Midwest Electric Consumers Association
Water and Power Committee

December 21, 2021

Pick-Sloan Missouri Basin Program
Initial Proposed Power Rate Options
For CY 2023 through 2027
Pick-Sloan Missouri Basin Program – Analysis Data Disclaimer

NOTE: Data used in this analysis for future power rates is not yet final.

  • Polar Vortex Event – Estimated $100M short.

• Generation Data is from the Corp/BOR.
  • Corps Draft AOP calendar year 2022 through Feb 2023 (14 months).
    • Draft is 2,000 GWH lower than 2021 AOP was projecting.
      • Unknown what Corp/BOR are projecting for 2023-2026.
      • Should have generation data by year end.
  • Each year we project a 5-year rate window.
    • Purchase Power
    • Includes 2023 Workplans (WAPA, BOR and Corps)
      • O&M
      • Capital program
      • Interest expense
      • Required Balloon payments due
Generation Projections Impact on the Rate

Thousands GWH

- 2021 AOP
- Draft 2022 AOP
- Firm Obligations
Options all have the same assumptions

1. Present Base Rate can still meet the required repayment of the Polar Vortex (2021 deficit) within 10-year requirement for deficits.
   a) Currently not proposing increase to the Base Rate.
   b) 2024 workplans are not yet done (end of March); possibility that could change.

2. Based on the data available today (2022 Draft AOP), we need to implement a Drought Adder in 2023 to cover the shortage projected for 2022.

3. How short we are in 2022 and 2023 determines what we are proposing for the 2023 rates
   a) Annual Operating Plan Generation 5 years - December 31
   b) Snowpack April 15

4. Our options are addressing the shortfall in generation projected in 2022 and out years.

5. Drought adder can be adjusted annually up to 2 mills, but can be reduced annual in any amount if drought conditions improve.
Option 1 - Drought Adder added in 2023

• No change to the Base Rate.
• Implement Drought Adder in the rate process (not limited).
• Drought Adder would be increased to include the generation shortfall projected from current year 2022 and projected 2023 and 2024 projected generation shortages.
• One rate adjustment process going into a projected drought
• With this option of the Drought Adder being heavy on the front of the drought, we can stay ahead of the projected generation shortages and incur less deficits and associated interest expense on those deficits. Leaves the option of adding to Drought Adder through annual review process (up to 2 mills) as a mitigation tool should the drought deepen quickly.
• Drought Adder can be removed if drought conditions improve.
Option 1 - Drought Adder added in 2023

Mills/kwh

- Base
- 2023 Adder

Year:
- 2021
- 2022
- 2023
- 2024
- 2025
- 2026
Option 2 - Drought Adder in 2023 Rate process with an additional adder in 2024

• No change to the Base Rate.
• Implement the Drought Adder in the rate process (can be more than 2 mills).
• Only include Drought Adder sufficient to address 2022 and 2023 generation shortfalls only in the rate process.
• Utilize the Drought Adder annual review process to implement additional Drought Adder in 2024 (via annual letter notification).
• The annual Drought Adder review only allows up to 2 mills to be added to the Adder without a rate process. Concern with this option is if the 2023 projected generation causes more purchases than estimated, we can only do a 2-mill Adder in 2024. May need to start another rate process if 2 mills is not enough.
• This option has a smaller rate increase for 2023, but still needs an additional drought adder in 2024 to cover projected generation shortages.
Option 2 - Drought Adder in 2023 Rate process with an additional adder in 2024
Option 3: Implement a 2-mill Adder each year through the annual review process

• Base Rate remains unchanged.
• Rate process would extend our present Base Rate.
• Use the annual drought adder review process to add the Drought Adder in 2023 to try to catch up with the shortage in generation from 2022 and 2023. This is limited to up to 2 mills annually and will not cover the projected 2022 or estimated 2023 generation shortages and would require an add to the Drought Adder through the annual review process for 2024.
• This option has WAPA setting a rate for 2023 that is clearly short as a Drought Adder would not be added in the rate process; rather, it would be implemented as in the annual Drought Adder review process. This would put the rate in deeper deficit and incurring additional interest expense, having a greater impact on the rate.
Option 3: Implement a 2-mill Adder each year through the annual review process

![Bar chart showing the 2-mill Adder implementation from 2021 to 2026.](chart.png)
Draft Schedule for 2023 Rate Adjustment

- Informal meetings, January 2022
- FRN Proposal Published Late April 2022
- Formal Information and Comment Forums June/July 2022
- Final FRN November 2022
- Final Rate 30-Day Notice NLT December 1, 2022
- New Rates January 2023
NOTE: All information included in the presentation was based on the best available data as of December 21, 2021. As final data rolls in our estimated rates for 2023 will continue to develop. It is our goal to have an estimated rate for the January 28, 2022, Midwest Electric Consumers Association Water and Power meeting.
QUESTIONS