

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 Town Bluff Dam 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 at Town Bluff Dam 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. Since the hydroelectric facilities at the Town Bluff Dam have been completed, the facilities have been renamed the Robert Douglas Willis Hydropower Project (Robert D. Willis).

The Robert D. Willis rate is unique in that it 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 marketing 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.

The existing rate for the Robert D. Willis project was approved by FERC on October 22, 2001, for the period October 1, 2001, through September 30, 2005.

Discussion

The 2003 current Robert D. Willis power repayment study (PRS) tests the adequacy of the existing rate, based on the latest cost evaluation period extending from FY 2003 through FY 2007, to cover annual expenses for marketing, operation and maintenance, and to amortize additions to plant and major replacements of the generating facilities. The current PRS for the Robert D. Willis project, using the existing annual rate of \$353,700, indicates that the legal requirements to repay all costs will not be met without additional revenue. This shortfall is primarily a result of increased operations and maintenance expenses estimated by the Corps. The revised PRS shows that an additional \$99,252 (28.1 percent) annually is needed to satisfy repayment criteria. Accordingly, Southwestern developed a rate schedule with a

proposed annual rate of \$452,952 that would satisfy repayment criteria.

Pursuant to Title 10, Part 903, Subpart A of the Code of Federal Regulations (10 CFR 903.21), "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions," 50 FR 37837, the Administrator, published notice in the **Federal Register** on June 24, 2003, 68 FR 37483, announcing a 60-day period for public review and comment concerning the proposed minor rate adjustment increase. Southwestern provided notice of the **Federal Register**, together with supporting data, to the customer and interested parties for review and comment during the formal period of public participation. In addition, prior to the formal 60-day public participation process, Southwestern met with the customer representative to discuss with them preliminary information on the proposed rate adjustment. Subsequent to discussions with the customer regarding the initial PRS findings, Southwestern again questioned the Corps regarding the large increase in the operations and maintenance expense estimates. This questioning led to the Corps revising their expense estimates downward, and thereby changing the preliminary results from the initial 35 percent rate increase as stated in the **Federal Register** to a 28.1 percent rate increase. As no requests were received to convene either of the public forums, neither was held. Only one formal comment was received during the public process. That comment, on behalf of the sole customer SRMPA, expressed no objection to the final proposed rate.

Upon conclusion of the comment period, Southwestern finalized the PRS and rate schedule for the proposed annual rate of \$452,952 which is the lowest possible rate needed to satisfy repayment criteria. This rate represents an increase of 28.1 percent over the existing rate.

Information regarding this rate increase, including studies and other supporting material, is available for public review and comment in the offices of Southwestern Power Administration, One West Third Street, Tulsa, Oklahoma 74103-3519.

Comments and Responses

Southwestern received one written comment in which the customer representative expressed no objection to the proposed rate adjustment.

Other Issues

There were no other issues raised during the informal meeting or during the formal public participation period.

Administrator's Certification

The FY 2003 revised Robert D. Willis PRS indicates that the annual power rate of \$452,952 will repay all costs of the project, including amortization of additions to plant and major replacements of the generating facilities consistent with provisions of the Department of Energy (DOE) 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 Robert D. Willis power rate is consistent with applicable law and the lowest possible rate 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, 10 CFR 1021, 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, for the period November 1, 2003, through September 30, 2007, the annual Robert D. Willis rate of \$452,952 for the sale of power and energy from Robert D. 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, 2007, or until the FERC confirms and approves the rate on a final basis.

Dated: October 10, 2003.

Kyle E. McSlarrow,

Deputy Secretary.

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