



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Pick-Sloan Missouri Basin Program--Eastern Division-Rate Order No. WAPA-180

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Proposed Firm Power Service and Sale of Surplus Products Rates.

SUMMARY: Western Area Power Administration (WAPA) is proposing revised rates for Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED) firm power and firm peaking power service, and a new formula rate for sales of surplus products. Current firm power and firm peaking power service rates, under Rate Schedules P-SED-F12 and P-SED-FP12, are in effect through December 31, 2019.

WAPA is proposing to lower the overall charges for firm power and firm peaking power service by 19 percent, as a result of rebalancing the charge components in formula-based Rate Schedules P-SED-F12 and P-SED-FP12 by reducing the drought adder component, increasing the base component, and removing the voltage discount. The proposed rates will provide sufficient revenue to pay all annual costs, including interest expense, and repay investments within the allowable periods. In addition, WAPA is proposing a new formula rate for the sale of surplus products under Rate Schedule P-SED-M1. This new rate schedule will allow for the sale of generation and generation-related products in excess of WAPA's P-SMBP--ED firm power obligations at market rates. WAPA will prepare a brochure providing detailed information on these proposed rates prior to the public information forums listed below. This brochure will be posted to WAPA's website at <https://www.wapa.gov/regions/UGP/rates/Pages/2018-firm-rate-adjustment.aspx>. If approved, the proposed rates, under Rate Schedules P-SED-F13, P-SED-

FP13, and P-SED-M1 would become effective on January 1, 2018, and would remain in effect through December 31, 2022, or until superseded. Publication of this Federal Register notice begins the formal process for the proposed rate adjustment and new sale of surplus products formula rate.

DATES: The consultation and comment period will begin [**INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER**] and end [**INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**]. WAPA will present a detailed explanation of the proposed rates and other modifications at public information forums being held on the following dates and times:

1. August 22, 2017, 9:00 a.m. to 10:30 a.m. MDT, Denver, Colorado.
2. August 23, 2017, 9:00 a.m. to 10:30 a.m. CDT, Sioux Falls, South Dakota.

WAPA will accept oral and written comments at public comment forums on the following dates and times:

1. August 22, 2017, 11:00 a.m. to no later than 12 noon MDT, Denver, Colorado.
2. August 23, 2017, 11:00 a.m. to no later than 12 noon CDT, Sioux Falls, South Dakota.

WAPA will accept written comments anytime during the consultation and comment period.

ADDRESSES: Written comments and/or requests to be informed of Federal Energy Regulatory Commission (FERC) actions concerning the proposed rates submitted by WAPA to FERC for approval should be sent to: Mr. Robert J. Harris, Regional Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, 6th Floor, Billings, MT 59101-1266, or e-mail ugpfirmrate@wapa.gov. Information about this rate process is posted on WAPA's website at <https://www.wapa.gov/regions/UGP/rates/Pages/2018-firm-rate-adjustment.aspx>. WAPA will post official comments received via letter and e-mail to its website

after the close of the comment period. WAPA must receive written comments by the end of the consultation and comment period to ensure they are considered in WAPA's decision process.

Public information and comment forum locations are:

1. Denver – Embassy Suites, 7001 Yampa Street, Denver, Colorado.
2. Sioux Falls – Holiday Inn, 100 West 8th Street, Sioux Falls, South Dakota.

FOR FURTHER INFORMATION CONTACT: Mrs. Linda Cady-Hoffman, Rates Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, 6th Floor, Billings, MT 59101-1266, telephone: (406) 255-2920, e-mail: cady@wapa.gov or UGPFirmRate@wapa.gov.

SUPPLEMENTARY INFORMATION:

Firm Electric Service

On December 2, 2014, the Deputy Secretary of Energy approved, on an interim basis, Rate Order No. WAPA-166 and Rate Schedules P-SED-F12 and P-SED-FP12 for the period beginning January 1, 2015, and ending December 31, 2019 (79 FR 72670-72677 (Dec. 8, 2014)).¹ These Rate Schedules are formula-based, providing for downward adjustments to the drought adder component.² On January 1, 2017, the drought adder component of the P-SMBP--ED effective Rate Schedules was adjusted downward, recognizing repayment of drought costs included in the drought adder component of the approved formula rates. The formula-based drought adder component needs to be adjusted down to zero in 2018 and such adjustment can be

¹ FERC confirmed and approved Rate Order WAPA-166 on a final basis on March 18, 2015, in Docket No. EF15-3-000. See *United States Department of Energy, Western Area Power Administration (Pick-Sloan Missouri Basin Program--Eastern Division)*, 150 FERC ¶ 62,170.

² The drought adder component is a formula-based revenue requirement that includes future purchase power above timing purchases, previous purchase power drought deficits, and interest on the purchase power drought deficits. See 72 FR 64067 (November 14, 2007). The drought adder was added as a component to the energy and capacity rates in Rate Order No. WAPA-135, which was approved by the Deputy Secretary on an interim basis on November 14, 2007 (72 FR 64067). FERC confirmed and approved Rate Order WAPA-135 on a final basis on April 14, 2008, in Docket No. EF08-5031. See *United States Department of Energy, Western Area Power Administration (Pick-Sloan Missouri Basin Program--Eastern Division)*, 123 FERC ¶ 62,048. Western reviews the drought adder each September to determine if drought costs differ from those projected in the Power Repayment Study and whether an adjustment to the drought adder is necessary. See 72 FR at 64071. The drought adder may be adjusted downward using the approved annual drought adder adjustment process, whereas an incremental upward adjustment to the drought adder component greater than the equivalent of 2 mills/kWh requires a public rate process. See 72 FR at 64071.

made using the approved annual drought adder adjustment process. However, since any adjustment to the base component must be done through a public rate process, WAPA now proposes to adjust both the base and drought adder components through a rate adjustment process. WAPA proposes to adjust the formula-based drought adder component of firm power rate schedules down to zero in 2018, while the base component will be adjusted upward to address present costs. The P-SMBP Fiscal Year 2016 Power Repayment Study (PRS) revenue requirement and current water conditions in the P-SMBP are the determining factors for this proposed rate adjustment.

WAPA's Upper Great Plains Region (UGP) is also proposing the removal of the 5 percent voltage discount currently in the existing P-SMBP--ED firm power rate schedule P-SED-F12 and removing it from the firm power revenue requirement determined in the FY 2016 PRS. The voltage discount was originally created by the Bureau of Reclamation (BOR) in its firm power rate schedules prior to the creation of WAPA. This discount was to compensate certain preference customers for providing "transmission" facilities otherwise provided by the BOR and later WAPA. The effect of providing this discount to certain customers is to raise the firm power rates to all customers to recover the dollars lost by providing the discount. By removing the voltage discount, the overall P-SMBP--ED firm power rate will be lower and all firm power customers will pay firm power rates on an equivalent basis. The original intent of the voltage discount has been met in its nearly 70 years of application. The voltage discount has been difficult to administer equitably among customers. It takes considerable staff time to administer, impedes simplifying power and energy billing, and adds complexity to solely Upper Great Plains (UGP) power billing. Removing the voltage discount is revenue neutral for WAPA.

With the removal of the voltage discount taken into account, the proposed total annual

revenue requirement for P-SMBP--ED is \$230.1 million for firm power and firm peaking power service. The existing P-SMBP--ED charges in the current rate schedules for firm power and firm peaking power are being reduced, as indicated in Table 1:

Table 1 - Summary of Current and Proposed Revenue Requirement and Rates

Firm Power Service	Current Under P-SED-F12/ P-SED-FP12 With Modified Drought Adder Reduction As of January 1, 2017	Proposed Under P-SED-F13/ P-SED-FP13 As of January 1, 2018	Percent Change
P-SMBP--ED Revenue Requirement (millions \$)	\$282.7	\$230.1	-19%
P-SMBP--ED Composite Rate (mills/kWh)	28.25	24.00	-15%
Firm Capacity (\$/kW-month)	\$6.50	\$5.25	-19%
Firm Energy (mills/kWh)	16.18	13.27	-18%
Firm Peaking Capacity (\$/kW-month)	\$5.85	\$4.75	-19%
Firm Peaking Energy (mills/kWh) 1/	16.18	13.27	-18%

1/ Firm Peaking Energy is normally returned. This charge will be assessed in the event Firm Peaking Energy is not returned.

Under the current rate methodology, rates for P-SMBP--ED firm power and firm peaking power service are designed to recover an annual revenue requirement that includes investment repayment, interest, purchase power, operation and maintenance, and other expenses within the allowable period. The annual revenue requirement continues to be allocated equally between capacity and energy.

WAPA is proposing to place Rate Schedules P-SED-F13 and P-SED-FP13 into effect for the

5-year period beginning January 1, 2018, through December 31, 2022. The proposed adjustment updates the base component with present costs and reduces the drought adder component to zero, as the drought-related debts are projected to be fully repaid in 2018. The net effect of these adjustments results in an overall decrease to the P-SMBP--ED rates.

Base component costs for the P-SMBP--ED have increased primarily due to inflationary annual and capital cost increases associated with incorporating three new out-year projections into the 5-year cost evaluation period of the current rate-setting PRS. Concurrently, WAPA will be reducing the P SMBP--ED drought adder components of the firm power rates to zero recognizing the full repayment of drought costs in 2018. The anticipated net effect of these planned rate actions is the firm power rate charges for the P-SMBP--ED will be decreasing overall from the current rate charges. A comparison of the current and proposed components is listed in Table 2.

Table 2 - Summary of P-SMBP--ED Charge Components

	Current Charges Under Rate Schedules P-SED-F12 and P-SED-FP12 with Modified Drought Adder Reduction As of January 1, 2017			Proposed Charges Under Rate Schedules P-SED-F13 and P-SED-FP13 As of January 1, 2018			Change
	Base Component	Drought Adder Component	Total Charge	Base Component	Drought Adder Component	Total Charge	
Firm Capacity (/kWmonth)	\$4.90	\$1.60	\$6.50	\$5.25	\$0.00	\$5.25	-19%
Firm Energy (mills/kWh)	12.33	3.85	16.18	13.27	0.00	13.27	-18%
Firm Peaking Capacity (\$/kWmonth)	\$4.45	\$1.40	\$5.85	\$4.75	\$0.00	\$4.75	-19%
Firm Peaking Energy (mills/kWh) 1/	12.33	3.85	16.18	13.27	0.00	13.27	-18%

1/ Firm peaking energy is normally returned. This charge will be assessed in the event firm peaking energy is not returned.

As a part of the current and proposed rate schedules, WAPA provides for a formula-based adjustment of the drought adder component of up to 2 mills/kWh. The 2 mills/kWh cap is intended to place a limit on the amount the drought adder component can be adjusted relative to associated drought costs to recover costs attributable to the drought adder formula rate for any one-year cycle. Continuing to identify the firm power service revenue requirement using base and drought adder components will assist WAPA in the presentation of future impacts of droughts, demonstrate repayment of drought-related costs in the PRS, and allow WAPA to be more responsive to changes caused by drought-related expenses. WAPA will continue to charge and bill its customers firm power and firm peaking power service rates for energy and capacity, which are the sum of the base and drought adder components.

Sale of Surplus Products

In addition to the firm power and firm peaking power rate schedules, WAPA is proposing a new formula-based rate schedule, P-SED-M1, applicable to the sale of surplus energy and capacity products. The schedule includes reserves, regulation, frequency response, and energy. If WAPA UGP surplus products are available, the charge will be determined based on market rates, plus administrative costs. The customer will be responsible for acquiring transmission service necessary to deliver the product(s) for which a separate charge may be incurred. WAPA is proposing to place Rate Schedule P-SED-M1 into effect for the 5-year period beginning January 1, 2018, through December 31, 2022.

Legal Authority

The proposed rates constitute a major rate adjustment, as defined by 10 CFR 903.2(e); therefore, WAPA will hold the public information and public comment forums for this rate

adjustment, pursuant to 10 CFR 903.15 and 903.16. WAPA will review all timely public comments and make amendments or adjustments to the proposals as appropriate. Proposed rates will be forwarded to the Deputy Secretary of Energy for approval on an interim basis.

WAPA is establishing firm power service rates, firm peaking power service rates, and sale of surplus product formula rates for P-SMBP--ED under the Department of Energy (DOE) Organization Act (42 U.S.C. 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts specifically applicable to the projects involved.

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to WAPA's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to FERC. Existing DOE procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985 (50 FR 37835).

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents WAPA initiates or uses to develop the proposed rates will be available for inspection and copying at the Upper Great Plains Regional Office, located at 2900 4th Avenue North, 6th Floor, Billings, Montana. These documents and supporting information will be posted on WAPA's website as they become available under the "2018 Firm Rate Adjustment" section located at <https://www.wapa.gov/regions/UGP/rates/Pages/2018-firm-rate-adjustment.aspx>.

RATEMAKING PROCEDURE REQUIREMENTS:

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: June 27, 2017

Mark A. Gabriel
Administrator

[FR Doc. 2017-13981 Filed: 6/30/2017 8:45 am; Publication Date: 7/3/2017]