



**Informal Rate Process: CVP Rates
Public Meeting Notes**

**Meeting Date: February 26, 2009, 10:00 AM – 1:00 PM
Location: 114 Parkshore Dr., Folsom, CA. 95630**

Agenda

1. Welcome
 - Introductions and Agenda
2. Review of Action Items List
 - Address completed & new items
 - Questions?
3. PU Supplemental Purchases Allocation (PUP 50MW)
 - Why we have the 50 MW purchase, [ref: Action Item List # IP 17.2];
 - Project Use Purchase (PUP) benefit and cost allocation [ref: Action Item List # IP 17.1]
4. MRTU costs [ref: Action Item List # IP 14.4]
 - Western's MRTU cost (Data available for FY08)
 - Western's MRTU cost recovery allocation
5. Allocation of Sub Balancing Authority (SBA) costs [ref: Action Item List # IP 2]
6. Flowchart – Revenue Requirement Development (Update)
 - Update on workflow revisions progress
7. Scheduling Coordinator (SC) charge determination (Update)
 - Contract “charge” or a Rate Schedule “rate”
8. CVP Corp's proposal for Aid-to-Irrigation (Update)
 - Banking interest for customers

Project Use (PU) Supplemental Purchases Allocation

Bill Greene, Resources Manager, presented history related to the 50 MW purchase. See Power Point Presentation. Significant points and comments discussed included Reclamation's two primary operational policies (max on peak generation and moving Project Use (PU) pumping off peak to the degree practicable), maximizing the benefits of the CVP generation to power customers BUT at the expense of creating more hours when CVP generation is insufficient to meet PU, and First Preference (FP) loads.

Rick Coleman, from Trinity PUD, noted while First Preference (FP) pays for the purchases, in hours when there is excess energy, FP does not receive the benefit of the additional Base

Resource (BR) energy like the other preference customers. He stated that FP customers should be treated like PU when paying for the purchases.

Western is reviewing operational and scheduling policies because under max peaking, more scheduling transactions cross the California Independent System Operator (CAISO) border. Under Market Redesign and Technology Upgrade (MRTU), this could be cost prohibitive or at a minimum something Western may want to minimize for cost avoidance purposes. Analysis is continuing by the Resources group regarding the ramifications of discontinuing max peaking or modification of the max peaking operational scenario. Reclamation noted that Max Peaking is one of their Government Performance Results Act measures and it may take up to three years to remove it.

Nannette Engelbrite, from NCPA, noted that the update for the Green Book should take these options into account. She also indicated that the update will begin in June 2009, and expects it to take approximately six months. The Green Book will include new operational issues related to the Wanger Decision (related to Delta pumping), environmental study releases (likely to reduce PU pumping), and other operational issues.

Based on Rick's comment above, Nannette indicated that the updated Green Book data should break out PU and FP loads separately.

Ed Roman, from SMUD, reviewed the CVP Corp's energy exchange program. He made a suggestion to use CVP Corp in association with the purchase to reduce purchases in excess of need.

The discussion on this issue ended with a guarded consensus that the Green Book update, MRTU scheduling and further analysis by Western and the customers should help to fully flush out the best approach for future energy purchases that Western may make to meet PU and FP loads. Currently the CCC meetings are proper conduit. Cost recovery for discrete purchases associated with PU and FP were also discussed. Other ideas that surfaced included:

- FP takes a percentage (based on ratio of their load to PU load for a given time period) of the purchase power costs that the water customers pay through Reclamation's Operations and Maintenance (O&M) Sub-Allocation methodology (currently fixed at \$345K).
- Include FP loads as a new factor in the analysis of the Green Book data
- FP percentage would be determined using a pro-rata load ratio of PU load (based on updated Green Book data).
- Consider an after-the-fact true up to FP (Tom K. option).

- Western noted that FP percentage calculations include the purchase, and any change to cost recovery methodology or purchase structuring may affect the denominator.

- Western will consider customer comments as we move to the formal process.

MRTU Costs

Western presented actual cost history for FY06 through FY08, and the first four months of FY09, which totaled \$6,156,795 (See Handout for Agenda Item 4). The handout broke out costs associated with labor, consulting contract services, and capitalized development software.

All MRTU costs are included in the Power Revenue Requirement O&M and customers pay based on their BR or FP percentage.

In general, a number of customers expressed concern over cost causation for these costs. They were interested in having a greater level of detail for these costs. They specifically asked who (which customers or customer groups such as FP, PU, SBA, FLS) the work was being done for, how costs break out by function, specific types of equipments, Western organization codes break out (presumably for labor), and relationship to the transmission service function.

Western mentioned that any changes we consider will be forward looking.

- Action Items
 - Can the costs be allocated (directly assigned) to customer groups, i.e., FLS, SBA, PU, FP, etc. (NCPA, Nannette)
 - Can costs be directly assigned?
 - Can Western split the actual costs by Western organization codes? (Nannette)
 - Can Western develop an accounting mechanism for these items?
 - Are there separate upfront vs. ongoing O&M cost allocation splits (Kent P.)?
 - Can you track costs to the cause (cost causation)?
 - Can Western allocate costs based on Western actions resulting in CAISO cost not specific to a customer SCID (Kent Palmerton, PWRPA?)

SBA

Western presented historical information from FY 2006 – FY 2008 which primarily included the SMUD Balancing Authority Costs pursuant to the contract. See Handout for Agenda Item 5. The customers were interested in seeing all costs, not just Balancing Authority contract costs, to include Western's labor, dispatcher costs, purchases and sales associated with the SBA.

Western noted that we would incur those costs even if we were in the CAISO. Customers noted interest in a cost breakout (similar to the discussion above regarding MRTU) especially as the Informal Rates process moves to their services associated with being a Transmission provider and operator.

- Action Items (same as MRTU):

- Can the costs be allocated (directly assigned) to customer groups, i.e., FLS, SBA, PU, FP, etc. (NCPA, Nannette)
 - Can costs be directly assigned?
 - Can Western split the actual costs by Western organization codes? (Nannette)
 - Can Western develop an accounting mechanism for these items?
- Are there separate upfront vs. ongoing O&M cost allocation splits (Kent P.)?
 - Can you track costs to the cause (cost causation)?
 - Can Western allocate costs based on Western actions resulting in CAISO cost not specific to a customer SCID (Kent Palmerton, PWRPA.)
- Develop an accounting mechanism for above items (Nannette)

Revenue Requirement Flowchart

Nannette Engelbrite reported that she will hold off updating until transmission services are reviewed in the Informal Rates Process.

Scheduling Coordinator Service Charge

Western reported that an ongoing review of these costs and responsibility assignment (contract versus rate) is ongoing. No decision is made as of yet. It will remain in the contract for now. Customers also expressed interest in moving the charge into a rate as well as asking the same questions as MRTU and SBA.

- Action: Same as MRTU and SBA.

CVP Corp's proposal for Aid-to-Irrigation

CVP Corp is looking at options. No further action from Western.

Future Meetings/Transmission

Western presented proposed dates and asked for customer preferences.

Other

Western invited customers to send their concerns/issues to Charles Faust via email: faust@wapa.gov

Action Items

FP PUP Allocation

- FP takes % of sub-allocation \$ BOR pays for PUP (currently fixes @345K)
 - a. Based on Greenbook data update for Gen and Load
 - b. FP % is pro data load ratio of BOR load
 - c. After the fact true up \$ to FP (Tom K. option)

MRTU/SBA/SC Charges (the following are questions for each)

1. Are these \$ allocated (directly assignable) to what customers and what purposes i.e.(FLS, SBA, PU, FP) (Nannette)
2. Upfront vs. ongoing (O&M) cost allocation splits (Kent P.)
 - a. Tracking cost to cost causation
3. Split on actual cost by WAPA org. codes/ cost codes etc (Nannette)
4. Allocation of WAPA actions resulting in CAISO cost not specific to a customer SCID (Kent P.)
5. Develop an accounting mechanism for above items (Nannette)

Attendance

Name	Company
Paul Landry	Bureau of Reclamation
Megan Jones	Western Area Power Administration
Rick Coleman	Trinity Public Utilities District
James Takehara	City of Roseville
Nannette Engelbrite	Northern California Power Agency
Kathleen Rustrum	Toulumne Public Power Agency
Kent Palmerton	Power and Water Resources Pooling Authority
Dennis Dickman	CPPA
Ed Roman	SMUD
Dominic Salluce	TPPA
Nick Zettel	Redding
Stuart Robertson	PWRPA/ESPA
Janice Nations	Western Area Power Administration
Sandee Peebles	Western Area Power Administration
Russell Knight	Western Area Power Administration
Charles Faust	Western Area Power Administration
Melinda Grow	Western Area Power Administration
Steve Richardson	Western Area Power Administration
Sonja Anderson	Western Area Power Administration
Nicole Hines	Western Area Power Administration

Regina Reiger	Western Area Power Administration
Joe Ungvari	Western Area Power Administration
Carl Dobbs	Western Area Power Administration
Bill Green	Western Area Power Administration
Pete Garris	Western Area Power Administration

Attended by Phone

Bill Stewart	Lassen Municipal Utility District
Ken Sims	Santa Clara
Tom Kabat	Silicon Valley Power
Dick Buckingham	SMUD