



Department of Energy  
Western Area Power Administration  
Rocky Mountain Customer Service Region  
P.O. Box 3700  
Loveland, CO 80539-3000

**JUN 30 2016**

Dear Firm Electric Service Customer:

As part of the current rate schedule placed into effect under Rate Order No. WAPA-167, Western Area Power Administration (WAPA) has conducted a preliminary review of the Loveland Area Projects (Pick-Sloan Missouri Basin Program--Western Division and the Fryingpan-Arkansas Project) (LAP) Firm Electric Service Drought Adder (Drought Adder) component. The review is conducted annually in early spring and provides customers advance notice of any foreseen changes to the Drought Adder.

WAPA is using this letter to notify customers that the preliminary review is projecting a 3-5 mill/kWh estimated reduction to the Drought Adder component of the LAP Firm Electric Service Rate in January 2017. The current LAP composite rate is 41.42 mills/kWh (Base is 29.90 mills/kWh and the Drought Adder is 11.52 mills/kWh).

Based mainly on a snowpack that peaked above normal in all LAP areas except part of the Bighorn Basin, the overall LAP spring reservoir inflow is forecast to total 3,167 KAF or 122% of average. The LAP reservoir storage was 5,329 KAF on June 1, 2016, and 127% of average. While the winter LAP generation was 616,200 MWh and only 64% of the marketed amount of energy, the latest Reclamation plans indicate the summer generation will range between 1,246,700 and 1,467,000 MWh or between 104% and 122% of the marketed amount. Unusually low market prices for energy have so far significantly reduced the cost of power purchased to support LAP contractual commitments this year.

The Missouri River hydrology outlook as of June 2016 indicates that calendar year runoff above Sioux City, Iowa, is estimated to be 25.3 MAF, which is the historic average. System storage has increased to 59.4 MAF and is expected continue to increase as runoff peaks during July. However, with the increasing reservoir storage levels, the Corps of Engineer's estimates that the power plants will generate 8,100,000 MWh of energy this calendar year, or about 81% of normal generation. As a result, energy purchases are being made to meet energy obligations for the Eastern Division firm power customers; however, the prices paid for that energy are at the lowest levels seen for the past 30 years.

WAPA will continue to monitor water conditions as we progress through the fall. We will make a final rate adjustment determination this fall and send a notification letter to you in October identifying if any change will be made to the Drought Adder for January 2017. If there is a rate change, a complete rate design will also be conducted to determine the reduced Firm Electric Service rates for capacity and energy.

Information concerning LAP's current Firm Electric Service Rate 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 [scook@wapa.gov](mailto:scook@wapa.gov).

Sincerely,

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for  
  
Dave Neumayer  
Vice President of Power Marketing  
Rocky Mountain Region