



Informal Rate Process: CVP Rates Public Meeting Notes

Meeting Date: October 30, 2008, 9:30 AM – 3:30 PM
Location: 114 Parkshore Dr., Folsom, CA. 95630

October 30th Agenda

1. Welcome
a. Introductions
b. Agenda
2. Review of Action Items List
a. Address completed & new items
b. Other Questions
3. Mid-year adjustment of the PRR
a. Discuss the methodology for when to implement
4. First Preference
a. First Preference Maximum Percentages
b. Annual True-up Option for First Preference (AIL: IP9) - Elimination of Mid-Year Review for First Preference Percentages
c. First Preference and Project Use Comparison
5. Hourly Exchange for Base Resource Customers
6. Renewable Energy Credits – Discussion and Implication to PRR [stricken – speaker N/A]
7. Allocation of Annual Base Resource Revenue Requirement (25% - 75% split)
8. Custom Product Power – Rate Schedule CPP-1
9. Next Meeting
a. November 20 th (Adjusted Time 10:00 AM to 3:30 PM)
b. December break – no meetings
c. January 29 th and February 26 th , Tentative Dates

Introduction

Future meetings will begin at 10:00 am instead of 9:30 am. Western reviewed the action item list. Charles J. Faust, Rates Manager, is the point of contact for Western's Rates Group (he can be reached at Faust@wapa.gov, or via phone at 916-353-4468). If you have a question pertaining to scheduling please contact Nicole Hines (she can be reached at Hines@wapa.gov or via phone at 916-353-4060).

Mid-Year Adjustment to the Power Revenue Requirement & Prior Year True-up

Western reviewed and provided a presentation on the history of the \$5 million threshold and the rationale for why this figure was used for the 2005 rate case. In addition, Western reviewed the status of the mid year reviews and subsequent Power Repayment Studies (PRS) for 2006 and 2007 as they relate to the PRR. Customers agreed to continue the midyear review. Customers would like us to factor in the previous years shortfall of capital repayment in the midyear review. Western is still evaluating the threshold amount for the mid-year review.

Western presented four options for the Mid-Year Review: A) Status quo; B) Modify the mid-year threshold amount (increase or decrease the \$5 million threshold); C) Institute a revenue adjustment clause (an after-the-fact adjustment for all PRR-related revenues and expenses); or D) Eliminate the threshold. Option E was added at the suggestion of the customers which would include a prior year capital repayment adjustment. The customers agreed to eliminate Options C and D.

There was discussion from the customers on their desire to ensure that capital repayment was met each year. Most customers agreed with continuing the \$5 million threshold; while others agreed so long as it did not go any higher. Some customers wished to lower the threshold; however, if the threshold was moved to \$2 million, some felt it should be removed altogether since it is believed that this level would always be exceeded. In general, the consensus of the group was to institute some mechanism that would guarantee capital repayment.

This discussion will continue at the next meeting. Western agreed to provide a narrative description for Option E and examples of Option E & B and any other analysis for the November 20th meeting.

Western provided PowerPoint slides to the customers for this portion of the meeting. These slides are available at <http://www.wapa.gov/sn/marketing/rates/ratesProcess/informalProcess/>.

First Preference (FP)

Western reviewed the rationale and reason for the FP cap. Western proposed to update the FP cap on total FP, which is the current sum of the maximum FP percentages applied to the Power Revenue Requirement. The maximum percentages are based on a critically dry year where there are hydraulic conditions that result in low CVP generation and consequently low levels of BR. Customers understood the need to update the cap and agreed to the proposed draft increased total FP percentages cap presented at the meeting (currently at 18.57% from 17.51%). The actual cap will be finalized no later than the final filing Western makes to FERC for the rate case. Western stated that the Final Rate Case percentages will be different but the methodology will remain the same. Also updated Green Book data will be used if available. Western also discussed the Annual True-Up option. Customers decided to continue the current process, including the mid-year review and the threshold percentage of one half of one percent (0.5%).

Western provided handouts to the customers for this portion of the meeting. These files are available at <http://www.wapa.gov/sn/marketing/rates/ratesProcess/informalProcess/>.

First Preference vs. Project Use

Western presented actual First Preference costs using FY 2007 data and compared it to Project Use FY 2007 costs. The cost comparison is not significantly different when offsetting revenue is included. Western discussed results from two separate public processes that used different methodology and the differences were: unfunded costs and Project Use doesn't pay Intertie costs. A suggestion was made that transmission expenses should be removed for comparison due to the fact that they are paid through another process. A request was made to reiterate the process with FY 2006 data (please refer to Action Item List # IP 10.2).

Western provided handouts to the customers for this portion of the meeting. These files are available at <http://www.wapa.gov/sn/marketing/rates/ratesProcess/informalProcess/>.

Hourly Exchange Program

Western illustrated how the hourly exchange program is calculated and discussed that it was established to allow customers to use their Base resource to the full extent possible and to allow other Customers to use "extra" Base Resource when one Customer cannot use prescheduled energy due to insufficient load.

The re-allocation of BR helps mitigate the costs incurred by a customer for BR that it is obligated to pay for, but may not be able to use. Western reviewed a specific example of exchange energy which illustrates each BR customer's contribution or receipt of exchange energy pays for the exchange energy based on an adjusted BR percentage.

A customer wanted to understand a little more about the scheduling process for the exchange energy and Western indicated that this process would be more appropriately discussed through the Customer Coordinator Committee (CCC) meeting. Western intends to provide additional detail on this process at a future meeting (please refer to Action Item # IP 21).

Renewable Energy Credits

Western moved this topic to the next meeting scheduled for November 20, 2008.

Allocation of Annual Base Resource Revenue Requirement (BR RR) (25% - 75% split)

Western revisited the option of changing the current 25/75% split methodology for the BR RR allocation to a straight monthly average for the year (a 1/12 split) in order to improve bill

crediting capabilities and use of receipts authority (e.g. for power purchases in years of continuing resolution). A proposal was made where customers may choose to either keep the 25/75% split or move to the 1/12 average split. Most parties agreed that their companies are able and would be willing to move to the straight average split, and that there could be an exception made for the customers most affected to continue using the current methodology. Further discussion on the subject is required (please refer to Action Item List # IP 19).

Custom Product Power

Western provided a summary of rate the Custom Product Power (CPP) (Rate Schedule CPP-1). All costs are passed onto the customers who receive supplemental power.

Western provided an example of CPP cost recovery with proceeds from sales of surplus CPP and how these proceeds are distributed back to the customers. The example shows that all CPP costs are recovered. Western also indicated that to be consistent with other rate schedules, it intends to add the narrative for components 2 and 3, that currently is included in the Schedule of rates for BR & FP Power (CV-F12), to the CPP rate schedule CPP-1. Western intends to review the Variable Resource customer scheduling charge in a future meeting.

Action Items Resulting from October 30, 2008 Meeting

1. PRR Mid-year adjustment: Option E. “Possible PRR Options” [Suggested by Ed Roman] [Action Item List # IP 4.2];
 - a. “Add Capital Repayment (previous FY) +/- to Mid-year adjustment.” [Action Item List # IP 4.2];
 - b. “Investment Adjustment before threshold test.” [Action Item List # IP 4.2];
2. “Prepare examples of Options B & E blended.” Action item [Requestor David Cohen] [Action Item List # IP 4.2];
3. Create a duplicate FP vs. PU comparison to the FY07 analysis presented at the Oct 30th meeting that includes FY06 data. Item on board: “PU vs. FP comparison of 2006” [Requestor Rick Coleman] [Action Item List # IP 10.2];
4. “Max Peaking, PU purchase 50 MW, Presentation – benefits to all preference customers” [Requestor Western Staff] [Action Item List # IP 17.2];
5. “Why is First Preference treated differently from PU – First Preference doesn’t receive any benefits with regard to the PU purchase” [Requestor Rick Coleman] [Action Item List # IP 17.1];

6. “FP vs. PU remove PU Transmission Expenses” Action Item [Requestor Rick Coleman] [Action Item List # IP 10.4]; and
7. “RA (Resource Adequacy) costs listed on FP vs. PU comparison (see note)” [Requestor Rick Coleman] [Action Item List # IP 10.3]

Attendance Roster

Name	Agency
Brent Ten Pas	Northern California Power Agency
David Cohen	Navigant Consulting, representing TANC
Dennis Dickman	Calaveras Public Power Agency
Ed Roman	Sacramento Municipal Utility District
James Takehara	City of Roseville
Jerry Toenyas	Northern California Power Agency
Kathleen Rustrum	Tuolumne Public Power Agency
Kent Palmerton	Power and Water Resources Pooling Authority
Nannette Engelbrite	Northern California Power Agency
Nick Zettel	City of Redding
Rick Coleman	Trinity Public Utilities District
Stuart Robertson	PWRPA/ESRA
Charles Faust	Western Area Power Administration
Janice Nations	Western Area Power Administration
Megan Jones	Western Area Power Administration
Melinda Grow	Western Area Power Administration
Regina Rieger	Western Area Power Administration
Russell Knight	Western Area Power Administration
Sandee Peebles	Western Area Power Administration
Sonja Anderson	Western Area Power Administration
Steve Richardson	Western Area Power Administration
Attended via phone	
Bill Stewart	Lassen Municipal Utility District
Cindy Ardison	Modesto Irrigation District
Dan Payton	Contractor for Western
Paul Landry	BOR
Seth Lucia for Pete Scanlin	Sacramento Municipal Utility District
Tom Kabat	City of Palo Alto