

INFORMAL RATES MEETING July 23, 2008

Explanation of Reclamation FY07 Expenses in Relation to Craig Stroh FY08 O&M Allocation Presentation at July 9, 2008 Meeting  
 Presented by: Janice Nations, SNR Financial Manager

	<u>FY08 O&amp;M Alloc</u>	<u>FY07 F/S</u>	<u>Difference</u>
<u>Schedule 25 - Allocation of Multipurpose Expense</u>			
Multipurpose / Activities not associated with specific facilities - Schd 25	13.710	11.731	1.979
 <i>(Walk thru a couple of examples: Folsom Dam &amp; Reservoir - Multipurpose Pg 1 of 10 &amp; Suisun Marsh Preserv Agmt - Activities not assoc with specific facilities Pg 7 of 10 to illustrate multipurpose allocation and follow thru to show how costs are then reported on Schd 16 and can be identified as "Joint Expense". Folsom Dam is a portion of amount shown on Schd 16 Pg 3 of 20 for American River Division and Suisun Marsh Preserv Agmt is a portion of amount shown on Schd 16 Pg 9 of 20 for Delta Division.)</i>			
 <u>Schedule 16 - Operating/Program Expense - Power</u>			
Total Power Expenses (Includes Single Purpose and Multipurpose/Activities not associated with specific facilities carried forward from Sch 25)		33.656	
Less Interest on Investment Shown on Schd 16 but not included as O&M in the PRS <i>(IOI is included in the PRS in its own category)</i>		-2.123	
Less Multipurpose/Activities not associated with specific facilities - Schd 25		<u>-11.731</u>	
Subtotal - Single purpose power facilities / All power expenses regardless of funding type on Schd 16 <i>Sample of Single-purpose power facility is Folsom Power Plant Pg 1 of 20</i>		19.802	
Less Customer Funds used for Expenses shown on Schd 16 / Refer to Schd 15 for FY07. <i>Reclamation process is to match revenue to expenses for customer advances.</i>		<u>-18.315</u>	
Subtotal - Schd 16 Single Purpose expenses using Fed appropriations	4.500	1.487	3.013

Reclamation Projected O&M Costs Shown on July 9, 2008 Handout

- 1) President's Budget for FY08 - Is an Estimate & Only includes appropriations (no customer advances)
- 2) Therefore the \$94M excludes customer advances
- 3) Therefore the \$18M allocated to Total Power excludes customer advances
- 4) Allocation is used for Water ratesetting purposes
- 5) Allocation is Not used by Western for ratesetting purposes
- 6) Allocation is Not used by Western for the Power Repayment Study
- 7) Customer advances are used by Reclamation for single purpose projects and not multipurpose projects. Nearly 100% of the Single Purpose projects is funded by customer advances.

F/S

- 1) Includes expenses funded with appropriations and customer advances as all O&M expenses must be recovered by Western in its rates.
- 2) Western uses expenses shown on Schd 16 of F/S for Power Repayment Study
- 3) Western uses an estimate of what will be shown on Schd 16 for its ratesetting purposes.