

# Loveland Area Projects

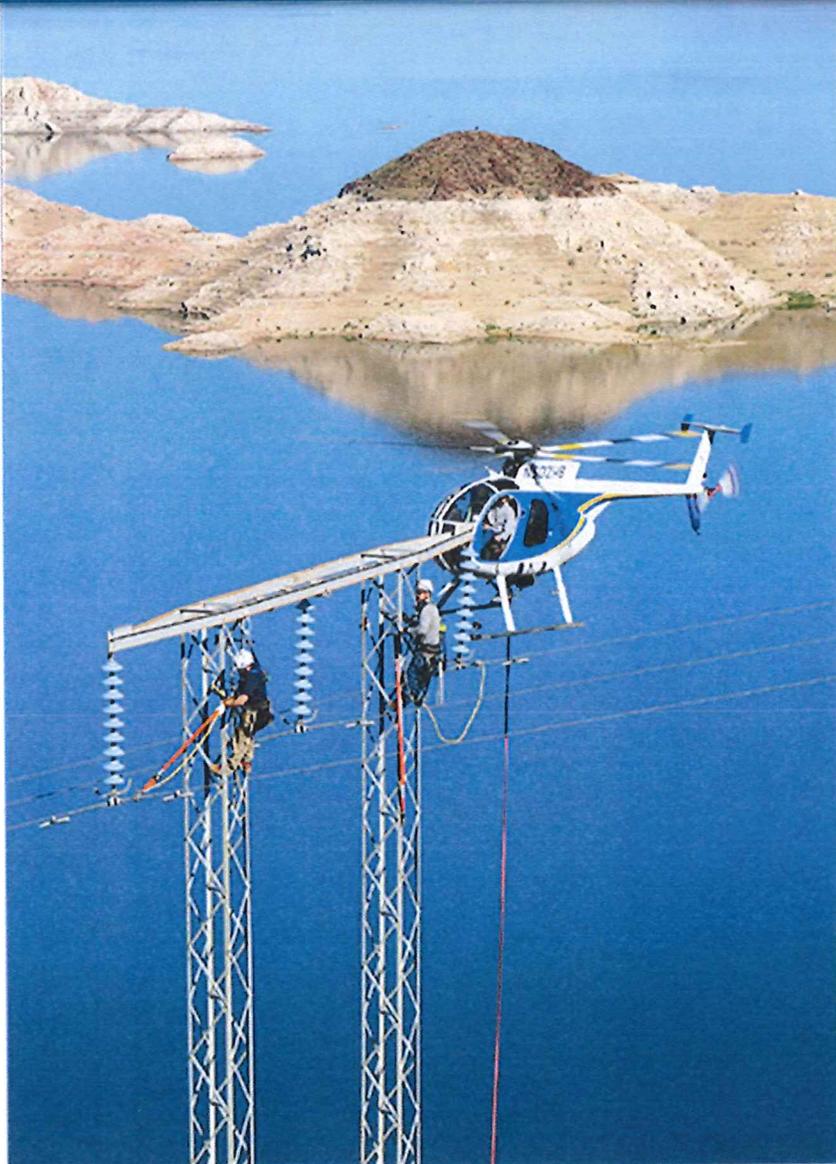
WESTERN AREA POWER ADMINISTRATION



**Customer Brochure – July 2017**

**Proposed Rates for Firm Electric Service and Sale of Surplus Products  
2018 Rate Adjustment Process**

**Rate Order No. WAPA-179**



## CONTACT INFORMATION

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**Mr. David Neumayer**  
Vice President of Power Marketing  
for Rocky Mountain Region  
Western Area Power Administration  
5555 East Crossroads Boulevard  
Loveland, CO 80538-8986  
Telephone (970) 461-7322  
*Email: [neumayer@wapa.gov](mailto:neumayer@wapa.gov)*

**Mrs. Sheila D. Cook**  
Rates Manager  
Rocky Mountain Region  
Western Area Power Administration  
5555 East Crossroads Boulevard  
Loveland, CO 80538-8986  
Telephone (970) 461-7211  
*Email: [scook@wapa.gov](mailto:scook@wapa.gov)*

**Mrs. Tamala D. Gheller**  
Rates Analyst  
Rocky Mountain Region  
Western Area Power Administration  
5555 East Crossroads Boulevard  
Loveland, CO 80538-8986  
Telephone (970) 461-7312  
*Email: [gheller@wapa.gov](mailto:gheller@wapa.gov)*

## E-MAIL ADDRESS FOR OFFICIAL COMMENTS

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Email: [LAPFirmAdj@wapa.gov](mailto:LAPFirmAdj@wapa.gov)

## MATERIALS POSTED ON WEBSITE

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<https://www.wapa.gov/regions/RM/rates/Pages/2018-Rate-Adjustment---Firm-Power.aspx>

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## **I. INTRODUCTION**

This brochure provides information on Western Area Power Administration's (WAPA) proposed firm electric service and sale of surplus products rate adjustment for the Loveland Area Projects (LAP) under Rate Order No. WAPA-179. The rate adjustment are outlined in Section V of this brochure.

The current firm electric service rates under Rate Order WAPA-167, Rate Schedule L-F10, became effective January 1, 2015, and extend through December 31, 2019. The rate schedule is formula-based and consists of a base charge component and a drought adder charge component. The base component tracks the revenue requirement needed to pay annual operating expenses and repayment of capital investments, including interest. The drought adder component tracks the revenue requirement needed to pay drought related costs. These components were implemented within the firm electric service rate schedule in 2008 as a way to make the tracking of drought related costs more transparent and also as a means for the LAP rate to be more responsive to cost increases related to drought conditions.

Recognizing repayment of drought costs included in the approved formula rates, under Rates Schedule L-F10, the drought adder component was adjusted downward nearly 5 mills/kWh effective January 1, 2017. WAPA is now proposing the drought adder component be reduced to zero, considering the remaining drought costs in the Pick-Sloan Power Repayment Study (PRS) are planned to be fully repaid in 2018. WAPA is also proposing the base component be adjusted upward to address present costs. Overall, the LAP rate will be reduced by 14 percent; which establishes the need for this public process. See Section III for further details.

In addition to the base and drought adder adjustments identified above, WAPA is proposing to modify the existing Sale of Surplus Products Rate Schedule, L-M1, approved under Rate Order WAPA-174 for the period beginning October 1, 2015, and ending September 30, 2021. This rate schedule allows for the sale of generation and generation-related products in excess of LAP's firm electric service obligations. WAPA is proposing to add "energy" as a fourth surplus product. Further details are provided in Section IV.

WAPA is proposing to place new rate schedules, Rate Schedules L-F11 and L-M2, into effect for a new 5-year period beginning January 1, 2018, and ending December 31, 2022. See Exhibit 1 and Exhibit 4.

If for some reason the proposed rates are not approved by the Deputy Secretary in time to meet the January 1, 2018, timeframe, WAPA will continue to follow the drought adder rate component adjustment process; whereby we can reduce the drought adder component; which will reduce the overall composite rate to where it needs to be.



### III. FIRM ELECTRIC SERVICE

On December 2, 2014, the Deputy Secretary of Energy approved, on an interim basis, LAP Rate Schedule L-F10 under Rate Order No. WAPA-167 for the period beginning January 1, 2015, and ending December 31, 2019 (79 FR 72663-72670 (Dec. 8, 2014)). The rate schedule is formula-based, providing for adjustments to the drought adder component. On January 1, 2017, the drought adder component of the effective rate schedule was adjusted downward recognizing repayment of drought costs included in the drought adder component of the approved formula rates.

The base component is a fixed revenue requirement that includes annual O&M expenses, investment repayment and associated interest, normal timing power purchases, and transmission costs. WAPA's normal timing power purchases are due to operational constraints (e.g., management of endangered species habitat, water quality, navigation, control area purposes, etc.) and are not associated with drought conditions. The drought adder component is a formula-based revenue requirement that includes costs attributable to drought conditions. The drought adder component includes costs associated with future non-timing purchases of additional power to meet firm obligations not covered with available system generation due to a drought, previously incurred deficits due to purchased power debt that resulted from non-timing power purchases made during a drought, and the interest associated with drought debt. The drought adder component is designed to repay WAPA's drought debt within 10 years from the time the debt was incurred, using balloon-payment methodology.

WAPA reviews its firm electric service rates annually. The base rate component is reviewed after the annual PRSs are complete, generally in the first quarter of the calendar year. If an adjustment to the base charge component is necessary, WAPA will initiate a public process pursuant to 10 CFR part 903.15 and 903.16 prior to making an adjustment.

As a part of the current and proposed rate schedule, WAPA provides for a formula-based adjustment of the drought adder 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 without having to initiate a public process to recover costs attributable to the drought adder formula rate for any one-year cycle. In accordance with the original implementation of the drought adder rate component, WAPA conducts a preliminary review of the drought adder component in early summer and notifies customers of any preliminary estimated change they can expect for the following January. The drought adder rate component will be finalized in September to determine if drought costs differ from those projected in the PRSs. If an adjustment, either incremental or decremental, to the drought adder charge component is necessary, WAPA will notify customers by letter in October of the planned incremental or decremental adjustment and implement the adjustment in the January billing cycle. As is the case with this rate adjustment process, a decremental adjustment to the drought adder component will occur as drought costs are going to zero; however, an adjustment cannot result in a negative drought adder charge component. Implementation of the drought adder rate component adjustment on January 1 of each year helps keep the drought deficits from escalating as quickly, lowers the interest expense due to drought deficits,

demonstrates responsible deficit management, and provides prompt drought deficit repayments.

A. Proposed LAP Firm Electric Service Rates (Exhibit 1):

- a. The LAP revenue requirement is composed of a Base component revenue requirement and a Drought Adder component revenue requirement, as follows:

Current Revenue Requirement:

Base Component	\$60,992,600	
Drought Adder Component	<u>\$13,578,040</u>	
LAP Revenue Requirement 36.56 mills/kWh		\$74,570,640

The Fry-Ark and Pick-Sloan Fiscal Year 2016 PRS revenue requirements and current water conditions are the determining factors for this proposed rate adjustment. The PRSs set the LAP annual revenue requirement for 2018 at \$64.1 million; which results in a 14 percent decrease. The drought adder component needs to be adjusted down to zero in 2018, while an upward adjustment to the base component is needed. The decrease to the drought adder component could be done through the approved annual drought adder adjustment process; however, an adjustment to the base component requires WAPA to initiate a formal public process.

PROPOSED Revenue Requirement:

Base Component + 1.54 mills/kWh	\$64,143,960	
Drought Adder Component -6.66 mills/kWh	<u>\$ 0</u>	
		<u>-\$10,426,680</u>
LAP Revenue Requirement 36.56 - 5.12 = 31.44 mills/kWh		\$64,143,960

LAP's \$64.1 million revenue requirement consists of \$13.3 million for Fry-Ark and \$50.8 million for Pick-Sloan--Western Division. Compared to the current revenue requirements for these projects, Fry-Ark is 13 percent lower and Pick-Sloan--WD is 14 percent lower. The revenue requirement contributions from each project are detailed below.

- i. Pick-Sloan--WD: The current annual revenue requirement for Pick-Sloan--WD firm power is \$59,242,400; based on the projected sales of roughly 450 MW of capacity and 1,988 GWh of energy.

Current Revenue Requirement:

Base: 23.14 mills/kWh	\$45,664,360	
Dr. Adder: 6.66 mills/kWh	<u>\$13,578,040</u>	
P-S--WD Rev Req 29.80 mills/kWh		\$59,242,400

The Pick-Sloan--WD revenue requirement associated with the base component is increasing primarily due to inflationary annual and capital cost increases associated with incorporating three new out-year projections into the

5-yr cost evaluation period of the current rate-setting PRS. Pick-Sloan--WD's revenue requirement associated with the drought adder component is being adjusted to zero as the costs are projected to be fully repaid in 2018. For further details on the Pick-Sloan PRS and revenue requirements, see Rate Order No. WAPA-180 and associated rate brochure on WAPA's website at <https://www.wapa.gov/regions/UGP/rates/Pages/2018-firm-rate-adjustment.aspx>.

**PROPOSED Revenue Requirement:**

Base:	+2.41 mills/kWh	\$ 5,129,040	
Dr. Adder:	-6.66 mills/kWh	<u>-\$13,578,040</u>	
			<u>-\$ 8,449,000</u>
P-S--WD Rev Req	29.80-4.25 = 25.55 mills/kWh		\$50,793,400

- ii. Fry-Ark: The current annual revenue requirement for Fry-Ark is \$15,328,240, based on projected sales of 200 MW of capacity and 52 GWh of energy.

**Current Revenue Requirement:**

Base:	6.76 mills/kWh	\$15,328,240	
Dr. Adder:	0.00 mills/kWh	<u>\$ 0</u>	
Fry-Ark Rev Req	6.76 mills/kWh		\$15,328,240

The Fry-Ark revenue requirement associated with the base component has decreased, even considering the 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. The reason for the decrease is attributable to a decrease in annual expense projections and an increase in ancillary services revenue projections in the current rate-setting PRS compared to the previous rate-setting PRS. Fry-Ark's revenue requirement associated with the drought adder component has been zero since the January 2015 rate adjustment.

**PROPOSED Revenue Requirement:**

Base:	-0.87 mills/kWh	-\$1,977,680	
Dr. Adder:	0 mills/kWh	<u>\$ 0</u>	
			<u>-\$ 1,977,680</u>
Fry-Ark Rev Req	6.76 - 0.87 = 5.89 mills/kWh		\$13,350,560

- b. LAP Rate Design: The LAP firm electric service rate is designed to return 50 percent of the revenues from the firm capacity component and 50 percent from the firm energy component. The capacity component is based on a monthly billing of the seasonal contract rate of delivery. The energy component is based on the annual contracted energy.

**Monthly Rates**

Using the proposed revenue requirements, the calculations for the Total Capacity and Energy charges are as follows:

Capacity Charge:

$$\frac{(\$64,143,960/2) = \$32,071,980}{(690.8 \text{ MW} + 605.3 \text{ MW}) \times (6) \times (1,000)} = \$4.12/\text{kWmonth}$$

Energy Charge:

$$\frac{(\$64,143,960/2) = \$32,071,980}{2,040 \text{ GWh} \times (1,000)} = 15.72 \text{ mills/kWh}$$

Charge Components: The calculations for the Base and Drought Adder charges are as follows:

Base

Capacity Charge:

$$\frac{(\$64,143,960/2) = \$32,071,980}{(690.8 \text{ MW} + 605.3 \text{ MW}) \times (6) \times (1,000)} = \$4.12/\text{kWmonth}$$

Energy Charge:

$$\frac{(\$64,143,960/2) = \$32,071,980}{2,040 \text{ GWh} \times (1,000)} = 15.72 \text{ mills/kWh}$$

Drought Adder

Capacity Charge:

$$\frac{(\$0/2) = \$0}{(690.8 \text{ MW} + 605.3 \text{ MW}) \times (6) \times (1,000)} = \$0.00/\text{kWmonth}$$

Energy Charge:

$$\frac{(\$0/2) = \$0}{2,040 \text{ GWh} \times (1,000)} = 0.00 \text{ mills/kWh}$$

Total LAP Capacity Charge

\$4.12/kWmonth

Total LAP Energy Charge

15.72 mills/kWh

A rolled-up comparison of the current and proposed revenue requirements, rates, and rate components are listed in Tables 1 and 2 below.

**Table 1 – LAP Firm Electric Service Revenue Requirement and Rates**

<b>Firm Electric Service</b>	<b>Current Under L-F10 with Adjusted Drought Adder As of January 1, 2017</b>	<b>Proposed Under L-F11 As of January 1, 2018</b>	<b>Percent Change</b>
<b>LAP Revenue Requirement (million \$)</b>	\$74.5	\$64.1	-14%
Pick-Sloan—WD	\$59.2	\$50.8	-14%
Fry-Ark	\$15.3	\$13.3	-13%
Composite Rate	36.56 mills/kWh	31.44 mills/kWh	-14%
Firm Energy Rate	18.28 mills/kWh	15.72 mills/kWh	-14%
Firm Capacity Rate	\$4.79/kW-month	\$4.12/kW-month	-14%

**Table 2 –LAP Charge Components**

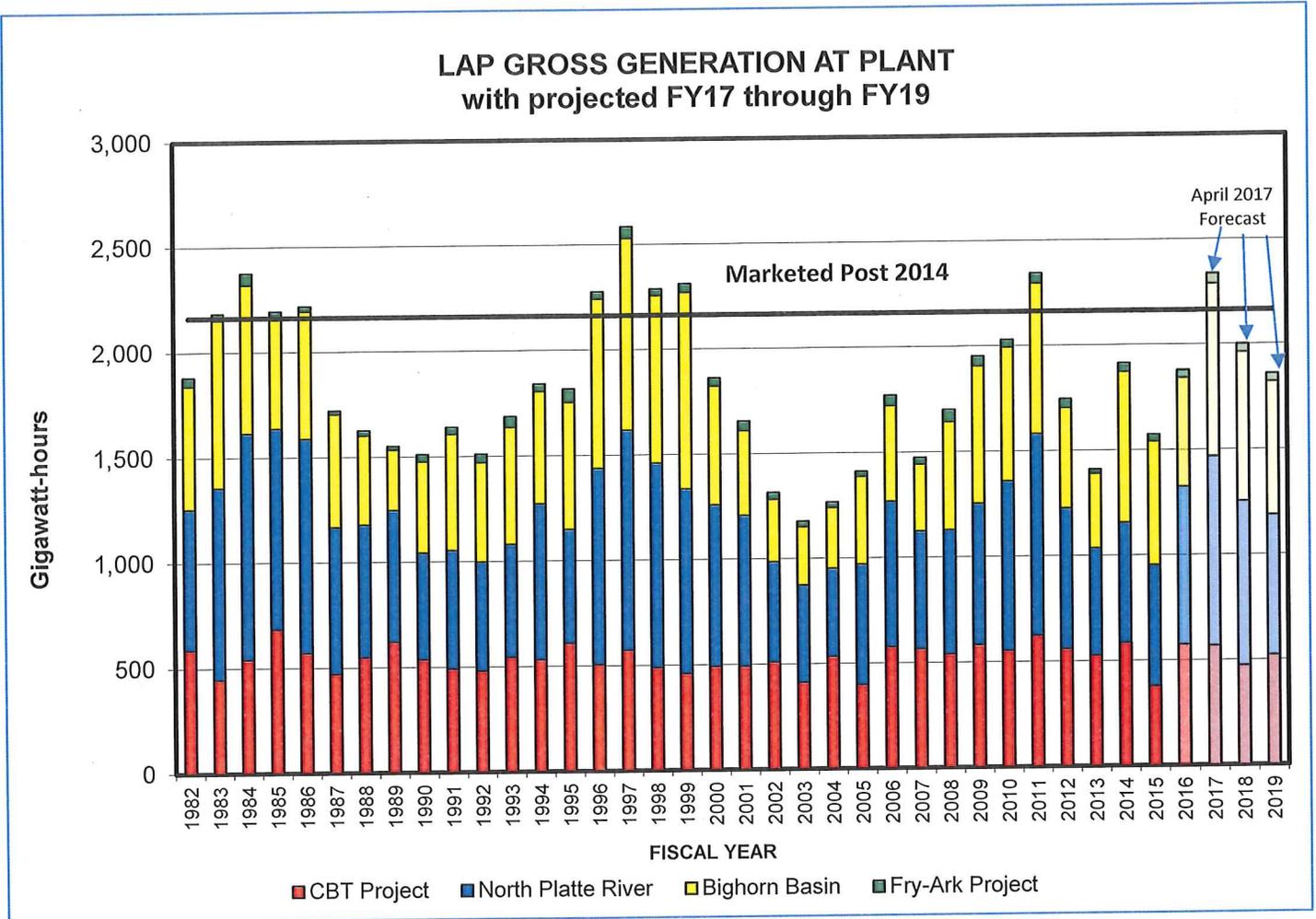
	<b>Existing Charges Under Rate Schedule L-F10 with Adjusted Drought Adder As of January 1, 2017</b>		<b>Proposed Charges Under Rate Schedule L-F11 As of January 1, 2018</b>	
	<b>Firm Energy</b>	<b>Firm Capacity</b>	<b>Firm Energy</b>	<b>Firm Capacity</b>
Base	14.95 mills/kWh	\$3.92/kWmonth	15.72 mills/kWh	\$4.12/kWmonth
Drought Adder	3.33 mills/kWh	\$0.87/kWmonth	0.00 mills/kWh	\$0.00/kWmonth
Total	18.28 mills/kWh	\$4.79/kWmonth	15.72 mills/kWh	\$4.12/kWmonth

B. Supporting Information:

a. Hydro Conditions

- i. Pick-Sloan--WD: As of May 2017, the entire LAP area was considered drought free due to spring storms. Reservoir inflows have been above normal in the region so far this year; 114 percent of average for Colorado-Big Thompson (C-BT), 111 percent for the North Platte Basin, and 223 percent in the Bighorn Basin. The combined reservoir inflow has been 165 percent of average. The resulting reservoir storage at the end of April was 117 percent of average, up from 96 percent of average last year.

- ii. Fry-Ark: Since the Mount Elbert Powerplant is a pumped-storage powerplant, the operation is relatively unaffected by hydrologic conditions and much more dependent on unit availability.



b. Power Repayment Studies (see Exhibits 2 and 3)

- i. Pick-Sloan: A PRS is prepared annually by WAPA with the cooperation of Reclamation and the Corps of Engineers (Corps). Basic river basin hydrology, water depletions, power generation, and project development data and cost information are supplied by Reclamation and the Corps.
- ii. Fry-Ark: A PRS is prepared annually by WAPA and coordinated with Reclamation for project development data and cost information.

PRSs are prepared in accordance with authorizing legislation and with Department of Energy (DOE) Order No. RA 6120.2 (Power Marketing Administration Financial Reporting).

The PRS summarizes historic income, expenses, and investment to be repaid from power revenues. It also estimates income, expenses, and investments for future years, as well as calculating the application of revenues, the annual repayment of power system production and transmission costs, and displaying other costs assigned to power for repayment. The PRS also calculates the total Federal investment remaining to be repaid over the repayment period.

Revenues, expenses, and investments are entered into the PRS from historical data and from short-term, future budget estimates. These figures are then used to estimate long-term projections of revenues and expenses.

The purpose of a PRS is to determine the ability of power rates to generate sufficient revenue for repayment of project investments and costs during the project's repayment period. A PRS contains the following components:

- a. Resources and Annual Revenues: In the PRS for Pick-Sloan, future available energy resources (based on the latest hydrology, depletions, and marketing projections) are multiplied by a composite energy yield rate to determine annual revenue estimates. In the PRS for Fry-Ark, flow-through energy is valued at the current LAP energy rate. The remaining revenue is attributed to capacity sales.

For the Pick-Sloan 2016 Rate Set PRS, future Pick-Sloan--WD annual firm energy sales are based on an annual energy amount of 1,988 GWh and capacity sales are based on actual LAP contract commitments (491 MW for summer season and 405 MW for winter season). For the 2016 Fry-Ark Rate Set PRS, capacity sales are based on marketing the available 200 MW of capacity and 52 GWh of flow-through energy. In addition, each Project's PRS includes other revenues, such as economy energy, ancillary services, and transmission revenues.

- b. Annual Revenue Deductions or Expenses: Unless required payments are due, revenues are normally first applied to repayment of annual expenses which include O&M, Purchased Power, Transmission, and Interest on investments.

Annual Expenses: O&M expenses shown in each PRS reflect the costs associated with the operation of powerplants, substations, and transmission lines, as well as labor and supplies associated with maintenance. O&M expenses also reflect costs for nonrecurring maintenance and administrative overhead. The cost of purchased power and transmission required for firm contractual obligations is also included in annual expenses.

Historical O&M expenses are based on accounting records through September 30, 2016. Projected O&M expenses are based on the FY 2018 budget documents.

For Fry-Ark, the routine O&M in the “out year” in the current PRS increased approximately 1 percent over the routine O&M in the “out year” that set the January 1, 2015, rate. This increase in O&M between the 2013 Rate Setting PRS and the 2016 Rate Setting PRS is related to the realignment of base budget costs for Reclamation, as well as normal inflationary costs.

For Pick-Sloan, the routine O&M in the “out-year” in the current PRS has increased approximately 5 percent over the routine O&M in the “out-year” in the PRS that set the January 1, 2015, rate. This increase in O&M between the 2015 Rate Setting PRS and the 2016 Rate Setting PRS is related to an increase in facility maintenance, as well as normal inflationary costs.

LAP Purchased Power costs are projected for two future years. The projections are based on Reclamation’s generation projections for FYs 17-18. Purchases for energy imbalance, losses, and timing are also projected. Some of these purchases are offset by projected revenues that are to be received from providing the service(s).

Transmission expenses are included in the Fry-Ark PRS through 2024, the end of LAP’s marketing plan. Transmission expenses are included in the Pick-Sloan PRS for the full 100 years of the study.

Interest Expenses: The yearly interest expenses are paid next. Historical interest expenses in each PRS are based on accounting records through September 30, 2016. Projected interest expenses reflect the various interest rates applicable to the unpaid balances of outstanding investments.

The interest rates of unpaid balances in the 2016 Pick-Sloan PRS vary from 0 to 11.07 percent. The 2016 Fry-Ark PRS has one unpaid investment at the original 3.046 percent interest rate.

- c. Deficit Repayment: Project deficits (expenses exceeding revenues), or a portion thereof, are normally paid after annual expenses have been paid. These deficits are capitalized at current interest rates and classified into two categories:

Category 1 – A deferred interest expense deficit

Category 2 – A deferred annual expense deficit

Pick-Sloan unpaid deficits recorded through FY 2016 total \$113 million. Projected Deficit repayment in the 2016 PRS is expected to be fully repaid in 2018. There are no unpaid deficits or projected deficits in the Fry-Ark Rate Setting PRS.

- d. Investment Repayment: Investments are normally repaid on the basis of the highest interest-bearing investment being paid first. However, if the repayment of a period of a low interest-bearing investment is about to expire, the low interest investment may take repayment precedence. The classification of investment(s) to be repaid are described below.
- e. Replacements and Additions: Replacements are defined as features or equipment that need to be replaced to ensure project performance. Replacements carry current interest rates and are required to be repaid within each unit's estimated service life (not to exceed 50 years). The total electric plant investment for a project is used in computing the estimated future replacement costs for the project. Additions are defined as a project feature or facility that is not included in the original authorizing legislation and are given a 50 year repayment period.

The historical replacements in the rate-setting PRSs are based on accounting records through September 30, 2016. Replacements within the 5-year budget period (2017-2021) are based on the FY 2018 budget documents. Beyond the budget period, each PRS estimates replacements by units of property and service life factors based on data from the "Replacements Units, Service Lives, and Factors" manual published by Reclamation and WAPA in May 1989, and updated in May 2006.

To compare the power investment (replacements and additions) in the current PRS with the power investment from the prior Rate Setting PRS, WAPA compared the cumulative investment in the last year in the 2013 Rate Setting PRS, 2063, with the same year in the 2016 Rate Setting PRS.

In the Fry-Ark 2013 Rate Setting PRS, the cumulative power investment in 2063 was \$197.7 million. In the current 2016 Rate Setting PRS, the cumulative power investment through 2063 is \$200.5 million.

For Pick-Sloan, WAPA compared 2113, the last year in the FY 2013 Rate Setting PRS. In the 2013 Rate Setting PRS, cumulative power investment in 2113 was \$5.485 billion. In the current 2016 Rate Setting PRS, the cumulative power investment is \$5.649 billion in 2113.

- f. Project Investments: Project investments are the original Federal investments authorized by legislation and are given a 50 year repayment period. The interest rate which applies to these investments is defined as the project interest rate. Portions of the project's multipurpose features which are allocated to power are included in project investments.

The project interest rates in the Pick-Sloan PRS are 2.5 percent and 3.0 percent. The project interest rate in the Fry-Ark PRS is 3.046 percent.

- g. Irrigation Assistance: Generally, power users are required to pay irrigation investment that is beyond the irrigators' ability to repay. Interest is not accrued on irrigation investments. Pick-Sloan currently includes irrigation investments in the PRS; whereas, Fry-Ark does not have any irrigation assistance assigned to power at this time.

C. Rate History:

LAP Rate History						
Schedule	PRS	Effective Date	Firm Capacity	Firm Energy	Composite	Change
			(\$/kWmonth)	(mills/kWh)	(mills/kWh)	(%)
L-F1		October 1, 1989	\$ 1.84	7.15	14.30	
L-F2	FY1989	October 1, 1990	\$ 2.15	8.39	16.77	17.3%
L-F3-step 1	FY1990	October 1, 1991	\$ 2.46	9.59	19.17	14.3%
L-F3-step 2	FY1990	October 1, 1992	\$ 2.58	10.03	20.06	4.6%
L-F4-step 1	FY1992	February 1, 1994	\$ 2.65	10.33	20.67	3.0%
L-F4-step 2	FY1992	October 1, 1994	\$ 2.85	10.85	21.70	5.0%
L-F5-step 1	FY2003	February 1, 2004	\$ 3.08	11.72	23.44	8.0%
L-F5-step 2	FY2003	October 1, 2004	\$ 3.14	11.95	23.90	2.0%
L-F6-step 1	FY2004	January 1, 2006	\$ 3.43	13.06	26.12	9.3%
L-F6-step 2	FY2004	January 1, 2007	\$ 3.59	13.68	27.36	4.7%
L-F7	FY2006	January 1, 2008	\$ 4.25	16.21	32.42	18.5%
		<i>Base</i>	\$ 3.13	11.92		
		<i>Drought Adder</i>	\$ 1.12	4.29		
L-F8	FY2007	February 1, 2009	\$ 4.88	18.62	37.24	14.9%
		<i>Base</i>	\$ 3.21	12.23		
		<i>Drought Adder</i>	\$ 1.67	6.39		
L-F9	FY2008	January 1, 2010	\$ 5.43	20.71	41.42	11.2%
		<i>Base</i>	\$ 3.29	12.54		
		<i>Drought Adder</i>	\$ 2.14	8.17		
L-F10	FY2013	January 1, 2015	\$ 5.43	20.71	41.42	0.0%
		<i>Base</i>	\$ 3.92	14.95		
		<i>Drought Adder</i>	\$ 1.51	5.76		
L-F10 modified	FY2016	January 1, 2017	\$ 4.79	18.28	36.56	-11.7%
		<i>Base</i>	\$ 3.92	14.95		
		<i>Drought Adder</i>	\$ 0.87	3.33		

#### IV. SURPLUS PRODUCTS

On August 12, 2016, the Deputy Secretary of Energy approved, on an interim basis, Rate Schedule L-M1 under Rate Order No. WAPA-174, for the period beginning October 1, 2016, and ending September 30, 2021 (81 FR 56632 (August 22, 2016)). Rate schedule L-M1 is formula based and allows LAP Marketing to sell generation and generation-related products that are in excess of LAP's firm electric service obligations. If LAP resources are available, the charge for each product will be determined at the time of the sale based on market rates plus administrative costs.

The current Sale of Surplus Products Rate Schedule, L-M1, allows for the sale of reserves, regulation, and frequency response. WAPA is proposing to add "energy" as a fourth surplus product. See Exhibit 4.

LAP Marketing has historically sold these products and simply implemented this rate schedule in 2016 as a means to document WAPA's authority to do so. Implementing this rate schedule had no impact on the manner or length in which the products are sold. Since LAP's implementation, WAPA has determined the other regions will implement a similar rate schedule.

## V. RATE ADJUSTMENT PROCEDURES

### Public Process

The formal Public Consultation and Comment Period began with the publication of the Notice of Proposed Rates in the Federal Register on July 3, 2017, and ends 90 days from the publication date, October 2, 2017. A Public Information Forum and a Public Comment Forum will be held in which interested parties may consult with and obtain information from Western-RMR representatives about the rate proposals.

During the Public Information Forum, WAPA-RMR representatives will explain the need for the Proposed Rate adjustment and answer questions. Questions not answered at the Public Information Forum will be answered in writing at least 15 days before the end of the Consultation and Comment Period.

At the Public Comment Forum, interested persons may submit written or oral comments. Responses will be provided in the published Notice of Final Rates.

Both the Public Information Forum and the Public Comment Forum will be recorded and transcribed. Copies of the transcript will be available for purchase from the Court Reporter.

All interested parties may submit written comments to WAPA at any time during the Consultation and Comment Period. All comments must be received by WAPA by the end of the comment period to be considered in the decision process. Written comments should be sent to:

Mr. Michael D. McElhany  
Acting Regional Manager  
Rocky Mountain Region  
Western Area Power Administration  
5555 East Crossroads Boulevard  
Loveland, CO 80538-8986

Comments may also be e-mailed to [lapfirmadj@wapa.gov](mailto:lapfirmadj@wapa.gov)

For further information, please contact:

Mrs. Sheila D. Cook  
Rates Manager  
Rocky Mountain Region  
Western Area Power Administration  
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Loveland, CO 80538-8986  
Telephone: (970) 461-7211  
e-mail: [scook@wapa.gov](mailto:scook@wapa.gov)

### **Revision and/or Finalization of Proposed Rates**

After the Consultation and Comment Period has expired and WAPA has conducted a thorough review of oral and written comments, WAPA may make revisions to the rate proposals. If WAPA's Administrator decides that further public comment on the revised proposals should be solicited, a second consultation and comment period may be initiated. In that event, one or more additional meetings will be convened.

### **Deputy Secretary's Confirmation of Provisional Rates**

Following the end of the Consultation and Comment Period(s), WAPA will finalize development of the rate proposals. WAPA will request the Deputy Secretary confirm, approve, and place the rates in effect on a provisional basis. The decision and an explanation of the principal factors leading to the decision will be announced in the Federal Register.

### **FERC's Approval of the Rates**

The Deputy Secretary will submit all information concerning the provisional rates to the Federal Energy Regulatory Commission (FERC) and request approval. FERC may then confirm and approve the rates, remand them to WAPA for further study, or disapprove the rates.

## VI. 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.

## **VII. PROJECT DESCRIPTIONS**

### **Pick-Sloan Missouri Basin Program--Western Division**

The initial stages of the Missouri River Basin Project were authorized by section 9 of the Flood Control Act of December 22, 1944 (58 Stat. 877, Public Law 534, 78<sup>th</sup> Congress, 2<sup>nd</sup> session). The Missouri River Basin Project has been under construction since 1944. It was later renamed the Pick-Sloan Missouri Basin Program to honor its two principal authors. The Pick-Sloan encompasses a comprehensive program, with the following authorized functions: flood control, navigation improvement, irrigation, municipal and industrial water development, and hydroelectric production for the entire Missouri River Basin. Multipurpose projects have been developed on the Missouri river and its tributaries in Colorado, Montana, Nebraska, North Dakota, South Dakota, and Wyoming.

The Colorado-Big Thompson (C-BT), Kendrick, and Shoshone projects were administratively combined with Pick-Sloan in 1954, followed by the North Platte Project in 1959. These projects are known as the "Integrated Projects" of the Pick-Sloan. The Riverton Project was reauthorized as a unit of Pick-Sloan in 1970.

Western Division generating resources include five units of the Pick-Sloan and four other Reclamation projects authorized before Pick-Sloan, but that are integrated with Pick-Sloan for repayment purposes. The Boysen, Glendo, Kortez, Riverton, and Yellowtail Pick-Sloan units include the Boysen, Glendo, Fremont Canyon, Kortez, Pilot Butte, and Yellowtail powerplants. The C-BT, Kendrick, North Platte, and Shoshone projects include the Green Mountain, Marys Lake, Estes, Pole Hill, Flatiron, Big Thompson, Seminoe, Alcova, Guernsey, Shoshone, Buffalo Bill, Heart Mountain, and Spirit Mountain powerplants. Reclamation operates and maintains all Western Division powerplants. The Western Division's powerplants' combined installed capability is 630 MW.

### **Fryingpan-Arkansas Project**

Fry-Ark is a transmountain diversion project in central and southeastern Colorado which was authorized by the Act of August 16, 1962 (Public Law 87-590, 76 Stat. 399, as amended by Title XI of the Act of October 27, 1974, Public Law 93-493, 88 Stat. 1487). Fry-Ark diverts water from the Fryingpan River and other tributaries of the Roaring Fork River to the Arkansas River on the East Slope of the Continental Divide. The Fryingpan and Roaring Fork Rivers are part of the Colorado River Basin, on the West Slope of the Rocky Mountains. The water diverted from the West Slope, together with regulated Arkansas River water, provides supplemental irrigation, municipal and industrial water supplies and hydroelectric power production. Flood control, fish and wildlife enhancement, and recreation are also supported by these water diversions.

The project has six dams and five reservoirs with a total storage of 741,000 acre-feet of water, 70 miles of tunnels and canals and a pumped-storage powerplant at Mount Elbert. Its two generating units have an installed capacity of 200 MW. While the majority of project capacity depends on water pumped during off-peak hours and water releases for power production when needed, some generation is attributed to flow-through water. Authorization for the first 100 MW unit of the powerplant was granted on August 16, 1962.

The second unit was authorized on October 27, 1974. Work on these two units was completed in 1984.

Customers have the option of maximizing their use of the pumped-storage capability under their contracts by taking delivery during the day (on-peak) and returning energy at night (off-peak) to pump water back into the forebay at the powerplant.

### **Loveland Area Projects**

The "Post-1989 General Power Marketing and Allocation Criteria" (Criteria) was published in the Federal Register on January 31, 1986 (51 FR 4012), and effectively integrated the operations, resources, and contracts of the Pick-Sloan--WD and Fry-Ark. The integration of these projects, which are now known as Loveland Area Projects (LAP), increased marketable resources, simplified contract administration, and established a consolidated rate for LAP power sales. The Criteria also authorized the development of other services such as transmission service.

Although operationally and contractually integrated, Pick-Sloan--WD and Fry-Ark retain separate financial status. For this reason, separate PRSs are prepared annually for each project. These PRSs are used to determine the ability of the power rates to generate sufficient revenue to repay project investments and costs during each project's prescribed repayment period. To develop one rate for LAP firm electric service, the revenue requirements for Fry-Ark and Pick-Sloan--WD are combined.

EXHIBIT 1

**Proposed** Rate Schedule L-F11  
(Supersedes Rate Schedule L-F10)  
Effective January 1, 2018

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

**LOVELAND AREA PROJECTS  
COLORADO, KANSAS, NEBRASKA, WYOMING**

**SCHEDULE OF RATE FOR FIRM ELECTRIC SERVICE**  
(Approved Under Rate Order No. WAPA-179)

Effective:

The first day of the first full billing period beginning on or after January 1, 2018, through December 31, 2022, or until superseded by another rate schedule.

Available:

Within the marketing area served by the Loveland Area Projects.

Applicable:

To the wholesale power Customers for firm electric service supplied through one meter at one point of delivery, or as otherwise established by contract.

Character:

Alternating current, 60 hertz, three phase, delivered and metered at the voltages and points established by contract.

Formula Rate and Charge Components:

Rate = Base component + Drought Adder component

Monthly Charge as of January 1, 2018, under the Rate:

CAPACITY CHARGE: \$4.12 per kilowatt of billing capacity.

ENERGY CHARGE: 15.72 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: 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. The Base revenue requirement is \$64.1 million.

$$\text{Base Capacity} = \frac{50\% \times \text{Base Revenue Requirement}}{\text{Firm Billing Capacity}} = \$4.12/\text{kWmonth}$$

$$\text{Base Energy} = \frac{50\% \times \text{Base Revenue Requirement}}{\text{Annual Energy}} = 15.72 \text{ mills/kWh}$$

Drought Adder: 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. For the period beginning on or after the first day of the first full billing period beginning on or after January 1, 2018, the Drought Adder revenue requirement is \$0.0 million.

$$\text{Drought Adder Capacity} = \frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Firm Billing Capacity}} = \$0.00/\text{kWmonth}$$

$$\text{Drought Adder Energy} = \frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Annual Energy}} = 0.00 \text{ mills/kWh}$$

Process:

Any proposed change to the Base component will require a public process. The Drought Adder component may be adjusted annually using the above formulas for any costs attributed to drought of less than or equal to the equivalent of 2 mills/kWh to the LAP Composite Rate. 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. A revised Drought Adder charge may go into effect January 1 of each year based on the formula above. Western will notify the Customer annually in October of the revised monthly charges. Any change to the Drought Adder component will be identified in a revision to charges under this rate schedule.

Adjustments:

For Transformer Losses: If delivery is made at transmission voltage but metered on the low-voltage side of the substation, the meter readings will be increased to compensate for transformer losses as provided for in the contract.

For Power Factor: None. The Customer will be required to maintain a power factor at all points of measurement between 95-percent lagging and 95-percent leading.

EXHIBIT 2

Pick-Sloan 2016 Rate Setting Executive Summary...



PICK-SLOAN MISSOURI BASIN PROGRAM
2018 Rate Setting PRS
March 21, 2017

1/09 to 1/10 @ 29.63 m/kWh
1/10 to 1/17 @ 33.54 m/kWh
1/17 to 1/18 @ 28.54 m/kWh
1/18 to end of study @ 24.29 m/kWh

Table with columns for Fiscal Year, Revenue, Expenses (Operations & Maintenance, Purchased Power, Transmission Service, Other, Integrated Projects, Interest, Total), Capitalized Deficits (Principal Payment, Unpaid Balance, Allowable Unpaid Balance, Cumulative Balance, Incremental Investment), Replacements (Principal Payment, Unpaid Balance, Allowable Unpaid Balance, Cumulative Balance, Incremental Investment), Investment Additions (Principal Payment, Unpaid Balance, Allowable Unpaid Balance, Cumulative Balance, Incremental Investment), and Add to Irrigation (Principal Payment, Unpaid Balance, Allowable Unpaid Balance, Cumulative Balance, Incremental Investment). Rows include historical data from 1950 to 2016 and projections from 2017 to 2046.

Fiscal Year	EXPENSES								Prior Year Adj.	Capitalized Deficits					Replacements					Investment Additions					Aid to Irrigation					Fiscal Year
	Total Revenue	Operations & Maintenance Expense	Purchased Power Expense	Transmission Service Expense*	Other Expense	Integrated Projects	Interest Expense	Total Expenses		Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investments	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investments	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investments	
2047	525,894,835	225,003,536	0	90,715,652	0	0	0	315,719,188	0	210,175,647	0	0	1,033,909,591	0	3,744,817	0	911,662,730	1,489,627,410	3,744,817	0	0	1,096,041,806	3,013,403,495	0	159,597,635	0	1,003,980,589	1,561,567,846	69,368,107	2047
2048	526,032,283	225,003,536	0	90,715,652	0	0	0	315,719,188	0	210,131,095	0	0	1,033,909,591	0	85,722,197	0	972,056,062	1,575,349,607	85,722,197	0	0	1,080,905,621	3,013,403,495	0	69,368,107	0	1,021,880,654	1,630,935,953	69,368,107	2048
2049	526,106,732	225,003,536	0	90,715,652	0	0	0	315,719,188	0	210,387,544	0	0	1,033,909,591	0	19,483,292	0	946,240,622	1,586,268,267	19,483,292	0	0	1,056,831,564	3,013,403,495	0	69,368,107	0	1,091,248,761	1,700,304,060	69,368,107	2049
2050	526,170,680	225,003,536	0	90,715,652	0	0	0	315,719,188	0	210,451,492	0	0	1,033,909,591	0	18,849,942	0	934,968,595	1,605,751,559	18,849,942	0	0	1,021,062,333	3,013,403,495	0	69,368,107	0	1,160,616,868	1,769,672,167	69,368,107	2050
2051	509,347,676	225,003,536	0	90,715,652	0	0	0	315,719,188	0	193,628,488	0	0	1,033,909,591	0	15,235,468	0	931,530,074	1,624,601,501	15,235,468	0	0	991,568,520	3,013,403,495	0	69,368,107	0	1,195,167,161	1,839,040,274	69,368,107	2051
2052	509,297,625	225,003,536	0	90,715,652	0	0	0	315,719,188	0	193,578,437	0	0	1,033,909,591	0	32,071,055	0	925,332,122	1,639,836,969	32,071,055	0	0	966,187,715	3,013,403,495	0	69,368,107	0	1,264,432,625	1,908,408,381	69,368,107	2052
2053	509,258,073	225,003,536	0	90,715,652	0	0	0	315,719,188	0	193,538,885	0	0	1,033,909,591	0	7,718,189	0	890,604,689	1,671,908,024	32,071,055	0	0	949,436,877	3,013,403,495	0	69,368,107	0	1,331,517,458	1,977,776,488	69,368,107	2053
2054	509,208,016	225,003,536	0	90,715,652	0	0	0	315,719,188	0	193,449,276	0	0	1,033,909,591	0	6,777,294	0	876,100,123	1,678,285,318	6,777,294	0	0	922,839,595	3,013,403,495	0	69,368,107	0	1,325,465,841	2,047,144,595	69,368,107	2054
2055	509,168,464	225,003,536	0	90,715,652	0	0	0	315,719,188	0	193,388,725	0	0	1,033,909,591	0	9,302,504	0	871,399,061	1,686,003,507	7,718,189	0	0	837,401,305	3,013,403,495	0	69,368,107	0	1,394,833,948	2,116,512,702	69,368,107	2055
2056	509,107,913	225,003,536	0	90,715,652	0	0	0	315,719,188	0	193,349,173	0	0	1,033,909,591	0	11,126,328	0	853,168,140	1,695,306,011	9,302,504	0	0	771,871,873	3,013,403,495	0	69,368,107	0	1,462,978,771	2,185,880,809	69,368,107	2056
2057	509,068,361	225,003,536	0	90,715,652	0	0	0	315,719,188	0	193,299,122	0	0	1,033,909,591	0	10,631,106	0	846,648,579	1,706,432,339	11,126,328	0	0	755,962,649	3,013,403,495	0	69,368,107	0	1,532,346,878	2,255,248,916	69,368,107	2057
2058	509,018,310	225,003,536	0	90,715,652	0	0	0	315,719,188	0	193,277,571	0	0	1,033,909,591	0	9,270,305	0	802,653,715	1,726,333,749	9,270,305	0	0	717,882,283	3,013,403,495	0	69,368,107	0	1,601,444,387	2,324,617,023	69,368,107	2058
2059	508,996,759	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,786,074	0	0	1,033,909,591	0	9,586,827	0	779,425,840	1,735,920,576	9,586,827	0	0	665,532,821	3,013,403,495	0	69,368,107	0	1,669,041,650	2,393,985,130	69,368,107	2059
2060	491,505,262	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,472,383	0	0	1,033,909,591	0	10,545,714	0	756,764,766	1,746,466,291	10,545,714	0	0	612,961,008	3,013,403,495	0	69,368,107	0	1,738,409,757	2,463,353,237	69,368,107	2060
2061	491,461,571	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,693,209	0	0	1,033,909,591	0	11,841,995	0	742,678,754	1,758,308,286	11,841,995	0	0	587,563,865	3,013,403,495	0	69,368,107	0	1,807,629,579	2,532,721,344	69,368,107	2061
2062	491,363,194	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,644,006	0	0	1,033,909,591	0	21,358,567	0	707,548,557	1,779,666,853	21,358,567	0	0	1,876,997,686	2,602,089,451	0	69,368,107	0	1,942,306,996	2,671,457,558	69,368,107	2062
2063	491,313,996	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,594,808	0	0	1,033,909,591	0	8,446,924	0	698,757,557	1,788,113,777	8,446,924	0	0	1,942,306,996	2,671,457,558	0	69,368,107	0	2,011,675,103	2,740,825,665	69,368,107	2063
2064	491,275,299	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,556,111	0	0	1,033,909,591	0	7,696,276	0	675,495,104	1,795,810,053	7,696,276	0	0	2,011,675,103	2,740,825,665	0	69,368,107	0	2,081,043,210	2,810,193,772	69,368,107	2064
2065	491,254,378	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,535,190	0	0	1,033,909,591	0	10,653,730	0	638,931,153	1,806,463,783	10,653,730	0	0	2,011,675,103	2,740,825,665	0	69,368,107	0	2,150,411,317	2,879,561,879	69,368,107	2065
2066	491,205,180	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,485,992	0	0	1,033,909,591	0	15,792,821	0	639,142,537	1,822,256,604	15,792,821	0	0	390,019,789	3,013,403,495	0	69,368,107	0	2,219,779,424	2,948,929,986	69,368,107	2066
2067	491,166,507	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,447,319	0	0	1,033,909,591	0	13,847,316	0	635,967,300	1,836,103,920	13,847,316	0	0	351,642,396	3,013,403,495	0	69,368,107	0	2,358,515,638	3,087,666,200	69,368,107	2067
2068	491,117,309	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,398,121	0	0	1,033,909,591	0	18,347,934	0	631,616,340	1,844,755,855	18,347,934	0	0	137,361,940	3,013,403,495	0	69,368,107	0	2,427,883,745	3,157,034,307	69,368,107	2068
2069	491,068,112	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,348,924	0	0	1,033,909,591	0	14,030,186	0	626,441,797	1,855,245,701	14,030,186	0	0	137,361,940	3,013,403,495	0	69,368,107	0	2,497,251,852	3,226,402,414	69,368,107	2069
2070	491,047,191	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,328,003	0	0	1,033,909,591	0	11,985,001	0	624,949,414	1,869,275,887	14,030,186	0	0	2,497,251,852	3,226,402,414	0	69,368,107	0	2,566,619,959	3,295,770,521	69,368,107	2070
2071	490,997,988	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,278,800	0	0	1,033,909,591	0	8,807,341	0	624,949,414	1,881,260,887	11,985,001	0	0	2,566,619,959	3,295,770,521	0	69,368,107	0	2,635,988,066	3,363,138,628	69,368,107	2071
2072	490,959,290	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,240,102	0	0	1,033,909,591	0	36,773,916	0	624,949,414	1,890,068,229	8,807,341	0	0	2,635,988,066	3,363,138,628	0	69,368,107	0	2,705,356,173	3,434,506,735	69,368,107	2072
2073	490,910,022	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,152,231	0	0	1,033,909,591	0	11,631,899	0	624,949,414	1,926,842,145	36,773,916	0	0	2,705,356,173	3,434,506,735	0	69,368,107	0	2,774,724,280	3,503,748,842	69,368,107	2073
2074	490,871,419	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,090,904	0	0	1,033,909,591	0	13,264,479	0	624,949,414	1,938,474,044	11,631,899	0	0	2,774,724,280	3,503,748,842	0	69,368,107	0	2,844,092,387	3,573,242,949	69,368,107	2074
2075	490,811,721	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,053,835	0	0	1,033,909,591	0	85,768,535	0	624,949,414	1,941,600,523	13,264,479	0	0	2,844,092,387	3,573,242,949	0	69,368,107	0	2,913,460,494	3,642,611,056	69,368,107	2075
2076	490,773,023	225,003,536	0	90,715,652	0	0	0	315,719,188	0	175,004,638	0	0	1,033,909,591	0	11,815,832	0	624,949,414	1,947,629,058	85,768,535	0	0	2,913,460,494	3,642,611,056	0	69,368,107	0	2,982,828,601	3,711,979,163	69,368,107	2076
2077	490,702,905	225,003,536	0	90,715,652	0	0	0	315,719,188	0																					

EXHIBIT 3

Fry-Ark 2016 Rate Setting Executive Summary...



Fiscal Year	Total Revenue	EXPENSES					Prior Year Adjustments	Revenue After Annual Expenses	CAPITALIZED DEFICITS					REPLACEMENTS					ORIGINAL INVESTMENT AND ADDITIONS					AID TO IRRIGATION					Fiscal Year	
		Operations & Maintenance Expense	Purchase Power Expense	Transmission Expense	Interest Expense	Total Expenses			Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment		
2035	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	157,267	0	40,139,143	41,256,944	157,267	0	0	0	2,032,355	149,123,922	0	0	0	0	0	0	2035
2036	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	32,521	0	39,721,621	41,289,465	32,521	0	0	0	1,947,013	149,123,922	0	0	0	0	0	0	2036
2037	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	11,027	0	39,527,684	41,300,492	11,027	0	0	0	1,947,013	149,123,922	0	0	0	0	0	0	2037
2038	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	210,265	0	39,588,890	41,510,757	210,265	0	0	0	1,947,013	149,123,922	0	0	0	0	0	0	2038
2039	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	86,437	0	39,370,350	41,597,194	86,437	0	0	0	1,947,013	149,123,922	0	0	0	0	0	0	2039
2040	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	46,097	0	39,046,386	41,643,291	46,097	0	0	0	1,947,013	149,123,922	0	0	0	0	0	0	2040
2041	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	279,385	0	38,884,190	41,922,676	279,385	0	0	0	1,947,013	149,123,922	0	0	0	0	0	0	2041
2042	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	97,041	0	38,716,660	42,019,717	97,041	0	0	0	1,454,311	149,123,922	0	0	0	0	0	0	2042
2043	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	157,094	0	35,109,475	42,176,810	157,094	0	0	0	1,454,310	149,123,922	0	0	0	0	0	0	2043
2044	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	129,899	0	34,546,531	42,306,709	129,899	0	0	0	1,378,358	149,123,922	0	0	0	0	0	0	2044
2045	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	21,803	0	34,567,900	42,328,511	21,803	0	0	0	1,378,358	149,123,922	0	0	0	0	0	0	2045
2046	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	446,518	0	34,572,459	42,775,030	446,518	0	0	0	1,514,651	149,123,922	0	0	0	0	0	0	2046
2047	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	5,882	0	34,572,459	42,780,911	5,882	0	0	0	1,371,553	149,123,922	0	0	0	0	0	0	2047
2048	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	783,352	0	35,319,179	43,564,263	783,352	0	0	0	1,368,586	149,123,922	0	0	0	0	0	0	2048
2049	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	231,818	0	35,542,781	43,796,081	231,818	0	0	0	1,368,541	149,123,922	0	0	0	0	0	0	2049
2050	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	1,629,851	0	36,288,686	45,425,932	1,629,851	0	0	0	1,365,560	149,123,922	0	0	0	0	0	0	2050
2051	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	702,255	0	33,945,904	46,128,187	702,255	0	0	0	1,304,372	149,123,922	0	0	0	0	0	0	2051
2052	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	3,389,618	0	36,230,916	49,517,805	3,389,618	0	0	0	1,248,366	149,123,922	0	0	0	0	0	0	2052
2053	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	21,495	0	34,121,526	49,539,300	21,495	0	0	0	1,207,673	149,123,922	0	0	0	0	0	0	2053
2054	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	409,522	0	30,360,214	49,948,822	409,522	0	0	0	389,016	149,123,922	0	0	0	0	0	0	2054
2055	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	185,704	0	25,721,006	50,134,526	185,704	0	0	0	381,782	149,123,922	0	0	0	0	0	0	2055
2056	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	104,135	0	25,721,006	50,238,662	104,135	0	0	0	381,776	149,123,922	0	0	0	0	0	0	2056
2057	18,182,883	6,316,385	0	1,535,403	(0)	7,851,788	0	10,331,094	0	0	0	26,505,156	0	6	0	25,720,995	50,238,668	6	0	0	0	170,591	149,123,922	0	0	0	0	0	0	2057
2058	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	794,833	0	25,720,995	51,033,501	794,833	0	0	0	170,591	149,123,922	0	0	0	0	0	0	2058
2059	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	94,198	0	25,720,995	51,127,699	94,198	0	0	0	170,591	149,123,922	0	0	0	0	0	0	2059
2060	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	69,358	0	25,707,319	51,197,058	69,358	0	0	0	170,591	149,123,922	0	0	0	0	0	0	2060
2061	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	107,430	0	25,033,341	51,304,487	107,430	0	0	0	0	149,123,922	0	0	0	0	0	0	2061
2062	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	16,236	0	21,536,723	51,320,723	16,236	0	0	0	0	149,123,922	0	0	0	0	0	0	2062
2063	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	46,941	0	21,536,723	51,367,664	46,941	0	0	0	0	149,123,922	0	0	0	0	0	0	2063
2064	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	61,961	0	21,536,723	51,429,626	61,961	0	0	0	0	149,123,922	0	0	0	0	0	0	2064
2065	18,182,883	6,316,385	0	1,535,403	0	7,851,788	0	10,331,094	0	0	0	26,505,156	0	32,521	0	21,536,723	51,462,147	32,521	0	0	0	0	149,123,922	0	0	0	0	0	0	2065
2066	18,182,883	6,316,385	0	0	0	6,316,385	0	11,866,497	0	0	0	26,505,156	0	61,961	0	21,536,723	51,524,108	61,961	0	0	0	0	149,123,922	0	0	0	0	0	0	2066
<b>FUTURE YR SUBTOTAL</b>	<b>912,000,657</b>	<b>315,193,604</b>	<b>1,247,788</b>	<b>92,413,316</b>	<b>35,199,965</b>	<b>444,054,672</b>	<b>0</b>	<b>467,945,985</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,505,156</b>	<b>0</b>	<b>37,666,031</b>	<b>0</b>	<b>21,536,723</b>	<b>51,524,108</b>	<b>37,666,030</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104,934,119</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>FUTURE YR SUBTOTAL</b>
<b>STUDY TOTAL</b>	<b>1,371,287,902</b>	<b>449,359,338</b>	<b>53,179,657</b>	<b>155,448,833</b>	<b>187,305,401</b>	<b>845,293,229</b>	<b>0</b>	<b>525,994,673</b>	<b>0</b>	<b>26,505,156</b>	<b>0</b>	<b>26,505,156</b>	<b>26,505,156</b>	<b>51,524,108</b>	<b>0</b>	<b>21,536,723</b>	<b>51,524,108</b>	<b>51,524,108</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149,123,922</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>STUDY TOTAL</b>

EXHIBIT 4

**Proposed Rate Schedule L-M2**  
(Supersedes Rate Schedule L-M1)  
Effective January 1, 2018

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

**ROCKY MOUNTAIN REGION  
Loveland Area Projects**

**SALES OF SURPLUS PRODUCTS**  
(Approved Under Rate Order No. WAPA-179)

**Effective**

The first day of the first full billing period beginning on or after January 1, 2018, and extending through September 30, 2022, or until superseded by another rate schedule, whichever occurs earlier.

**Applicable**

This rate schedule applies to Loveland Area Projects (LAP) Marketing and is applicable to the sale of the following LAP surplus energy and capacity products: energy, frequency response, regulation, and reserves. If any of the above LAP surplus products are available, LAP can make the product(s) available for sale, providing entities enter into separate agreement(s) with LAP Marketing which will specify the terms of sale(s).

**Formula Rate**

The charge for each product will be determined at the time of the sale 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.

EXHIBIT 5

Published Proposed WAPA-179 LAP FES FRN...

integrated for marketing and rate-making purposes in 1989.

WAPA is proposing to lower the overall LAP firm electric service charges by 14 percent, as a result of rebalancing the charge components in formula-based Rate Schedule L–F10 by reducing the drought adder component and increasing the base component. 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 to modify Rate Schedule L–M1, which allows for the sale of generation and generation-related products in excess of LAP’s firm electric service obligations, to add “energy” as a surplus product. 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 Web site at: <https://www.wapa.gov/regions/RM/rates/Pages/2018-Rate-Adjustment---Firm-Power.aspx>. If approved, the proposed rates under Rate Schedules L–F11 and L–M2 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 proposed rate modifications.

**DATES:** The consultation and comment period will begin July 3, 2017 and end October 2, 2017. WAPA will present a detailed explanation of the proposed rates and other modifications at public information forums 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 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: Michael D. McElhany, Acting Regional Manager, Rocky Mountain Region, Western Area

Power Administration, 5555 East Crossroads Boulevard, Loveland, CO 80538–8986 or email [lapfirmadj@wapa.gov](mailto:lapfirmadj@wapa.gov). Information regarding the rate process is posted on WAPA’s Web site at: <https://www.wapa.gov/regions/RM/rates/Pages/2018-Rate-Adjustment---Firm-Power.aspx>. WAPA will post official comments received via letter and email to its Web site 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. Sheila D. Cook, Rates Manager, Rocky Mountain Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, CO 80538–8986, telephone (970) 461–7211, email [lapfirmadj@wapa.gov](mailto:lapfirmadj@wapa.gov) or [scCook@wapa.gov](mailto:scCook@wapa.gov).

**SUPPLEMENTARY INFORMATION:**

**Firm Electric Service**

On December 2, 2014, the Deputy Secretary of Energy approved, on an interim basis, Rate Schedule L–F10 under Rate Order No. WAPA–167 for the period beginning January 1, 2015, and ending December 31, 2019 (79 FR 72663–72670 (Dec. 8, 2014)).<sup>1</sup> This Rate Schedule is formula-based, providing for downward adjustments to the drought adder component.<sup>2</sup> On January

<sup>1</sup> FERC confirmed and approved Rate Order WAPA–167 on a final basis on June 25, 2015, in Docket No. EF15–4–000. See *United States Department of Energy, Western Area Power Administration (Loveland Area Projects)*, 151 FERC ¶ 62,222.

<sup>2</sup> 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 64061 (November 14, 2007). The drought adder was added as a component to the energy and capacity rates in Rate Order No. WAPA–134, which was approved by the Deputy Secretary on an interim basis on November 14, 2007, (72 FR 64061). FERC confirmed and approved Rate Order WAPA–134 on a final basis on May 16, 2008, in Docket No. EF08–5181. See *United States Department of Energy, Western Area Power Administration (Loveland Area Projects)*, 123 FERC ¶ 62,137. 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 64065. 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 64065.

**DEPARTMENT OF ENERGY**

**Western Area Power Administration**

**Loveland Area Projects—Rate Order No. WAPA–179**

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of proposed firm electric service and Sale of Surplus Products rates.

**SUMMARY:** The Western Area Power Administration (WAPA) is proposing revised rates for the Loveland Area Projects (LAP) firm electric service and modifications to the existing rate schedule for Sale of Surplus Products. Current firm electric service rates, under Rate Schedule L–F10, are in effect through December 31, 2019, and the formula rate for the sale of surplus products, under Rate Schedule L–M1, is in effect through September 30, 2021. LAP consists of the Frypanpan-Arkansas Project (Fry-Ark) and the Pick-Sloan Missouri Basin Program (P–SMBP)—Western Division (WD), which were

1, 2017, the drought adder component of the LAP effective rate schedule 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. Such adjustment can be 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 in Rate Schedule L-F10 through a rate adjustment process. WAPA proposes to adjust the formula-based drought adder component down to zero in 2018, while the base component will be adjusted upward to address present costs. The Fry-Ark and P-SMBP Fiscal Year 2016

Power Repayment Studies (PRS) revenue requirements and current water conditions are the determining factors for this proposed rate adjustment.

The proposed annual revenue requirement for LAP firm electric service is \$64.1 million. The existing charges in the current rate schedule are being reduced, as indicated in Table 1:

TABLE 1—SUMMARY OF CURRENT AND PROPOSED REVENUE REQUIREMENT AND RATES

Firm electric service	Current— under L-F10 with adjusted drought adder as of January 1, 2017	Proposed— under L-F11 as of January 1, 2018	Percent change
LAP Revenue Requirement (million \$) .....	\$74.5	\$64.1	-14
LAP Composite Rate (mills/kWh) .....	36.56	31.44	-14
Firm Energy Rate (mills/kWh) .....	18.28	15.72	-14
Firm Capacity Rate (\$/kWmonth) .....	\$4.79	\$4.12	-14

Under the current rate methodology, rates for LAP firm electric 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 Schedule L-F11 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.

Base component costs for the P-SMBP—WD 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 into the current rate-setting PRS. Additional details of the P-SMBP PRS are explained in the P-SMBP—Eastern Division Rate Order No. WAPA-180.

Base component costs for Fry-Ark have decreased, even though the three new out-year projections for annual expenses and capital costs within the 5-year cost evaluation period include inflation. This decrease is caused by the annual expense projections in the current Fry-Ark rate-setting PRS being

an average of \$0.3 million per year lower than the annual expense projections in the previous rate-setting PRS. In addition to lower annual expenses, ancillary service revenue projections have also increased an average of \$1.1 million per year over the previous projections; resulting in a net revenue increase of approximately \$1.4 million per year. This net revenue helps offset the revenue requirement for firm electric service.

The net effect of these adjustments to the drought adder and base components results in an overall decrease to the LAP rate. A comparison of the current and proposed revenue requirements is shown in Table 2:

TABLE 2—SUMMARY OF CURRENT AND PROPOSED REVENUE REQUIREMENTS

Firm electric service	Current— under L-F10 with adjusted drought adder as of January 1, 2017	Proposed— under L-F11 as of January 1, 2018	Percent change
LAP Revenue Requirement (million \$) .....	\$74.5	\$64.1	-14
Pick-Sloan—WD .....	59.2	50.8	-14
Fry-Ark .....	15.3	13.3	-13

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 places 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 electric 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 PRSs, and allow WAPA to be more responsive to changes caused by

drought-related expenses. WAPA will continue to charge and bill its customers firm electric service rates for energy and capacity, which are the sum of the base and drought adder components. A comparison of the current and proposed components is shown in Table 3:

TABLE 3—SUMMARY OF LAP CHARGE COMPONENTS

	Existing charges under rate schedule L–F10 with adjusted drought adder as of January 1, 2017			Proposed charges under rate schedule L–F11 as of January 1, 2018			Percent change
	Base component	Drought adder component	Total charge	Base component	Drought adder component	Total charge	
Firm Capacity (kW/month)	\$3.92	\$0.87	\$4.79	\$4.12	\$0	\$4.12	–14
Firm Energy (mills/kWh) ....	14.95	3.33	18.28	15.72	0	15.72	–14

**Sale of Surplus Products**

On August 12, 2016, the Deputy Secretary of Energy approved, on an interim basis, Rate Schedule L–M1 under Rate Order No. WAPA–174, for the period beginning October 1, 2016, and ending September 30, 2021 (81 FR 56632–56652 (August 22, 2016)).<sup>3</sup> This Rate Schedule is formula-based, providing for LAP Marketing to sell LAP surplus energy and capacity products. If LAP surplus products are available, as specified in the rate schedule, the charge will be 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. The rate schedule currently allows for the sale of reserves, regulation, and frequency response. WAPA is proposing to add “energy” as a fourth surplus product offered under this rate schedule. WAPA is proposing to place Rate Schedule L–M2 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 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 electric service rates and sale of surplus products formula rates 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 Rocky Mountain Regional Office located at 5555 East Crossroads Boulevard, Loveland, Colorado. These documents and supporting information will be posted on WAPA’s Web site as they become available under the “2018 Rate Adjustment—Firm Power” section located at: <https://www.wapa.gov/regions/RM/rates/Pages/2018-Rate-Adjustment--Firm-Power.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. 2017–13980 Filed 6–30–17; 8:45 am]

BILLING CODE 6450–01–P

<sup>3</sup> FERC confirmed and approved Rate Order WAPA–174 on a final basis on March 9, 2017, in Docket Nos. EF16–5–000 and EF16–5–001. See *United States Department of Energy, Western Area Power Administration (Loveland Area Projects)*, 158 FERC ¶ 62,181.



**Western Area  
Power Administration**