



Western
Area Power
Administration

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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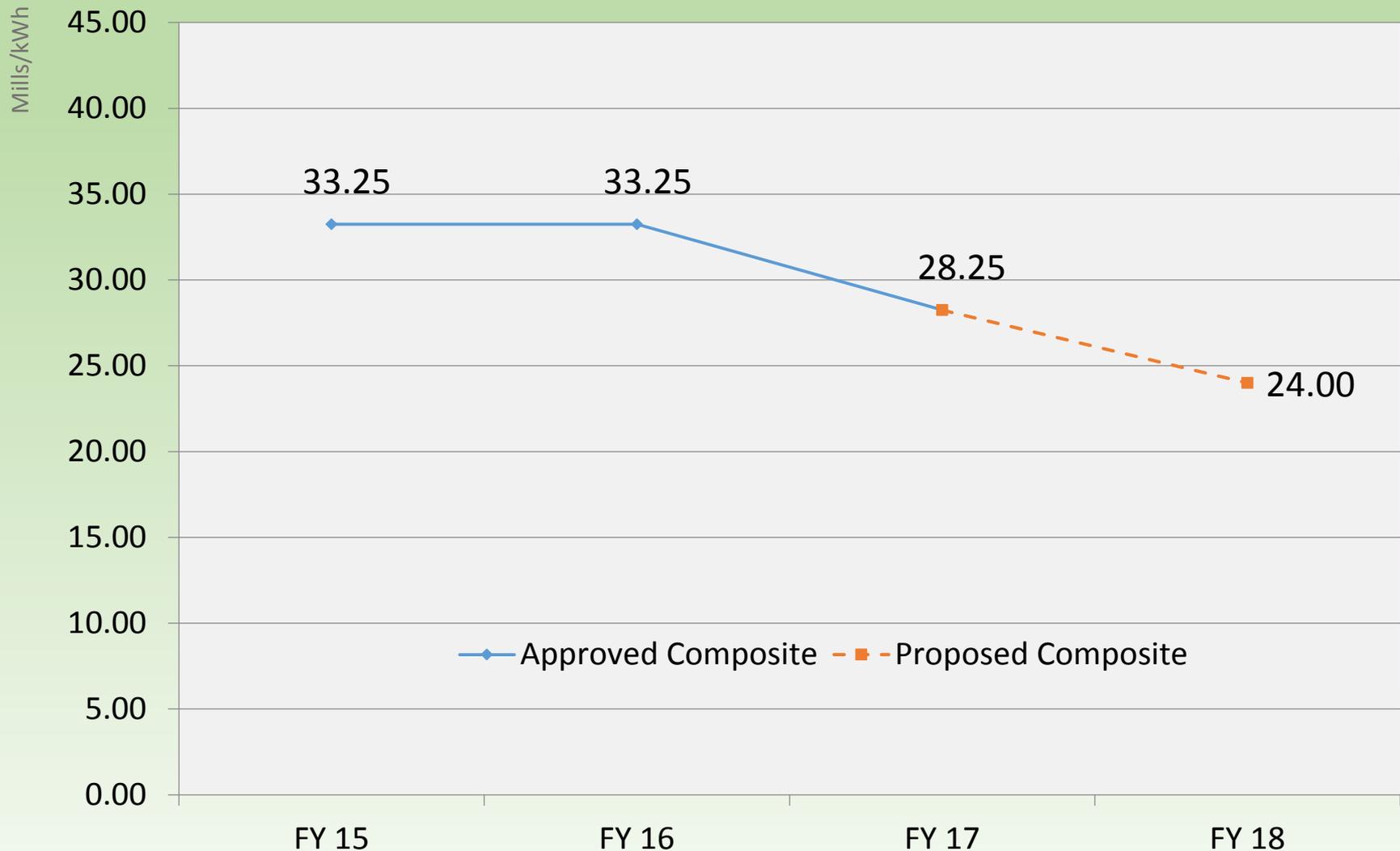


Rate Process Summary

- 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



P-SMBP—ED Composite Rate



P-SMBP--ED Revenue Components

Firm Power Service	Current P-SMBP—ED Composite Rate 28.25 Mills/KWh	Proposed P-SMBP—ED Composite Rate 24.00 Mills/KWh	Change
Firm Power	\$247.0 Million	\$209.8 Million	-15%
Firm Peaking Power	\$25.0 Million	\$20.3 Million	-19%
5 % Voltage Discount	\$10.7 Million	\$7.3 Million Propose to Remove	-100%
Total Firm Revenue Req.	\$ 282.7 Million	\$ 230.1 Million	-19%



P-SMBP—ED Proposed Rates Summary

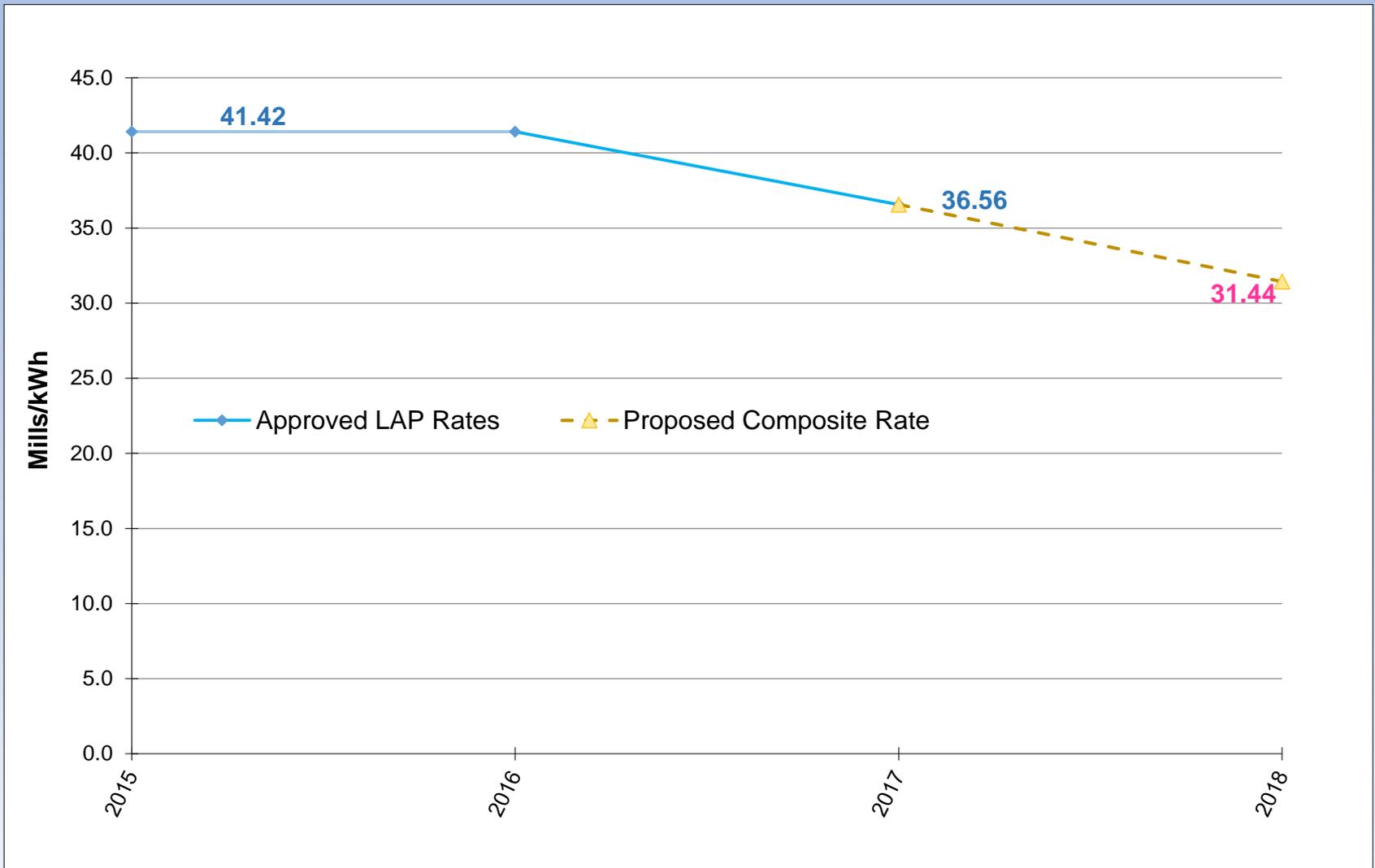
Firm Power Service	Proposed Rates 5% Voltage Discount Removed	Proposed Rates 5% Voltage Discount Included
P-SMBP-ED Revenue Requirement	\$230.1 million*	\$237.4 million
Firm Capacity	\$5.25 kW-month	\$5.50 kW-month
Firm Energy	13.27 mills/kWh	13.60 mills/kWh
Firm Peaking Capacity	\$4.75 kW-month	\$4.75 kW-month
Firm Peaking Energy ^{1/}	13.27 mills/kWh	13.23mills/kWh

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

* Without the Voltage Discount



LAP Composite Rate



LAP Summary of Revenue Requirements

Firm Electric Service	Current Rates Effective January 1, 2017	Proposed Rates Effective January 1, 2018	Percent Change
LAP Rev Req	\$74.6M	\$64.1M	-14%
Fry-Ark Rev Req	\$15.3M	\$13.3M	-13%
PS-WD Rev Req	\$59.3M	\$50.8M	-14%



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

Firm Electric Service	Current Rates Effective January 1, 2017	Proposed Rates Effective January 1, 2018	Percent Change
LAP Rev Req	\$74.6M	\$64.1M	-14%
Composite Rate	36.56 mills/kWh	31.44 mills/kWh	-14%
Firm Energy	18.28 mills/kWh	15.72 mills/kWh	-14%
Firm Capacity	\$4.79/kW-mo	\$4.12/kW-mo	-14%



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	2018 Past Rate Design
Firm Power	\$209.8 M
Peaking Firm Power	20.3 M
5% Voltage Discount	7.3 M
Gross Rev Requirement	\$237.4 M
Firm Power Composite Rate	$\$209.8 \text{ M} / 8742 \text{ GWh} = 24.00 \text{ M/kWh}$
Effective Composite Rate	$(\$209.8 \text{ M} + \$7.3 \text{ M}) / 8742 = 24.83 \text{ m/kWh}$



P-SMBP—ED 5% Voltage Discount and Proposed 2018 Revenue Requirements

Revenue Requirement	2018 Past Rate Design	2018 Rate Design with No 5% Voltage Discount
Firm Power	\$209.8 M	\$209.8 M
Peaking Firm Power	20.3 M	20.3 M
5% Voltage Discount	7.3 M	0 M
Gross Rev Requirement	\$237.4 M	 \$230.1 M
	$\$209.8 \text{ M} / 8742 \text{ GWh} = 24.00 \text{ M/kWh}$	
Effective Composite Rate	$(\$209.8 \text{ M} + \$7.3 \text{ M}) / 8742 = 24.83 \text{ m/kWh}$	$\$209.8 \text{ M} / 8742 \text{ GWh} = 24.00 \text{ m/kWh}$



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



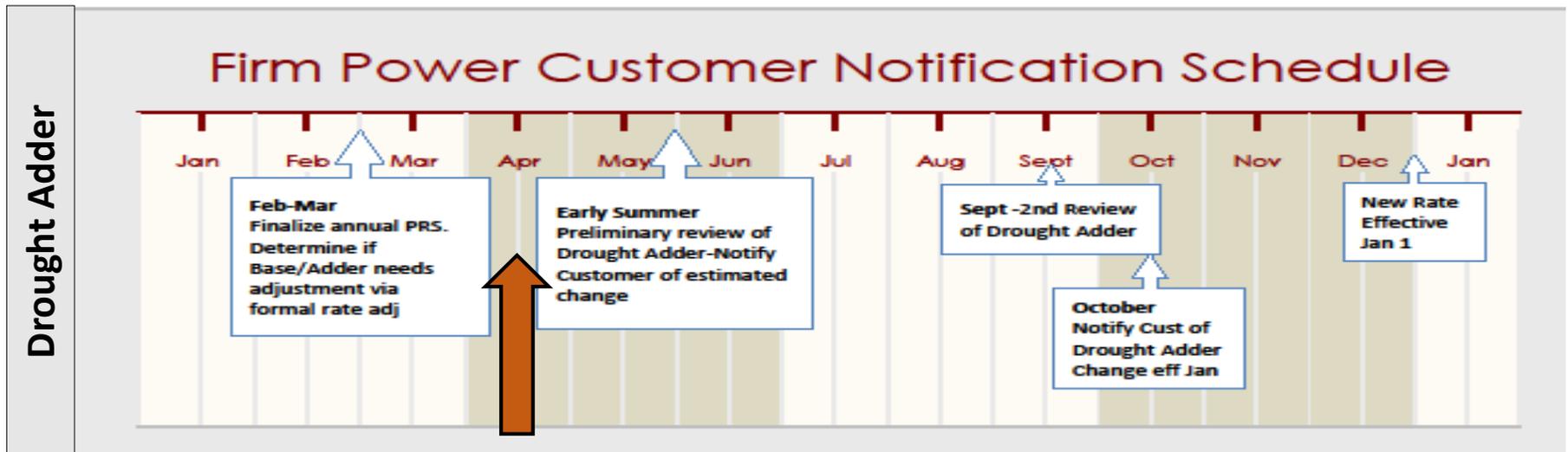
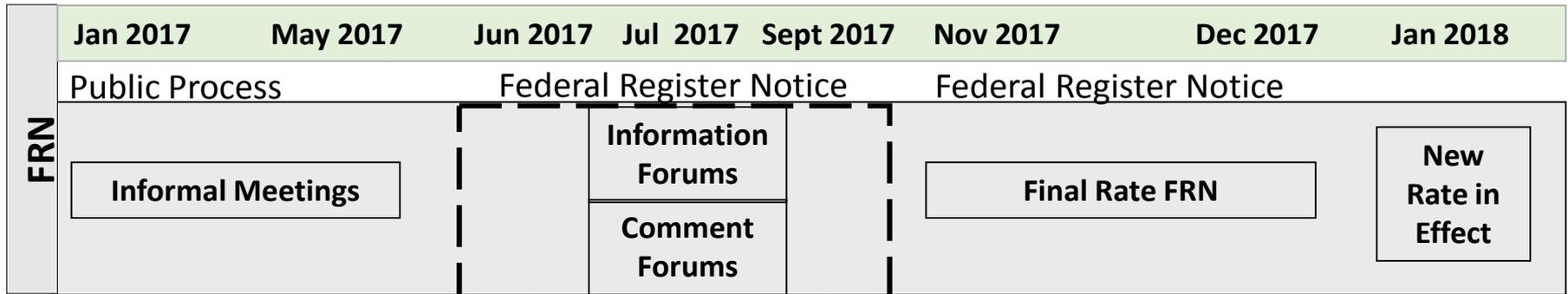
Drought Adder Schedule for 2017

- 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

We are here



Draft Schedule for 2018 Rate Adjustment (as of May 2017)



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

Materials will be posted to
Website:

<https://www.wapa.gov/regions/RM/rates/Pages/2018-Rate-Adjustment---Firm-Power.aspx>

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Questions

