



6450-01-P

**DEPARTMENT OF ENERGY**

**Southwestern Power Administration**

**Robert D. Willis Hydropower Project Power Rate**

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

**ACTION:** Notice of Rate Order.

**SUMMARY:** Pursuant to Delegation Order Nos. 00-037.00A, effective October 25, 2013, and 00-001.00F, effective November 17, 2014, the Deputy Secretary has approved and placed into effect on an interim basis Rate Order No. SWPA-70, which increases the power rate for the Robert D. Willis Hydropower Project (Willis) pursuant to the Willis Rate Schedule (RDW-15) which supersedes the existing rate schedule.

**DATES:** The effective period for the rate schedule specified in Rate Order No. SWPA-70 is January 1, 2016, through September 30, 2019.

**FOR FURTHER INFORMATION CONTACT:** Mr. Marshall Boyken, Senior Vice President, Chief Operating Office, Southwestern Power Administration, U.S. Department of Energy, Williams Center Tower I, One West Third Street, Tulsa, Oklahoma 74103, (918) 595-6646, [marshall.boyken@swpa.gov](mailto:marshall.boyken@swpa.gov).

**SUPPLEMENTARY INFORMATION:** Rate Order No. SWPA-70, which has been approved and placed into effect on an interim basis, increases the power rate for Willis pursuant to the following Rate Schedule:

Rate Schedule RDW-15, 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-14, Wholesale Rates for Hydro Power and Energy Sold to  
Sam Rayburn Municipal Power Agency (Contract No. DE-PM75-85SW00117)  
(superseded by RDW-15)

Southwestern Power Administration's (Southwestern) Administrator has determined, based on the 2015 Willis Current Power Repayment Study that the existing power rate 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 2015 Willis Power Repayment Studies indicate that an increase in annual revenue of \$101,340, or 8.6 percent, beginning January 1, 2016, will satisfy cost recovery criteria for Willis. The proposed Willis rate schedule would ultimately increase annual revenues from \$1,181,496 to \$1,282,836, to recover increased costs associated with operations and maintenance as well as increased costs for investments and replacements in the hydroelectric generating facility and the associated increased interest expense, with one half (4.3 percent) beginning January 1, 2016, and the remaining one half (4.3 percent) beginning on January 1, 2017.

The Administrator has followed title 10, part 903 subpart A, of the Code of Federal Regulations (10 CFR part 903), "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions" in connection with the proposed rate schedule. On October 9, 2015, Southwestern published notice in the *Federal Register*, (80 FR 61205), of the proposed power rate increase for Willis. 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 power rate increase with written comments due by November 9, 2015.

Southwestern did not hold the combined Public Information and Comment Forum (Forum) because Southwestern did not receive any requests to hold the Forum. One comment was

received from Gillis, Borchardt and Barthel LLP, on behalf of the Vinton Public Power Authority and the Sam Rayburn Generation and Transmission Cooperative which stated they had no objection to the proposed rate adjustment.

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-70, on an interim basis, which ultimately increases the existing Willis power rate to \$1,282,836 per year for the period January 1, 2016 through September 30, 2019.

Dated: December 17, 2015

Dr. Elizabeth Sherwood-Randall  
Deputy Secretary

DEPARTMENT OF ENERGY  
DEPUTY SECRETARY OF ENERGY

In the matter of:

Southwestern Power Administration ) Rate Order  
Robert D. Willis Hydropower Project Power Rate ) No. SWPA-70

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

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. 00-037.00A, 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. Pursuant to that delegated authority, the Deputy Secretary issued this interim rate order.

**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 Willis 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 Willis 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 power 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 power 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. EF15-5-000 issued on June 3, 2015, (151 FERC ¶62,156) effective for the period January 1, 2015, through September 30, 2018.

## **DISCUSSION**

Southwestern prepared a 2015 Current Power Repayment Study which indicated that the existing power rate would not satisfy present financial criteria regarding repayment of investment within a 50-year period due to increased costs associated with Corps operations and maintenance as well as increased costs for investments and replacements in the hydroelectric generating facilities and the associated increased interest expense. The 2015 Revised Power Repayment Study indicated the need for an 8.6 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 2015 Revised Power Repayment Study has been finalized and indicates that an increase in annual revenues of \$101,340 (8.6 percent) is necessary beginning January 1, 2016, 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 (10 CFR part 903), "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 October 9, 2015 (80 FR 61205), with written comments due November 9, 2015. The combined Public Information and Comment Forum scheduled for October 28, 2015, in Tulsa, Oklahoma was not held because Southwestern did not receive any requests to hold the forum. Southwestern provided the *Federal Register* notice, to the customers and interested parties for review and comment during the public comment period. In response to concerns expressed by Southwestern's customers during their review of the preliminary results of the 2015 Power Repayment Studies, Southwestern is increasing revenue in two steps over a twelve month period. Because Southwestern's current Willis power rate is sufficient to recover

all average operation and maintenance expenses during the next two years, the 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 January 1, 2016, would incorporate one half of the required revenue increase (\$50,670 or 4.3 percent). The second step of the rate increase, beginning January 1, 2017, and ending on September 30, 2019, would incorporate the remaining one half of the revenue increase requirement (\$50,670 or 4.3 percent). Southwestern will continue to perform its Power Repayment Studies annually, and if the 2016 results should indicate the need for additional revenues, another rate filing will be conducted and updated revenue requirements implemented for Fiscal Year 2017 and thereafter.

Following the conclusion of the comment period on November 9, 2015, Southwestern finalized the Power Repayment Studies and rate schedule for the proposed annual rate of \$1,282,836 which is the lowest possible rate needed to satisfy repayment criteria. This rate represents an annual increase of 8.6 percent. The Administrator made the decision to submit the rate proposal for interim approval and implementation.

### **COMMENTS AND RESPONSES**

Southwestern received one comment during the public comment period. The comment on behalf of the Vinton Public Power Authority and the Sam Rayburn Generation and Transmission Cooperative expressed no objection to the proposed rate increase.

## **AVAILABILITY OF INFORMATION**

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

## **ADMINISTRATION'S CERTIFICATION**

The 2015 Willis Revised Power Repayment Study indicates that the increased power rate of \$1,282,836 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. 00-037.00A (October 25, 2013), and Section 5 of the Flood Control Act of 1944, the Administrator has determined that the proposed Willis power rate is consistent with applicable law and is the lowest possible rate to the customer consistent with sound business principles.

## **ENVIRONMENT**

The environmental impact of the power rate increase proposal was evaluated in consideration of the Department of Energy'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 (10 C.F.R. part 1021, App. B to subpart D, § B1.1 "Changing rates & prices").

**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 January 1, 2016, through September 30, 2019, the phased-in annual Willis power rate of \$1,282,836 for the sale of power and energy from Willis 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, 2019, or until the FERC confirms and approves the rate on a final basis.

Dated: December 17, 2015

Dr. Elizabeth Sherwood-Randall  
Deputy Secretary

**UNITED STATES DEPARTMENT OF ENERGY  
SOUTHWESTERN POWER ADMINISTRATION  
RATE SCHEDULE RDW-15<sup>1</sup>  
WHOLESALE RATES FOR HYDRO POWER AND ENERGY  
SOLD TO SAM RAYBURN MUNICIPAL POWER AGENCY  
(CONTRACT NO. DE-PM75-85SW00117)**

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<sup>1</sup> Supersedes Rate Schedule RDW-14

**Effective:**

During the period January 1, 2016, through September 30, 2019, in accordance with interim approval from Rate Order No. SWPA-70 issued by the Deputy Secretary of Energy on December 17, 2015 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.

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## **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 January 1, 2016 through December 31, 2016

\$102,681 per month (\$1,232,172 per year) for Robert D. Willis Hydro Power and Energy purchased by SRMPA from January 1, 2016, through December 31, 2016.

#### 1.3.2. Monthly Charge for the Period of January 1, 2017 through September 30, 2019

\$106,903 per month (\$1,282,836 per year) for Robert D. Willis Hydro Power and Energy purchased by SRMPA from January 1, 2017, through September 30, 2019.

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