

Western Area Power Administration

Single Statement
Business Proposal

July 28, 2005

Request Received

- In FY 2004, Western received a request to provide a single, consolidated monthly bill for Parker-Davis Project Firm Electric Service customers.
- The invoice would show payment one month in advance for FES including transmission charges, and show generation and transmission credits.

Efforts to Assess Proposal

- Western assembled a small team to assess the potential options to implement the request.
- Team members included Finance, Power Billing, Power Marketing and Information Technology.
- Basic data was compiled to identify options and steps needed to complete the project.
- Anticipated costs associated with each option were calculated.

Options Considered

- Option 1. Status Quo. Continue with current process.
- Option 2. Partial Implementation. Provide current statements but insert all invoices into one envelope each month.
- Option 3. Revise current systems. Provide a single statement reflecting all billings, payments, and credits on one monthly bill.

Option 1. Status Quo.

Western would continue with the current process, submitting separate invoices for advances and for transmission and bill credits.

- ✓ No additional time or resources would be expended to implement revised procedures.
- ✓ Customers would see no change to current processes.
- ✓ No additional costs incurred.

Estimated Cost for Option 1.

Description	Initiation	Execution	Out Years				Cost / Activity
	Year	Year	2	3	4	N	
Labor (dev & test)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Training	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Software	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Hardware	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost / Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Option 2. Partial Implementation

The systems which currently exist would not be changed. Manual process would be established to insert the invoices into one envelope.

- ✓ No system development would be required.
- ✓ No additional testing or training would be necessary.
- ✓ Some very minor administrative costs may be incurred to add more than one invoice to an envelope.

Estimated Cost for Option 2.

Description	Initiation	Execution	Out Years				Cost / Activity
	Year	Year	2	3	4	N	
Labor	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$60,000
Training							\$0
Software							\$0
Hardware							\$0
Maintenance							\$0
Other							\$0
Cost / Year	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$60,000

Option 3. Revise Current Systems

To provide a single statement reflecting all billings, payments, and credits on one monthly bill:

- ✓ IT, Finance, Power Billing time and resources would need to be devoted to the project.
- ✓ Additional costs would be incurred that the customer would need to fund.
- ✓ Will take approximately 6 to 9 months to implement once approved.

Estimated Cost for Option 3.

Description	Initiation	Execution	Out Years				Cost / Activity
	Year	Year	2	3	4	N	
	0	1					
Labor (dev & test)	\$143,333	\$0	\$0	\$0	\$0	\$0	\$143,333
Training	\$1,000	\$0	\$0	\$0	\$0	\$0	\$1,000
Software	\$2,500	\$0	\$0	\$0	\$0	\$0	\$2,500
Hardware	\$6,000	\$0	\$0	\$0	\$0	\$0	\$6,000
Maintenance	\$0	\$25,000	\$15,000	\$15,000	\$15,000	\$15,000	\$85,000
Other	\$18,750	\$0	\$0	\$0	\$0	\$0	\$18,750
Cost / Year	\$171,583	\$25,000	\$15,000	\$15,000	\$15,000	\$15,000	\$256,583

Sample Bill

FES SAMPLE FOR AOF PARTICIPANT- BILL FOR COLLECTION	
COMPANY X,Y,Z ATTN: POWER MANAGER 1234 W. ZERO ST. PHOENIX, AZ 85XXX	Bill Issue Date: 11/1/2006 Bill Due Date: 11/20/2006 Bill Number: GGXXXXA-103103 Customer Number: XXXX
Services for October, 2006	
DESCRIPTION	AMOUNT
Contract No 87-BCA-10103	
PARKER DAVIS POWER SYSTEM	
FIRMELECTRIC SERVICE	
Generation Capacity 22,500 kW-Month x \$1.21	\$27,225.00
Generation Energy 7,938,646 kWh x \$0.00277	\$21,990.05
GENERATION CHARGES	\$49,215.05
GENERATION FES CREDITS	
Credit for AOF Advance	(\$41,509.76)
Credit for FES Advance	(\$7,705.29)
Total Generation Credits	(\$49,215.05)
FIRM ELECTRIC TRANSMISSION	
Capacity 22,500 kW X \$1.08	TRANSMISSION CHARGES \$24,300.00
TRANSMISSION FES CREDITS (\$24,300.00)	
FIRM ELECTRIC SERVICE ADVANCE (December)	\$73,515.05
Total Amount Due	\$73,515.05

Benefits to Customer If Implement Option 3.

In completing this project to provide a single-statement invoice, the benefits identified include:

- ✓ Customers receive one invoice for FES per month.
- ✓ The service should foster a better understanding of Western's charges and credits.
- ✓ Reduced paperwork for customers and Western.
- ✓ Potential to reduce administrative costs once implemented.

General Effort to Implement Proposal

Development of the single-statement invoice would require additional resources devoted to accomplish.

- ✓ IT to revise our systems (CMS, BIDSS, BMS)
- ✓ Power Billing to test and implement revisions to systems as well as develop new written procedures.
- ✓ Finance to ensure advances and credits are applied appropriately.

Customer Funding

In summary, to implement Options 2 or 3, Western would need customer funding to accomplish the initiative.

- ✓ Option 2. Approximate cost to implement is \$10,000 and each year thereafter to maintain.
- ✓ Option 3. Approximately \$172,000 would be needed to develop and implement, plus \$25,000 for the first year; totaling \$197,000 for the first year; and \$15,000 each subsequent year.

Comments & Decision

- ✓ Address any questions.
- ✓ Request a Funding Board decision on whether to complete this initiative. (Requires approval of additional funding.)
- ✓ If approved, incorporate costs:
 - In FY06? (requires FY06 Rate adjustment, work plan, and revised funding schedules.)
 - In FY07? (would include in FY07 work plan and rates.)
- ✓ If we proceed, which option, #2 or #3, is the preferred avenue?

Current Status

The proposal was presented to the AOF Funding Board on July 28, 2005. Western submitted 3 options and requested the Funding Board members determine if they supported the effort and, if supported, when would they prefer to fund it.

Board members indicated they wanted to review the proposal with their Finance staff to assess the benefit to their organizations and potential impacts to their processes.

Western Follow Up

Upon receipt of approval from the Funding Board, Western will proceed with the project.

If no green light is given, no action will be taken by Western.

