



Western
Area Power
Administration

Central Montana Electric Power Cooperative Update

March 29, 2017

Bob Harris
Senior VP & UGP Regional Manager



New administration, new world

- Formal transfer of government
- Transition teams
- Political appointee turnover
- Informal transition strategy
- WLO activity



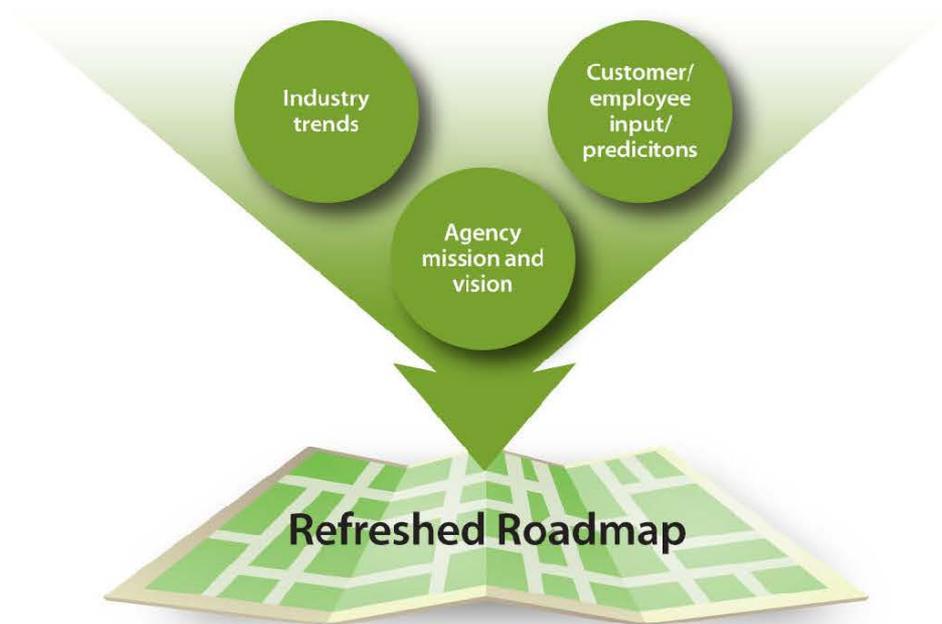
Strategic Roadmap 2024

- Applies mission to dynamic, evolving industry
 - New regulations
 - Growing presence of interruptible generation resources
 - Constraints on our hydropower resources
 - Markets development in the West
 - Changing customer needs
- Ties together strategy, initiatives, budgets & targets



Why refresh?

- Review every 2-3 years
- Important to take stock
 - ✓ Progress made
 - ✓ Where we need to go
- Narrow focus
 - ✓ Most important
 - ✓ Most strategic
- More inclusive

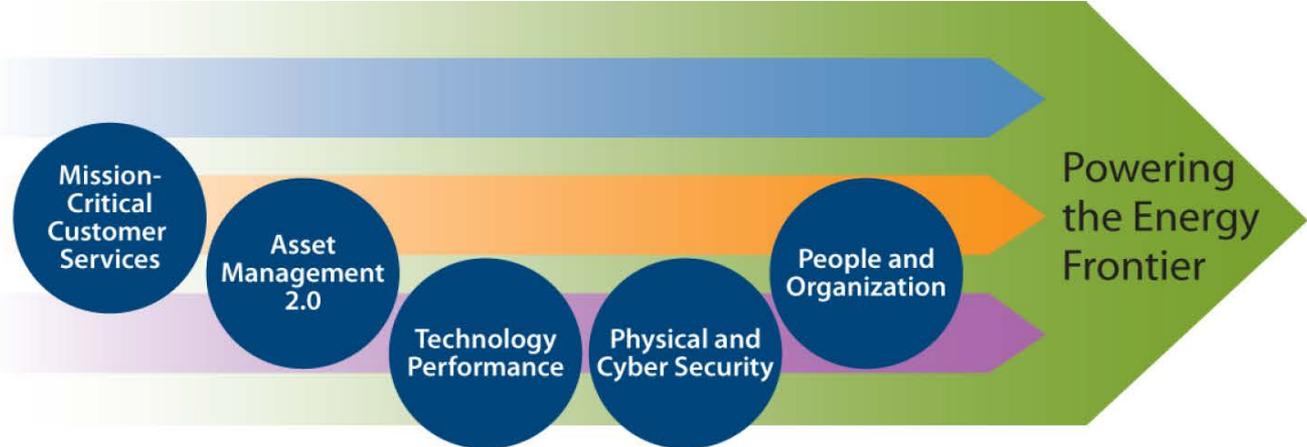


Outcome: Key points

- Mission, vision, pathways unchanged
- Allows employees to see themselves
- Identified cross-cutting strategic enablers



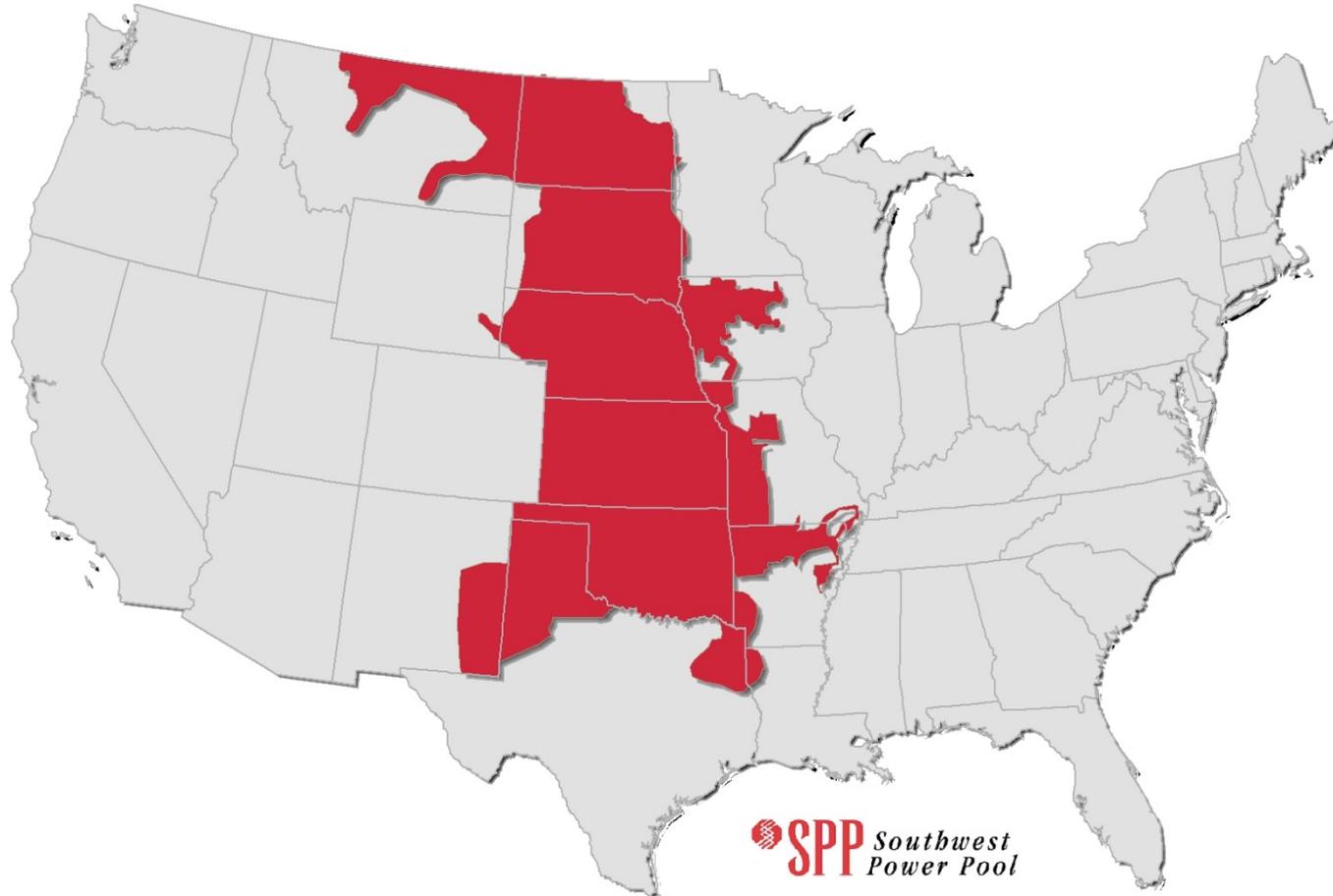
How it comes together



- Evolution of Services
- Mutually Beneficial Partnerships
- Business, Technology and Organizational Excellence

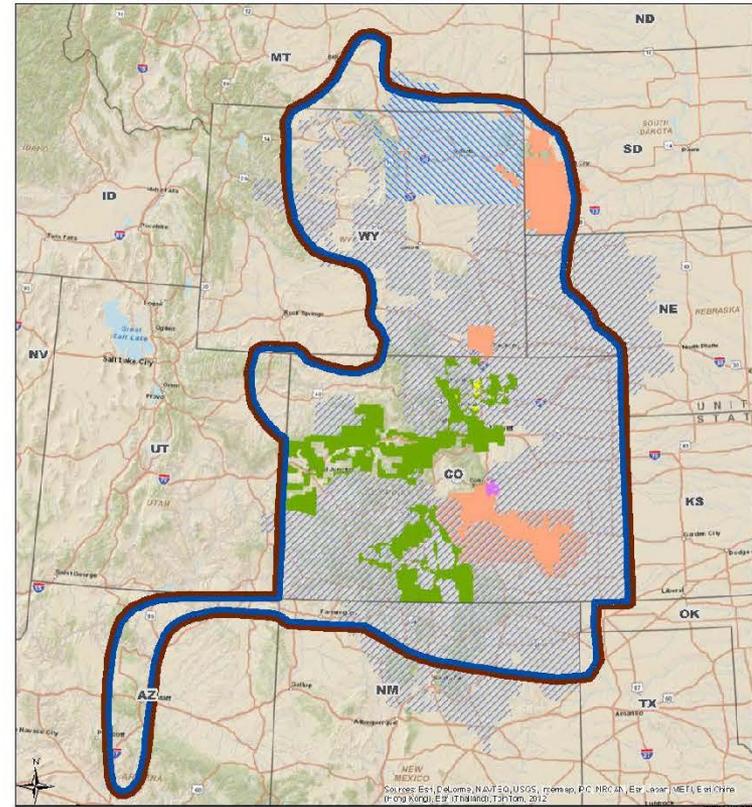


Southwest Power Pool



Mountain West update

- Formed 2013
- 10 participants
- Evaluating options
- Jan. 6 announced decision to pursue talks with SPP
- Expects decision mid-2017
- If applicable, market implementation 2019



**Mountain West Transmission Group
Membership Areas**

- | | |
|--|--|
| MMTS Footprint | MEMBER BY SERVICE AREA |
| MEMBER BY PLANNING AREA | Black Hills Companies |
| Flatte River Power Authority | Colorado Springs Utilities |
| MEMBER BY MEMBERSHIP AREA | Public Service Co of Colorado |
| Easin Electric Power Co. | WESTERN AREA POWER ADMINISTRATION |
| Tri State Generation & Transmission Association Inc. | LAP and CRSP Transmission |



P-SMBP

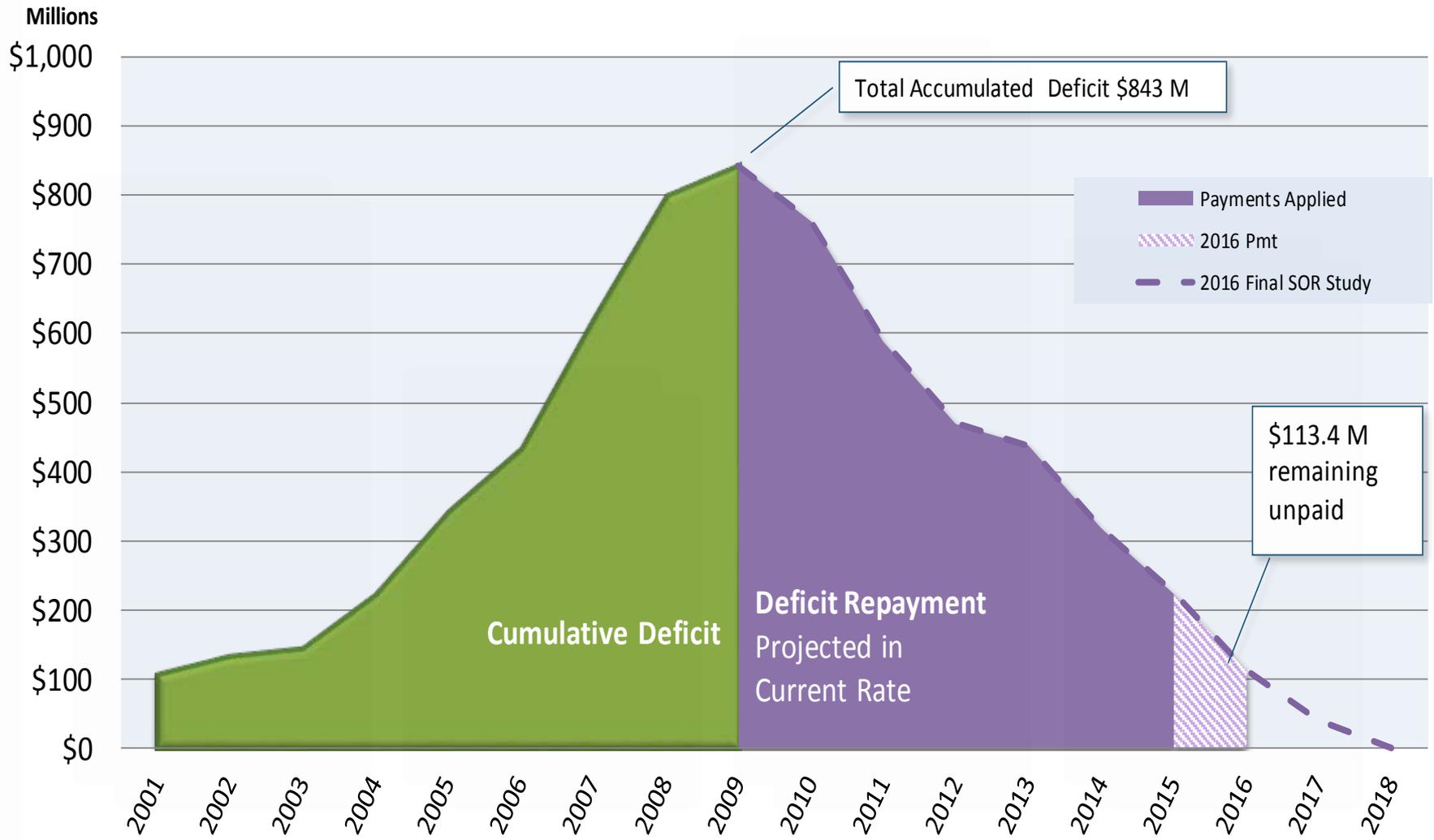
2016 Final Status of Repayment (SOR) PRS

- 2016 Deficit Payment is \$110 M
 - Pays off the 2017 unpaid deficit balance
 - Balance applied towards 2018 remaining deficit balance
- \$113 M unpaid on the Drought after 2016
- 2016 \$54 M Required Payments
 - Mostly in 2.5% to repay Corps investments
- 2020 is the PRS pinch point
- SOR Study solves at current rate of 28.54 mills/kwh
- Drought debt paid off in 2018

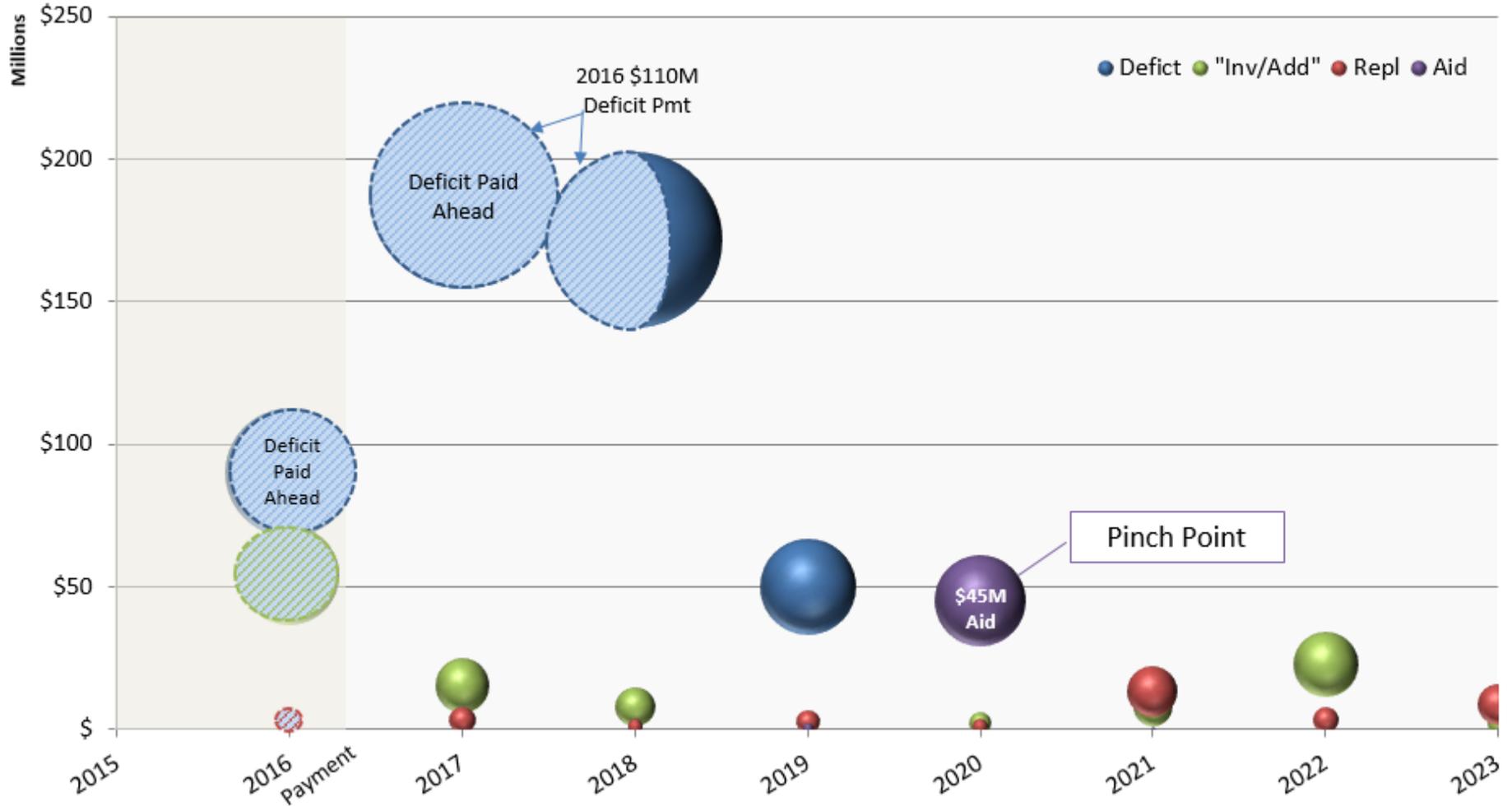
2016 Rate Setting Study for CY 2018 rate not finalized yet.



2016 Deficit Repayment

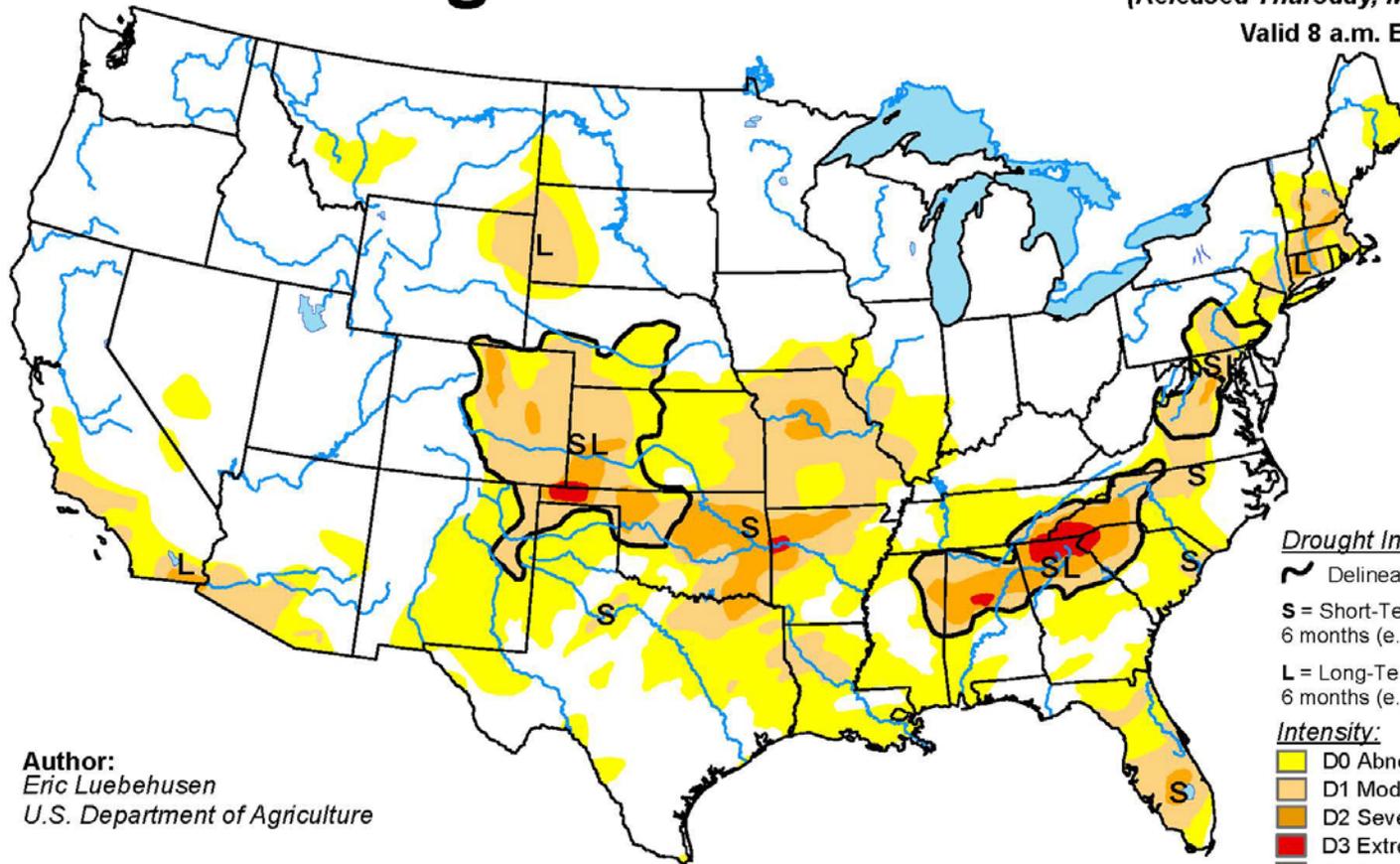


Required Payments-2016 SOR PRS



U.S. Drought Monitor

March 21, 2017
 (Released Thursday, Mar. 23, 2017)
 Valid 8 a.m. EDT



Author:
 Eric Luebbehusen
 U.S. Department of Agriculture

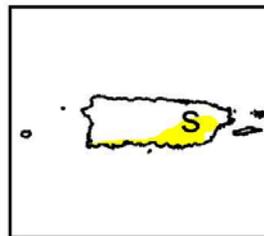
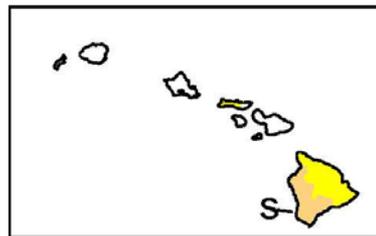
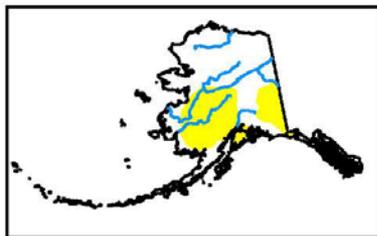
Drought Impact Types:

- ~ Delineates dominant impacts
- S** = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L** = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

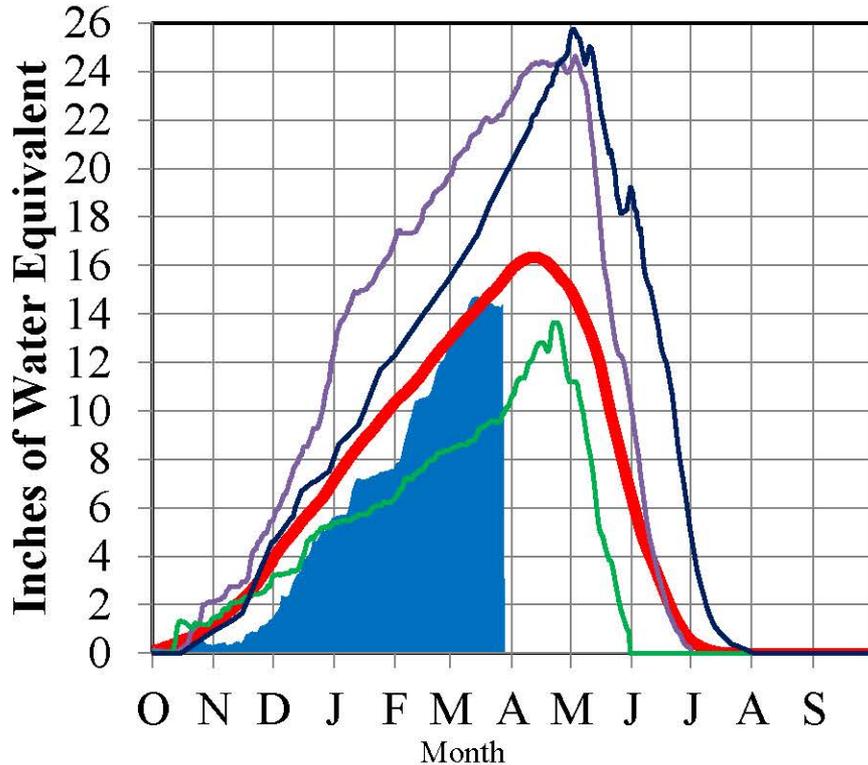


<http://droughtmonitor.unl.edu/>

Missouri River Basin – Mountain Snowpack Water Content 2016-2017 with comparison plots from 1997*, 2001*, and 2011

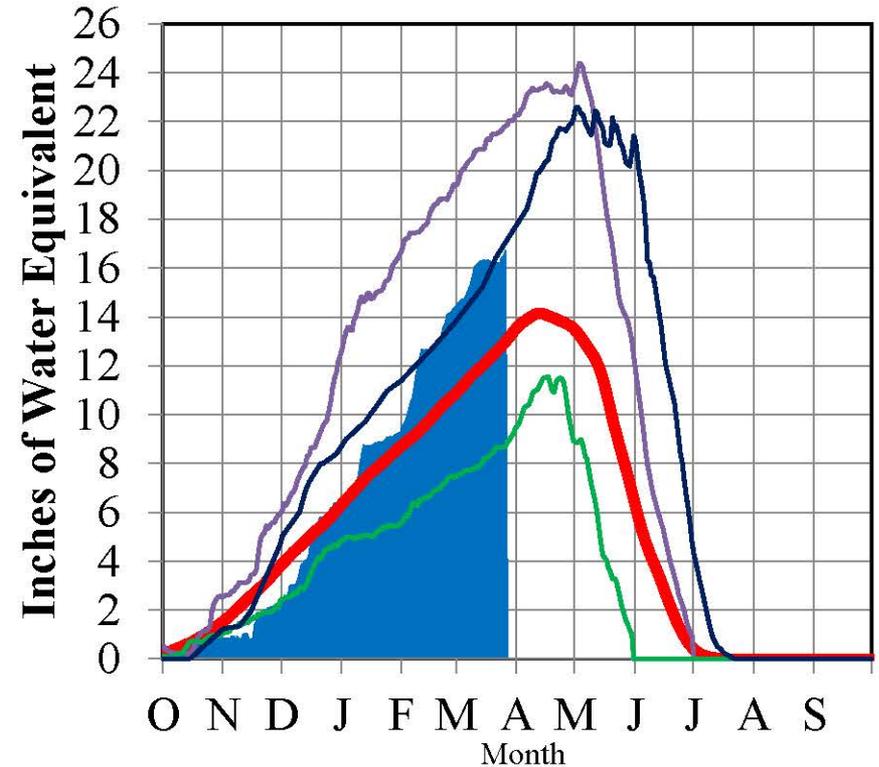
March 26, 2017

Total above Fort Peck



■ 2016-2017 ■ 1981-2010 Ave ■ 1997 ■ 2001 ■ 2011

Total Fort Peck to Garrison



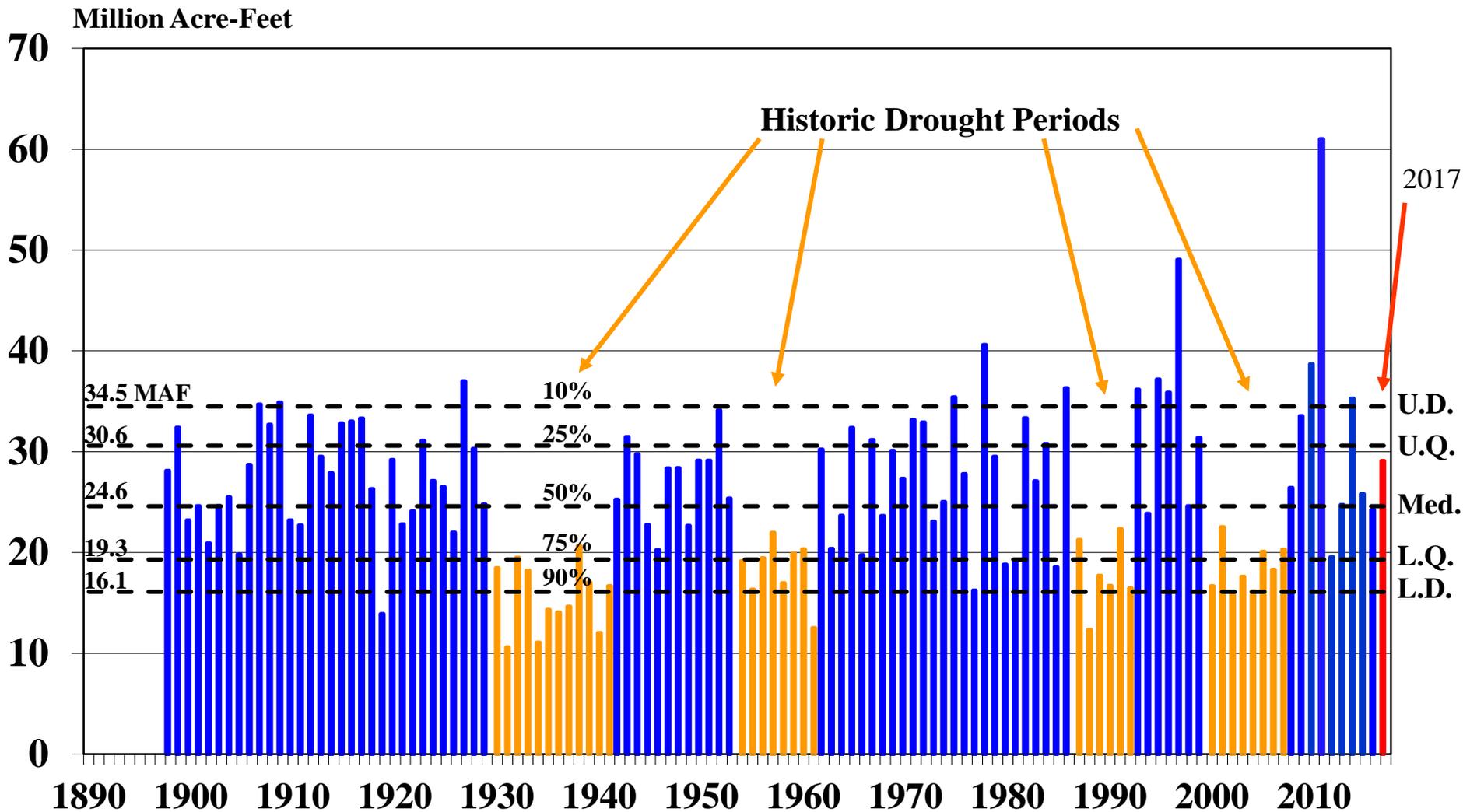
■ 2016-2017 ■ 1981-2010 Ave ■ 1997 ■ 2001 ■ 2011

The Missouri River Basin mountain snowpack normally peaks near April 15. On March 26, 2017 the mountain Snow Water Equivalent (SWE) in the “Total above Fort Peck” reach was 14.4”, 94% of average. The mountain SWE in the “Total Fort Peck to Garrison” reach was 16.7”, 129% of average. Normally by April 1, about 97% of the peak mountain SWE has occurred in both reaches.

*Generally considered the high and low year of the last 20-year period, respectively.

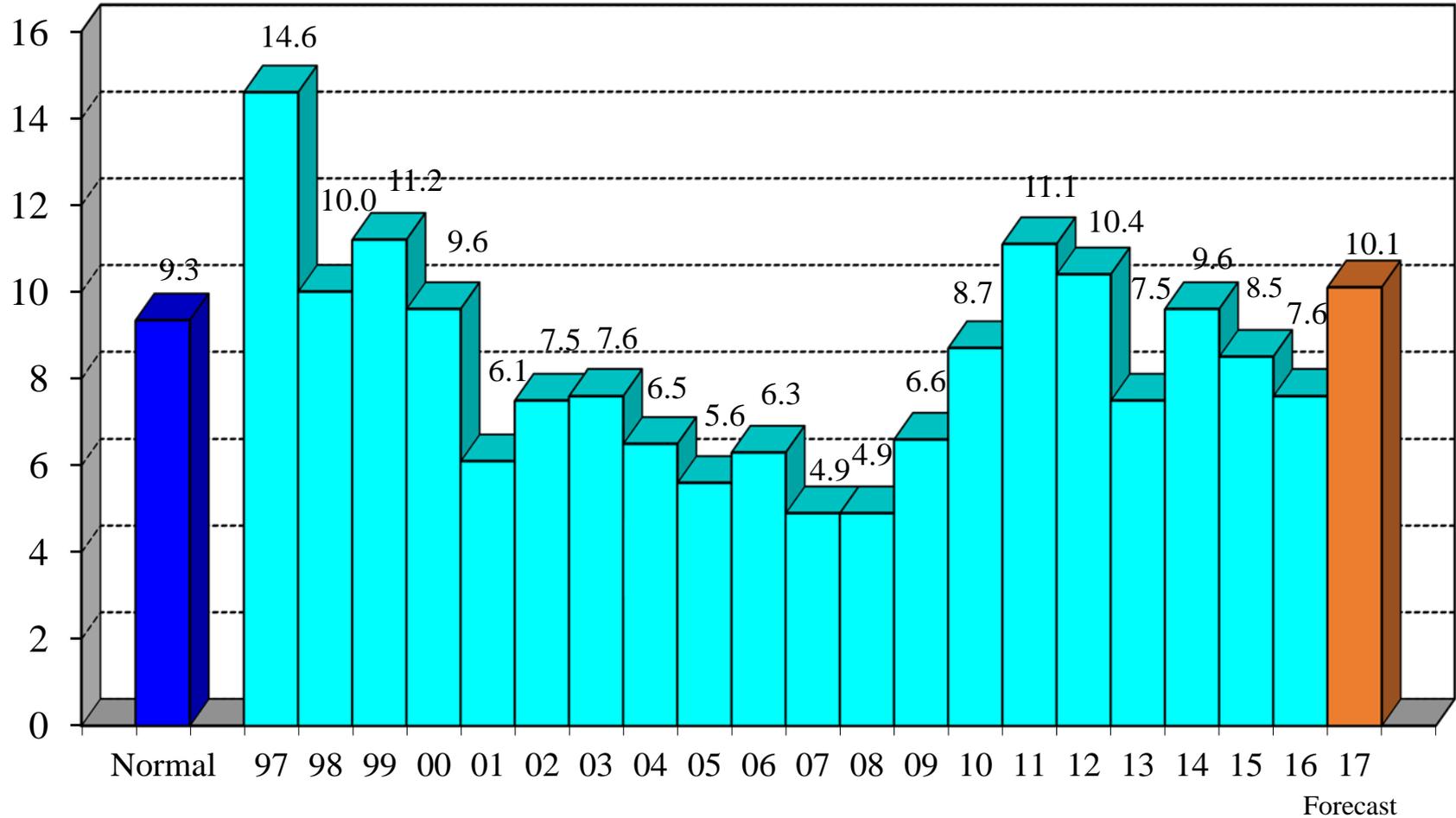
Provisional data. Subject to revision.

Missouri River Mainstem System Annual Runoff above Sioux City, IA



Mainstem System Generation

Million Megawatt Hours



Mar 1, 2017 Forecast

Upper Basic: 13.6

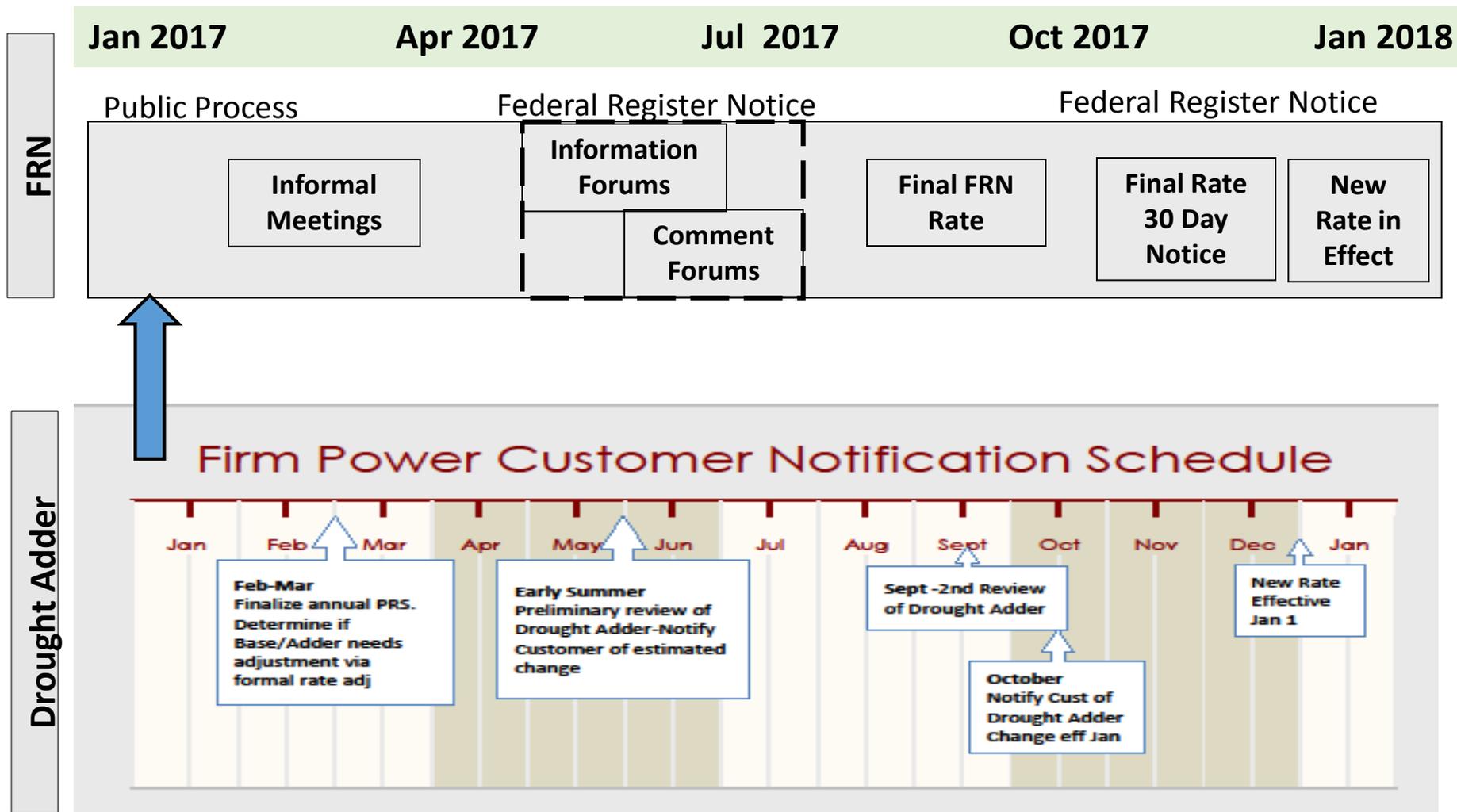
Lower Basic: 9.4



UGP Update

Chart provided by US Army Corps of Engineers

Draft Schedule for 2018 Rate Adjustment



Save the Date Information Webinar

- Sent out a March 9th letter announcing Webinar
 - Plan for Public Rate Process
 - Webinar is April 18, 2017, 1:00 – 3:00 PM MDT
 - Discuss the Pick-Sloan—ED and LAP Base and Drought Adder true up and the plan for the up coming public process to adjust the over all Pick-Sloan composite rate
 - Drought Adder component going to zero and increase to the Base Component

<https://www.wapa.gov/regions/UGP/rates/Pages/2018-firm-rate-adjustment.aspx>

- Webinar will be recorded and posted to the website.



Commitment to transparency



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Discussions between our CEO, Senior Executive team, and customers.



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Searchable index created to increase transparency about WAPA's power systems. Content updated yearly.



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Find annual reports, statistical appendices and ROOs for the current and past few years.



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Questions



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The Source



UGP Update