

PRELIMINARY FORECAST FY 2020 Cost Recovery Charge Calculation

In order to mitigate extraordinary financial conditions, the CRSP-MC has a cost recovery mechanism called the Cost Recovery Charge (CRC) that may be implemented to maintain a sufficient balance in the Basin Fund (BF). The need for a CRC is based on the BF Balance at the beginning of the fiscal year and the projected decrease in the Basin Fund balance throughout the FY. The table on page two shows the criteria used to set the BF floor.

WAPA monitors the Basin Fund throughout the FY and the factors (net revenues and Purchase Power expenses) that can trigger a CRC.

April 2019 projections for triggering a CRC in FY2020:

STEP 1: Compute the maximum available decrease in the basin fund

The projected FY 2020 Basin Fund Beginning Balance (BFBB):		\$ 113,459,000
*The FY 2020 Beginning Balance falls within tier iii in the CRC table, and the allowable Percent decrease is:	-40%	\$ (45,383,600)
**The FY 2020 minimum value for the Basin Fund is:		\$ 68,075,400

STEP 2: Compute the projected increase (or decrease) in the basin fund

Basin Fund Beginning Balance:		\$ 113,459,000
Projected FY 2020 projected increase (or decrease):		
Projected net revenue (projected FY revenues - projected FY expenses):	\$190,628,000 - \$192,993,000 =	\$ (2,365,000)
Projected FY 2020 end of year balance:		\$ 111,094,000

STEP 3: Compare max allowable decrease to projected increase (or decrease)

*****Amount that we need to recover using the CRC: NONE**

This value is equal to \$0 because the projected end of year Basin Fund Balance is greater than the allowed minimum balance:

If a CRC were to be implemented, WAPA would also implement a Waiver Level that would reduce purchase power expense by delivering less energy than contractually required. Customers that choose to voluntarily schedule their reduced allocation would be exempt from the CRC. The Waiver Level will be set at the sum of the energy that can be provided through hydro generation and power purchased with monies in the Basin Fund. The Waiver Level will not be less than the forecasted Hydro Energy.

Waiver Level (GWh) equals the lesser of SHP allocation or Forecasted Energy:	5,451
Waiver Level Percent:	105.3%
CRC Energy (GWh):	0
CRC level percentage of full SHP:	0.0%
Cost Recovery Charge (mills/kWh):	0.00

* See CRC tier criteria on Pg. 2: Under CRC Tier iii, the allowable decrease is -40%, where BFBB is less than \$120,000,000 but greater than \$90,000,000

** Also known as the Basin Fund Target Balance (BFTB)

*** The CRC formulas are set up so that the maximum amount recovered is never greater than the purchase power expense.

CRC Based on the Tiers Below

Tier	Criteria, if the BFBB is:	Review
i	Greater than \$150 million, with an expected decrease to below \$75 million	Annually
ii	Less than \$150 million but greater than \$120 million, with an expected 50-percent decrease in the next FY	
iii	Less than \$120 million but greater than \$90 million, with an expected 40-percent decrease in the next FY	
iv	Less than \$90 million but greater than \$60 million, with an expected 25-percent decrease in the next FY	(May / November)
v	Less than \$60 million but greater than \$40 million, with an expected decrease to below \$40 million in the next FY	Monthly

FY 2020 CRC Calculation

Apr 2019

		FY 2020		
Step 1	BFBB	Basin Fund Beginning Balance (\$)	\$113,459,000	Projected beginning balance for FY per financial cash flow analysis (FY Beginning Bal * 1000)
	BFTB	Basin Fund Target Balance	\$68,075,400 *	Basin Fund Target Balance is Based on "tiered" criteria.
	PAR	Projected Annual Revenue (\$) w/o CRC	\$190,628,000	Per financial cash flow analysis, (=TOTAL REV *1000)
	PAE	Projected Annual Expense (\$) (Excludes WRP)	\$192,993,000	Per financial cash flow analysis, (=TOTAL EXP *1000)
	NR	Net Revenue (\$)	(\$2,365,000)	=PAR-PAE
	NB	Net Balance (\$)	\$111,094,000	=BFBB + NR
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Step 2	EA	SHP Energy Allocation (GWh)	5,186.27	FY '16 SHP energy allocation excluding project use (=SHP DELIVERIES / 1MIL)
	HE	Forecasted Hydro Energy (GWh)	4,994.13	Projected generation from the most current 24-month study, does not include project use (=NET GEN / 1MIL)
	FE	Forecasted Energy Purchase (GWh)	346	Forecasted Energy Purchase (GWh) from the most current 24-month study (=FIRMING PURCHASES / 1MIL)
	Price	Average price per MWh for purchased power	\$31.65	Average price = 60% onpeak + 40% offpeak (=COMP PRICE)
	FX	Forecasted Energy Purchase Expense (\$)	\$10,960,393	Estimated purchased power costs based upon most current 24-month study (= PURCHASE COST)
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Step 3	FA1	Basin Fund Balance Factor (\$)	\$10,960,393	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 (\$)	\$10,960,393	If NR is greater than -(1 - tiered percent) of BFBB then FX, if NR is less than -(1 - tiered percent) of BFBB then, FX+(NR+(tiered percent *BFBB)). Formula is: =IF(NR>-(1 - tiered percent *BFBB),FX,FX+(NR+(1 - tiered percent *BFBB)))
	FA	Funds Available (\$) (Lesser of FA1 or FA2)	\$10,960,393	The lesser of FA1 or FA2 but not less than zero: if (min(FA1,FA2) >= 0, MIN(FA1,FA2),0)
	FARR	Additional Revenue to be Recovered (FX-FA)	\$0	=FX-FA
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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	103%	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:
Apr 2019, 24-month study
* BFTB based on CRC tier iii: 60% of BFBB (40% decrease), where BFBB is less than \$120,000,000 but greater than \$90,000,000

Updated: April 25, 2019