

# Parker-Davis Project

Informal Rate Meeting

June 23, 2010

# Meeting Agenda

- Overview of Parker-Davis Project Rate Methodology
- Ratemaking Assumptions
- Rate Determinants
- Proposed FY 2011 Service Rates
- Next Steps and Questions

# FY 2011 Rate Preview

No changes to generation or transmission rates for FY 2011

# Rate Methodology

- Service rates are calculated annually for a future five year cost evaluation period (rate window)
- When possible, revenues and costs are directly assigned to generation or transmission revenue requirements
- All other costs and revenues are allocated to generation or transmission revenue requirements in the Cost Apportionment Study
- Any excess revenue from prior periods (carryover) is applied to revenue requirements in the cost evaluation period

# Standard Ratemaking Assumptions

- Actual work plans are used for O&M expenses when available. Work plans are escalated for inflation in remaining years of cost evaluation period
- Most recent Ten Year Plan from the Bureau of Reclamation are used to project generation replacements
- Transmission and generation service reservations are based on contractual data

# Purchase Power Assumptions

- Purchase Power estimates from the Annual Operating Plan are used for the first year of the cost evaluation period
- Given the volatility of hydrology and energy prices, the most recent actual expenses will be used for the remaining years of the cost evaluation period
- This is the same projection technique used for the FY 2010 rate calculation

# Other Revenue Assumptions

- For FY 2010 rate calculation, increased Other Revenue projections from \$4 million to approximately \$8 million annually
- Increase was appropriate since the most recent actual Other Revenues (FY 2009) exceeded \$10 million
- For FY 2011 rates, \$9.5 million will be used which approximates the five year average

# Western Ten-Year Plan

- The Ten-Year Plan (TYP) presented in December is typically the basis for projecting investment in the rate calculations
- For the FY 2011 rates, more recent planning data is used to increase the accuracy of the rate calculations
- Differences between the December TYP and the more recent data would result in less than a 1% change to the rates over the next five years

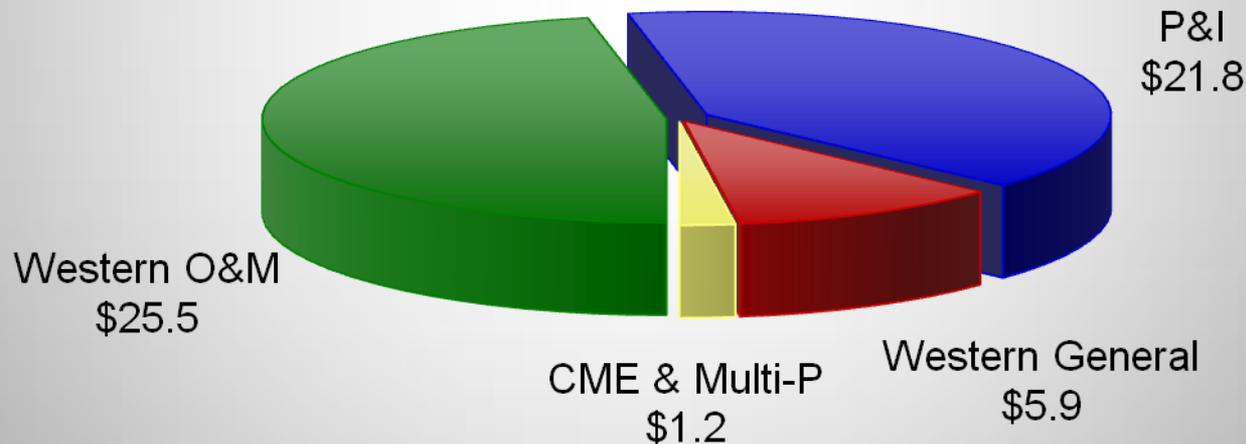
# Transmission Rate Determinants

## Average Transmission Expenses During Cost Evaluation Period (in millions)

	FY10–14	FY11-15	Change
Western O&M	\$21.4	\$25.5	\$4.1
Western General	\$ 6.4	\$ 5.9	\$(0.5)
CME & Multi-Project	\$ 1.5	\$ 1.2	\$(0.3)
P&I	\$21.8	\$21.8	\$0.0
<b>Total</b>	<b>\$51.1</b>	<b>\$54.4</b>	<b>\$3.3</b>

# Transmission Rate Determinants

Average Transmission Expenses During Cost Evaluation Period (in millions)



**Total: \$54.4**

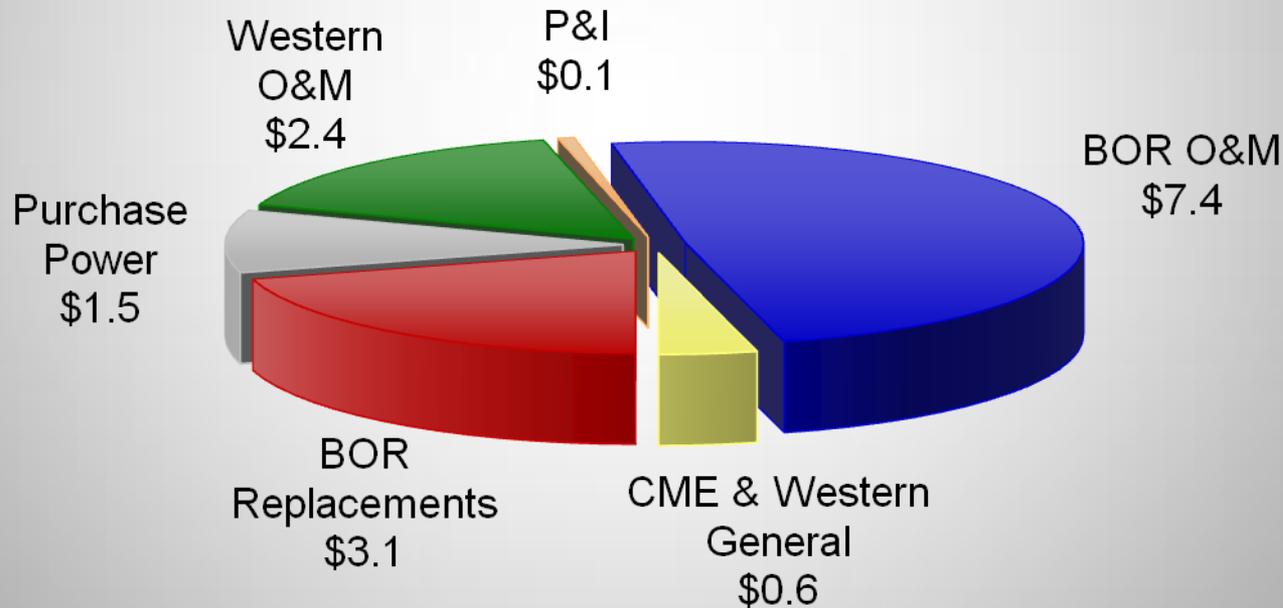
# Generation Rate Determinants

## Average Generation Expenses During Cost Evaluation Period (in millions)

	FY10–14	FY11–15	Change
Western O&M	\$1.6	\$2.4	\$0.8
BOR O&M	\$7.1	\$7.4	\$0.3
Purchase Power	\$2.6	\$1.5	\$(1.1)
CME & Western General	\$0.6	\$0.6	-
BOR Replacements	\$2.7	\$3.1	\$0.4
P&I	\$0.1	\$0.1	-
<b>Total</b>	<b>\$14.7</b>	<b>\$15.1</b>	<b>\$0.4</b>

# Generation Rate Determinants

## Average Generation Expenses During Cost Evaluation Period (in millions)



**Total: \$15.1**

# FY11-15 Rate Information

	Current (FY10)	Proposed (FY11-15)	Change
Firm Transmission (kW-Month)	\$1.08	\$1.08	-
Energy (mills/kWh)	4.24	4.24	-
Capacity (kW-Month)	\$1.86	\$1.86	-
Firm Power Composite w/o Transmission (mills/kWh)	8.48	8.48	-

# Next Steps

- Information regarding the P-DP rates to be posted on Western's website:

<http://www.wapa.gov/dsw/pwrmt/RateAdjust/Main.htm>

- Proposed rates finalized and effective for October 2010 service month

# Questions/Comments

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