



6450-01-P

DEPARTMENT OF ENERGY

Southwestern Power Administration

Robert D. Willis Hydropower Rate

AGENCY: Southwestern Power Administration, DOE.

ACTION: Notice of Rate Order

SUMMARY: Pursuant to Delegation Order Nos. 00-037.00, effective December 6, 2001, and 00-001.00D, effective January 22, 2010, the Deputy Secretary has approved and placed into effect on an interim basis Rate Order No. SWPA-64, which increases the power rate for the Robert Douglas Willis Hydropower Project (Willis) pursuant to the Willis Rate Schedule which supersedes the existing rate schedule.

DATES: The effective period for the rate schedule specified in Rate Order No. SWPA-64 is October 1, 2012, through September 30, 2016.

FOR FURTHER INFORMATION CONTACT: Mr. James K. McDonald, Assistant Administrator, Southwestern Power Administration, Department of Energy, Williams Center Tower I, One West Third Street, Tulsa, Oklahoma 74103, (918) 595-6690, jim.mcdonald@swpa.gov

SUPPLEMENTARY INFORMATION: Rate Order No. SWPA-64, which has been approved and placed into effect on an interim basis, increases the power rate for the Willis Project pursuant to the following Rate Schedule:

Rate Schedule RDW-12, Wholesale Rates for Hydro Power and Energy Sold to Sam Rayburn Municipal Power Agency (Contract No. DE-PM75-85SW00117)

The rate schedule supersedes the existing rate schedule shown below:

Rate Schedule RDW-08, Wholesale Rates for Hydro Power and Energy Sold to
Sam Rayburn Municipal Power Agency (Contract No. DE-PM75-85SW00117)
(superseded by RDW-12)

Southwestern Power Administration's (Southwestern) Administrator has determined, based on the 2012 Willis Current Power Repayment Study, that existing rates will not satisfy cost recovery criteria specified in Department of Energy Order No. RA 6120.2 and Section 5 of the Flood Control Act of 1944. The finalized 2012 Willis Power Repayment Studies (PRSs) indicate that an increase in annual revenue of \$142,944, or 15.4 percent, beginning October 1, 2012, will satisfy cost recovery criteria for the Willis project. The proposed Willis rate schedule would increase annual revenues from \$929,388 to \$1,072,332, to recover increased U.S. Army's Corps of Engineers (Corps) investments and replacements in the hydroelectric generating facility and increased operations and maintenance costs.

The Administrator has followed Title 10, Part 903 Subpart A, of the Code of Federal Regulations, "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions" in connection with the proposed rate schedule. On July 10, 2012, Southwestern published notice in the Federal Register, (77 FR 40609), of the proposed rate increase for the Willis project. Southwestern provided a 30-day comment period as an opportunity for customers and other interested members of the public to review and comment on the proposed rate increase. Southwestern did not hold the combined Public Information and Comment Forum (Forum) because Southwestern did not receive any requests to hold the Forum. Two comments were received, one from Brickfield Burchette Ritts and Stone, PC, on behalf of the Sam Rayburn G&T Electric Cooperative, Inc., which stated they had no objection to the proposed rate adjustment. The other comment, on behalf of the Vinton Public Power Authority, also stated no objection to

the increased rate proposal.

Information regarding this rate proposal, including studies and other supporting material, is available for public review and comment in the offices of Southwestern Power Administration, Williams Center Tower I, One West Third Street, Tulsa, Oklahoma 74103. Following review of Southwestern's proposal within the Department of Energy, I approved, Rate Order No. SWPA-64, on an interim basis, which increases the existing Robert Douglas Willis rate to \$1,072,332 per year for the period October 1, 2012 through September 30, 2016.

Dated: October 15, 2012

Daniel Poneman
Deputy Secretary

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
DEPUTY SECRETARY OF ENERGY

In the matter of:

Southwestern Power Administration) Rate Order
Robert D. Willis Hydropower Project Rate) No. SWPA-64

ORDER CONFIRMING, APPROVING AND PLACING INCREASED
POWER RATE SCHEDULE IN EFFECT ON AN INTERIM BASIS
(October 15, 2012)

Pursuant to Sections 302(a) and 301(b) 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 Southwestern Power Administration (Southwestern) were transferred to and vested in the Secretary of Energy. By Delegation Order No. 00-037.00, the Secretary of Energy delegated to the Administrator of Southwestern the authority to develop power and transmission rates, delegated to the Deputy Secretary of the Department 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 (FERC) the authority to confirm and approve on a final basis or to disapprove rates developed by the Administrator under the delegation. The Deputy Secretary issued this interim rate order pursuant to that delegation.

BACKGROUND

The Robert Douglas Willis Hydropower Project (Willis) (aka: Dam B and later Town Bluff Dam), located on the Neches River in eastern Texas downstream from the Sam Rayburn Dam, was originally constructed in 1951 by the U.S. Army Corps of Engineers (Corps) and provides stream flow regulation of releases from the Sam Rayburn Dam. The Lower Neches Valley Authority contributed funds toward construction of both projects and makes established annual

payments for the right to withdraw up to 2000 cubic feet of water per second from the Willis project for its own use. Power was legislatively authorized at the project, but installation of hydroelectric facilities was deferred until justified by economic conditions. A determination of feasibility was made in a 1982 Corps study. In 1983, the Sam Rayburn Municipal Power Agency (SRMPA) proposed to sponsor and finance the development of hydropower at the Willis project in return for the output of the project to be delivered to its member municipalities and participating member cooperatives of the Sam Rayburn Dam Electric Cooperative.

The Willis rate excludes the costs associated with the hydropower design and construction performed by the Corps, because all funds for these costs were provided by SRMPA. Under the Southwestern/SRMPA power sales Contract No. DE-PM75-85SW00117, SRMPA will continue to pay all annual operating and maintenance costs, as well as expected capital replacement costs, through the rate paid to Southwestern, and will receive all power and energy produced at the project for a period of 50 years.

FERC confirmation and approval of the current Willis rate schedule was provided in FERC Docket No. EF08-4081-000 issued on April 27, 2009, (127 FERC ¶ 62,072) effective for the period October 1, 2008, through September 30, 2012.

DISCUSSION

Southwestern prepared a 2012 Current Power Repayment Study (PRS) which indicated that the existing rate would not satisfy present financial criteria regarding repayment of investment within a 50-year period due to increased U.S. Army Corps of Engineers (Corps) investments, replacements and operations and maintenance expenses in the hydroelectric generating facilities. The Revised PRS indicated the need for a 15.4 percent revenue increase. These preliminary results which presented the basis for the proposed revenue increase were

provided to the customers for their review prior to the formal process.

The final 2012 Revised PRS indicates that an increase in annual revenues of \$142,944 (15.4 percent) is necessary beginning October 1, 2012, to accomplish repayment in the required number of years. Accordingly, Southwestern has prepared a proposed rate schedule based on the additional revenue requirement to ensure repayment.

Southwestern conducted the rate adjustment proceeding in accordance with Title 10, Part 903, Subpart A of the Code of Federal Regulations, "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions." More specifically, opportunities for public review and comment during a 30-day period on the proposed Willis power rate were announced by a *Federal Register* notice published on July 10, 2012 (77 FR 40609). The combined Public Information and Comment Forum scheduled for July 31, 2012, in Tulsa, Oklahoma was canceled because Southwestern did not receive any requests that the forum be held. Southwestern provided the *Federal Register* notice, together with any requested supporting data, to the customer and interested parties for review and comment during the public comment period. In response to concerns by Southwestern's customers during an informal participation process prior to the formal participation process, Southwestern is increasing revenue in two steps over a two-year period. Since our current rates are sufficient to recover all average operation and maintenance expenses during the next two years, our ability to meet both annual and long-term repayment criteria is satisfied by increasing revenues in steps over the period.

The first step of the rate increase, beginning October 1, 2012, would incorporate one half of the required revenue or 7.7 percent (\$71,472). The second step of the rate increase, beginning October 1, 2013, and ending on September 30, 2016, would incorporate the remaining one half of the revenue requirement (\$71,472 or 7.7 percent). Southwestern will continue to perform its

Power Repayment Studies annually, and if the 2013 results should indicate the need for additional revenues, another rate filing will be conducted and updated revenue requirements implemented for FY 2013 and thereafter.

Following the conclusion of the comment period on August 9, 2012, Southwestern finalized the PRS and rate schedule for the proposed annual rate of \$1,072,332 which is the lowest possible rate needed to satisfy repayment criteria. This rate represents an annual increase of 15.4 percent. The Administrator made the decision to submit the rate proposal for interim approval and implementation.

COMMENTS AND RESPONSES

Southwestern received two comments during the public comment period. Both comments, one on behalf of the Sam Rayburn G&T Electric Cooperative, Inc., the other on behalf of the Vinton Public Power Authority, expressed no objection to the final proposed rate.

AVAILABILITY OF INFORMATION

Information regarding this rate increase, including studies, comments and other supporting material, is available for public review and comment in the offices of Southwestern Power Administration, One West Third Street, Tulsa, OK 74103.

ADMINISTRATION'S CERTIFICATION

The 2012 Willis Revised PRS indicates that the increased power rate of \$1,072,332 will repay all costs of the project including amortization of the power investment consistent with the provisions of Department of Energy Order No. RA 6120.2. In accordance with Delegation Order No. 00-037.00 (December 6, 2001), and Section 5 of the Flood Control Act of 1944, the Administrator has determined that the proposed System rates are consistent with applicable law and the lowest possible rates consistent with sound business principles.

ENVIRONMENT

The environmental impact of the rate increase proposal was evaluated in consideration of DOE's guidelines for implementing the procedural provisions of the National Environmental Policy Act and was determined to fall within the class of actions that are categorically excluded from the requirements of preparing either an Environmental Impact Statement or an Environmental Assessment.

ORDER

In view of the foregoing and pursuant to the authority delegated to me by the Secretary of Energy, I hereby confirm, approve and place in effect on an interim basis, effective October 1, 2012 through September 30, 2016, the annual Robert Douglas Willis Hydropower rate of \$1,072,332 for the sale of power and energy from the Robert Douglas Willis project to the Sam Rayburn Municipal Power Agency, under Contract No. DE-PM75-85SW00117, as amended. This rate shall remain in effect on an interim basis through September 30, 2016, or until the FERC confirms and approves the rate on a final basis.

Dated: October 15, 2012

Daniel Poneman
Deputy Secretary

UNITED STATES DEPARTMENT OF ENERGY
SOUTHWESTERN POWER ADMINISTRATION
RATE SCHEDULE RDW-12¹
WHOLESALE RATES FOR HYDRO POWER AND ENERGY
SOLD TO SAM RAYBURN MUNICIPAL POWER AGENCY
(CONTRACT NO. DE-PM75-85SW00117)

¹ Supersedes Rate Schedule RDW-08

Effective:

During the period October 1, 2012, through September 30, 2016, in accordance with interim approval from Rate Order No. SWPA-64 issued by the Deputy Secretary of Energy on October 15, 2012 and pursuant to final approval by the Federal Energy Regulatory Commission.

Applicable:

To the power and energy purchased by Sam Rayburn Municipal Power Agency (SRMPA) from the Southwestern Power Administration (Southwestern) under the terms and conditions of the Power Sales Contract dated June 28, 1985, as amended, for the sale of all Hydro Power and Energy generated at the Robert Douglas Willis Hydropower Project (Robert D. Willis) (formerly designated as Town Bluff).

Character and Conditions of Service:

Three-phase, alternating current, delivered at approximately 60 Hertz, at the nominal voltage, at the point of delivery, and in such quantities as are specified by contract.

1. Wholesale Rates, Terms, and Conditions for Hydro Power and Energy

- 1.1 These rates shall be applicable regardless of the quantity of Hydro Power and Energy available or delivered to SRMPA; provided, however, that if an Uncontrollable Force prevents utilization of both of the project's power generating units for an entire billing period, and if during such billing period water releases were being made which otherwise would have been used to generate Hydro Power and Energy, then Southwestern shall, upon request by SRMPA, suspend billing for subsequent billing periods, until such time as at least one of the project's generating units is again available.
- 1.2 The term "Uncontrollable Force," as used herein, shall mean any force which is not within the control of the party affected, including, but not limited to, failure of water supply, failure of facilities, flood, earthquake, storm, lightning, fire, epidemic, riot, civil disturbance, labor disturbance, sabotage, war, acts of war, terrorist acts, or restraint by court of general jurisdiction, which by exercise of due diligence and foresight such party could not reasonably have been expected to avoid.

1.3 Hydro Power Rates, Terms, and Conditions

1.3.1 Monthly Charge for the Period of October 1, 2012 through September 30, 2013

\$83,405 per month (\$1,000,860 per year) for Robert D. Willis Hydro Power and Energy purchased by SRMPA from October 1, 2012, through September 30, 2013.

1.3.2 Monthly Charge for the Period of October 1, 2013 through September 30, 2016

\$89,361 per month (\$1,072,332 per year) for Robert D. Willis Hydro Power and Energy purchased by SRMPA from October 1, 2013, through September 30, 2016.

[FR Doc. 2012-25905 Filed 10/19/2012 at 8:45 am; Publication Date: 10/22/2012]