



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

JUN 30 2016

Dear Firm Power Customer:

As part of the current rate schedules placed into effect under Rate Order No. WAPA-166, Western Area Power Administration (WAPA) has conducted a preliminary review of the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED) Firm Power Rate Drought Adder component. A 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 P-SMBP--ED Firm Power Rate in January 2017. The current P-SMBP--ED composite rate is 33.25 mills/kWh.

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 to continue to increase as runoff peaks during July. With the increasing reservoir storage levels, the Corps of Engineers' estimates that the power plants will generate 8,100,000 MWh of energy this calendar year, or about 81% of normal generation. WAPA is therefore purchasing energy to meet our energy obligations to our 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 to 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 power and peaking power rates for capacity and energy.

Information concerning the current firm power rates can be found online at <http://www.wapa.gov/ugp/rates/default.htm>. If you have any questions concerning this notice, please telephone Linda Cady-Hoffman, Upper Great Plains Rates Manager, at (406) 255-2920 or cady@wapa.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jody S. Sundsted".

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