



6450-01-P

## **DEPARTMENT OF ENERGY**

### **Western Area Power Administration**

#### **Pick-Sloan Missouri Basin Program--Eastern Division-Rate Order No. WAPA-166**

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

**ACTION:** Notice of Proposed Power Rates.

**SUMMARY:** The Western Area Power Administration (Western) Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED) Rate Schedules P-SED-F11 and P-SED-FP11 for firm power and firm peaking power service expire December 31, 2014. Western is proposing modifications to the charge components in Rate Schedules P-SED-F11 and P-SED-FP11 in order to true up the base and drought adder charges, which require a minor rate adjustment process. The revenue requirement and the total rate charges in the firm power and firm peaking power service rate schedules are not changing from Rate Schedules P-SED-F11 and P-SED-FP11 and will continue to provide sufficient revenue to pay all annual costs, including interest expense, and repay investments within the allowable periods. If approved, the proposed Rate Schedules P-SED-F12 and P-SED-FP12 will become effective on January 1, 2015, and will remain in effect through December 31, 2019. Publication of this Federal Register notice begins the formal process for the proposed rate schedules.

**DATES:** The consultation and comment period will begin today and will end [**INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**]. Western will accept written comments any time during the consultation and comment period.

**ADDRESSES:** Written comments and requests to be informed of Federal Energy Regulatory

Commission (FERC) actions concerning the rates submitted by Western to FERC for approval should be sent to: Mr. Robert J. Harris, Regional Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4<sup>th</sup> Avenue North, Billings, MT 59101-1266, or e-mail [ugpfirmrate@wapa.gov](mailto:ugpfirmrate@wapa.gov). Information about the rate process is posted on Western's Web site at <http://www.wapa.gov/ugp/rates/2015firmrateadjust>. Western will post official comments received via letter and e-mail to its Web site after the close of the comment period. Western must receive written comments by the end of the consultation and comment period to ensure they are considered in Western's decision process.

**FOR FURTHER INFORMATION CONTACT:** Ms. Linda Cady-Hoffman, Rates Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4<sup>th</sup> Avenue North, Billings, MT 59101-1266, telephone: (406) 255-2920, e-mail: [cady@wapa.gov](mailto:cady@wapa.gov).

**SUPPLEMENTARY INFORMATION:** On December 14, 2009, the Deputy Secretary of Energy approved, on an interim basis, Rate Order No. WAPA-147 and Rate Schedules P-SED-F11 and P-SED-FP11 for the period beginning January 1, 2010, and ending December 31, 2014 (74 FR 67197-67204 (Dec. 18, 2009)).<sup>1</sup> The existing P-SMBP--ED charges in the current rate schedules for firm power and firm peaking power continue to provide sufficient revenue to meet the P-SMBP--ED repayment obligations. The total annual revenue requirement for P-SMBP--ED remains \$320.2 million for firm power and firm peaking power service, and the overall capacity and energy charges are not changing, as indicated in the following Table 1:

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<sup>1</sup> FERC confirmed and approved Rate Order WAPA-147 on a final basis on September 10, 2010, in Docket No. EF10-2-000. See *United States Department of Energy, Western Area Power Administration (Pick-Sloan Missouri Basin Program--Eastern Division)*, 132 FERC ¶ 62,159.

**Table 1 Comparison of Existing and Proposed Rates**

<b>Firm Power Service</b>	<b>Existing Charges under Rates Effective (January 1, 2010) P-SED-F11/ P-SED-FP11</b>	<b>Proposed Charges under Rates Effective (January 1, 2015) P-SED-F12/ P-SED-FP12</b>	<b>Percent Change (%)</b>
<b>P-SMBP--ED Revenue Requirement</b> (millions \$)	\$320.2	\$320.2	0
<b>P-SMBP--ED Composite Rate</b> (mills/kWh)	33.25	33.25	0
<b>Firm Capacity</b> (\$/kW-month)	\$7.65	\$7.65	0
<b>Firm Energy</b> (mills/kWh)	19.05	19.05	0
<b>Firm Peaking Capacity</b> (\$/kW-month)	\$6.90	\$6.90	0
<b>Firm Peaking Energy</b> (mills/kWh) <u>1/</u>	19.05	19.05	0

1/ Firm Peaking Energy is normally returned. This charge will be assessed in the event Firm Peaking Energy is not returned.

Under the current rate methodology, rates for P-SMBP--ED firm power and firm peaking power 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.

Western is proposing to true up the base and drought adder components of the rate schedules and place new rate schedules into effect for the 5-year period, beginning January 1, 2015, through December 31, 2019. The proposed true up updates the base components to represent present costs and lowers the drought adder components to represent present drought costs. Over

the past 5-year rate period, the P-SMBP costs included in the drought adder have decreased as the actual deficits taken were less than projected when the current charges were placed into effect. Additionally, there have been drought costs repaid ahead of schedule which decreased the drought deficit interest expense. Base costs increased during that same period due to a new 5-year cost evaluation period, new investments and replacements, and inflationary costs. A comparison of the current and proposed components is listed in Table 2.

**Table 2 Summary of P-SMBP--ED Rate Components**

	Existing Charges Under Rate Schedules P-SED-F11 and P-SED-FP11 As of January 1, 2010			Proposed Charges Under Rate Schedules P-SED-F12 and P-SED-FP12 As of January 1, 2015		
	Base Component	Drought Adder Component	Total Charge	Base Component	Drought Adder Component	Total Charge
Firm Capacity (/kWmonth)	\$3.80	\$3.85	\$7.65	\$4.90	\$2.75	\$7.65
Firm Energy (mills/kWh)	9.53	9.52	19.05	12.33	6.72	19.05
Firm Peaking Capacity (\$/kWmonth)	\$3.45	\$3.45	\$6.90	\$4.45	\$2.45	\$6.90
Firm Peaking Energy (mills/kWh) 1/	9.53	9.52	19.05	12.26	6.79	19.05

1/ Firm peaking energy is normally returned. This charge will be assessed in the event firm peaking energy is not returned.

Over the past 5 years, Western has conducted its annual process of reviewing the sufficiency of the drought adder. With the rate schedules set to expire December 31, 2014, and the requirement of a public process to place new rate schedules into effect, Western proposes to true up the base and drought adder components in the new rate schedules to current values. Updating the components does not change the overall charges. It only identifies what portion of the charge is driven by base and drought adder components.

## **Legal Authority**

The proposed modifications to the rate schedules for firm power and firm peaking power service, resulting in a true up of the base and drought adder components described above, constitute a minor rate adjustment, as defined by 10 CFR part 903.2(f). Western determined it is not necessary to hold a public information or public comment forum and, instead, held an informal public meeting via webinar for this minor rate adjustment, pursuant to 10 CFR 903.17. Western will review all timely public comments and make amendments or adjustments to the proposal as appropriate. The proposed rate schedules will be forwarded to the Deputy Secretary of Energy for approval on an interim basis.

Western is establishing firm power and firm peaking power service rates for P-SMBP--ED under the Department of Energy Organization Act (42 U.S.C. 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, 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 that specifically apply to the projects involved.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western'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.

### **Availability of Information**

All studies, comments, letters, memorandums, or other documents that Western initiates or uses to develop the proposed rates are available for inspection and copying at the Upper Great Plains Regional Office, located at 2900 4<sup>th</sup> Avenue North, Billings, Montana. Many of these documents and supporting information are also available on Western's Web site under the "2015 Firm Rate Adjustment" section located at <http://www.wapa.gov/ugp/rates/2015firmrateadjust>.

Western held an informal public meeting on May 2, 2014, via webinar to inform customers, Native American tribes, stakeholders, and other interested parties about the proposed minor rate adjustment. The webinar was recorded and posted to the above referenced Western Web site.

### **RATEMAKING PROCEDURE REQUIREMENTS:**

#### **Environmental Compliance**

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321, et seq.; 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), Western 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**

Western 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: July 23, 2014

Mark A. Gabriel  
Administrator

[FR Doc. 2014-18788 Filed 08/07/2014 at 8:45 am; Publication Date: 08/08/2014]