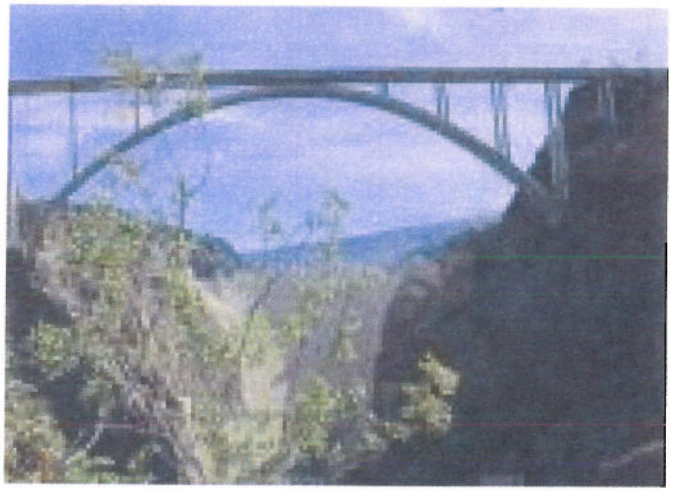
BOULDER CANYON PROJECT

INFORMAL CUSTOMER RATE MEETING PRESENTATION



PROPOSED
FY 2012
BASE CHARGE & RATES

MARCH 10, 2011

AGENDA
March 10, 2011

Rate Adjustment Process and Timelines

Western published intial FRN	February 14, 2011
Informal Customer Rate Meeting	Today, March 10, 2011
Host Public Information Forum	April 6, 2011
Host Public Comment Forum	April 27, 2011
End of Consultation & Comment Period	May 16, 2011
Effective Date of Rates	October 1, 2011

Informal Presentation

Questions and Answer

THREE YEARS COMPARISON			
	Actuals FY 2010 Base Charge $	Revised FY 2011 Base Charge $	Proposed FY 2012 Base Charge $
O&M Expense	45,397,385	45,621,504	51,647,615
Payments to States	600,000	600,000	600,000
Other Expenses - Visitor Services	7,136,591	9,173,000	8,996,000
Uprating Payments - Interest	5,754,983	5,200,404	4,706,563
Uprating Payments - Principal	9,322,156	9,925,567	10,436,469
Replacements	6,161,066	9,533,000	12,119,000
Debt Service - Interest	11,023,175	10,980,099	10,921,290
Other - Interest	6,907	9,433	9,433
Debt Service - Principal	1,890,398	1,960,293	1,931,330
Total Expenses	**87,292,660**	**93,003,300**	**101,367,699**
Prior Year Carryover	4,083,453	4,119,778	**0**
Water Sales Revenue	755,313	530,000	**530,000**
Other Revenue	17,204,058	13,171,000	**13,171,000**
Base Charge/Revenue Requirement	65,249,835	**75,182,522**	**87,666,699**

Comparison of FY 2010 Actuals and FY 2010 Approved			
Reclamation's O&M Expenses	**Approved FY 2010 Base Charge $**	**Actual FY 2010 Base Charge $**	**Change to FY 2010 $**
Operations	5,812,000	5,302,353	(509,647)
Maintenance	12,453,000	13,511,744	1,058,744
A&GE	15,305,000	17,014,876	1,709,876
Subtotal	33,570,000	35,828,973	2,258,973
Extraordinary Maintenance	3,268,000	3,502,160	234,160
Subtotal	36,838,000	39,331,133	2,493,133
Civil Service Retirement Costs	1,727,000	1,802,863	75,863
Reclamation's O&M Program	38,565,000	41,133,996	2,568,996
Western's O&M Program			
Facility Expenses	1,364,672	1,684,472	319,800
System wide Expenses	2,171,763	2,035,246	(136,517)
Subtotal	3,536,435	3,719,718	183,283
RRADS	375,001	389,234	14,233
Subtotal	3,911,436	4,108,952	197,516
Civil Service Retirement Costs	236,000	154,437	(81,563)
Western's O&M Program	4,147,436	4,263,389	115,953
Total O&M Program	**42,712,436**	**45,397,385**	**2,684,949**
Payments to States - Reclamation	**600,000**	**600,000**	**0**
Other Expenses - Visitor Center	**9,148,000**	**7,136,591**	**(2,011,409)**
Uprating Payments - Interest	**5,657,097**	**5,754,983**	**97,886**
Uprating Payments - Principal	**9,322,156**	**9,322,156**	**0**
Replacements - Reclamation	**7,485,000**	**6,161,066**	**(1,323,934)**
Debt Service Investments - Interest	**10,938,207**	**11,023,175**	**84,968**
Other Interest (CME and Warehouse)	**22,604**	**6,907**	**(15,697)**
Debt Service Investments - Principal Payments	**1,853,053**	**1,890,398**	**37,345**
Total Expense	**87,738,553**	**87,292,661**	**(445,892)**
Prior Year end Carryover	**853,212**	**4,083,454**	**3,230,242**
Other Revenues	**15,674,000**	**17,204,058**	**1,530,058**
Water Sales Revenue	**530,000**	**755,313**	**225,313**
Base Charge/Revenue Requirements	**70,681,340**	**65,249,835**	**(5,431,505)**
Cash Available at year end			**5,431,505**
Less Change in Undelivered Orders			**1,241,336**
Less Change in Accounts Receivable			**70,391**
Cash Available FY 2010 Year-end			**4,119,778**
Projected Cash Available for carryover at the end of 2010			**3,954,428**
Actual Cash Available for FY 2010 Year end Carryover			**165,350**

Comparison of FY 2011 Revised and Approved			
Reclamation's O&M Program	**Approved FY 2011 Base Charge $**	**Revised FY 2011 Base Charge $**	**Change to FY 2011 $**
Operations	5,919,000	5,919,000	0
Maintenance	14,236,000	14,236,000	0
A&GE	14,704,000	14,704,000	0
Subtotal	34,859,000	34,859,000	0
Extraordinary Maintenance	4,262,000	4,262,000	0
Subtotal	39,121,000	39,121,000	0
Civil Service Retirement Costs	1,782,670	1,782,670	0
Reclamation's O&M Program	40,903,670	40,903,670	0
Western's O&M Program			
Facility Expenses	1,535,919	1,691,037	155,118
System wide Expenses	2,350,679	2,365,047	14,368
Subtotal	3,886,598	4,056,084	169,486
RRADS	441,420	441,420	0
Subtotal	4,328,018	4,497,504	169,486
Civil Service Retirement/Life/Health	220,330	220,330	0
Western's O&M Program	4,548,348	4,717,834	169,486
Total O&M Program	**45,452,018**	**45,621,504**	**169,486**
Payments to States - Reclamation	**600,000**	**600,000**	**0**
Other Expenses - Visitor Center	**9,173,000**	**9,173,000**	**0**
Uprating Payments - Interest	**5,200,404**	**5,200,404**	**0**
Uprating Payments - Principal	**9,925,567**	**9,925,567**	**0**
Replacements - Reclamation	**9,533,000**	**9,533,000**	**0**
Debt Service Investments - Interest	**10,981,025**	**10,980,099**	**(926)**
Other Interest (CME and Warehouse)	**22,604**	**9,433**	**(13,171)**
Debt Service Investments - Principal Payments	**1,950,331**	**1,960,293**	**9,962**
Total Expenses	**92,837,950**	**93,003,300**	**165,350**
Prior Year end Carryover	**3,954,428**	**4,119,778**	**165,350**
Other Revenues	**13,171,000**	**13,171,000**	**0**
Water Sales Revenues	**530,000**	**530,000**	**0**
Base Charge/Revenue Requirement	**75,182,522**	**75,182,522**	**0**

Comparison of Fiscal Year (FY)			
	Revised FY 2011 Base Charge $	Proposed FY 2012 Base Charge $	Proposed Increase From FY 2011-FY 2012 $
O&M Expense	45,621,504	51,647,615	6,026,111
Payments to States	600,000	600,000	0
Other Expenses - Visitor Services	9,173,000	8,996,000	(177,000)
Uprating Payments - Interest	5,200,404	4,706,563	(493,841)
Uprating Payments - Principal	9,925,567	10,436,469	510,902
Replacements	9,533,000	12,119,000	2,586,000
Debt Service - Interest	10,980,099	10,921,290	(58,809)
Other - Interest	9,433	9,433	-
Debt Service - Principal	1,960,293	1,931,330	(28,963)
Total Expenses	**93,003,300**	**101,367,699**	**8,364,400**
Prior Year Carryover	**4,119,778**	**0**	**(4,119,778)**
Water Sales Revenue	**530,000**	**530,000**	**0**
Other Revenue	**13,171,000**	**13,171,000**	**0**
Base Charge/Revenue Requirement	**75,182,522**	**87,666,699**	**12,484,177**

Comparison of Proposed FY 2012 to Approved FY 2011			
Reclamation's O&M Expenses	**Revised FY 2011 Base Charge $**	**Proposed FY 2012 Base Charge $**	**Change to FY 2012 $**
Operations	5,919,000	5,818,000	(101,000)
Maintenance	14,236,000	16,506,000	2,270,000
A&GE	14,704,000	16,525,000	1,821,000
Subtotal	34,859,000	38,849,000	3,990,000
Extraordinary Maintenance	4,262,000	5,508,000	1,246,000
Subtotal	39,121,000	44,357,000	5,236,000
Civil Service Retirement Costs	1,782,670	1,420,440	(362,230)
Reclamation's O&M Program	40,903,670	45,777,440	4,873,770
Western's O&M Expenses			
Facility Expenses	1,691,037	1,950,896	259,859
System wide Expenses	2,365,047	2,545,749	180,702
Subtotal	4,056,084	4,496,645	440,561
RRADS	441,420	1,197,970	756,550
Subtotal	4,497,504	5,694,615	1,197,111
Civil Service Retirement Costs	220,330	175,560	(44,770)
Western's O&M Program	4,717,834	5,870,175	1,152,341
Total O&M	**45,621,504**	**51,647,615**	**6,026,111**
Payments to States - Reclamation	**600,000**	**600,000**	**0**
Other Expenses - Visitor Center	**9,173,000**	**8,996,000**	**(177,000)**
Uprating Payments - Interest	**5,200,404**	**4,706,563**	**(493,841)**
Uprating Payments - Principal	**9,925,567**	**10,436,469**	**510,902**
Replacements - Reclamation	**9,533,000**	**12,119,000**	**2,586,000**
Debt Service Investments - Interest	**10,980,099**	**10,921,290**	**(58,809)**
Other Interest (CME and Warehouse)	**9,433**	**9,433**	**0**
Debt Service Investments - Principal Payments	**1,960,293**	**1,931,330**	**(28,963)**
Total Expenses	**93,003,300**	**101,367,699**	**8,364,400**
Prior Year End Carryover	**4,119,778**	**0**	**(4,119,778)**
Other Revenue	**13,171,000**	**13,171,000**	**0**
Water Sales Revenue	**530,000**	**530,000**	**0**
Base Charge/Revenue Requirement	**75,182,522**	**87,666,699**	**12,484,177**

Comparison of FY 2012 Proposed Base Charge and FY 2011 Approved Base Charge

	Approved FY 2011 Base Charge	Proposed FY 2012 Base Charge	DIFFERENCE	% DIFFERENCE
BASE CHARGE ($) (REVENUE REQUIREMENTS)	**75,182,522**	**87,666,699**	**12,484,177**	**16.61%**
ENERGY RATE (Mills/kWh)	**9.86**	**11.49**	**1.63**	**16.52%**
Energy Sales mWh	**3,810,978**	**3,813,877**	**2,899**	**0.08%**
CAPACITY RATE ($/kW/Month)	**1.90**	**2.13**	**0.23**	**11.98%**
Capacity Sales	**1,645,000**	**1,713,000**	**68,000**	**4.13%**
COMPOSITE RATE (Mills/kWh)	**19.73**	**22.99**	**3.26**	**16.52%**

Explanations for Significant Increases from FY 2011-FY 2012 – Western's OM&R Expenses

Facility Expenses: $259,859

GWA – increased by $77,038 due to FY 2011 estimated was understated by $86,147. A comparison of the budgets after correction, show a decrease of $9k.

SUPTM - $3,478 increase

LINSM - $175,208 increase is due to FY 2011 estimated being very conservative. Unexpected repairs had not been budgeted in the past. An additional $150,000 for this is in FY 2012.

COMMM decreased $(6,578)
SAFEM increased $4,687

Phoenix Service Center – increased $79,915 due to FY 2011 estimated was understated by $68,971. A comparison of the budgets after correction, show an increase of $11k.

SUBSM increased $81,229 due to more intensive maintenance program needed to comply with NERC and WECC mandates.

System wide Expenses: $180,702

BILLM increased $36,636 due to current system is in need of replacement. Plus an additional $30,000 was budgeted in FY 2012 as we move to a common billing/collecting system for Western. Additional $19,000 is anticipated needed to be covered in FY 2011 that was not in the FY 2011 budget. Result of increase is $22,268.

SOLDM increased $83,581 due to decrease in number of trust customers and overtime for cross-regional training.

STUDM increased $25,389
CAREM actually decreased $(717).
MRKTM increased $53,182
DEPM decreased $(7,322)
RENTM increased $4,321

RRADS: $756,550

Basler (BE1-50BF) Relay Replacement at Mead increased to $105k
Relays on H-M Lines, decreased to $100k from $220k;
H-M Transmission Line Erosion added $992,970 to repair line erosion. Lines 6, 7, and 8 lines.

FY 2012
Ten Year Plan
Boulder Canyon Project

Western Area Power Administration
Introduction and Highlights

Significant Activities for FY2011 and FY2012 are as follows:

1) The Basler breaker failure relay replacement program began in FY2008, and provides for the replacement of 18 faulty Basler relays. Two breaker failure relays were replaced in 2008. Eight relays were programmed for replacement in FY2009, but were deferred, in order to partially offset the cost of jumper hardware repairs on Hoover-Mead #6 and Hoover-Mead #8. Two breaker relays were replaced in FY2010, two are scheduled for FY2011, 6 are scheduled for FY2012 and the final six are scheduled for FY2013.

2) Replacement of the Hoover-Mead line relays continues in FY2011. This program is scheduled for FY2006 through FY2012. The upgraded relays will replace existing relays with microprocessor-based devices, having communication and fault-locating capabilities. Western completed the relay replacements on Hoover-Mead Line #3 in FY2010. The next relay replacements, involving Hoover-Mead Line #7, will take place in April, 2011. This schedule coincides with Reclamation's planned outages. In November 2011, the final replacement, Hoover-Mead Line #4, will take place. Because the outage is scheduled for November, Western will need to do design and procure the relays in FY2011. To date, Western has completed relay replacements for Hoover-Mead Line #2, #3, #5, #6 and #8.

3) Completion of the Redundant Hoover Dynamic Signal project in CY2011.

4) Repairs of Transmission Line Erosion, at three locations along the HVR-MED 6, 7 and 8 lines are required. The erosion is undercutting the foundations of the structures and, if not corrected, could cause the structure to fail. Design and remediation needs to start as soon as

possible. We propose to install sheet pile bulkheads (gabions), install stone rip rap for scour protection, fill voids around the structures and restore access for maintenance vehicles.

5) A new agreement on the Maintenance, Operation and Ownership of Equipment on Powerhouse Roof is being drafted. The changes will provide further separation of Transmission and Generation responsibilities for NERC. These changes will necessitate a transfer of assets to Western and requires capital funding to change the controls to Western. This change was requested by the Bureau of Reclamation and will require approximately $140,000 to implement. However, this transfer will not impact customer funding. Once transferred, the o&m budget increase for Western should be offset by a decrease in Bureau of Reclamation's budget.

The following notes apply to the WAPA financial date for FY2011-2021:

1) The FY2013-2021 O&M data do not reflect actual budgets for DSW; these figures are auto-indexed off of the FY2012 budget. Each O&M Budget Activity is escalated 3 percent per-FY, except Multiproject Costs, Depreciation and Power Billing/Collecting expenses. Multiproject Costs are taken from the amortization tables, which are included in the Multiproject Costs section of the Ten Year Plan. Depreciation is carried as a constant estimate over time. Power Filling/Collecting expenses, have been adjusted to remove the Power Billing System implementation costs (shown in FY2012) from the calculation.

2) Our FY2012 RRADs program has been revised, as follows:

   a. Relay Replacements on Hoover-Mead Lines – is now $100,000, versus $220,000 previously. The relays will be procured in FY11, only installation expenses will be incurred in FY2012. (-$120,000)

   b. Hoover-Mead Transmission Line Erosion has been added, for $992,970. Western identified three different locations along HVR-MED 6, 7 and 8 lines, where transmission line erosion repair has occurred. The erosion is undercutting the foundations of the structures and, if not corrected, could cause the structure to fail. Design and remediation needs to start as soon as possible. We propose to install sheet pile bulkheads (gabions), install stone rip rap for scour protection, fill voids around the structures and restore access for maintenance vehicles.

Reclamation : FY10

Operations: Decreased expenditures due to lower than anticipated costs for Salaries/Benefits/Overhead/Indirect Costs; SCADA and Services.

Maintenance: Increased expenditures due to higher than anticipated costs for Salaries/Benefits/Overhead and Unscheduled Necessary Work; Region/Denver/Other.

A&GE: Actual expenditures include the adjustment for Shared Costs.

Extraordinary Maintenance: Increased expenditures reflected due to reprogramming $406,000 increased available funds for PRV Overhauls ; Penstock Coating $325,000; 300-ton Powerhouse Crane.

Visitor Services: Actual Expenditures include the adjustment to Shared Costs.

Replacements: Decreased expenditures due to available funding remaining programmed for expenditure in early FY11, to include UCM; 16.5 kV Generator Breaker; Wicketgate Bushings/Wear Plates; Hand Held & Police Vehicle Radio Replacement; Co2 Squibs; and Elevator Motor & Controller Replacement.

Reclamation: FY12-FY11

Operations: Decrease due to lower than anticipated estimate for Salary/Benefits/Overhead.

Maintenance: Increase in Salaries/Benefits/Overhead which follow actual historical averages of 5-year trend analyses.

A&GE: Increase in Salaries/Benefits/Overhead which follow actual historical averages of 5-year trend analyses.

Extraordinary Maintenance: Increases due to A8 PRV Overhaul startup and Penstock Spot Coating.

Visitor Services: Decrease due to Salaries/Benefits/Overhead projections being based upon 5-year average trend analyses.

Replacements: Increased estimates due to A2, A4, & A7 PRV Modernization $400,000; Unit A8 Wide Head Turbine $2,830,000; Larus 5702 Microwave / Fiber Optic Switches Replacement $160,000; Unit Station Service Transfer Bus Breaker $1,200,000; PRV Modernization $596,000; Wide Head Range Turbine $755,000; Chiller & Control System Replacement $560,000; partially offset by decrease in Stainless Steel WicketGate Replacement $536,000; completion of Microwave Telemetry System Upgrade; completion in FY11 of Deltec UPS Equipment Replacement $670,000; completion of Drumgate Seal Replacements $1,700,000; completion of Microwave Radio Replacement 4360,000; Hand Held & Police Vehicle Radio Replacement $80,000 FY10 funds and $65,000 in FY11.