

UNITED STATES OF AMERICA 123 FERC ¶ 62,022
FEDERAL ENERGY REGULATORY COMMISSION

United States Department of Energy --
Southeastern Power Administration
(Georgia-Alabama-South Carolina System)

Docket No. EF07-3011-000

ORDER CONFIRMING AND APPROVING RATE SCHEDULES
ON A FINAL BASIS

(Issued April 8, 2008)

Summary

On September 13, 2007, the Deputy Secretary of Energy (Deputy Secretary) filed a request for final confirmation and approval of Southeastern's Rate Schedules SOCO-1-C, SOCO-2-C, SOCO-3-C, SOCO-4-C, ALA-1-L, MISS-1-L, Duke-1-C, Duke-2-C, Duke-3-C, Duke-4-C, Santee-1-C, Santee-2-C, Santee-3-C, Santee-4-C, SCE&G-1-C, SCE&G-2-C, SCE&G-3-C, SCE&G-4-C, Pump-1-A, Pump-2, Replacement-1, and Regulation-1, for the sale of power from Southeastern's Georgia-Alabama-South Carolina System of Projects (System).¹ The Deputy Secretary placed the rates into effect on an interim basis effective October 1, 2007,² and requests final confirmation and approval of the rates for the period October 1, 2007 through September 30, 2012.³

¹The system consists of ten multipurpose hydroelectric projects, whose power output is sold to preference customers in North Carolina, South Carolina, Florida, Georgia, Alabama, and Mississippi.

²Rate Order No. SEPA-48, placing the rate schedules into effect on an interim basis, was issued on September 11, 2007, under authority delegated to the Deputy Secretary by Department of Energy Delegation Order Nos. 00-037.00, and 00-01.00C (Delegation Order).

³Rate Schedules SOCO-1-C, SOCO-2-C, SOCO-3-C, SOCO-4-C, ALA-1-L, MISS-1-L, Duke-1-C, Duke-2-C, Duke-3-C, Duke-4-C, Santee-1-C, Santee-2-C, Santee-3-C, Santee-4-C, SCE&G-1-C, SCE&G-2-C, SCE&G-3-C, SCE&G-4-C, Pump-1-A, Pump-2, Replacement-1, and Regulation-1, supersede the present rate schedules, which were approved on a final basis in *United States Department of Energy – Southeastern*
(continued)

Southeastern explains that current rates at the present revenue level are not adequate to meet repayment criteria. Southeastern proposes to increase the annual revenues from \$162,451,000 per year to \$173,804,000 per year, which amounts to approximately a 7 percent increase, to recover, among other things, increased operation and maintenance expenditures.

Southeastern maintains that the proposed rates are designed to yield sufficient revenue to recover all system power costs within the prescribed time periods.

Notice of the application was published in the *Federal Register*, 72 Fed. Reg. 60,835 (2007), with comments, protests, or motions to intervene due on or before November 19, 2007. No responses were received. 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 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

Power Administration (Georgia-Alabama-South Carolina System), 109 FERC ¶ 61,133 (2004).

⁴ Section 3 of the Delegation Order.

⁵ *Id.*

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 Southeastern's 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 does not develop a record on its own. Consequently, the Commission only affirms or remands the rates submitted to it for final review.⁷

Discussion:

Southeastern explains that current rates at the present revenue level are not adequate to meet repayment criteria. Southeastern proposes to increase the annual revenues from \$162,451,000 per year to \$173,804,000 per year, which amounts to approximately a 7 percent increase, to recover, among other things, increased operation and maintenance expenditures.

By statute,⁸ Southeastern must repay the federal investment within a reasonable period of time, which as a general practice is 50 years. Our review of Southeastern's Power Repayment Study (PRS) indicates that the revenues to be collected under the

⁶The power generating agencies include the Bureau of Reclamation, the 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.

⁷*U.S. 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 (1996); *U.S. 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); *U.S. Secretary of Energy, Bonneville Power Administration*, 13 FERC & 61,157, at 61,338 (1980).

⁸ 46 U.S.C. § 825s (2000).

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 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.

The Commission's review indicates that the proposed rates will ensure Southeastern will be able to meet its financial obligations. Therefore, the rates are confirmed and approved on a final basis as requested.

The Director:

Confirms and approves on a final basis Southeastern's proposed Rate Schedules SOCO-1-C, SOCO-2-C, SOCO-3-C, SOCO-4-C, ALA-1-L, MISS-1-L, Duke-1-C, Duke-2-C, Duke-3-C, Duke-4-C, Santee-1-C, Santee-2-C, Santee-3-C, Santee-4-C, SCE&G-1-C, SCE&G-2-C, SCE&G-3-C, SCE&G-4-C, Pump-1-A, Pump-2, Replacement-1, and Regulation-1 for the period October 1, 2007 through September 30, 2012.

Authorities:

This action is taken pursuant to authority delegated to the Director, Division of Tariffs and Market Development - 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.

Penny Murrell, Director
Division of Tariffs and Market
Development - Central

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