Proposed 2018 Rate Process
Mid-West Water and Power

May 31, 2017

Pick-Sloan Missouri River Basin Program--Eastern Division
&
Loveland Area Projects
Introductions

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*UGP Rates Manager*

Sheila Cook
*RMR Rates Manager*
Rate Process Summary

• Adjusting the P-S Components
  • Reducing the Drought Adder component to zero in calendar year 2018
  • Increase to the Base component

• Adjusting the Fry-Ark Component
  • Decrease to the Base component

• P-S--ED 5% Voltage Discount

• Sale of Surplus Products
Proposals for 2018 Rate Process
## P-SMBP--ED Revenue Components

<table>
<thead>
<tr>
<th>Firm Power Service</th>
<th>Current P-SMBP—ED Composite Rate 28.25 Mills/KWh</th>
<th>Proposed P-SMBP—ED Composite Rate 24.00 Mills/KWh</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Power</td>
<td>$247.0 Million</td>
<td>$209.8 Million</td>
<td>-15%</td>
</tr>
<tr>
<td>Firm Peaking Power</td>
<td>$25.0 Million</td>
<td>$20.3 Million</td>
<td>-19%</td>
</tr>
<tr>
<td>5 % Voltage Discount</td>
<td>$10.7 Million</td>
<td>$7.3 Million</td>
<td>-100%</td>
</tr>
<tr>
<td><strong>Total Firm Revenue Req.</strong></td>
<td><strong>$ 282.7 Million</strong></td>
<td><strong>$ 230.1 Million</strong></td>
<td><strong>-19%</strong></td>
</tr>
</tbody>
</table>
# P-SMBP—ED Proposed Rates Summary

<table>
<thead>
<tr>
<th>Firm Power Service</th>
<th>Proposed Rates 5% Voltage Discount Removed</th>
<th>Proposed Rates 5% Voltage Discount Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-SMBP-ED Revenue Requirement</td>
<td>$230.1 million*</td>
<td>$237.4 million</td>
</tr>
<tr>
<td>Firm Capacity</td>
<td>$5.25 kW-month</td>
<td>$5.50 kW-month</td>
</tr>
<tr>
<td>Firm Energy</td>
<td>13.27 mills/kWh</td>
<td>13.60 mills/kWh</td>
</tr>
<tr>
<td>Firm Peaking Capacity</td>
<td>$4.75 kW-month</td>
<td>$4.75 kW-month</td>
</tr>
<tr>
<td>Firm Peaking Energy ¹/</td>
<td>13.27 mills/kWh</td>
<td>13.23 mills/kWh</td>
</tr>
</tbody>
</table>

¹/ Firm peaking energy is normally returned. This will be assessed in the event firm peaking energy is not returned.

* Without the Voltage Discount

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Proposals for 2018 Rate Process
LAP Composite Rate

Proposals for 2018 Rate Process
# LAP Summary of Revenue Requirements

<table>
<thead>
<tr>
<th>Firm Electric Service</th>
<th>Current Rates Effective January 1, 2017</th>
<th>Proposed Rates Effective January 1, 2018</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAP Rev Req</td>
<td>$74.6M</td>
<td>$64.1M</td>
<td>-14%</td>
</tr>
<tr>
<td>Fry-Ark Rev Req</td>
<td>$15.3M</td>
<td>$13.3M</td>
<td>-13%</td>
</tr>
<tr>
<td>PS-WD Rev Req</td>
<td>$59.3M</td>
<td>$50.8M</td>
<td>-14%</td>
</tr>
</tbody>
</table>

Proposals for 2018 Rate Process
Fry-Ark FY 2016 PRS

- Updated Mt. Elbert Rehabilitation Cost Projections
  - Study includes ~$22.7m Station Service and Static Frequency Controller (continue plant operations and safety)
    - $3.769M booked in 2017
    - $2.074M booked in 2018
    - $3.200M booked in 2019
    - $4.623M booked in 2020
    - $9.000M booked in 2027 (study-generated)
LAP Proposed Rates Summary

<table>
<thead>
<tr>
<th>Firm Electric Service</th>
<th>Current Rates Effective January 1, 2017</th>
<th>Proposed Rates Effective January 1, 2018</th>
<th>Percent Change</th>
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<tbody>
<tr>
<td>LAP Rev Req</td>
<td>$74.6M</td>
<td>$64.1M</td>
<td>-14%</td>
</tr>
<tr>
<td>Composite Rate</td>
<td>36.56 mills/kWh</td>
<td>31.44 mills/kWh</td>
<td>-14%</td>
</tr>
<tr>
<td>Firm Energy</td>
<td>18.28 mills/kWh</td>
<td>15.72 mills/kWh</td>
<td>-14%</td>
</tr>
<tr>
<td>Firm Capacity</td>
<td>$4.79/kW-mo</td>
<td>$4.12/kW-mo</td>
<td>-14%</td>
</tr>
</tbody>
</table>
What is the ED 5% Voltage Discount?

- Historically, the 5% voltage discount was allowed for customers taking deliveries at transmission voltage who provided facilities that resulted in cost savings to the government.

- This proposal will eliminate the 5% voltage discount offset that is added to the annual revenue requirement for dollars lost due to providing the voltage discount.
## P-SMBP—ED 5% Voltage Discount and Rate Design

### Revenue Requirement

<table>
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<tr>
<th></th>
<th>2018 Past Rate Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Power</td>
<td>$209.8 M</td>
</tr>
<tr>
<td>Peaking Firm Power</td>
<td>20.3 M</td>
</tr>
<tr>
<td>5% Voltage Discount</td>
<td>7.3 M</td>
</tr>
<tr>
<td><strong>Gross Rev Requirement</strong></td>
<td><strong>$237.4 M</strong></td>
</tr>
</tbody>
</table>

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<tr>
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</tr>
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<tbody>
<tr>
<td>Firm Power Composite Rate</td>
<td>$209.8 M/8742 GWh = 24.00 M/kWh</td>
</tr>
<tr>
<td>Effective Composite Rate</td>
<td>($209.8 M+$7.3 M)/8742 = 24.83 M/kWh</td>
</tr>
</tbody>
</table>

**Proposals for 2018 Rate Process**
### P-SMBP—ED 5% Voltage Discount and Proposed 2018 Revenue Requirements

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>2018 Past Rate Design</th>
<th>2018 Rate Design with No 5% Voltage Discount</th>
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<tr>
<td>Firm Power</td>
<td>$209.8 M</td>
<td>$209.8 M</td>
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<td>Peaking Firm Power</td>
<td>20.3 M</td>
<td>20.3 M</td>
</tr>
<tr>
<td>5% Voltage Discount</td>
<td>7.3 M</td>
<td><strong>0 M</strong></td>
</tr>
<tr>
<td>Gross Rev Requirement</td>
<td><strong>$237.4 M</strong></td>
<td>$230.1 M</td>
</tr>
</tbody>
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- Effective Composite Rate:
  - $209.8 M / 8742 GWh = 24.00 M/kWh
  - $(209.8 M + 7.3 M) / 8742 = 24.83 M/kWh
  - $209.8 M / 8742 GWh = 24.00 m/kWh
WAPA-UGP Is Proposing to Discontinue the 5% Voltage Discount

- Consistent application of the discount is difficult
  - New customers
  - Determination of “sufficient savings” to justify discount
  - Staff time
- Existing PODs can sufficiently deliver our firm power & energy
  - 5% Voltage Discount must be evaluated for application at new PODs.
- For many customers, WAPA-UGP provides a small portion of the total power supply
  - The 5% discount impedes ability to simplify power billing for customers having multiple PODs.
- Requires complex power billing software
  - Discontinuing the 5% Voltage Discount would provide savings in future software.
  - No other WAPA project has a Voltage Discount.
PS-ED Adding a Sale of Surplus Products Rate Schedule

- This is not a new business practice
  - Documenting the authority for making surplus sales
- Rate schedule applies to marketing and is applicable to the sale of surplus products
  - Reserves, regulation, frequency response, and energy
- The surplus products are available after firm power and energy obligations are met.
- WAPA can make the product(s) available for sale providing entities enter into separate agreements with the marketing office which will specify the terms of the sale
- The charge for each product will be determined at the time of the sale based on market rates
LAP Sale of Surplus Products - L-M1

- L-M1 surplus energy and capacity products are available after firm power and energy obligations are met.
- Rate Schedule currently includes:
  - Reserves
  - Regulation
  - Frequency Response
- Requirements
  - Separate agreement(s) with LAP Marketing
- Charge
  - Based on market rates (+) administrative costs
- Proposing to add “energy” as a surplus product to the existing Rate Schedule L-M1
Public Process Schedule

• Late June – Publish 2 FRNs
  • FRN for P-SMBP—ED and an FRN for LAP
  • Begins 90 day comment period

• Public Information & Comment Forums
  • July 26, 2017 Denver, CO
  • July 27, 2017 Sioux Falls, SD

• Publish Final FRNs - Fall 2017

• New Rate Schedules in place
  • January 1, 2018
Drought Adder Schedule for 2017

- Finalized annual Power Repayment Studies (Feb-March)
  - Determine if Base rate and/or Drought Adder needs adjustment via formal rate adjustment

- Corp snowpack is final—new generation projections April 15th

- Perform preliminary review of Drought Adder early summer – notify customers of and estimated change to the rate

- Perform second review of Drought Adder in September

- Notify customers in October of Drought Adder change to be implemented January 2018
### Draft Schedule for 2018 Rate Adjustment (as of May 2017)

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<tr>
<td><strong>Public Process</strong></td>
<td><strong>Informal Meetings</strong></td>
<td><strong>Federal Register Notice</strong></td>
<td><strong>Information Forums</strong></td>
<td><strong>Comment Forums</strong></td>
<td><strong>Federal Register Notice</strong></td>
<td><strong>Final Rate FRN</strong></td>
<td><strong>New Rate in Effect</strong></td>
</tr>
</tbody>
</table>

### Firm Power Customer Notification Schedule

- **Feb-Mar**: Finalize annual PRS. Determine if Base/Addon needs adjustment via formal rate adj.
- **Early Summer**: Preliminary review of Drought Adder-Notify Customer of estimated change.
- **Sept 2nd Review of Drought Adder**: Notify Cust of Drought Adder Change eff Jan
- **New Rate Effective Jan 1**

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*Proposals for 2018 Rate Process*
More Information

P-SMBP--ED

Materials will be posted to Website:
https://www.wapa.gov/regions/UGP/rates/Pages/2018-firm-rate-adjustment.aspx

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LAP

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Questions