



**Department of Energy**  
 Western Area Power Administration  
 Upper Great Plains Customer Service Region  
 P.O. Box 35800  
 Billings, MT 59107-5800

**OCT 12 2016**

Dear Firm Power 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 Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED) Firm Power Rate 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 P-SMBP--ED Firm Power and Firm Peaking Power Rates.

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 P-SMBP--ED Firm Power and Firm Peaking power rates effective January 1, 2017. The modified Drought Adder charges for the Firm and Firm Peaking rates are as follows:

	Base	Reduced Drought Adder	2017 Total Charge	Base Change	Drought Adder Reduction
Firm Capacity	\$4.90 /kW-mo	\$1.60 /kW-mo	\$6.50 /kW-mo	--	\$1.15 /kW-mo
Firm Energy	12.33 m/kWh	3.85 m/kWh	16.18 m/kWh	--	2.87 m/kWh
Firm Peaking Capacity	\$4.45 /kW-mo	\$1.40 /kW-mo	\$5.85 /kW-mo	--	\$1.05 /kW-mo

The above-modified charge components represent a 5 mill/kWh reduction of the current P-SMBP--ED composite rate of 33.25 mills/kWh to a new composite rate of 28.25 mills/kWh. Further information concerning P-SMBP--ED Firm Power Rates can be found online at <http://www.wapa.gov/ugp/rates/default.htm>. If you have any questions concerning this notice or the firm power calculation, please telephone Linda Cady-Hoffman, Upper Great Plains Region Rates Manager at (406) 255-2920 or email [cady@wapa.gov](mailto:cady@wapa.gov).

Sincerely,

Jody S. Sundsted  
 Vice President of Power Marketing  
 for Upper Great Plains Region

Enclosure:  
 Notice of Drought Adder Modification

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

**PICK-SLOAN MISSOURI BASIN PROGRAM--EASTERN DIVISION  
MONTANA, NORTH DAKOTA, SOUTH DAKOTA, MINNESOTA, IOWA  
NEBRASKA**

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

(Rate Schedule P-SED-F12, Approved Under Rate Order No. WAPA-166)

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the first full billing period beginning on or after January 1, 2017, through December 31, 2019, or until modified or superseded by a new rate schedule.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

\$6.50 for each kilowatt month (kWmonth) of billing capacity.

**ENERGY CHARGE:**

16.18 mills for each kilowatthour (kWh) for all energy delivered as firm power service.

**BILLING CAPACITY:** The billing capacity will be as defined by the power sales contract.

**Base (Unchanged):** A fixed revenue requirement that includes operation and maintenance expense, investments and replacements, interest on investments and replacements, normal timing purchase power (purchases due to operational constraints, not associated with drought), and transmission costs. The Base component charges are fixed amounts under this Rate Schedule, determined as follows:

$$\text{Base Capacity} = \frac{50\% \times \text{Base Revenue Requirement}}{\text{Firm Metered Billing Units}} = \$4.90/\text{kWmonth}$$

$$\text{Base Energy} = \frac{50\% \times \text{Base Revenue Requirement}}{\text{Annual Energy}} = 12.33 \text{ mills/kWh}$$

**Drought Adder (Modified):** 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. The formulas, along with the charges under the formulas as of January 1, 2017, are:

$$\text{Drought Adder Capacity} = \frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Firm Metered Billing Units}} = \$1.60/\text{kWmonth}$$

$$\text{Drought Adder Energy} = \frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Annual Energy}} = 3.85 \text{ mills/kWh}$$

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

**PICK-SLOAN MISSOURI BASIN PROGRAM--EASTERN DIVISION  
MONTANA, NORTH DAKOTA, SOUTH DAKOTA, MINNESOTA, IOWA  
NEBRASKA**

**MODIFIED DROUGHT ADDER CHARGES  
FOR FIRM PEAKING POWER SERVICE**

(Rate Schedule P-SED-FP12, Approved Under Rate Order No. WAPA-166)

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 another rate schedule.

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

**CAPACITY CHARGE:**

\$5.85 for each kilowatt month (kWmonth) of the effective contract rate of delivery for peaking power or the maximum amount scheduled, whichever is greater.

**ENERGY CHARGE:**

16.18 mills for each kilowatthour (kWh) for all energy scheduled for delivery without return.

Base (Unchanged): A fixed revenue requirement that includes operation and maintenance expense, investments and replacements, interest on investments and replacements, normal timing purchase power (purchases due to operational constraints, not associated with drought), and transmission costs. The Base component charges are fixed amounts under this Rate Schedule, determined as follows:

$$\text{Base Capacity} = \frac{\text{Base Peaking Capacity Revenue Requirement}}{\text{Peaking CROD Billing Units}} = \$4.45/\text{kWmonth}$$

Drought Adder: 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. The formula, along with the charge under the formula as of January 1, 2017, is:

$$\text{Drought Adder} = \frac{\text{Drought Adder Peaking Capacity Revenue Requirement}}{\text{Peaking CROD Billing Units}} = \$1.40/\text{kWmonth}$$