



**Department of Energy**  
 Western Area Power Administration  
 Rocky Mountain Customer Service Region  
 P.O. Box 3700  
 Loveland, CO 80539-3003

**OCT 12 2016**

Dear Firm Electric Service Customer:

Western Area Power Administration (WAPA) is required to conduct a preliminary review in the spring and a final review in the fall of each year of the Loveland Area Projects (Pick-Sloan Missouri Basin Program--Western Division and the Fryingpan-Arkansas Project) (LAP) Firm Electric Service Drought Adder component.

On June 30, 2016, WAPA provided notice that the preliminary review of the Drought Adder component had been completed and projected a 3-5 mills/kWh estimated reduction to the Drought Adder component of the LAP Firm Electric Service Rate.

WAPA has since completed its final review of the Drought Adder component. This letter serves as final notice that WAPA is reducing the Drought Adder component of the Pick-Sloan Power Repayment Study by 5 mills/kWh. This reduction represents a 4.86 mills/kWh reduction to the current LAP composite rate of 41.42 mills/kWh. Effective January 1, 2017, the LAP composite rate will be 36.56 mills/kWh and the modified Drought Adder charges will be as follows:

36.56 mills/kWh				Difference	
				Base	Drought Adder Reduction
	<b>Base</b>	<b>Reduced DA</b>	<b>2017 Total Charge</b>	<b>Base</b>	<b>Drought Adder Reduction</b>
Firm Capacity	\$3.92/kWmo	\$0.87/kWmo	\$4.79/kWmo	--	\$0.64 /kWmo
Firm Energy	14.95 mills/kWh	3.33 mills/kWh	18.28 mills/kWh	--	2.43 mills/kWh

Further information concerning the LAP Firm Electric Service Rates can be found online at <https://www.wapa.gov/regions/RM/rates/pages/Loveland-area.aspx>. If you have any questions concerning this notice, please contact Sheila D. Cook, Rocky Mountain Region Rates Manager at (970) 461-7211 or email [scook@wapa.gov](mailto:scook@wapa.gov).

Sincerely,



David Neumayer  
 Vice President of Power Marketing  
 Rocky Mountain Region

Enclosure: Notice of Drought Adder Modification

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**LOVELAND AREA PROJECTS**

**MODIFIED DROUGHT ADDER CHARGES  
FOR FIRM ELECTRIC SERVICE**

(Rate Schedule L-F10, Approved Under Rate Order No. WAPA-167)

Effective:

The first day of the first full billing period beginning on or after January 1, 2017, through December 31, 2019, or until modified or superseded by a new rate schedule.

Monthly Charge as of January 1, 2017, under the Rate:

CAPACITY CHARGE:

\$4.79 per kilowatt of billing capacity.

ENERGY CHARGE:

18.28 mills per kilowatthour (kWh) of monthly entitlement.

**BILLING CAPACITY:** Unless otherwise specified by contract, the billing capacity will be the seasonal contract rate of delivery.

**Base (Unchanged):** A fixed revenue requirement that includes operation and maintenance expense, investment repayment and associated interest, normal timing power purchases (purchases due to operational constraints, not associated with drought), and transmission costs.

$$\text{Base Capacity} = \frac{50\% \times \text{Base Revenue Requirement}}{\text{Firm Billing Capacity}} = \$3.92/\text{kWmonth}$$

$$\text{Base Energy} = \frac{50\% \times \text{Base Revenue Requirement}}{\text{Annual Energy}} = 14.95 \text{ mills/kWh}$$

**Drought Adder (Modified):** A formula-based revenue requirement that includes future purchase power expense in excess of timing purchases, previous purchase power drought deficits, and interest on the purchase power drought deficits. As of January 1, 2017, the charges are:

$$\text{Drought Adder Capacity} = \frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Firm Billing Capacity}} = \$0.87/\text{kWmonth}$$

$$\text{Drought Adder Energy} = \frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Annual Energy}} = 3.33 \text{ mills/kWh}$$