

**Formal Information Forum on Proposed  
2008 Rate Adjustments**

**Pick-Sloan Missouri River Basin Program**

Jon Horst

Linda Cady-Hoffman

June 2007

# Introduction

- Pick-Sloan Rate Structure and Drought Impacts
- Rate Proposals
- Eastern Division Rate Design
- Eastern Division Proposed Rates
- Schedule
- Contact Information
- Questions

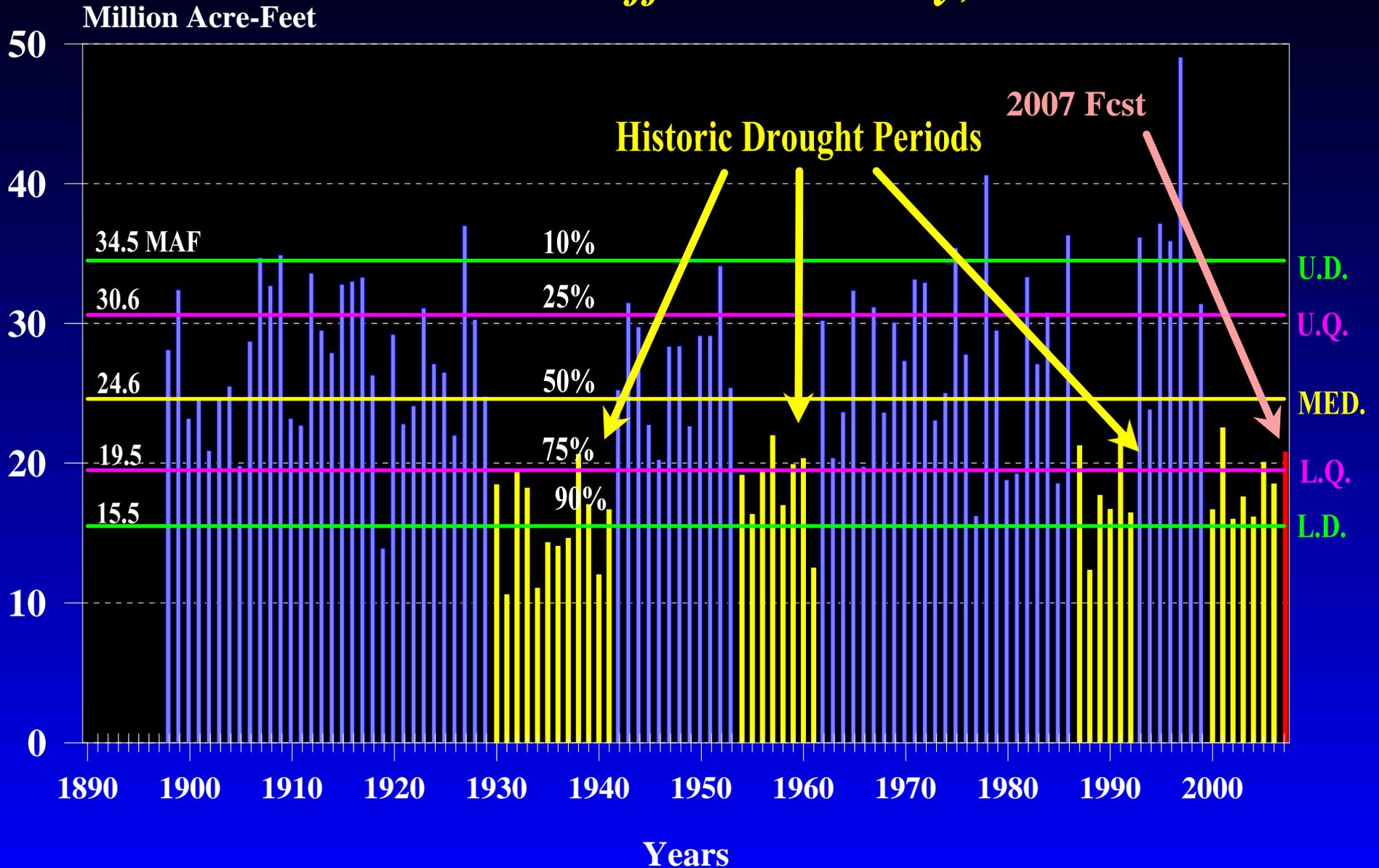
# P-SMBP Rate Structure

- P-SMBP has one power repayment study
- Markets 10,730 GWH
  - Eastern Division (UGPR-Billings, MT)
    - Pick-Sloan--ED 8,742 GWH
  - Western Division (RMR-Loveland, CO)
    - Pick-Sloan--WD 1,988 GWH

# P-SMBP Rate Impacts

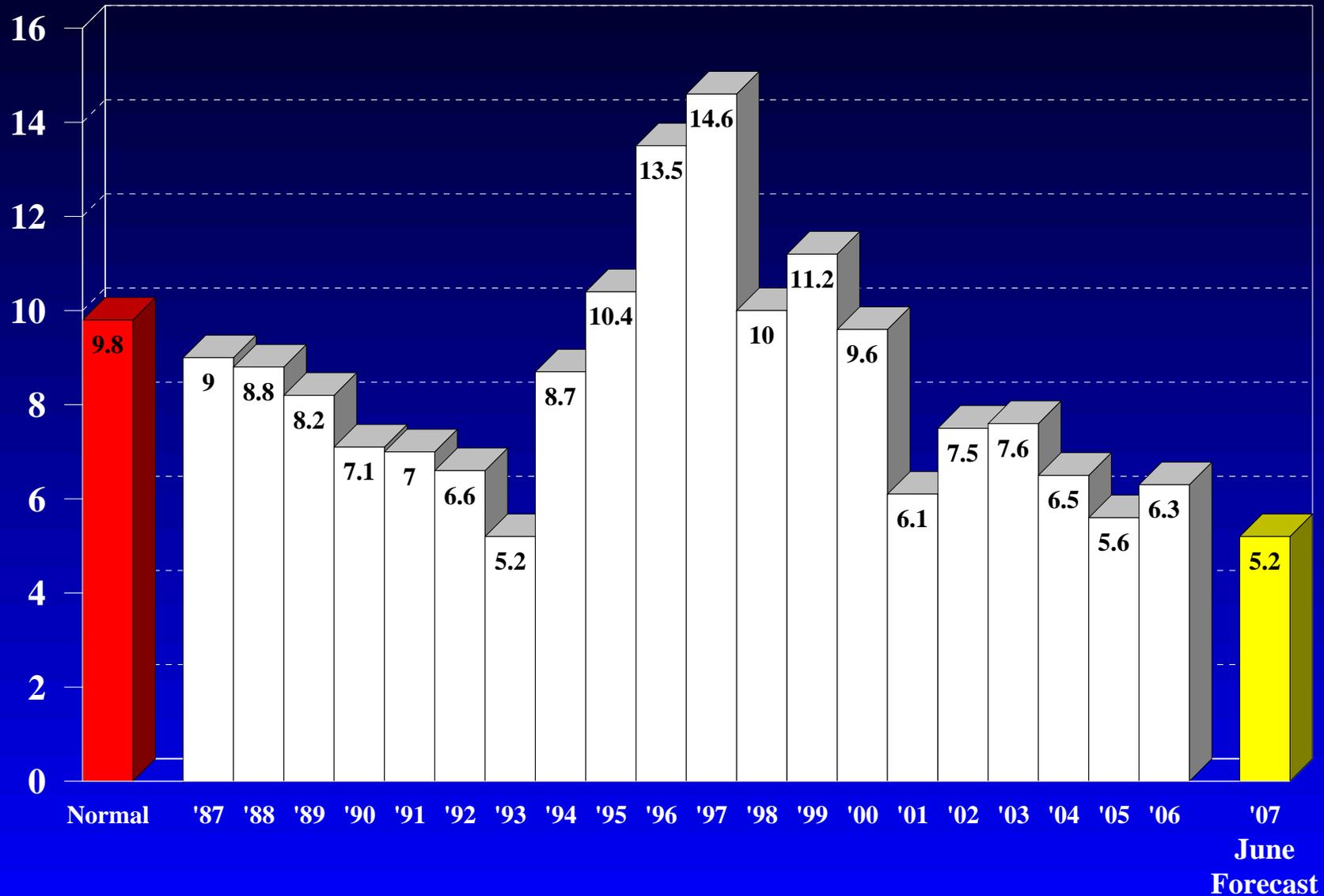
- 8<sup>th</sup> year of drought
- PRS solved at 24.78 mills/kWh
- Total Deficits for this drought \$573 M through FY 2007
- 10 year drought debt repayment
- Proposing 3<sup>rd</sup> rate adjustment for this drought cycle (2004, 2006, and 2008)

# Missouri River Mainstem Annual Runoff at Sioux City, Iowa



# Mainstem System Generation

Million Megawatt Hours



# Rate Proposals

- 1- Base and Drought Adder components rate recovery method
- 2- Metered methodology for Firm capacity charge
- 3- Allocated CROD methodology for Peaking capacity charge
- 4- Eliminate the Tiered Rate for energy over 60% load factor (Eastern Division Only)

**Annual  
Revenue Requirement**

**=**

**Base**

**+**

**Drought Adder**

**Adjusted only by Public  
Process**

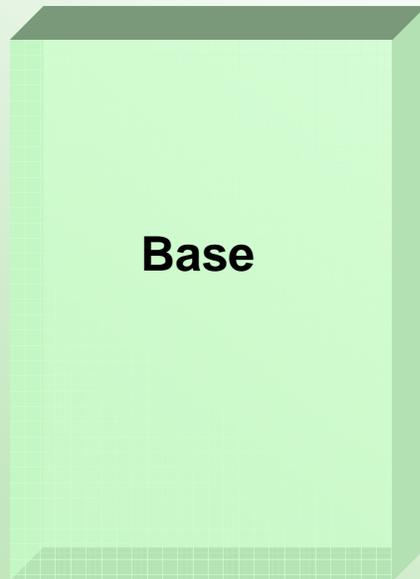
**Adjusted Annually by Formula  
or by Public Process**

# Revenue Requirement Components



→ **Drought \$**

- Recovers \$ Associated with the Drought
  - Purchase Power Related to Drought
  - Interest on Drought Debt
  - Historical Drought Debt



→ **O&M \$**

→ **Other \$**

→ **Capital \$**

→ **Interest \$**

- Annual O&M
- Normal Purchases
- Transmission Costs
- Investments - Additions and Replacements
- Annual Interest on Investment
- Inflation

# Base Component Methodology

Compare new PRS Base to previous years Base

Base meets costs

No change to the Base

Base does not meet costs

Initiate public process

Implement new Base

*Annually*

# Drought Adder Methodology

*Annually*

Lower than projected  
Drought Costs

Higher than projected  
Drought Costs

Keep 10 Year Repayment  
of Drought Debt

Increase Adder

Reduce Adder

Automatic increase  
up to 2 mills/kWh

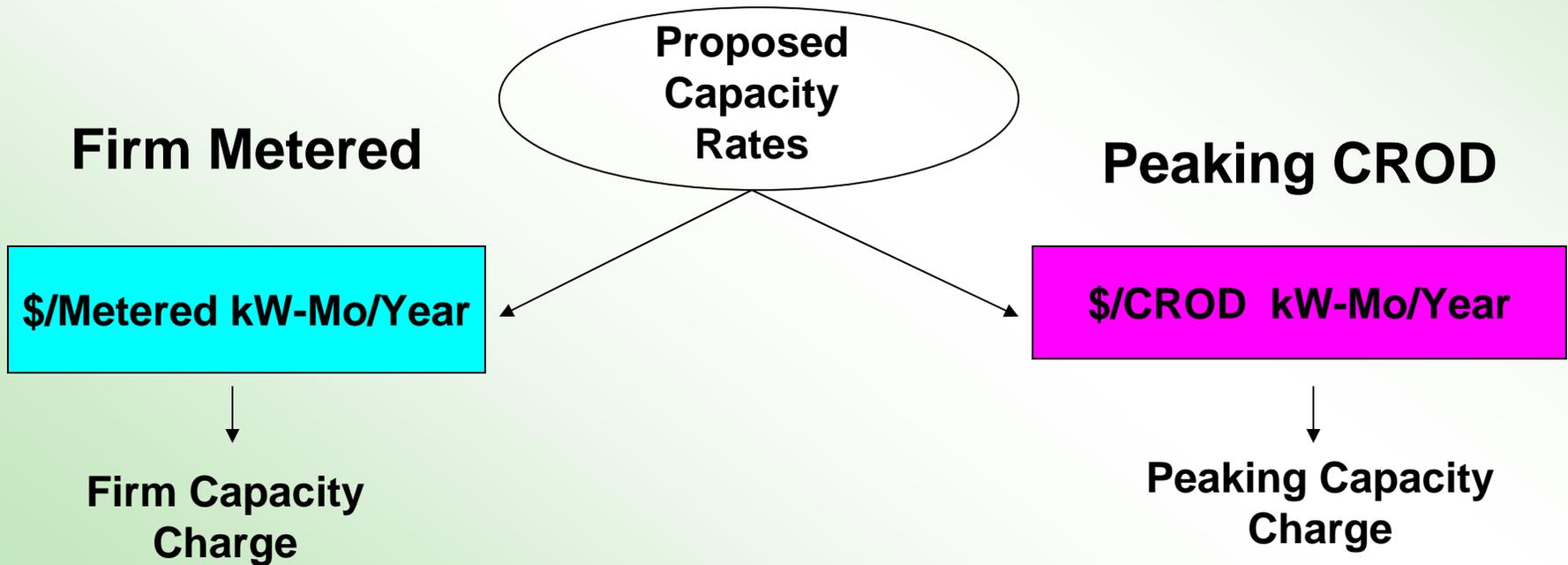
Increase greater than 2 mills/kWh  
Initiate Public Process

# Drought Adder Annual Process

- Conduct preliminary review in early summer to estimate adjustment +/-
  - Letter sent to customers to give advance notice of estimated adjustment
- Conduct final review in September to finalize adjustment +/- (up to 2 mills/kWh)
  - Letter sent to customers in October giving notice of final adjustment
- Adder adjusted in January billing period

# Capacity Rates for Firm and Peaking

- Historically Firm and Peaking have had the same rate
- Treat different products with different rates
- Peaking = CROD billing
- Firm = Load pattern billing



# Eliminate the Tiered Rate

- Tiered Rate Discourages Load Management
- Consistent with WD of Pick-Sloan

# Eastern Division Rate Design

- Firm capacity based on metered capacity billing units of 17,876 MW-mo/year
- 8,742 GWH Firm Energy
- 356 MW of Peaking capacity recovered in the 50/50 capacity and energy split
- Peaking capacity based on CROD billing units of 4,272 MW-mo/year

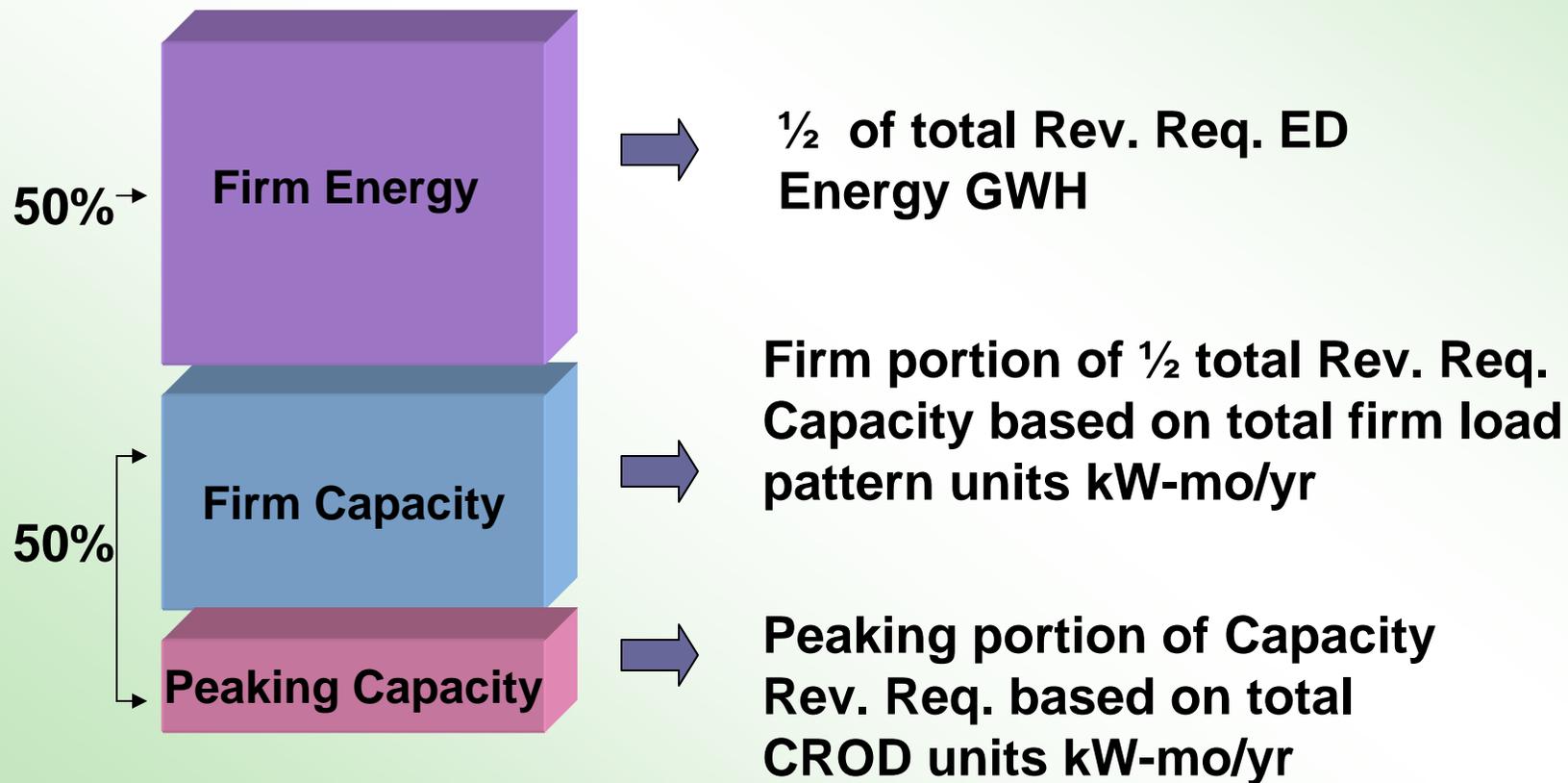
# 50/50 Design

Eastern Division rate is 50/50 design where 50% of the revenue requirement is recovered from the capacity rate and 50% is recovered from the energy rate:

Firm Power Rev. Req.	\$ 214.1 Million
Peaking Rev. Req.	\$21.8 Million
5% Discount Req.	<u>9.1 Million</u>
Gross Revenue Req.	\$ 245 Million

# Eastern Division Revenue

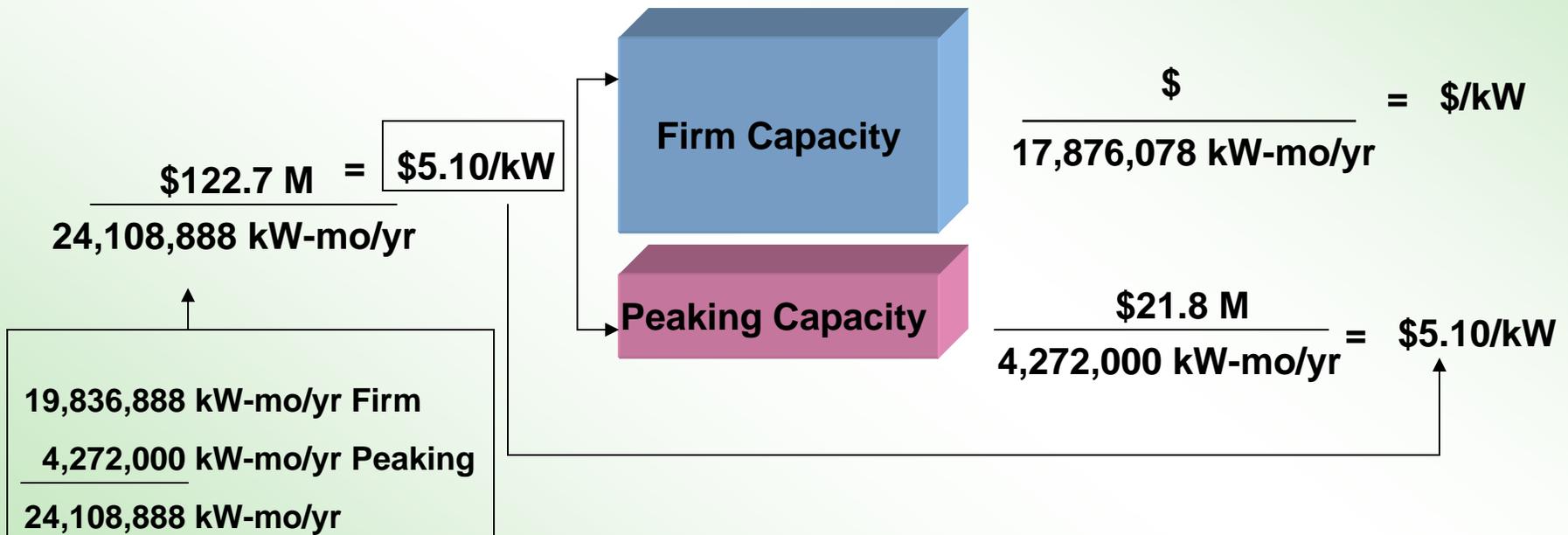
50/50 Capacity/Energy Split



# Separate Capacity Rates

## Peaking

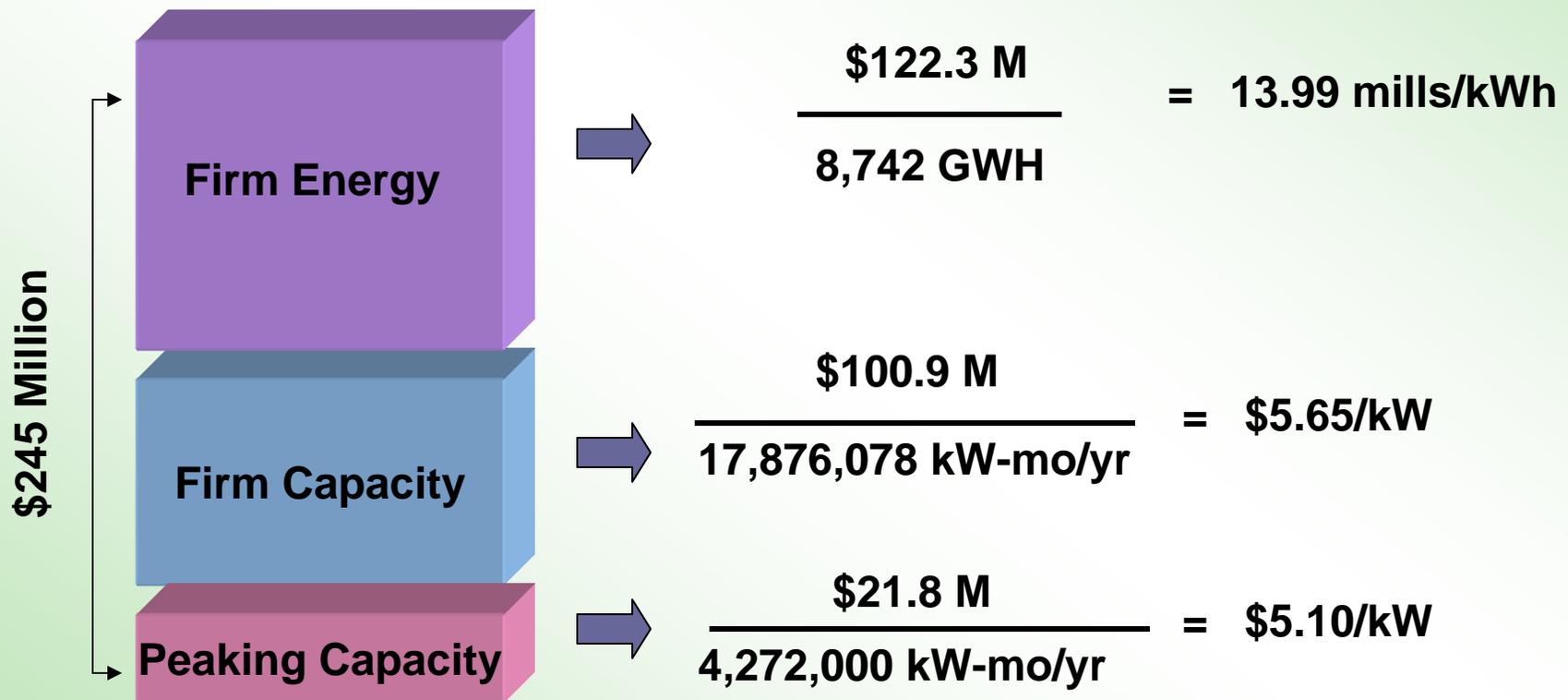
## Firm



Note: Nickel rule for capacity rounding

# Proposed ED Rate Design

## 50/50 Capacity/Energy Split

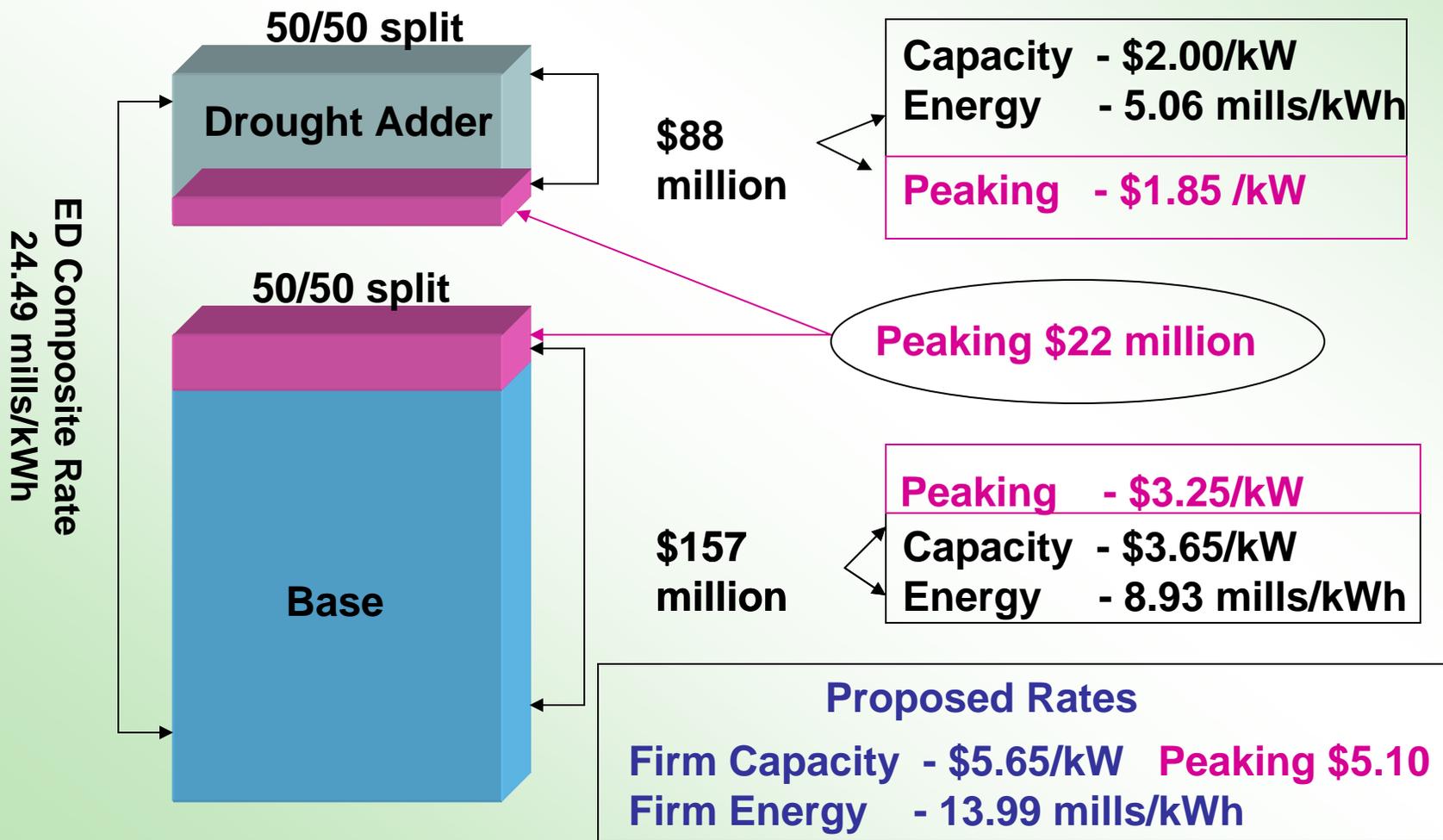


Note: Nickel rule for capacity rounding

# Eastern Division

\$ 245 million Revenue Requirement

Firm Metered & Peaking CROD



# Pick-Sloan Proposed 2008 Rate Adjustment

	<b>Composite Rate (mills/kWh)</b>	<b>Percent Increase</b>	<b>Pick-Sloan Firm Power Rev. Req. (millions)</b>	<b>Western Division Firm Rev Req. (millions)</b>	<b>Eastern Division Firm Rev Req. (millions)</b>	<b>Eastern Division Firm Plus Peaking. Rev. Req. (millions)</b>
<b>Current Rates (2<sup>nd</sup> Step) January 2007</b>	<b>19.83</b>	<b>12%</b>	<b>\$212.7</b>	<b>\$41.9</b>	<b>\$170.8</b>	<b>\$189.9</b>
<b>Proposed Rates January 2008</b>	<b>24.78</b>	<b>25%</b>	<b>\$265.9</b>	<b>\$51.8</b>	<b>\$214.1</b>	<b>\$235.9</b>

# ED Proposed Rates

<b>Firm Power Service</b>	<b>Current Rates Effective January 1, 2007</b>	<b>Proposed Rates Effective January 1, 2008</b>	<b>% Increase</b>
ED Firm plus Firm Peaking Rev. Req.	\$189.9 million	\$235.9 million	24.2
ED Composite Rate	19.54 mills/kWh	24.49 mills/kWh	25.3
Total Firm Capacity	\$4.45kW-month	\$5.65 kW-month	27.0
Total Firm Energy	11.29 mills/kWh	13.99 mills/kWh	23.9
Tiered Rate	5.21mills/kWh	N/A	N/A
Total Firm Peaking Capacity	\$4.45 kW-month	\$5.10 kW-month	14.6
Total Firm Peaking Energy	11.29 mills/kWh	13.99 mills/kWh	23.9

# Eastern Division Sample Billing Format

TO: WESTERN CUSTOMER

VENDOR NO.: xxxx  
BILL NUMBER: xxx000000

CITY, ST 11111-1111

SERVICE FURNISHED FOR: January-08

BILL ISSUE DATE: February 11, 2008

## CHARGES FOR ELECTRIC SERVICE

DROUGHT ADDER ENERGY RATE 5.06 mills/kWh	\$x,xxx.xx
DROUGHT ADDER DEMAND RATE \$2.00/kWmonth	\$x,xxx.xx
BASE ENERGY RATE 8.93 mills/kWh	\$x,xxx.xx
BASE DEMAND RATE \$3.65/kWmonth	\$x,xxx.xx
<b>POWER SALES</b>	<b>\$xx,xxx.xx</b>
VOLTAGE DISCOUNT	-xxx.xx
TRANSMISSION DISCOUNT	-xxx.xx
<b>TOTAL AMOUNT DUE</b>	<b>\$xx,xxx.xx</b>

**TOTAL AMOUNT DUE: \$xx,xxx.xx**

**DUE DATE: March 01, 2008**

# Schedule for Rate Processes

- Federal Register Announcement
  - May 31<sup>st</sup>
- Public Process (90 Days)
  - Information Forums
    - June 18<sup>th</sup> Denver, CO
    - June 19<sup>th</sup> Sioux Falls, SD (Pick-Sloan only)
  - Comment Forums
    - July 23<sup>rd</sup> Denver, CO
    - July 24<sup>th</sup> Sioux Falls, SD (Pick-Sloan only)
- Close of Comment Period
  - August 29th
- Implementation of New Rates
  - January 1, 2008

# Eastern Division Rate Process

## Other Information

- Materials will be posted on Website:

<http://www.wapa.gov/ugp/rates/2008firmrateadjust>

- Contact:

Jon R. Horst

- Phone - 406-247-7444
- Email - [horst@wapa.gov](mailto:horst@wapa.gov)

- Mailing Address:

Western Area Power Administration  
Upper Great Plains Region  
PO Box 35800  
Billings, MT 59107-5800

# Questions