rate schedule. This rate schedule change was placed in effect on an interim basis by the Deputy Secretary of Energy effective January 1, 2017, and confirmed and approved on a final basis by the FERC on March 9, 2017, under docket EF14-1-001. This revision had no impact on the revenue requirements for Southwestern's Integrated System. No change was made to the original expiration date, September 30, 2017.

The Administrator will review and consider all written comments and the information gathered when submitting the finalized Integrated System Rate Schedules Extension to the Deputy Secretary of Energy for confirmation and approval on an interim basis.

Dated: May 31, 2017.

Scott Carpenter,

Administrator.

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