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CENTRAL UTAH WATER
CONSERVANCY DISTRICT

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January 10, 2018

Mr. Steve Johnson, CRSP Manager
Colorado River Storage Project Management Center
Western Area Power Administration
299 South Main Street, Suite 200
Salt Lake City, Utah 84111

RE: Proposed Rate Order No. WAPA-177 for Olmsted Powerplant Replacement Project
(Olmsted)

TRUSTEES
G. Wayne Andersen
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Michael J. McKee
Greg McPhie
Aimee Winder Newton
Gawain Snow
Byron Woodland
Boyd Workman

Dear Mr. Johnson:

The Central Utah Water Conservancy District (CUWCD) appreciated attending the Public Information and Comment Forums on November 17, 2017 for the proposed Olmsted Project Rate Order No. WAPA-177. The information presented was well prepared. We have also reviewed the proposed power formula rate information and have the following comments.

The Olmsted Powerplant Project is a very unique powerplant project that is essential to maintain the water supply for the Central Utah Project (CUP) and the approach for the rate order seems reasonable and adequate to accomplish the commitments of WAPA contained in the Olmsted Implementation Agreement, Contract No. WS-15-100, dated February 5, 2015 (Agreement) if the administration processes of the rate order remain consistent with the basis of the negotiations of that Agreement.

Our specific comments include:

- 1) The total estimated project cost is \$41,788,697 instead of the \$30 M cost identified in the public information forum. However, the \$5.8 M (\$5,815,169 as of this date) amount identified as eligible for reimbursement or recovery within the rate order as a part of the total capital expenditures for construction and replacement of the Olmsted Project was correctly identified. Our understanding is that most, if not all, of that amount from the Basin Fund was comprised of other revenue directly attributed to amounts collected from CUP Bonneville Unit features and not an appropriation from the U.S. Treasury or Congress.
- 2) The basis of the negotiations of the Agreement was that power revenues will be collected by WAPA from entities receiving an allocation of power and deposited into the Basin Fund as attributed to the CUP, along with other revenues to the Basin Fund, so that the Basin Fund is sufficient to reimburse CUWCD for the long-term operation, maintenance, and replacement (OM&R) of the Olmsted Project. The specific costs eligible for OM&R are

detailed in paragraph VII of the Agreement. The annual revenues projected from the power revenue for each annual installment, adjusted as provided in the rate order, must be sufficient to reimburse the annual O&M expenses for operation of the Olmsted Project and must not be decreased on account of other revenue also deposited into the Basin Fund. Those other revenue will be needed for costs eligible for use from the Basin Fund attributed to CUP, including the long term extraordinary O&M and replacement costs of the Olmsted Project throughout the perpetual operation of the Olmsted Project. The CUWCD anticipates participating in annual customer meetings and coordinating, more often outside those annual customer meetings, with the CUPCA office of the Department of Interior, U.S. Reclamation Power office and WAPA, to provide budget work plans and capital improvement and rehabilitation plans that can be used for calculating the most accurate annual installments by WAPA.

- 3) Although WAPA was not directly involved in the Memorandum of Concurrence, dated February 5, 2015 between the CUPCA office of the Department of Interior and Reclamation, the Exhibit B flow chart for funding of the OM&R, specifically refers to WAPA and the Basin Fund and summarizes CUWCD's understanding of the Implementation and Funding Agreements for the Olmsted Project at the time CUWCD signed the Agreements.

We appreciate all of the hard work your staff have already done and will do in the coming months be ready for the commercial power generation at the Olmsted Powerplant.

Sincerely,



Gene Shawcroft, General Manager
Central Utah Water Conservancy District

cc: Reed Murray, CUPCA, Department of Interior