

Colorado River Storage Project (CRSP) Funding Update

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Responsibilities

WAPA

- Owns and operates the transmission system infrastructure
- Markets, schedules and delivers energy to long term firm electric service customers
- Dispatches generation from the powerplants at the dams for electrical regulation and emergencies
- Rate setting and repayment of project debt to U.S. Treasury from revenue

Reclamation

- Owns, operates, and maintains dams and power plants
- Water management (reservoir management, irrigation, flood control, and water compact deliveries)
- Generates power which is delivered to WAPA at the plant transformers

Setting CRSP Power Rates

Cost-based rates

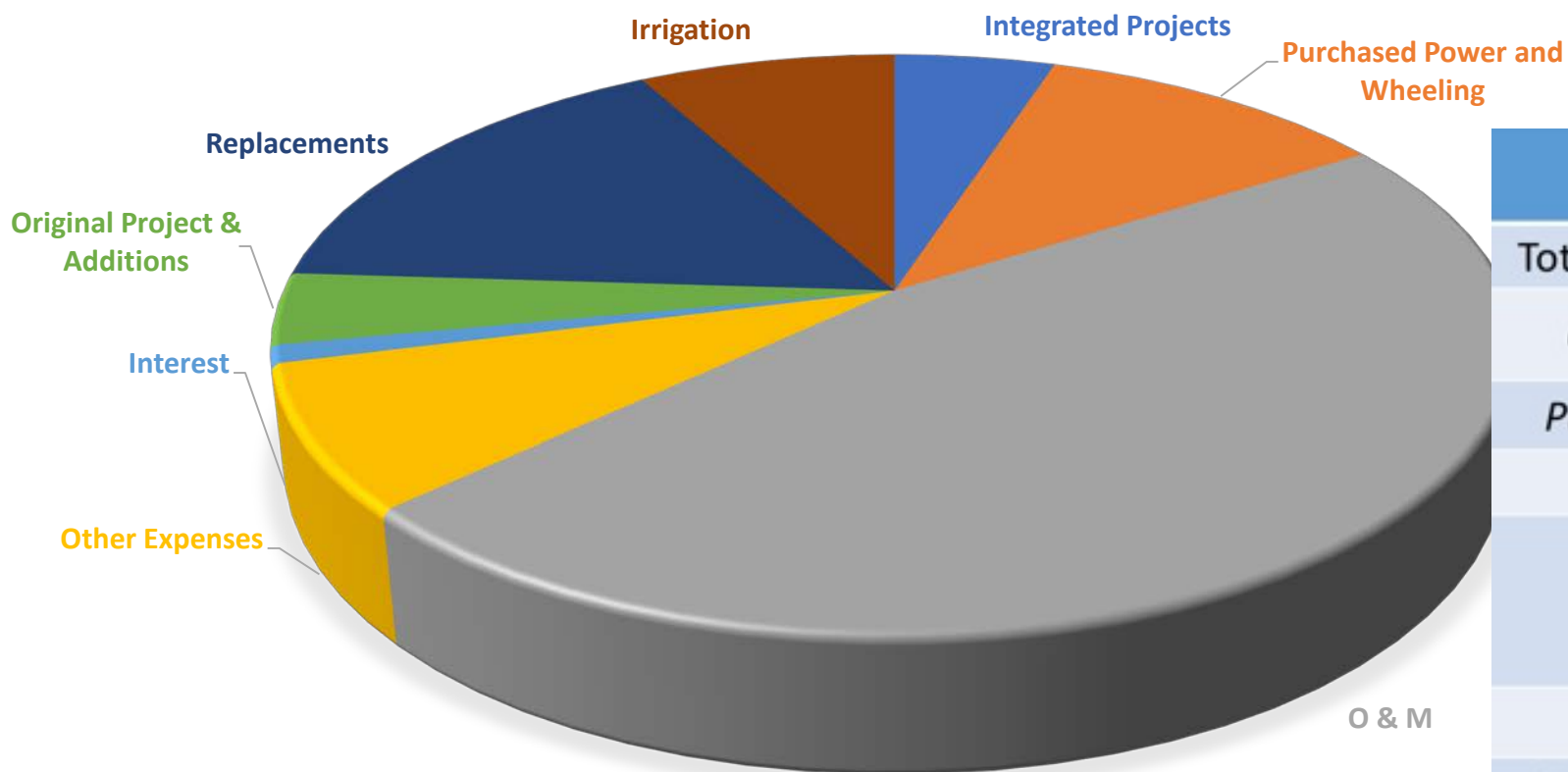
- Operations & maintenance
- Required principal & interest payments
- Amortized capital replacements (WAPA & BOR)
- Purchase power to “firm” contractual commitments
- Repayment of CRSP and participating irrigation projects
- Salinity Control Program – reduce salt in Colorado River water
- Repayment of Loan to fund Capitalized UCRIP expenses

Revenue requirement

- Rate = revenue requirement/projected energy sales
- Simplified Example:
 - \$200 required revenue to cover costs
 - Contracts = 200 KWh of energy delivery
 - Rate = \$1.00/KWh
- Rate change is processed if projected revenue exceeds or is insufficient to meet future projected expenses

Basin Fund cash balance is not a component of the rate

What's in the SLCA/IP Rate



	FY2018
Total Revenue	<u>\$225</u>
<i>Operations & Maintenance</i>	\$96.8
<i>Purchase Power & Wheeling</i>	\$43.4
<i>States' MOA Funds</i>	\$11.5
<i>Repayment of Investment</i>	\$61.3
<i>Interest on Investment</i>	\$12.7
Total Costs	\$225

Basin Fund Obligations

- Manage the financial requirements of the CRSP Act
 - Glen Canyon, Aspinall, Flaming Gorge
 - Several additional units that include dams, reservoirs, powerplants, transmission facilities and other related works
- Reclamation operations are funded by periodic transfers from the CRSP Basin Fund to a Reclamation subaccount
 - Allows Reclamation to maintain programmatic oversight of their facilities
 - Funds are transferred approximately on a monthly basis and only the amount they need to operate for the fiscal year

CRSP Basin Fund Status



- Current Balance...\$165M
 - As of 2/10/2020
- Projected FYE 2020 Balance.....\$150M
- CRSP FYE19 target was \$184M
- CRSP FYE 20 target is being finalized ~\$160M

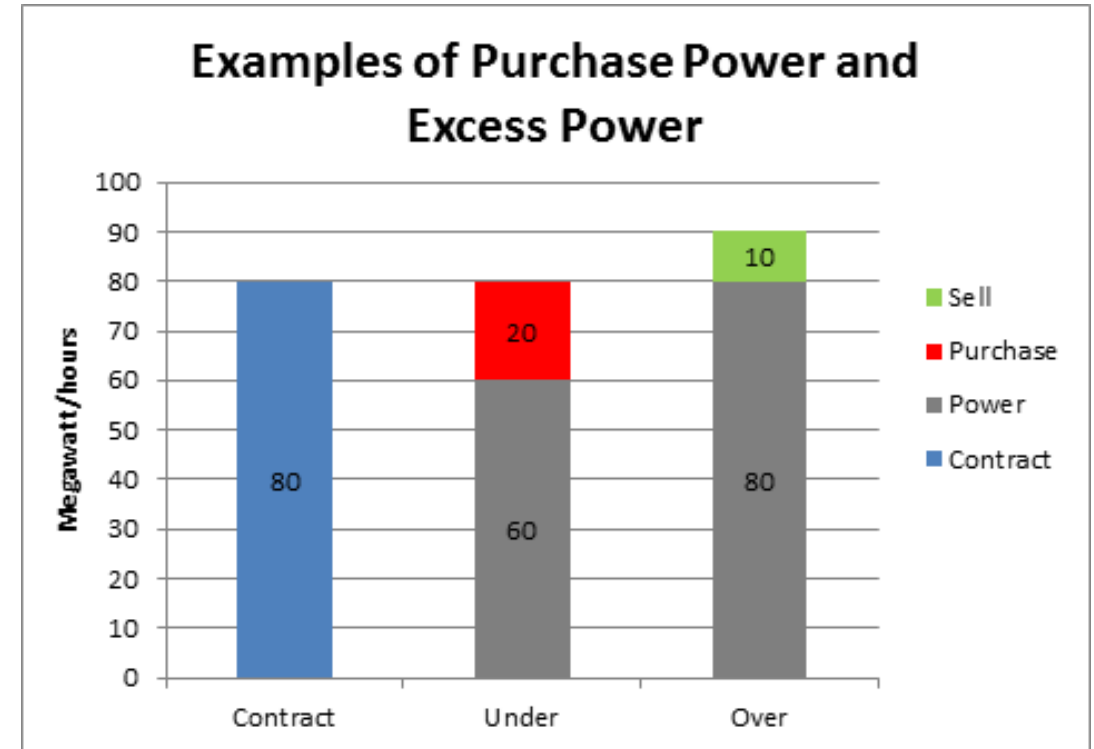
* Projection does not include a cash return to the general fund of the Treasury

* In FY19, no funding for BOR environmental expenses and no return to Treasury

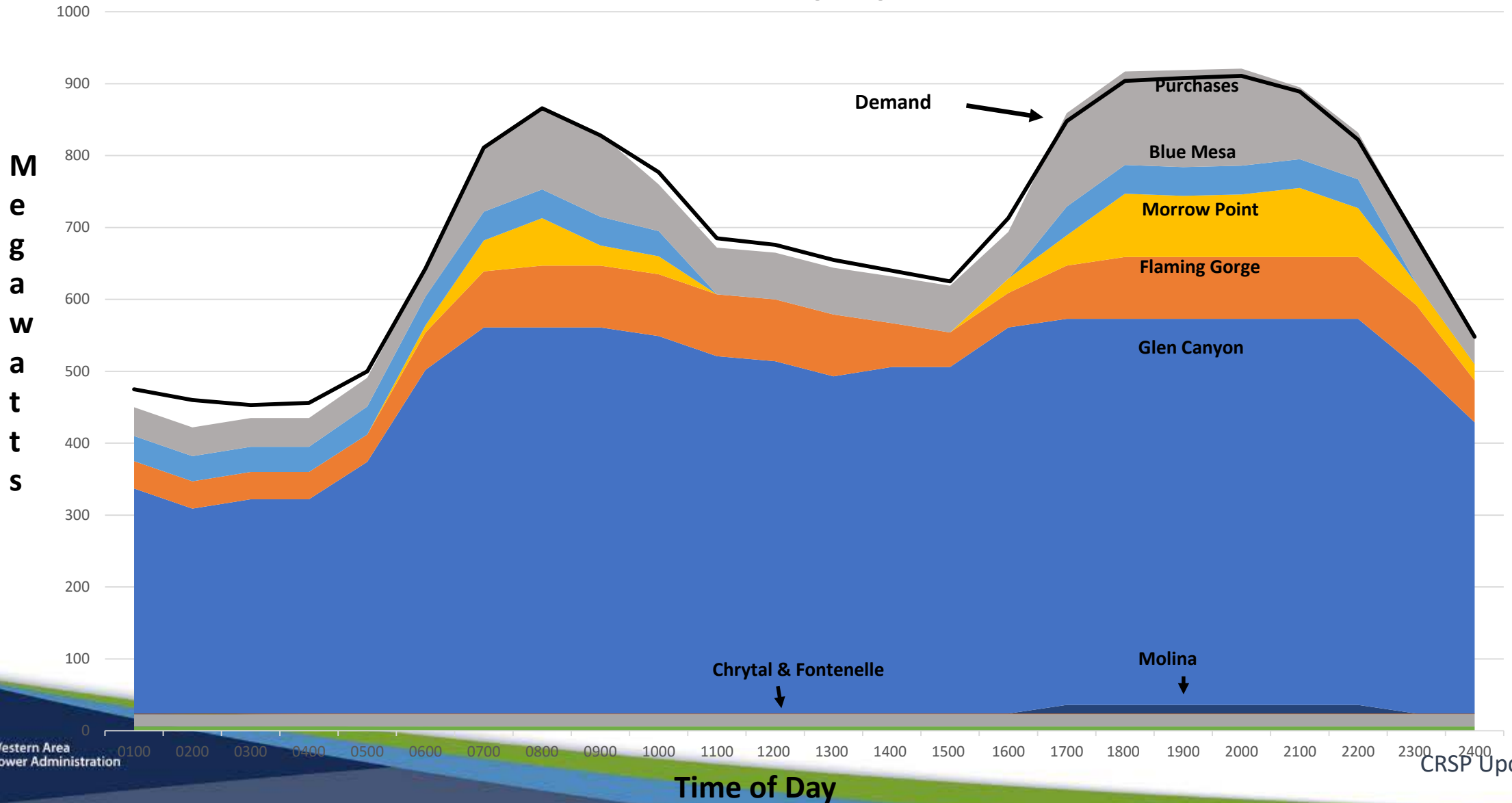
Basin Fund Cash Flow Risks

Risk Factors

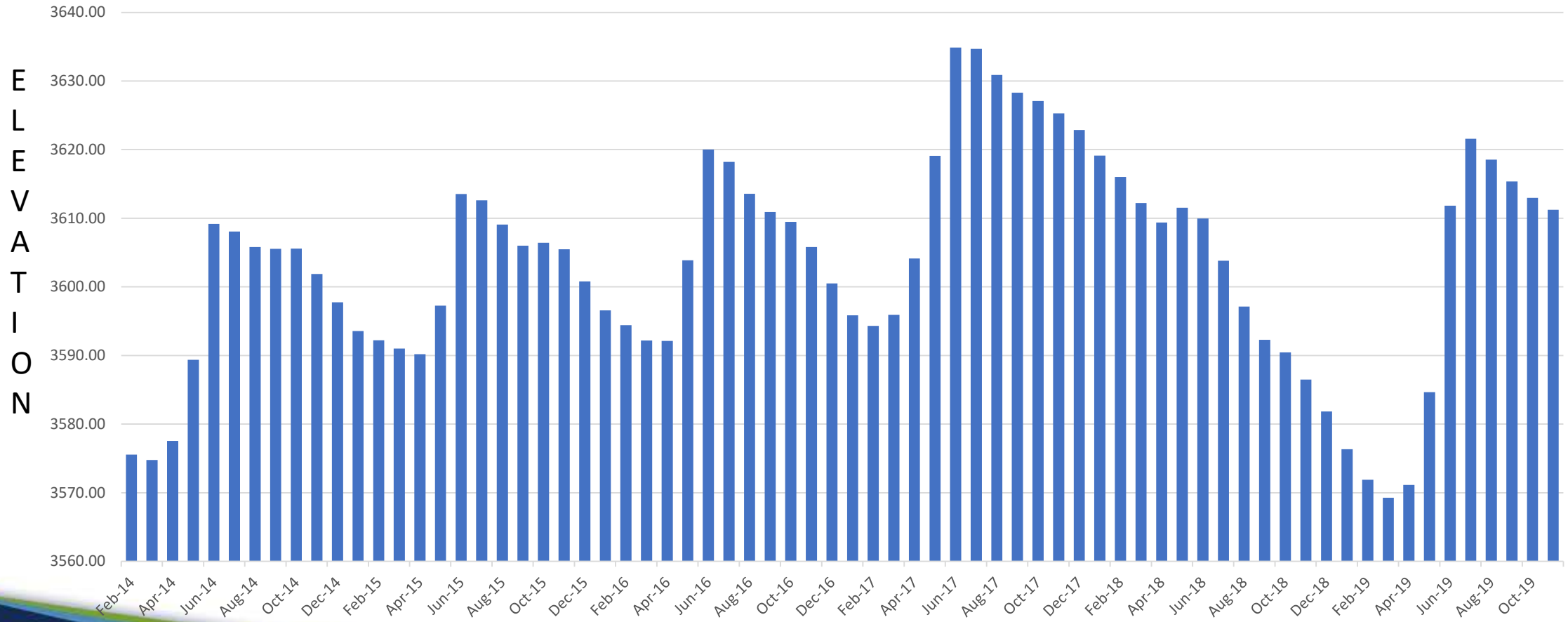
- Replacements (Reclamation & WAPA)
- Environmental Programs
- Bypass (including Spring Flows out of FG and Aspinall)
- Market Price for Purchase Power
- Hydrology/Releases/Pool Elevation



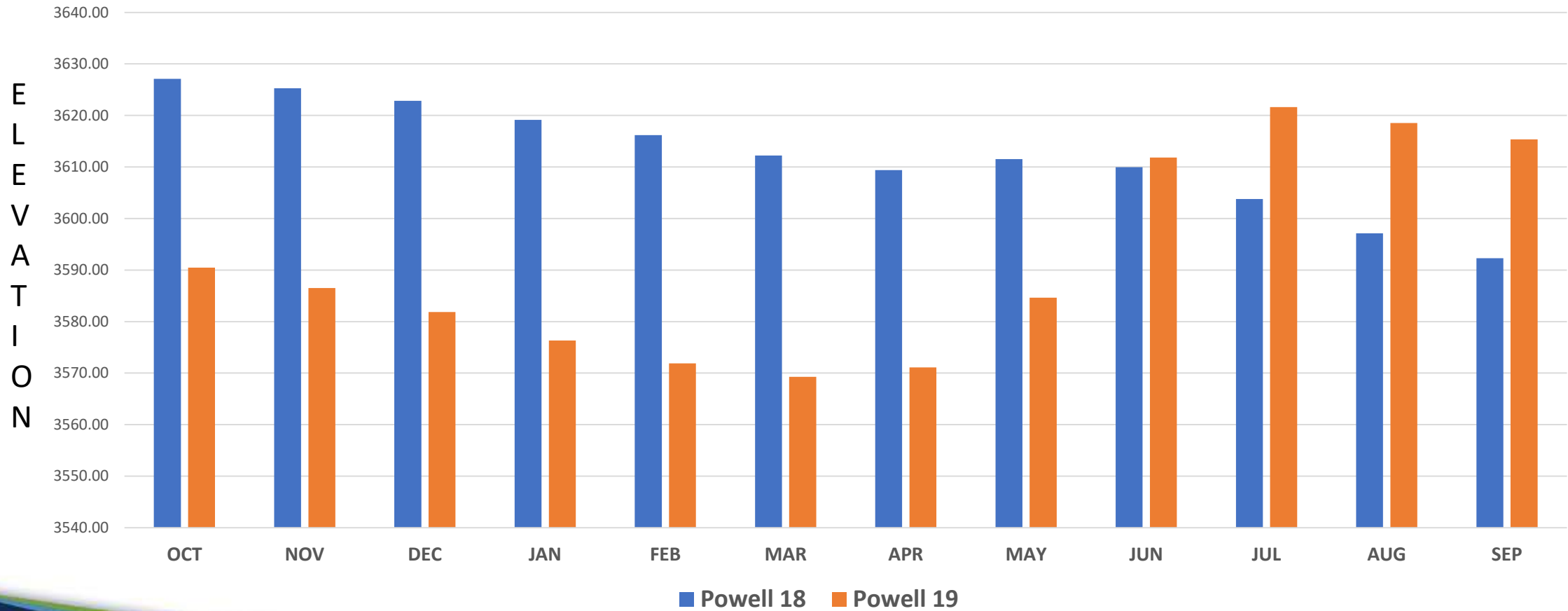
CRSP Generation vs Demand 01/22/2020



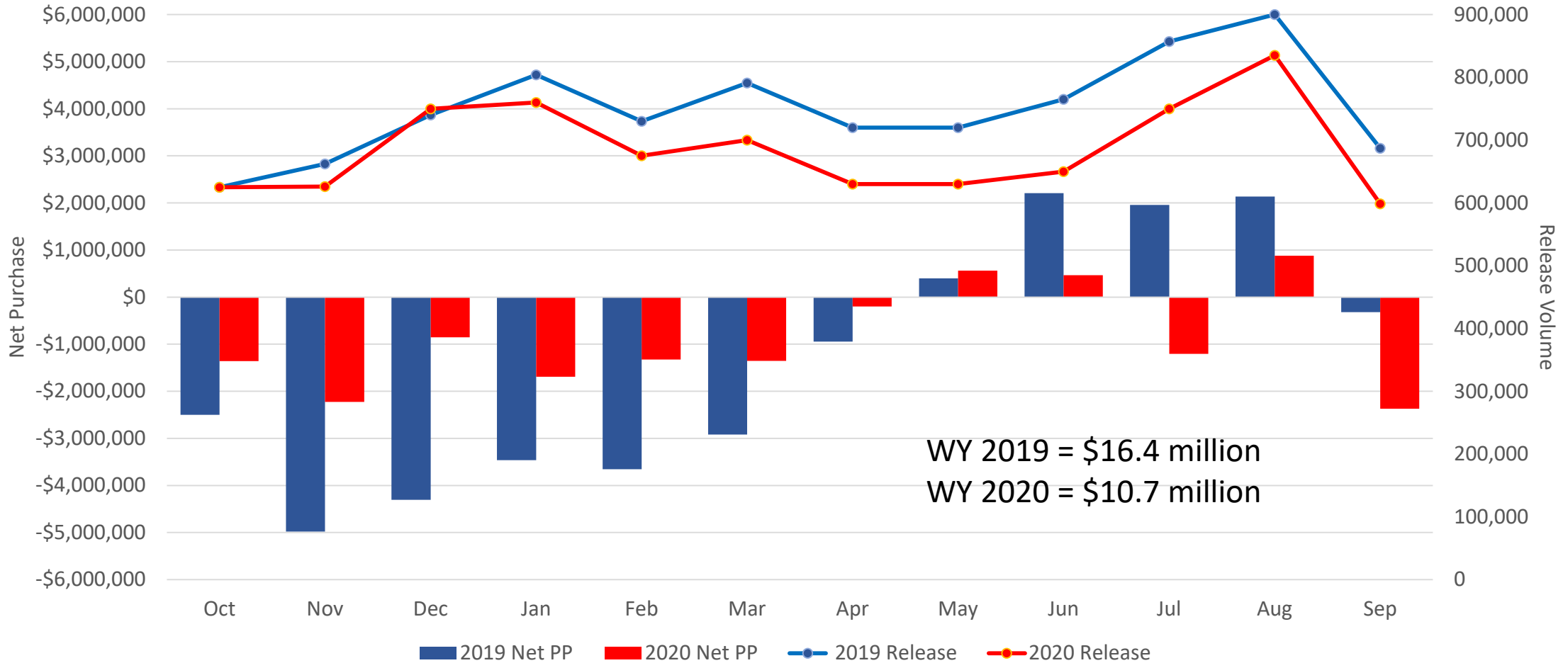
Lake Powell Elevation History: 2014-2019



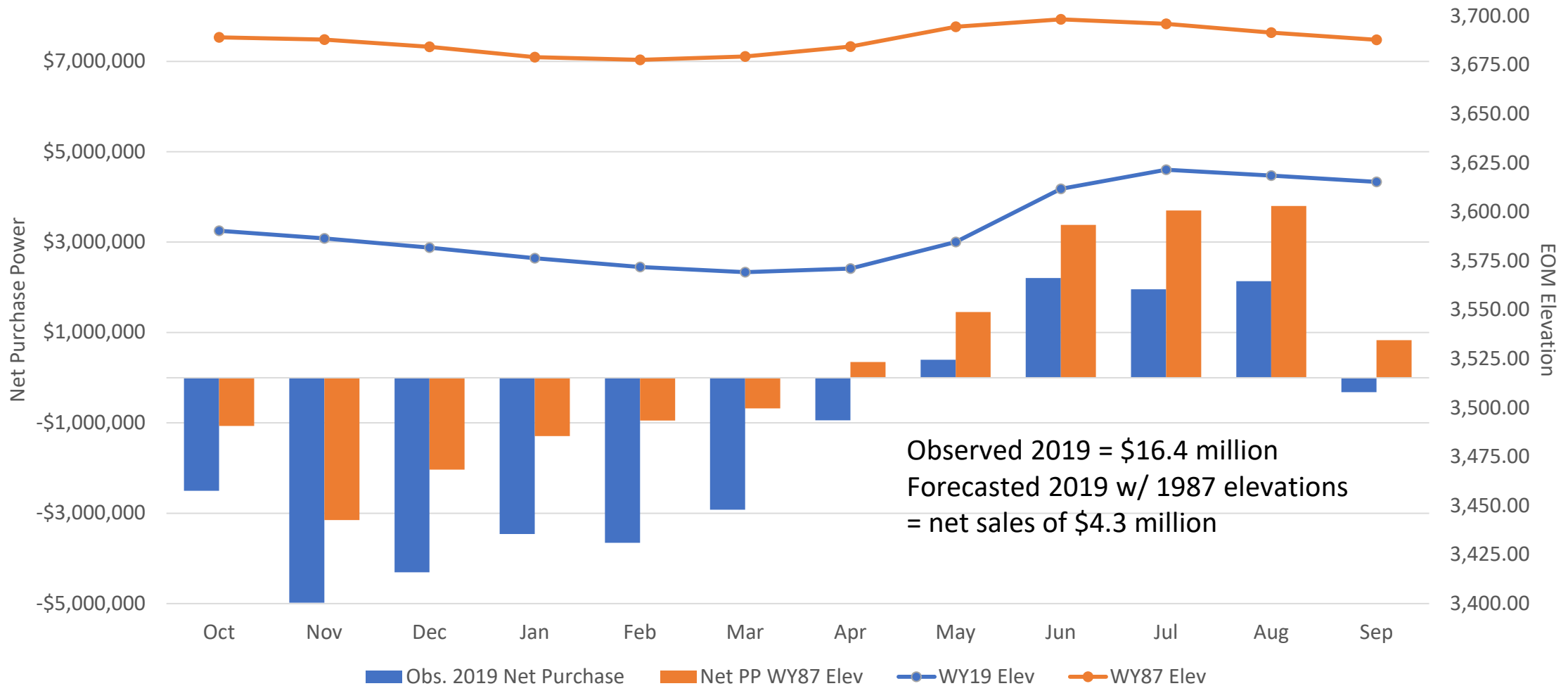
2018 vs 2019 Lake Powell Elevations



Purchase and Sales WY 2019 - 2020



2019 Net Purchase Power vs. Estimated Net Sales with ~Full Reservoir



Environment and Cultural Resources

Historically funded by CRSP electric power revenues

- Upper Colorado and San Juan Recovery Programs - \$9.3M
- Glen Canyon Dam Adaptive Management Program - \$10.9M
- Quality of Water & Consumptive Use Studies - \$1.2M
- Experiments and related WAPA Expenses - \$2.7M
- Salinity Control Program – reduce salt in Colorado River water - \$2M

Note: In 2019, CRSP power revenues did not fund the non-reimbursable environmental programs managed by Reclamation

Direction to return cash?



Direction has not changed. However...

“Continuing Appropriations Act, 2020, and Health Extenders Act of 2019”.

SEC. 125. (a) No funds shall be transferred directly from “Department of Energy—Power Marketing Administration—Colorado River Basins Power Marketing Fund, Western Area Power Administration” to the general fund of the Treasury in fiscal year 2019. (b) This section shall become effective immediately upon enactment of this Act.

Last cash return was \$25M to the General Fund of the U.S. Treasury in 2012

FY20 Enacted Language

\$21.4M shall be transferred

“Of the offsetting collections, including unobligated balances of such collections, in the “Department of Energy—Power Marketing Administration—Colorado River Basins Power Marketing Fund, Western Area Power Administration”, \$21,400,000 shall be transferred to the “Department of Interior—Bureau of Reclamation—Upper Colorado River Basin Fund” for the Bureau of Reclamation to carry out environmental stewardship and endangered species recovery efforts.”

Funding Environmental Programs FY22 and beyond

- WAPA and Reclamation recognize the use of non-reimbursable funding as currently structured is not feasible for the long term.
- The Basin Fund will not be sufficient to cover the current level of the program as WAPA's repayment obligation to the Treasury decreases.
- Expending ~\$23M each year is not sustainable from available power revenues and may compromise both Reclamation's and WAPA's ability to maintain and operate a reliable electrical power system and meet contractual obligations.
- Multiple funding sources will need to be identified and in place by October 2022 to support the success of these programs.

Questions

CRSP Upcoming Challenges

- Drought
- Rate
- State Apportionment/MOA
- Basin Fund and Returns to Treasury
- Markets
- Interim Guidelines

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