

137 FERC ¶ 62,248
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

United States Department of Energy --
Southeastern Power Administration
(Jim Woodruff Project)

Docket No. EF11-12-000

ORDER CONFIRMING AND APPROVING RATE SCHEDULES
ON A FINAL BASIS

(December 22, 2011)

Summary:

On September 8, 2011, the Deputy Secretary of Energy (Deputy Secretary) filed a request for final confirmation and approval of Southeastern Power Administration's (Southeastern) Rate Schedules JW-1-J and JW-2-F for the sale of power from Southeastern's Jim Woodruff Project.¹ The Deputy Secretary placed the rates into effect on an interim basis effective September 20, 2011,² and requests final confirmation and approval of the rates for the period September 20, 2011, through September 19, 2016.³

Southeastern maintains that the proposed rates will provide sufficient revenue to meet repayment criteria.

Notice of the application was published in the *Federal Register*, 76 Fed. Reg.

¹ The Jim Woodruff Project is a multipurpose hydroelectric project, whose power output is sold to Progress Energy Florida (Progress Energy) and preference customers in Florida.

² Rate Order No. SEPA-54, placing the rate schedules into effect on an interim basis, was issued on September 2, 2011, under authority delegated to the Deputy Secretary by Department of Energy Delegation Order Nos. 00-037.00 and 00-001C (Delegation Orders).

³ Rate Schedules JW-1-J and JW-2-F are superseded by the present rate schedules, which were approved on a final basis in *United States Department of Energy – Southeastern Power Administration (Jim Woodruff Project)*, 131 FERC ¶ 62,044 (2010).

58,805 (2011), with comments, protests or motions to intervene due on or before October 11, 2011. None were received. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to operation of Rule 214 of the Commission's Rule 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 Southeastern's rates on a final basis to the Commission,⁴ and established the scope of Commission review. The scope of Commission review is limited to:

- whether the 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 the 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.⁵

The Commission is prohibited from reviewing policy judgments and interpretations of laws and regulations made by the power generating agencies.⁶ The Commission may reject the rate determinations of Southeastern'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., Department of Energy Order No. RA 6120.2, which prescribes financial reporting policies, procedures, and methodologies), or if they violate agreements between Southeastern's Administrator and the applicable power generating agency. The Commission considers its role as that of an appellate body which reviews the record developed by the Administrator. In other words, the Commission

⁴ Section 3 of the Delegation Orders.

⁵ *Id.*

⁶ The power generating agencies include the Bureau of Reclamation, the Army Corps of Engineers, and the International Boundary and Water Commission. These agencies build and operate various projects. The power marketing administrations, such as Southeastern, market the output of the projects.

does not develop a record on its own. Consequently, the Commission only confirms and approves, or remands, the rates submitted to it for final review.⁷

Discussion:

Southeastern states that a Power Repayment Study (PRS) prepared in July 2011 indicates that the present revenue level is adequate to meet the cost recovery criteria. However, in the instant filing, Southeastern proposes to revise the rate schedules to include a pass-through of purchased power expenses as requested by its preference customers. Southeastern also states that the Jim Woodruff Project preference customers support the revised rate design. Southeastern adds that current Rate Schedule JW-2-F provides that Progress Energy pays 100 percent of its avoided fuel cost for energy from the Jim Woodruff Project.

Southeastern also proposes to continue to recover 45 percent of preference customer revenue from capacity and 55 percent of preference customer revenue from energy as established in previous rate adjustments. Southeastern states that the current capacity rate of \$13.06 per kilowatt-month under Rate Schedule JW-1-I would decrease to \$10.29 per kilowatt-month and the current energy rate would decrease from 32.07 mills per kilowatt-hour to 26.51 mills per kilowatt-hour as proposed in Rate Schedule JW-1-J.

By statute,⁸ Southeastern must repay the federal investment from power revenues within a reasonable period of time, which as a general practice is 50 years. Our review of Southeastern's PRS indicates that the revenues to be collected under the proposed rates will be sufficient to recover Southeastern's costs, including the recovery of the remaining federal investment, with interest, over the remaining repayment period. Moreover, since the revenues generated by the proposed rates recover no more than Southeastern's annual costs and the remaining federal investment, the rates are the lowest possible to customers. Our review also indicates that the PRS was prepared in a manner consistent with Department of Energy Order No. RA 6120.2, which requires that Southeastern's system

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 v. Watkins*, 829 F. Supp. 1523 (D. Nevada 1993), *vacated and remanded with directions to dismiss*, *Overton Power District No. 5 v. O'Leary*, 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 & nn.17 & 20, *reh'g denied*, 60 FERC ¶ 61,002 (1992).

⁸ 16 U.S.C. § 825s (2006).

financial statements, must be prepared in accordance with generally accepted accounting principles, as appropriate, and that its PRS be prepared using sound forecasting techniques designed to approximate as closely as possible actual results.

Because Southeastern's proposed rates are consistent with the standards by which they must be judged, they merit final confirmation and approval.

The Director:

Confirms and approves on a final basis Southeastern's proposed Rate Schedules JW-1-J and JW-2-F for the period September 20, 2011 through September 19, 2016.

Authorities:

This action is taken pursuant to 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

Document Content(s)

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