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[FR Doc. 2011-23393 Filed 9-12-11; 8:45 am]

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## DEPARTMENT OF ENERGY

### Notice of Interim Approval

**AGENCY:** Southeastern Power Administration, DOE.

**ACTION:** Notice of rate order.

**SUMMARY:** The Deputy Secretary of the Department of Energy confirmed and approved, on an interim basis, Rate Schedules JW-1-J and JW-2-F. The rates were approved on an interim basis up to September 19, 2016, and are subject to confirmation and approval by the Federal Energy Regulatory Commission (Commission) on a final basis.

**DATES:** Approval of rates on an interim basis is effective September 20, 2011.

**FOR FURTHER INFORMATION CONTACT:** Virgil G. Hobbs III, Assistant Administrator, Finance and Marketing, Southeastern Power Administration, Department of Energy, 1166 Athens Tech Road, Elberton, Georgia 30635-6711, (706) 213-3800. Relevant documents and transcripts are available for inspection.

**SUPPLEMENTARY INFORMATION:** The Commission, by Order issued April 15, 2010, in Docket No. EF09-3031-000, confirmed and approved Wholesale Power Rate Schedules JW-1-I and JW-2-F. Rate schedule JW-1-J replaces rate schedule JW-1-I and rate schedule JW-2-F is extended up to September 19, 2016.

Dated: September 2, 2011.

**Daniel B. Poneman,**  
*Deputy Secretary.*

### Department of Energy

*Deputy Secretary*

Rate Order No. SEPA-54

In the Matter of: Southeastern Power Administration—Jim Woodruff Project Power Rates

### Order Confirming and Approving Power Rates on an Interim Basis

Pursuant to Sections 302(a) 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 Southeastern Power Administration ("Southeastern" or "SEPA") were transferred to and vested in the Secretary of Energy. By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated to Southeastern's Administrator the authority to develop power and transmission rates, delegated to the Deputy Secretary 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 ("Commission") the authority to confirm, approve, and place into effect on a final basis or to disapprove rates developed by the Administrator under the delegation. This rate order is issued by the Deputy Secretary pursuant to said delegation.

### Background

Power from the Jim Woodruff Project is presently sold under Wholesale Power Rate Schedules JW-1-I and JW-2-F. These rate schedules were approved by the Commission on April 15, 2010, for a period ending September 19, 2014 (131 FERC ¶62,044).

### Public Notice and Comment

Southeastern prepared a Power Repayment Study, dated January 2011, showing revenues at current rates were adequate to meet repayment criteria. However, the Jim Woodruff preference customers asked Southeastern to revise the rates to include a pass-through of purchased power expenses. The proposed capacity and energy charge reduction to the preference customers will be completely recovered through this separate, pass-through charge to the affected customers. This rate structure revision will result in no net loss of revenue and will fully meet system repayment criteria. On February 17,

2011, by **Federal Register** notice (76 FR 9349), Southeastern proposed a rate adjustment. The notice also announced a Public Information and Comment Forum to be held March 29, 2011, in Tallahassee, Florida. Three parties asked questions at the forum. Responses to the questions are part of the written record of the forum, and a transcript of the forum is available at Southeastern Power Administration (see **FOR FURTHER INFORMATION CONTACT** section). The transcript of the forum is part of the record to be filed with the Commission and will be available on the Commission's Web site at <http://www.ferc.gov>. Written comments were accepted on or before May 18, 2011. Written comments were received from one source the Southeastern Federal Power Customers.

### Staff Review of Comments

Written comments received from the Southeastern Federal Power Customers are summarized below. Southeastern's response follows each comment.

*Comment 1:* The Jim Woodruff preference customers support the revised rate design SEPA has prepared.

*Response 1:* The rate schedules Southeastern will propose to the Deputy Secretary will include the pass-through of purchased power expenses as discussed with the preference customers.

*Comment 2:* While the preference customers of the Jim Woodruff support the overall rate structure, including the new pass through mechanism for purchased power expenses, they have concerns regarding the assumptions for the Operations and Maintenance ("O&M") expenses. In materials provided by SEPA on April 25th, the Corps 2011 projections revealed projected expenses for joint activities not specific to a single business function had increased by more than three hundred percent for each year until 2015. While preference customers throughout the Southeast have long questioned the practices of the U.S. Army Corps of Engineers ("Corps") in assigning various costs of the Corps program to this "catch-all" account, there appears to be no basis for a three hundred percent increase in joint use costs.

*Response 2:* From fiscal year 2009 to fiscal year 2010, Joint O&M allocated to power increased from \$664,000 to \$1,653,000, primarily as a result of improvement projects funded by the American Recovery and Reinvestment Act. The estimated Joint O&M allocated to power included in the repayment study used to support the proposed rates, set forth below, are similar to the

Joint O&M amounts from fiscal year 2009:

2011.....\$627,731  
 2012.....\$646,458  
 2013.....\$665,746  
 2014.....\$685,614  
 2015.....\$685,614  
 2016.....\$685,614

These estimates have been used to develop the proposed rate schedules. Any variance of the actual costs incurred from these estimates will impact the repayment of the federal investment and will be accounted for in the next rate adjustment. Repayment is the residual of all variances. The expenses reported by the Corps are reviewed annually by Southeastern and are made available to the customers through the O&M Committee of the SeFPC.

*Comment 3:* The full extent of SeFPC's O&M Committee is important to note here because of statements that SEPA has made in the past when questions have been raised regarding the amount of O&M in a rate. On more than one occasion, SEPA has stated that questions regarding the level of O&M in a rate should be addressed in the meeting of the O&M committee, thereby indicating the SeFPC's O&M committee has a quasi administrative review of the Corps operations. The record needs to be corrected and set clear on this point.

*Response 3:* The activities of the O&M Committee of the SeFPC, in which both Southeastern and the Corps participate, provides customers an opportunity to review the Corps O&M Expenses. Participation in the O&M Committee does not require participants to sign off on the Corps' projections or the actual costs incurred. Adjustments to the program are often made as a result of questions raised at the meetings.

Questions regarding the level of Corps O&M in a rate may be raised at any time. If the questions are raised to Southeastern, Southeastern will usually forward the questions to the Corps for a response. The Corps provides representatives who participate and answer questions in the meetings of the O&M Committee. The SeFPC's O&M committee does not conduct any administrative review of the Corps operations.

*Comment 4:* The Corps has no authority to set the rates charged to the preference customers. This responsibility is solely vested with the Administrator pursuant to Section 5 of the Flood Control Act of 1944. Thus, when there is a question regarding the amount of O&M to be included in a proposed rate, the preference customers appropriately raise concerns with SEPA.

However, SEPA does have a relationship with the Corps as defined in a Memorandum of Understanding setting forth the responsibilities between the two agencies. Moreover, the Administrator has the responsibility under the Flood Control Act of 1944 to set the rates. Therefore, in the context of a rate increase which involves questions regarding O&M, the Administrator has the final say and all questions regarding the ultimate level of O&M recovery are appropriately resolved by SEPA rather than the SeFPC O&M committee.

*Response 4:* There is a Memorandum of Understanding between the South Atlantic Division of the U.S. Army Corps of Engineers and the Administrator of Southeastern Power Administration (MOU) established June 20, 1991. The MOU is available at Southeastern Power Administration (See **FOR FURTHER INFORMATION CONTACT** Section). This MOU recognizes the respective roles these two federal entities play in the Southeastern Federal Power Program.

Section 4 (c.) of the MOU states, "It is recognized that the preference customers of the Southeastern Federal Power Program have an interest in the maintenance, operation and maintenance expense, and funding. It is the intent of the parties to develop a relationship of mutual respect and trust between the parties and the preference customers to resolve controversial issues through discussion rather than confrontation. The parties, therefore, agree to meet as needed with the customers, or their designated representatives, to discuss maintenance, expense and funding procedures."

The MOU also provides that the Corps will provide Southeastern with summarized financial statements and the statements will be audited periodically by an independent auditing firm.

Section 5 of the Flood Control Act of 1944 states, "Rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the projects) of the cost of producing and transmitting such electric energy, including the amortization of the capital investment allocated to power over a reasonable period of years."

The Corps does not submit its budget to Southeastern, and Southeastern has no authority over the Corps' spending of Congressional appropriations. Southeastern is legally responsible for the recovery of costs properly allocated to the power function. While the Administrator is responsible for formulating rate schedules for the

recovery of these costs, the rate schedules are required to be submitted to the Deputy Secretary of the Department of Energy for interim approval and to the Federal Energy Regulatory Commission for final approval.

The O&M Committee of the SeFPC also has no authority over the Corps O&M expense.

## Discussion

### System Repayment

An examination of Southeastern's revised system power repayment study, prepared in July 2011, for the Jim Woodruff Project, shows the proposed rates will pay all system power costs within the 50-year repayment period required by existing law and DOE Order RA 6120.2. The Administrator of Southeastern has certified the rates are consistent with applicable law and are the lowest possible rates to preference customers consistent with sound business principles.

### Environmental Impact

Southeastern has reviewed the possible environmental impacts of the rate adjustment under consideration and has concluded the adjusted rates would not significantly affect the quality of the human environment within the meaning of the National Environmental Policy Act of 1969. The proposed action is not a major Federal action for which preparation of an Environmental Impact Statement is required.

### Availability of Information

Information regarding these rates, including studies, and other supporting materials, is available for public review in the offices of Southeastern Power Administration, 1166 Athens Tech Road, Elberton, Georgia 30635-6711.

### Submission to the Federal Energy Regulatory Commission

The rates hereinafter confirmed and approved on an interim basis, together with supporting documents, will be submitted promptly to the Federal Energy Regulatory Commission for confirmation and approval on a final basis for a period beginning September 20, 2011, and ending no later than September 19, 2016.

## Order

In view of the foregoing and pursuant to the authority delegated to me by the Secretary of Energy, I hereby confirm and approve on an interim basis, effective September 20, 2011, attached Wholesale Power Rate Schedules JW-1-J and JW-2-F. The rate schedules shall remain in effect on an interim basis

through September 19, 2016, unless such period is extended or until the Federal Energy Regulatory Commission confirms and approves them or substitute rate schedules on a final basis.

Dated: September 2, 2011.

Daniel B. Poneman,  
Deputy Secretary.

#### Wholesale Power Rate Schedule JW-1-J

##### Availability:

This rate schedule shall be available to public bodies and cooperatives served by the Progress Energy Florida and having points of delivery within 150 miles of the Jim Woodruff Project (hereinafter called the Project).

##### Applicability:

This rate schedule shall be applicable to firm power and accompanying energy made available by the Government from the Project and sold in wholesale quantities.

##### Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a nominal frequency of 60 cycles per second delivered at the delivery points of the customer.

##### Monthly Rate:

The monthly rate for capacity and energy made available or delivered under this rate schedule shall be:

##### Demand Charge:

\$10.29 per kilowatt of monthly contract demand.

##### Energy Charge:

26.51 mills per kilowatt-hour.

##### Purchased Power Pass-Through:

In addition to the capacity and energy charges, each preference customer will be charged for power purchased by Southeastern on behalf of the preference customer. This pass-through will be computed as follows:

On or about the 20th of each month, Progress Energy provides Southeastern with the meter readings for preference customer's delivery points that have an allocation of capacity from Southeastern. Subsequently, Progress Energy provides Southeastern with

reports of purchased power and support capacity requirements around the 10th of the succeeding month. Southeastern will compute its purchased power obligation for each delivery point monthly. Southeastern will compute any revenue from sales to Progress Energy for each delivery point monthly. Southeastern will sum the purchased power obligation and any revenue from sales to Progress Energy for each preference customer monthly. The purchased power obligation minus any revenue from sales to Progress Energy for each customer will be called the Net Purchased Power Cost. Southeastern will charge each customer its respective monthly Net Purchased Power Cost in equal portions over the next eleven billing months. This computation of the pass-through is to begin 11 months before the pass-through is implemented. The first bill prepared using this method is to include the computations for the previous 11 months.

##### Billing Demand:

The monthly billing demand for any billing month shall be the lower of (a) the Customer's contract demand or (b) the sum of the maximum 30-minute integrated demands for the month at each of the Customer's points of delivery; provided, that, if an allocation of contract demand to delivery points has become effective, the 30-minute maximum integrated demand for any point of delivery shall not be considered to be greater than the portion of the Customer's contract demand allocated to that point of delivery.

##### Contract Demand:

The contract demand is the amount of capacity in kilowatts stated in the contract which the Government is obligated to supply and the Customer is entitled to receive.

##### Energy Made Available:

During any billing month in which the Government supplies all the Customer's capacity requirements for a particular delivery point, the Government will make available the total energy requirement of said point. When both the Government and the Progress Energy Florida are supplying capacity to a delivery point, each kilowatt of capacity supplied to such point during such month will be considered to be accompanied by an equal quantity of energy.

##### Billing Month:

The billing month for power sold under this schedule shall end at 12:00 midnight on the 20th day of each calendar month.

##### Conditions of Service:

The customer shall, at its own expense, provide, install, and maintain on its side of each delivery point the equipment necessary to protect and control its own system. In so doing, the installation, adjustment, and setting of all such control and protective equipment at or near the point of delivery shall be coordinated with that which is installed by and at the expense of the Progress Energy Florida on its side of the delivery point.

##### Service Interruption:

When energy delivered to the Customer's system for the account of the Government is reduced or interrupted for one hour or longer, and such reduction or interruption is not due to conditions on the Customer's system or has not been planned and agreed to in advance, the demand charge for the month shall be appropriately reduced.

#### Wholesale Power Rate Schedule JW-2-F

##### Availability:

This rate schedule shall be available to the Florida Power Corporation (or Progress Energy Florida, hereinafter called the Company).

##### Applicability:

This rate schedule shall be applicable to electric energy generated at the Jim Woodruff Project (hereinafter called the Project) and sold to the Company in wholesale quantities.

##### Points of Delivery:

Power sold to the Company by the Government will be delivered at the connection of the Company's transmission system with the Project bus.

##### Character of Service:

Electric power delivered to the Company will be three-phase alternating current at a nominal frequency of 60 cycles per second.

##### Monthly Rate:

The monthly rate for energy sold under this schedule shall be equal to 100 percent of the calculated saving in the cost of fuel per kWh to the Company determined as follows:

$$\text{Energy Rate} = 100\% \times \frac{F_m}{S_m}$$

[Computed to the nearest \$0.00001 (1/100mill) per kWh]

[Computed to the nearest \$0.00001 (1/100mill) per kWh]

Where:

F<sub>m</sub> = Company fuel cost in the current period as defined in Federal Power Commission Order 517 issued November 13, 1974, Docket No. R-479.

S<sub>m</sub> = Company sales in the current period reflecting only losses associated with wholesale sales for resale. Sale shall be equated to the sum of (a) generation, (b) purchases, (c) interchange-in, less (d) inter-system sales, less estimated

wholesale losses (based on average transmission loss percentage for preceding calendar year).

##### Determination of Energy Sold:

Energy will be furnished by the Company to supply any excess of Project use over Project generation. Energy so supplied by the Company will be deducted from the actual deliveries to the Company's system to determine the net deliveries for energy accounting and billing purposes. Energy for Project use shall consist of energy used for

station service, lock operation, switchyard, village lighting, and similar uses.

The on-peak hours shall be the hours between 7:00 a.m. and 11:00 p.m., Monday through Sunday, inclusive. Off-peak hours shall be all other hours.

All energy made available to the Company shall, to the extent required, be classified as energy transmitted to the Government's preference customers served from the Company's system. All energy made available to the Company from the Project shall be separated on the basis of the metered

deliveries to it at the Project during on-peak and off-peak hours, respectively. Deliveries to preference customers of the Government shall be divided on the basis (with allowance for losses) of 77 percent being considered as on-peak energy and 23 percent being off-peak energy. Such percentages may by mutual consent be changed from time to time as further studies show to be appropriate. In the event that in classifying energy there is more than enough on-peak energy available to supply on-peak requirements of the Government's preference customers but less than enough off-peak energy available to supply such customers off-peak requirements, such excess on-peak energy may be applied to the extent necessary to meet off-peak requirements of such customers in lieu of purchasing deficiency energy to meet such off-peak requirements.

**Billing Month:**

The billing month under this schedule shall end at 12:00 midnight on the 20th day of each calendar month.

**Power Factor:**

The purchaser and seller under this rate schedule agree that they will both so operate their respective systems that neither party will impose an undue reactive burden on the other.

[FR Doc. 2011-23356 Filed 9-12-11; 8:45 am]

BILLING CODE 6450-01-P

## DEPARTMENT OF ENERGY

### Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Resources Research and Development Program 2011 Annual Plan

**AGENCY:** Office of Fossil Energy, Department of Energy.

**ACTION:** Notice of report availability.

**SUMMARY:** The Office of Fossil Energy announces the availability of the *2011 Annual Plan* for the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Resources Research and Development Program on the DOE Web site at [http://www.fossil.energy.gov/programs/oilgas/ultra\\_and\\_unconventional/2011-2012\\_Committees/2011\\_annual\\_plan.pdf](http://www.fossil.energy.gov/programs/oilgas/ultra_and_unconventional/2011-2012_Committees/2011_annual_plan.pdf) or in print form (see "Contact" below). The *2011 Annual Plan* is in compliance with the *Energy Policy Act of 2005, Subtitle J, Section 999B(e)(3)* which requires the publication of this plan and all written comments in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Elena Melchert, U.S. Department of Energy, Office of Oil and Natural Gas, Mail Stop FE-30, 1000 Independence Avenue, SW., Washington, DC 20585 or phone: (202) 586-5600 or e-mail to [UltraDeepwater@hq.doe.gov](mailto:UltraDeepwater@hq.doe.gov).

**SUPPLEMENTARY INFORMATION:**

### Executive Summary [Excerpted From the 2011 Annual Plan p. iii]

As the Nation transitions to the clean energy economy of the future, we must also ensure that we effectively mitigate the risks of our current energy portfolio.

This 2011 Annual Plan, the fifth such plan to be produced since the launch of the *Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Resources Research Program*, reflects an important shift in priorities towards safety and environmental sustainability. This shift is based on the recognition that a critical element in prudently developing our domestic resource base is a scientific assessment of the risks which exploration and production activities entail, and the development of appropriate technologies and processes to mitigate these risks.

Domestic deepwater and ultra-deepwater oil and gas resources, and domestic unconventional natural gas resources, are important contributors to our Nation's energy supply portfolio. Recent events, the Macondo well blowout and the Deepwater Horizon explosion in the Gulf of Mexico, and growing public opposition to the rapid pace of shale gas development onshore are stark reminders of the environmental risks of our current energy portfolio. The 2011 Annual Plan proposes scientific research that will quantify and mitigate risks associated with oil and gas exploration and production onshore and offshore, thereby improving safety and minimizing environmental impacts.

The Department will ensure that the federal government's understanding of the risks associated with these operations keeps pace. This will be accomplished through scientific assessment of the risks, potential impacts, and adequacy of current response and mitigation technologies.

The research discussed in this Annual Report will be administered by the Research Partnership to Secure Energy for America (RPSEA), which operates under the guidance of the Secretary of Energy. RPSEA is a consortium which includes representatives from industry, academia and research institutions. RPSEA's expertise in all areas of the exploration and production value chain ensure that the Department of Energy's research program has access to relevant emerging technologies and processes, and that projects are designed in a way that have a direct impact on practices in the field.

### Background

Offshore and onshore research activities are administered pursuant to

an annual plan in compliance with Title IX, Subtitle J of EPACT, which directs that \$50 million per year of federal royalties, rents and bonus payments be used to fund an oil and natural gas research and development (R&D) effort, the *Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Resources Research Program* (Program).

The Secretary of Energy approves all awards to research performers, and the planned R&D activities support the goals and objectives of the annual plan. The research activities are administered by a Program Consortium that has been selected by the Secretary, as detailed in the Program Consortium section below.

The National Energy Technology Laboratory (NETL) is responsible for implementation of the Program. Within NETL, the responsibility for overall program implementation, including oversight of the Program Consortium contract, has been assigned to the Strategic Center for Natural Gas and Oil.

Complementary research prescribed under Section 999A(d) is carried out by NETL's Office of Research and Development.

### Program Consortium

In 2006, DOE selected the Research Partnership to Secure Energy for America (RPSEA) through a competitive solicitation to serve as the Program Consortium and administer the research activities pursuant to Section 999B(c).

RPSEA has a broad membership base that includes representatives from all levels and sectors of both the oil and natural gas exploration and production (E&P) and oil and natural gas R&D communities. The breadth of membership helps to ensure that R&D funds leverage existing industry efforts in accomplishing the Program's objectives.

Administration funds provided to RPSEA cannot exceed 10 percent pursuant to Section 999G(3). The private companies, universities, and other organizations that are awarded contracts through this program provide cost-share contributions of at least 20 percent.

### The Annual Plan Development Process

Pursuant to Section 999B(e)(2)(A), the Program Consortium prepared its 2011 Draft Annual Plan (DAP) which it delivered to the Secretary July 2010. The Department of Energy prepared a Draft 2011 Annual Plan. Subsequently, the Draft 2011 Annual Plan and the DAP were reviewed by the Unconventional Resources Technology Advisory Committee (URTAC) which presented