



Department of Energy
Southwestern Power Administration
One West Third Street
Tulsa, Oklahoma 74103-3502

JUN - 4 2015

**NOTICE OF ORDER CONFIRMING AND APPROVING
ROBERT D. WILLIS HYDROPOWER RATE ON A FINAL BASIS**

You are hereby notified, in accordance with the terms and conditions of our power sales contract that the Federal Energy Regulatory Commission (FERC), in Docket No. EF15-5-000, dated June 3, 2015, has confirmed and approved on a final basis the annual rate of \$1,181,496 for the Robert Douglas Willis Hydropower Project. This phased in rate was confirmed, approved and placed in effect on an interim basis by the Deputy Secretary of Energy on December 8, 2014, under Rate Order No. SWPA-68. The rate is effective for the period January 1, 2015, through September 30, 2018. This annual power rate is applicable to sales of power and energy under Contract No. DE-PM75-85SW00117, between the Southwestern Power Administration and the Sam Rayburn Municipal Power Agency.

Enclosed is a copy of the FERC's order. In addition, a copy of the Rate Schedule RDW-14 is available for download from Southwestern's homepage at www.swpa.gov under the Rates link.

If you have any questions regarding the new rate schedule or its application, please contact Fritha Ohlson at (918) 595-6684, fritha.ohlson@swpa.gov, or Stephanie Bradley at (918) 595-6676, stephanie.bradley@swpa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Boyken", written over a horizontal line.

Marshall Boyken
Vice President, Office of Corporate Operations/COO

Enclosure

UNITED STATES OF AMERICA 151 FERC ¶ 62,156
FEDERAL ENERGY REGULATORY COMMISSION

United States Department of Energy
Southwestern Power Administration
(Robert Douglas Willis Hydropower Project)

Docket No. EF15-5-000

ORDER CONFIRMING AND APPROVING RATE SCHEDULE
ON A FINAL BASIS

(Issued June 3, 2015)

Summary:

On December 8, 2014, the Deputy Secretary of Energy (Deputy Secretary) requested final confirmation and approval of Southwestern Power Administration's (Southwestern) Rate Schedule RDW-14,¹ applicable to the sale of power and energy by Southwestern from the Robert Douglas Willis Hydropower Project (Willis Project).² The Deputy Secretary placed the revised rate schedule into effect on an interim basis for the period effective January 1, 2015,³ and requests final confirmation and approval of the rate for the period January 1, 2015 through September 30, 2018.⁴ Southwestern proposes to increase the annual rate from \$1,072,332 to \$1,181,496, an increase of \$109,164, or 10.2 percent.

Southwestern maintains that the proposed rate increase provides the lowest possible rate required to satisfy repayment criteria.

¹ Southwestern Power Administration, FERC FPA Electric Tariff, Title Page, RDW Rate Schedule, 0.0.0, Preamble, Preamble, 0.0.0, Rates, Rates, 0.0.0

² The Willis Project is a multipurpose hydroelectric project whose power output is sold strictly to the Sam Rayburn Municipal Power Agency, which is located in Louisiana and Texas.

³ Rate Order No. SWPA-68, placing the rate schedule into effect on an interim basis, was issued on December 4, 2014, under the authority delegated to the Deputy Secretary by the Department of Energy Delegation Order Nos. 00-037.00A and 00-001.00E (Delegation Orders).

⁴ Rate Schedule RDW-14 supersedes the present Rate Schedule RDW-12, which was approved on a final basis by the Commission in *United States Department of Energy Southwestern Power Administration*, 143 FERC ¶ 62,067 (2013).

Notice of the application was published in the *Federal Register*, 79 Fed. Reg. 77,472 (2014) with comments, protests or motions to intervene due on or before January 7, 2015. Vinton Public Power Authority of Vinton, Louisiana, and the Sam Rayburn Generation and Transmission Cooperative filed a joint motion to intervene stating that they do not object to, nor do they protest the amount of the proposed rate increase. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

Standard of Review:

The Secretary of Energy has delegated the authority to confirm and approve Southwestern's rates on a final basis to the Commission,⁵ and established the scope of Commission review. The scope of Commission review is limited to:

- whether rates are the lowest possible to customers consistent with sound business principles;
- whether the revenue levels generated by the rates are sufficient to recover the costs of producing and transmitting the electric energy including repayment, within the period of cost recovery permitted by law, of the capital investment allocated to power and costs assigned by Acts of Congress to power for repayment; and
- the assumptions and projections used in developing the rate components that are subject to Commission review.

The Commission is prohibited from reviewing policy judgments and interpretations of laws and regulations made by power generating agencies.⁶ The Commission may reject the rate determinations of Southwestern's Administrator only if it finds them to be arbitrary, capricious, or in violation of the law, if they violate Department of Energy regulations (*e.g.*, Order No. RA 6120.2 which prescribes Southwestern's reporting policies, procedures, and methodologies), or if they violate agreements between the Administrator and the applicable power generating agency. The

⁵ Delegation Order Nos. 00-037.00A and 00-001-00E.

⁶ The power generating agencies include the Bureau of Reclamation, Army Corps of Engineers (Corps), and the International Boundary and Water Commission. These agencies build and operate various projects. The Power Marketing Administrations, such as Southwestern, market the output of the projects.

Commission considers its role that of an appellate body which reviews the record developed by the Administrator. In other words, the Commission only affirms or remands the rate submitted to it for final review.⁷

Discussion:

Southwestern states that the 2014 revised Power Repayment Study (PRS) indicates that the existing annual power rate is insufficient to produce the annual revenues necessary to accomplish repayment as required. Southwestern further states that, due to concerns expressed by its customers during informal review of the preliminary results, regarding the magnitude of the proposed increase, it has proposed to increase the required revenue in two steps over ten months.

In the instant filing, Southwestern proposes to increase annual revenues from \$1,072,332 to \$1,181,496 or 10.2 percent, in two steps. The first step of the rate increase, beginning January 1, 2015, would incorporate one half of the required revenue (\$54,582,472 or 5.1 percent). The second step of the rate increase, beginning October 1, 2015, and ending on September 30, 2018, would incorporate the remaining one half of the revenue requirement (\$54,582 or 5.1 percent). Southwestern states that the rate increase is due to increases in investments and replacements and a slight increase in the Corps' operations and maintenance projections.

By statute,⁸ Southwestern must repay the Federal investment from the power revenues within a reasonable period of time, which as a general practice is 50 years. Our review of Southwestern's PRS indicates that the future revenues collected under the proposed rate will be sufficient to recover Southwestern's costs of producing and transmitting power and energy, including the recovery of the remaining Federal investment, with interest, over the remaining repayment period. Our review also indicates that the PRS was prepared in a manner consistent with Order No. 6120.2 which requires that Southwestern's system financial statements must be prepared in accordance with generally accepted accounting principals, as appropriate, and that its PRS be

⁷ See e.g., *United States Department of Energy-Western Area Power Administration (Boulder Canyon Project)*, 61 FERC ¶ 61,229 at 61,844 (1992), *aff'd in relevant respects, Overton Power District No. 5, et al. v. Watkins, et al.*, 829 F. Supp. 1523 (D Nevada 1993), *vacated and remanded with directions to dismiss, Overton Power District No. 5, et al. v. O'Leary, et al.*, 73 F.3d 253 (9th Cir. 1996); *United States Department of Energy- Western Area Power Administration (Salt Lake City Area Integrated Projects)*, 59 FERC ¶ 61,058 at 61,240-41 & nn17 and 20, *reh'g denied*, 60 FERC ¶ 61,002 (1992).

⁸ 16 U.S.C. § 825s (2012).

prepared using sound forecasting techniques designed to approximate as closely as possible actual results. Since the revenues generated by the proposed rate recover no more than Southwestern's annual costs and the remaining Federal investment, the rates are the lowest possible to customers.

The Commission's review indicates the proposed rate will ensure Southwestern will be able to meet its financial obligations. Therefore, the proposed rate is confirmed and approved, as requested.

The Director:

Confirms and approves on a final basis Southwestern's proposed Rate Schedule RDW-14 for the period of January 1, 2015 through September 30, 2018, as requested by Southwestern.

Authorities:

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation -- Central, under 18 C.F.R. § 375.307 of the Commission's Regulations. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order pursuant to 18 C.F.R. § 385.713.

Sincerely,

Penny S. Murrell, Director
Division of Electric Power
Regulation -- Central