Department of Energy
Western Area Power Administration
150 East Social Hall Avenue, Suite 300
Salt Lake City, UT 84111-1580

APR 23 2015

Sent via E-mail

Dear Salt Lake City Area Integrated Projects Customer:

Under your firm electric service contract, Western assesses energy and demand charges as set forth in Rate Schedule SLIP-F9. Additionally, under this rate schedule, a Cost Recovery Charge (CRC) may also be assessed if Western determines it is necessary.

Western is required to notify its customers by May 1, 2015, if a CRC is needed in the next fiscal year. We have reviewed our financial situation compared to the anticipated hydropower generation levels and determined there will be no CRC for FY 2016. Because there is no CRC, there is no need for action on your part.

Had the CRC been necessary, each customer would have been provided with two sets of energy numbers for the next fiscal year. One set would have shown the full Sustainable Hydropower (SHP) energy allocation, and the other set would have shown a lower SHP allocation. Under this scenario, each customer would then decide whether to accept or decline the CRC. Customers accepting the CRC would receive the full SHP allocation and be charged the additional expense of the CRC. Those customers declining the CRC would avoid the charge, but receive less energy from Western in the next fiscal year.

Since a CRC is not necessary for FY 2016, Western will not be providing alternative energy and capacity allocations. Western will proceed as normal and provide your Winter Season attachment later this summer. Again, no action is needed on your part.

If there are any questions, please telephone me at (801) 524-4007.

Sincerely,

Rodney G. Bailey
Vice President of Power Marketing
CRSP Management Center

Enclosure

APR 23 2015

FY 2016 CRC Calculation

April 2015

			FY 2016	
Step 1	BFBB	Basin Fund Beginning Balance ($)	$86,899,000	Projected beginning balance for FY2016 per financial cash flow analysis (FY2016 Beginning Bal * 1000)
	BFTB	Basin Fund Target Balance	$35,843,250	Basin Fund Target Balance = 15% *PAE
	PAR	Projected Annual Revenue ($) w/o CRC	$232,780,000	Per financial cash flow analysis, (=TOTAL REV *1000)
	PAE	Projected Annual Expense ($)	$238,955,000	Per financial cash flow analysis, (=TOTAL EXP *1000)
	NR	Net Revenue ($)	($6,175,000)	=PAR-PAE
	NB	Net Balance ($)	$80,724,000	=BFBB + NR
Step 2	EA	SHP Energy Allocation (GWh)	4,951.79	FY '16 SHP energy allocation excluding project use (=SHP DELIVERIES / 1MIL)
	HE	Forecasted Hydro Energy (GWH)	4,560.25	Projected generation from the most current 24-month study, does not include project use (=NET GEN / 1MIL)
	FE	Forecasted Energy Purchase (GWh)	779	Forecasted Energy Purchase (GWh) from the most current 24-month study (=FIRMING PURCHASES / 1MIL)
	Price	Average price per MWh for purchased power	$26.39	Average price = 60% onpeak + 40% offpeak (=COMP PRICE)
	FX	Forecasted Energy Purchase Expense ($)	$20,572,276	Estimated purchased power costs based upon most current 24-month study (= PURCHASE COST)
Step 3	FA1	Basin Fund Balance Factor ($)	$20,572,276	If NB is greater than BFTB then use FA1=FX, if NB is less than BFTB then use FX-(BFTB-NB) Formula is: -IF(NB>BFTB,FX,FX-(BFTB-NB))
	FA2	Revenue Factor ($)	$20,572,276	If NR is greater than -25% of BFBB then FX, if NR is less than -25% of BFBB then, FX+(NR+(25%*BFBB)) Formula is: =IF(NR>-(0.25*BFBB),FX,FX+(NR+(0.25*BFBB)))
	FA	Funds Available ($) (Lesser of FA1 or FA2)	$20,572,276	Formula is: =IF(NR>-(0.25*BFBB),FX,FX+(NR+(0.25*BFBB)))
	FARR	Additional Revenue to be Recovered (FX-FA)	$0	=FX-FA
Step 4	WL	**Waiver Level (GWH)**	**5,340**	**Equals the lesser of SHP or HE + (FE * (FA / FX))**
	WLP	Waiver level percentage of full SHP	**108%**	Percent of waiver level to full SHP
	CRCE	CRC Energy GWh (EA-WL)	0	= EA-WL (Does not include losses projected at 7.81%)
	CRCEP	CRC level percentage of full SHP	0%	Percent of CRCE to full SHP or CRCE/EA
	CRC	**Cost Recovery Charge (mills/kWh)**	-	**=FARR / (EA * 1000)**

Note: Cash flow projections from the:
April 2015, 24-month study