



Department of Energy
Western Area Power Administration
299 South Main Street, Suite 200
Salt Lake City, UT 84111

APR 23 2020

Sent via E-mail

Dear Salt Lake City Area Integrated Projects Customer:

Under your firm electric service contract, Western Area Power Administration (WAPA) assesses energy and demand charges as set forth in Rate Schedule SLIP-F10. Additionally, under this rate schedule, a Cost Recovery Charge (CRC) may also be assessed if WAPA determines it is necessary.

WAPA is required to notify its customers by May 1, 2020, 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 2021. 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 WAPA in the next fiscal year.

Since a CRC is not necessary for FY 2021, WAPA will not be providing alternative energy and capacity allocations. WAPA will proceed as normal and provide your Winter Season attachment later this summer.

If there are any questions, please contact Tony Henriquez at (801) 524-6388 or THenriquez@wapa.gov.

Sincerely,

Timothy A. Vigil
Vice President of Power Marketing
CRSP Management Center

Enclosure

FY 2021 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 2020 projections for triggering a CRC in FY2021:

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

The projected FY 2021 Basin Fund Beginning Balance (BFBB):		\$ 127,135,000
*The FY 2021 Beginning Balance falls within tier ii in the CRC table, and the allowable Percent decrease is:	-50%	\$ (63,567,500)
**The FY 2021 minimum value for the Basin Fund is:		\$ 63,567,500

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

Basin Fund Beginning Balance:		\$ 127,135,000
Projected FY 2021 projected increase (or decrease):		
Projected net revenue (projected FY revenues - projected FY expenses):	\$198,480,000 - \$205,717,000 =	\$ (7,237,000)
Projected FY 2021 end of year balance:		\$ 119,898,000

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:	5,186
Waiver Level Percent:	100.0%
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 ii, the allowable decrease is -50%, where BFBB is less than \$150,000,000 but greater than \$120,000,000

** 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 2021 CRC Calculation

Apr 2020

		FY 2021		
Step 1	BFBB	Basin Fund Beginning Balance (\$)	\$127,135,000	Projected beginning balance for FY per financial cash flow analysis (FY Beginning Bal * 1000)
	BFTB	Basin Fund Target Balance	\$63,567,500 *	Basin Fund Target Balance is Based on "tiered" criteria.
	PAR	Projected Annual Revenue (\$) w/o CRC	\$198,480,000	Per financial cash flow analysis, (=TOTAL REV *1000)
	PAE	Projected Annual Expense (\$) (Excludes WRP)	\$205,717,000	Per financial cash flow analysis, (=TOTAL EXP *1000)
	NR	Net Revenue (\$)	(\$7,237,000)	=PAR-PAE
	NB	Net Balance (\$)	\$119,898,000	=BFBB + NR
Step 2	EA	SHP Energy Allocation (GWh)	5,186.15	FY '16 SHP energy allocation excluding project use (=SHP DELIVERIES / 1MIL)
	HE	Forecasted Hydro Energy (GWh)	5,038.36	Projected generation from the most current 24-month study, does not include project use (=NET GEN / 1MIL)
	FE	Forecasted Energy Purchase (GWh)	148	Forecasted Energy Purchase (GWh) from the most current 24-month study (=FIRMING PURCHASES / 1MIL)
	Price	Average price per MWh for purchased power	\$21.48	Average price = 60% onpeak + 40% offpeak (=COMP PRICE)
	FX	Forecasted Energy Purchase Expense (\$)	\$3,175,034	Estimated purchased power costs based upon most current 24-month study (= PURCHASE COST), ZERO if Forecasted Energy Pu
	Step 3	FA1	Basin Fund Balance Factor (\$)	\$3,175,034
FA2		Revenue Factor (\$)	\$3,175,034	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)	\$3,175,034	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
Step 4		WL	Waiver Level (GWH)	5,186
	WLP	Waiver level percentage of full SHP	100%	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)

Notes: Cash flow projections from the: Apr 2020 Finance Rev-EXP Cash Balance Report
Purchase Power estimate from the Apr 2020, 24-month study
*BFTB based on CRC tier ii: 50% of BFBB (50% decrease), where BFBB is less than \$150,000,000 but where the BFBB is greater than \$120,000,000

Updated: April 23, 2020