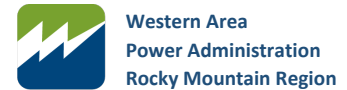


# CATEGORICAL EXCLUSION DETERMINATION



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## **Proposed Action Title: Proposed Rate Adjustment for the Loveland Area Projects Firm Electric Service and Sale of Surplus Products Formula Rates**

**Location: Colorado, Wyoming, Nebraska, and Kansas**

**Project Number: 2025-001**

**Expiration Date: December 31, 2029**

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### **A. PROPOSED ACTION DESCRIPTION:**

Through publication in the Federal Register on June 28, 2024, the Rocky Mountain (RM) region, under Rate Order No. WAPA-212, entered into a rate adjustment process proposing revised formula rates for the Loveland Area Projects (LAP) under Rate Schedules L-F13, Firm Electric Service (FES), and L-M4, Sale of Surplus Products.

The existing formula rates for these services, under Rate Schedules L-F12 and L-M3, expire on December 31, 2027; however, the existing FES rate no longer provides sufficient revenues to recover interest expense and repay investments. New Rate Schedules L-F13 and L-M4 are scheduled to become effective January 1, 2025, and remain in effect through December 31, 2029, pending final approval by the Administrator and the Federal Energy Regulatory Commission.

This Environmental Compliance determination needs to be made before the Final Rate Order is confirmed and approved by the Administrator and forwarded to the Department of Energy for publication in the Federal Register, which must take place no later than December 2, 2024, to meet the required notification timeframe. As such, we require receipt of your determination on or before November 1, 2025, so that we can include the details of the determination in the final Rate Order.

As the RM and the Upper Great Plains (UGP) regions both market resources from the P-SMBP, the two regions are conducting a combined public process for their rate adjustments. As such, the UGP is also in the process of seeking an Environmental Compliance determination for the P-SMBP--Eastern Division (ED) proposed rate adjustment under Rate Order No. WAPA-213.

### **Background:**

#### Loveland Area Projects

The Post-1989 General Power Marketing and Allocation Criteria, published in the Federal Register on January 31, 1986 (51 FR 4012), integrated the resources of the Pick-Sloan Missouri Basin Program (P-SMBP)--Western Division (WD) and the Fryingpan-Arkansas Project (Fry-Ark). This operational and contractual integration, known as LAP, allowed an increase in marketable resource, simplified contract administration, and established a blended rate for LAP power sales. RM markets LAP power in northeastern Colorado, east of the Continental Divide in Wyoming, west of the 101<sup>st</sup> meridian in Nebraska, and most of Kansas.

The P-SMBP--WD and Fry-Ark retain separate financial status. For this reason, separate Power Repayment Studies (PRS) are prepared annually for each project. These PRSs are used to

determine the sufficiency of the firm electric service rate to generate adequate revenue to repay project investment and costs during each project’s prescribed repayment period. The revenue requirement of the Fry-Ark PRS is combined with the P-SMBP--WD revenue requirement, derived from the P-SMBP PRS, to develop one rate for LAP firm electric sales.

#### Firm Electric Service Discussion

The P-SMBP and the Fry-Ark 2025 rate-setting PRSs set the 2025 LAP annual revenue requirement for FES at \$87.9 million, which is \$13.2 million higher than the approved revenue requirement generated from the 2023 PRSs.

The revenue requirement and rates for LAP FES are being increased using a two-step adjustment, where roughly 50 percent of the total increase is being applied in step 1 (January 2025) and the remaining 50 percent is being applied in step 2 (January 2026), as indicated in Table 1:

**Table 1: Summary of Existing and Two-Step Proposed Revenue Requirements and Rates**

<b>LAP Firm Electric Service</b>	<b>Existing Under L-F12 As of Jan. 1, 2023</b>	<b>Proposed Under L-F13 First Step As of Jan. 1, 2025<sup>1</sup></b>	<b>First Step Percent Change</b>	<b>Proposed Under L-F13 Second Step As of Jan. 1, 2026<sup>1</sup></b>	<b>Second Step Percent Change</b>
<b>Total Revenue Requirement (in million \$)</b>	\$74.6	\$81.3	9.0%	\$87.9	8.1%
<b>LAP Composite Rate (mills/kWh)</b>	36.61	39.84	8.8%	43.10	8.2%
<b>Firm Capacity (\$/kW-month)</b>	\$4.80	\$5.22	8.8%	\$5.65	8.2%
<b>Firm Energy (mills/kWh)</b>	18.31	19.92	8.8%	21.55	8.2%

<sup>1</sup> Proposed values are estimates only based on using set/final base and estimated drought adder components. The estimates may change during the existing annual drought adder adjustment process.

The base component costs for the P-SMBP PRS have increased primarily due to increased operation and maintenance costs (O&M) from WAPA, the United States Army Corps of Engineers (USACE), and the Bureau of Reclamation (Reclamation). The Base component costs for the Fry-Ark PRS have increased primarily due to increased annual expenses, mainly attributed to transmission purchases and O&M from both WAPA and Reclamation and increases in capital investment projections for the Mount Elbert Power Plant repairs/refurbishment.



The driver behind the P-SMBP drought adder component decrease is the USACE's 2024 Annual Operating Plan projecting less than average generation, despite the improvement to generation as projected in the WAPA-202 January 2023 rate. Planned repayment of both the base and drought adder deficits are in the same time frame (2027) as they were projected to be repaid under the existing rates. Uncertainties with water inflows, hydro generation, and replacement energy prices continue to pose potential risks regarding the ability to satisfy firm power contractual commitments.

A summary of the charge components is shown in Table 2:

**Table 2: Summary of Two-Step Proposed Charge Components**

	Proposed Charges Under Rate Schedule L-F13 First Step As of Jan. 1, 2025			Proposed Charges Under Rate Schedule L-F13 Second Step As of Jan. 1, 2026		
	Base Component	Drought Adder Component <sup>1</sup>	Total Charge <sup>2</sup>	Base Component	Drought Adder Component <sup>1</sup>	Total Charge <sup>2</sup>
<b>Firm Capacity (\$/kW-month)</b>	\$4.91	\$0.31	\$5.22	\$5.47	\$0.18	\$5.65
<b>Firm Energy (mills/kWh)</b>	18.72	1.20	19.92	20.86	0.69	21.55

<sup>1</sup> Proposed values are estimates that may change during the existing annual drought adder adjustment process.

<sup>2</sup> Proposed values are estimates only based on using final base and estimated drought adder components.

### Sale of Surplus Products Discussion

The Sale of Surplus Products rate schedule is formula-based, providing for LAP Marketing to sell LAP surplus energy and capacity products, currently surplus energy, reserves, regulation, and frequency response. If LAP surplus products are available, the charge 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.

### **A full description of this project/rate action can be found in the following document(s):**

Notice of Proposed Rate Order No. WAPA-212, can be found electronically at

[www.wapa.gov/about-wapa/regions/rm/rm-rates/2025-rate-adjustment-firm-electric-service](http://www.wapa.gov/about-wapa/regions/rm/rm-rates/2025-rate-adjustment-firm-electric-service).

For additional information, UGP's Notice of Proposed Rate Order No. WAPA-213 can also be found electronically at [www.wapa.gov/about-wapa/regions/ugp/ugp-rates/2025-firm-rate-adjustment](http://www.wapa.gov/about-wapa/regions/ugp/ugp-rates/2025-firm-rate-adjustment).



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**B. NUMBER AND TITLE OF THE CATEGORICAL EXCLUSION BEING APPLIED:**

(See text in 10 CFR 1021, Subpart D.)

**B.4.3 Electric Power Marketing Rate Changes**

Rate changes for electric power, power transmission, and other products or services provided by a Power Marketing Administration that are based on a change in the revenue requirements if the operations of generation projects would remain within normal operating limits.

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**C. REGULATORY REQUIREMENTS 10 CFR 1021.410 (b):** (See full text in regulation)

The proposed action fits within a class of actions that is listed in Appendix A or B of 10 CFR 1021.

To fit within the classes of actions listed in Appendix B, a proposal must be one that would not: (1) threaten a violation of applicable statutory, regulatory, or permit requirements for environment, safety, and health, or similar requirements of the Department of Energy (DOE) or Executive Orders; (2) require siting and construction or major expansion of waste storage, disposal, recovery, or treatment facilities (including incinerators), but the proposal may include categorically excluded waste storage, disposal, recovery, or treatment actions or facilities; (3) disturb hazardous substances; pollutants; contaminants; or Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)-excluded petroleum and natural gas products that preexist in the environment such that there would be uncontrolled or unpermitted releases; (4) have the potential to cause significant impacts on environmentally sensitive resources, including, but not limited to, those listed in paragraph B(4) of 10 CFR 1021, Subpart D, Appendix B; (5) involve genetically engineered organisms, synthetic biology, governmentally designated noxious weeds, or invasive species, unless the proposed activity would be contained or confined in a manner designed and operated to prevent unauthorized release into the environment and conducted in accordance with applicable requirements, such as those of the Department of Agriculture, the Environmental Protection Agency, and the National Institutes of Health.

There are no extraordinary circumstances related to the proposal that may affect the significance of the environmental effects of the proposal.

The proposal has not been improperly segmented, and the proposal is not connected to other actions with potentially significant impacts, is not related to other proposed actions with cumulatively significant impacts, and is not precluded by 40 CFR 1506.1 or 10 CFR 1021.211.



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**D. DETERMINATION:**

Based on my review of information conveyed to me and in my possession (or attached) concerning the proposed action, as NEPA Compliance Officer (as authorized under DOE Order 451.1B), I have determined that the proposed action fits within the specified class(es) of action, the other regulatory requirements set forth above are met, and the proposed action is hereby categorically excluded from further NEPA review.

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Signature and Date

James Wood, Regional Environmental Manager  
Rocky Mountain Region  
Western Area Power Administration

