



6450-01-P

## **DEPARTMENT OF ENERGY**

### **Western Area Power Administration**

#### **Loveland Area Projects-Rate Order No. WAPA-167**

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

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

**SUMMARY:** The Western Area Power Administration (Western) Loveland Area Projects' (LAP) Rate Schedule L-F9 expires December 31, 2014. LAP consists of the Fryingpan-Arkansas Project (Fry-Ark) and the Pick-Sloan Missouri Basin Program (P-SMBP)--Western Division, which were integrated for marketing and rate-making purposes in 1989. Western is proposing modifications to the charge components in Rate Schedule L-F9 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 electric service rate schedule are not changing from Rate Schedule L-F9 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 Schedule L-F10 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 schedule.

**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. Bradley S. Warren, Regional Manager, Rocky Mountain Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, CO 80538-8986 or e-mail [lapfirmadj@wapa.gov](mailto:lapfirmadj@wapa.gov). Information about the rate process is posted on Western's Web site at <https://www.wapa.gov/rm/ratesRM/2015/default.htm>. 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. Sheila D. Cook, Rates Manager, Rocky Mountain Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, CO 80538-8986, telephone (970) 461-7211, e-mail [lapfirmadj@wapa.gov](mailto:lapfirmadj@wapa.gov) or [scook@wapa.gov](mailto:scook@wapa.gov).

**SUPPLEMENTARY INFORMATION:** On December 16, 2009, the Deputy Secretary of Energy approved, on an interim basis, Rate Schedule L-F9 under Rate Order No. WAPA-146 for the period beginning January 1, 2010, and ending December 31, 2014 (74 FR 67191-67197 (Dec. 18, 2009)).<sup>1</sup> The existing charges in the current rate schedule for LAP firm electric service continue to provide sufficient revenue to meet the LAP repayment obligations. The total annual revenue requirement for LAP remains \$84.5 million for firm electric 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-146 on a final basis on June 18, 2010, in Docket No. EF10-1-000. See *United States Department of Energy, Western Area Power Administration (Loveland Area Projects)*, 131 FERC ¶ 62,247.

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

<b>Firm Electric Service</b>	<b>Existing Rate (January 1, 2010) L-F9</b>	<b>Proposed Rate (January 1, 2015) L-F10</b>	<b>Percent Change (%)</b>
<b>LAP Revenue Requirement</b> (million)	\$84.5	\$84.5	0
<b>LAP Composite Rate</b> (mills/kWh)	41.42	41.42	0
<b>Firm Energy Rate</b> (mills/kWh)	20.71	20.71	0
<b>Firm Capacity Rate</b> (\$/kWmonth)	\$5.43	\$5.43	0

Under the current rate methodology, rates for LAP firm electric 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. The annual revenue requirement continues to be allocated equally between capacity and energy.

Western is proposing to true up the base and drought adder components of the rate schedule and to place a new rate schedule into effect for the 5-year period beginning January 1, 2015, through December 31, 2019. The proposed true up updates the base component to represent present costs and lowers the drought adder component to represent present drought costs. Over the past 5-year rate period, the P-SMBP costs included in the LAP drought adder have decreased as the actual deficits taken were less than projected when the current charges were placed into effect. Additionally, there has been P-SMBP drought costs repaid ahead of schedule, which decreased the drought deficit interest expense. The portion of the LAP drought adder component coming from Fry-Ark (\$200,000) is now going to \$0, as Fry-Ark did not actually incur any deficits and Fry-Ark is not projecting any future non-timing purchases at this time. All historical drought-related costs for Fry-Ark have been repaid. In addition, base costs for both P-SMBP and

Fry-Ark 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 LAP Rate Components**

	Existing Charges Under Rate Schedule L-F9 As of January 1, 2010			Proposed Charges Under Rate Schedule L-F10 As of January 1, 2015		
	Base Component	Drought Adder Component	Total Charge	Base Component	Drought Adder Component	Total Charge
Firm Capacity Rate (/kWmonth)	\$3.29	\$2.14	\$5.43	\$3.92	\$1.51	\$5.43
Firm Energy Rate (mills/kWh)	12.54	8.17	20.71	14.95	5.76	20.71

Over the last 5 years, Western has conducted its annual process of reviewing the sufficiency of the drought adder. With the rate schedule set to expire December 31, 2014, and the requirement of a public process to place a new rate schedule into effect, Western proposes to true up the base and drought adder components in the new rate schedule 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 schedule for firm electric service, resulting in a true up of the base and drought adder components, as 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 for this minor rate adjustment and, instead, held an informal public meeting via webinar, pursuant to 10 CFR part 903.17. Western will review all

timely public comments and make amendments or adjustments to the proposal as appropriate. A proposed rate schedule will be forwarded to the Deputy Secretary of Energy for approval on an interim basis.

Western is establishing firm electric service rates for LAP under the Department of Energy (DOE) 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 Rocky Mountain Regional Office located at 5555 East Crossroads Boulevard, Loveland, Colorado. Many of these documents and supporting information are also available on Western's Web site under the "2015 Firm Rate Adjustment" section located at <https://www.wapa.gov/rm/ratesRM/2015/default.htm>.

Western held an informal public meeting on May 2, 2014, via a webinar to inform customers,

Native American tribes, stakeholders, and other interested parties about the 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.

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