

## Questions & Answers April 16, 2020

### Public Information Forum:

Paraphrased Question: Can you go over the detail why the rate changed from the Proposal FRN to the presentation at the Public Information Forum, where before it was 4 percent decrease and now it's a 1.8 percent increase? (Note: WAPA believes this should read 1.8 percent decrease.)

Answer: The Proposal FRN used the FY19 Preliminary PRS with the FY21 Workplans. Since that time, WAPA received the audited financial data to complete the FY Final PRS and the FY22 Workplans and updated 10-year Plan. Additionally, a customer is terminating a transmission contract that provides offsetting revenues of approximately \$5M per year, and Reclamation received notice from a customer to terminate an approximately \$3M M&I water sales contract. The combination of increased O&M and decreased revenue led to the increasing rate.

Paraphrased Question: You mentioned the projections are based on the current year 24-month study. Just for clarification, are the numbers in your presentation based on the April 2019 24-month study?

Answer: Yes, the current year is based on the April 2019, 24-month study. The out-years are based on CRSS traces. The current year will be updated when we receive the April 2020, 24-month study. The out-years will remain the same.

Paraphrased Question: You mentioned you're using the new basis as average rather than median hydrology. Why the change?

Answer: It should have been average in the Proposal FRN. This was a version control issue in the draft. The median is chosen when outliers are creating a disproportionate effect and skewing the distribution. WAPA believes that current water management tools reduce the likelihood of these outliers and has chosen to use average hydrology in its studies.

Paraphrased Question: If a customer elects to waive the CRC, I'm assuming the SHP billing energy would be reduced by the amount they waive? Are you proposing to reduce the CROD billing capacity?

Answer: Yes, billing energy would decrease. No, CROD billing will not be reduced.

Paraphrased Question: When does APS/Pacificorp contract expire? And is there expectation that somebody else would pick it up?

Answer: February 2021. It is unlikely to be picked up, but we do not know for sure.

Paraphrased Question: Is there an expectation that somebody will buy the water available due to the closure of the Navajo Generating Station and that the M&I Revenues will continue?

Answer: It is possible, but there have not been inquiries yet. Until a contract is in place, any additional revenues will not be included in the PRS.

Paraphrased Question: I noticed that the rates are changing and that these are not the Final rates. When are you going to bless something as the final proposed rate?

Answer: We anticipate having the final rate in place when the CRSP Manager signs the FRN package and it is forwarded to the WAPA Administrator at the end of June. The data/proposed rate changes are updated as information is available. The rate process kicked off in June of 2019 at the annual customer meeting in order to have a new rate in effect on October 1, 2020. In the time since we had the CRSP Manager sign the Proposal package, we have received a new 10-year Plan, Audited Financial Data from Reclamation and WAPA to close out the FY19 PRS, the FY22 Reclamation and WAPA Workplans, and changes to Transmission contracts and M&I Surplus Revenue contracts. We are still awaiting the April, 24-month study, the June calculation of the FY21 Transmission Rate that provides offsetting revenues to the FES rate, and approval of the FY22 Workplans.

Paraphrased Question: Between April and June we have no additional weigh-in, or can you clarify?

Answer: WAPA understands the customers' concerns about rate changes. WAPA will continue to post updates to the Web as data is available. While the comment period ends on April 20, WAPA will continue to provide answers to relevant questions on the Web, similar to this document, so that all interested parties are aware of ongoing communications under the rules of *ex parte* communications.

Paraphrased Question: Can you explain why you are extending the number of years for purchased power calculations?

Answer: WAPA wants to ensure that there are purchased power projections through the lifecycle of the rate. The current proposed rate will expire September 30, 2025, and we feel it is appropriate to project purchased power through that date.

Paraphrased Question: Can you rename "trigger for shortage criteria" in the CRC?

Answer: Yes, WAPA will rename "trigger for water release criteria" as this can be confusing to other efforts involving water operations that use similar nomenclature.

Paraphrased Question: Should we continue to use the 8.23 million acre-foot release year as a potential trigger?

Answer: Dropping below the 8.23 MAF release year does not trigger the CRC, only a recalculation of the CRC to see if it needs to be triggered.

Paraphrased Question: Just a follow-up question on the CRC. Are you proposing any changes to the customer's ability today to firm up their resource with WRP or CDP?

Answer: No changes are planned.

Paraphrased Question: When will the 250MW from APS/Pacificorp transmission be posted on OASIS?

Answer: It was posted January 25, 2018

### **Public Comment Forum:**

Paraphrased Question: Customer doesn't agree that timely review of the FY22 Workplan can be accomplished in accordance with the 92 Agreement between WAPA, Reclamation, and CREDA.

Answer: WAPA is aware the review will likely not be completed before the end of the comment period. The difference between the FY21 and higher costs' FY22 workplans is approximately \$5M per year. That equates to about a 1 mil difference in the rate. Failure to use an approved FY22 workplan immediately puts upward pressure on the new rate. In addition to the FY22 Workplan, the April, 24-month study for purchased power and the Transmission Rate will not be available until after the comment period closes. WAPA's intent is to use the most current data available when the CRSP Manager signs the Final FRN package and forwards it to WAPA's Administrator.

### **RATES BROCHURE QUESTIONS**

#### **Background Section:**

The FY19 historical data and FY22 Workplans have been incorporated into the proposed ratesetting PRS. This assumes the workplan reviews will be completed in accordance with the 1992 Agreement between WAPA, Reclamation, and the Colorado River Energy Distributors Association (CREDA) that implemented procedures for a customer review of work program data relating to SLCA/IP power rates.

Question: When will the work plan review need to be completed?

Answer: Before the CRSP Manager signs the FRN (approximately June 25).

#### **Proposed Rate Section:**

WAPA stated, "As the audited FY 2019 historical data and FY 2022 work plans reviews are complete, they **will** be incorporated into the final ratesetting PRS."

Question: Should this be "may" instead of "will" be incorporated?

Answer: Yes. WAPA will use "may" instead of "will."

**Purchased Power Section:**

For projecting subsequent years, WAPA will use August CRSS forecasts for water releases and end-of-month elevations to estimate energy purchases using a rolling 5-year **average**.

Question: Should this be median instead?

Answer: Average.

**Other Annual Expenses Section:**

MOA **Revenue** – This expense addresses the revenues to be collected at \$11.5M per year through 2025 for implementation of the 2011 Memorandum of Agreement Concerning the Upper Colorado River Basin Fund.

Question: Is this correctly called an expense or should it be a revenue?

Answer: This is a nomenclature issue. MOA Revenue is an expense in the Power Repayment System.

**Offsetting Revenues Section:**

Question: Transmission expense is based on forward looking forecast of costs, revenues are backward looking – 5-year historical average. It appears that WAPA will adjust this forecast methodology as needed when long-term transmission sale agreements expire/terminate.

Answer: The highlighted area needs to be corrected to reflect that not all offsetting revenues are historic averages. Firm Transmission Revenues are based on projected transmission rate and transmission revenue contracts going forward, while Non-Firm Transmission, Merchant Function and Other Revenues are historic averages.

**Table 7 – Offsetting Revenues**

	Current PRS	Proposed PRS	Change
Transmission	\$19.6	\$18.3	<b>(\$1.3)</b> Changed to (\$1.3)
Merchant Function	\$ 9.9	\$ 9.2	(\$0.7)
Other Revenues	<u>\$ 5.1</u>	<u>\$ 4.6</u>	<u>(\$0.5)</u>
Total	\$ 34.6	\$ <b>2.1</b> changed to \$32.1	(\$2.5)

**Table 8 – 2019 SLIP PRS Sales Projections**

Changed to Table 8 – 2020 SLIP PRS Sales Projections.

Question: In Footnote:/1. Preliminary 2020 Total Used MWh on Project Use Summary Table, Is this the current year (see title of table)?

Answer: Footnote is correct, changed year in title to 2020.

**Table 9 - Summary of Composite Rate Impacts**  
(Unit: mills/kWh)

Factor	Change	Approximate Rate Impact (mills/kWh)
O&M Expenses	Increase	2.72
Purchased Power	Decrease	-1.59
Transmission Expenses	Increase? Should be Decrease	-0.33
Integrated Projects	Increase? Should be Decrease	-0.31
Interest	Increase? Should be Decrease	Should be -0.06
Other	Increase? Should be Decrease	-0.49
Annual Principal Payments	Increase? Should be Decrease	-0.25
<b>Total Revenue Requirements</b>	<b>Decrease</b>	-0.18
Offsetting Revenue	<b>Increase</b>	0.50
<b>Net Revenue Requirements</b>	Increase	0.32
Projected Energy Sales	Increase	Should be +0.86

Question: There is confusion about increases/decreases and table in general, can this be clarified?

Answer: Table shows impact of only changing one thing from WAPA 169 and what its sole impact on the WAPA 190 rate would be. WAPA may delete this table in the future due to confusion and focus on TABLE 4 – SLCA/IP Annual Revenue Requirements and Firm Power Rates Comparison.

**CRC Discussion Section:**

Question: This change to the CRC is still not clear. My current interpretation is if purchase power is \$32/MWh and FES Energy Rate is \$12/MWh, customers not waiving the CRC would pay \$20/MWh (spread over their annual SHP Energy allocation) while the CRC was in effect. Compare to waiver of CRC, SHP Energy reduced (this reduces WAPA’s purchase power cost),

resulting in a net savings of \$20/MWh for WAPA (reduced amount of energy purchased at \$32/MWh and selling at \$12/MWh).

Answer: The waiver level calculations establish how much the customer's allocation will be reduced if the customer elects to take the waiver level. In the past, WAPA had not accounted for the fact that WAPA loses the projected revenue tied to the reduced allocation. This creates the need to increase the revenue that needs to be recovered through the CRC or increases the amount of purchase power that needs to be decreased through the waiver level. The difference between the market price and the CRSP energy rate helps determine what the waiver lever should be including projected lost revenue incurred when customers elect the waiver level. In the sample, the CRC is \$2.25/MWh – it is not the \$20/MWh. Using the projected WAPA-190 rate in the brochure (\$12.06/MWh), those accepting the CRC would pay the  $\$12.06 + \$2.25 = \$14.31/\text{MWh}$  over their entire energy allocation.

WAPA added sample worksheets to the rate adjustment Web page to show the difference between the current and future calculations.

### **CRC Discussion Section:**

WAPA is also proposing to reduce SHP capacity for those customers opting for the waiver level to maintain each customer's existing monthly load factor percentage at the same level provided by the full SHP capacity and energy allocation. For example, if energy allocation is reduced by 10 percent, then capacity is also reduced by 10 percent. Minimums will not change.

Question: Example spreadsheet of SHP energy if a customer waives CRC.

Answer: Samples of the CRC calculations were added to the rates adjustment Web page.

### **CRC Trigger for Shortage Criteria Section:**

Question: WAPA states that in the event that the annual water release volumes from Glen Canyon Dam for **generation** returns to 8.23 MAF or higher during the trigger implementation, a new CRC will be calculated for the next month, and the Customer will be notified. Can WAPA revise this working mindful that annual release volumes are dictated by water requirements, not “for Generation”?

Answer: WAPA will remove the word “generation.”

### **Table 12 – PYA Calculation**

Monthly Income Statement

Question: Where can customer find the Monthly Income Statement? Same comment to other documents shown in the “Formula” column.

Answer: Should a CRC be triggered and a PYA needed, WAPA will provide the supporting documentation on our CRC Web page.

<https://www.wapa.gov/regions/CRSP/rates/Pages/cost-recovery-charge.aspx>

### **Imbalance Services Section:**

Question: Confirm SPP WEIS replaces Rate Schedule SP-E15 as of the start date of the EIS market.

Answer: The EIS Market is not within scope of this rate action. However, currently, CRSP's EI schedule points to the WACM BA rates and the intent is to continue to do the same under the EIS. If we need to take a different rate action, then we will initiate a rate action for it.

### **ADDITIONAL QUESTIONS**

#### **A. CRC**

Question: CREDA members continue to have questions regarding the proposed changes to the CRC. As requested previously, it would be very helpful to explain the proposed CRC changes by displaying a sample invoice for a contractor who does not waive the CRC, vs. a contractor who waives the CRC.

Answer: WAPA has attached a sample invoice.

Question: Please provide an example showing the current CRC calculation compared to the proposed changes to the CRC calculation (using consistent data).

Answer: Attached. (Note that WL changes but CRC is the same.)

Question: Given the advances made in hydropower modeling by WAPA, DCP establishment and implementation, uncertainty associated with Interim Guidelines renegotiation, CREDA asks whether the "8.23MAF trigger" be reconsidered in favor of a terms of a reservoir level trigger (as opposed to a volumetric release trigger).

Answer: The 8.23 MAF trigger is a tool that permits WAPA to recalculate the CRC if the Water Release dropped below 8.23 MAF, and reservoir elevations will be considered as part of that analysis. This trigger is an original component of the CRC. In the last rate action, we moved to a tiered approach and more frequent calculations. Additionally, shifting from an FY CRC to a CY CRC will allow WAPA to see the water releases before calculating the Annual CRC.

#### **B. Purchased Power:**

Question: Please provide supporting documentation showing the details of which hydrologic traces were used.

Answer: We used stratified random sampling to select 40 (10 from each quartile of total Glen Canyon releases) of the 112 traces provided by Reclamation from the August 2019 CRSS model runs. Traces selected were 1, 4, 7, 10, 12, 18, 22, 26, 29, 30, 32, 36, 37, 41, 44, 45, 47, 48, 56, 60, 62, 65, 66, 69, 70, 71, 74, 78, 82, 83, 85, 87, 91, 92, 97, 100, 101, 104, 109, and 111. CRSS traces are available from Reclamation.

Question: The nature of the product(s) priced by Argus.

Answer: Argus provides us with a forecasted average monthly peak and off-peak energy price. The forecasted prices at the Palo Verde hub were used for this analysis.

Question: When does the April 24-month study come out and will the current brochure values be updated and available prior to the April 20 comment deadline?

Answer: All 24-month studies typically come out around the second week of the month. It is possible that we may have Purchased Power numbers for FY20 by Friday, April 17. As a reminder, we are only updating the FY20 Purchased Power amount in the PRS.

### **C. SUPPORTING DOCUMENTATION TAB**

Question: **(Status of Repayment)** Please correct first footnote reference.

Answer: Changed Collbran footnote from ### to 1.

Question: **(SLIP PRS Executive Summary)** What is the basis for \$8,732,445 for all Transmission Expense out years?

Answer: The Executive Summary of the PRS shows \$8,731,435 which matches the 5th year of the transmission expenses contracts table.

Question: **(Revenue Requirements Comparison Table)** Please remove “1” in footnote 2 reference to MOA.

Answer: Footnotes of the Revenue Requirement Comparison Table will be updated.

Question: **(Stacked Chart Showing Current & Projected Rate)** On bar chart, what is “AID”, and what is the spike in 2034?

Answer: Aid is both Aid to Irrigation and Aid to Participating Projects. The spike is tied to forced payments on Aid to Participating Projects to get the rate down in prior years and a shift in prepayment.

Question: **(Average O&M Comparison)** What values are used in the PRS? 5-year projection, 10 year projection, 9 year projection?

Answer: On the O&M Budget Projection Table, Years 2020-2025 go in the PRS, then the “The future 5 year Projection” goes in the PRS through the end of the study. The 10-year projection is informational; the 9-year average is the average from the first year of the rate through the Pinchpoint, also informational. In this instance, the rate is 2021 thru 2029.

Question: **(Average O&M Comparison)** We understood guards were going to be discontinued at FG?

Answer: The question refers to the line for Security in the Reclamation workplan. Reclamation is awaiting final signature/implementation of their new security measures before removing them from their workplan.

Question: **(Average O&M Comparison)** Should \$10.6 and 4.0 (FG and BM) be removed from any average value as one-time occurrences?

Answer: There is no need to remove them. We do not enter averages from that expense table in the PRS. The averages are used to reconcile the revenue requirement table with the PRS when calculating the composite rate. The averages on the capital investment table are informational and do not tie to the revenue requirement table or the PRS because we only put the first 5 years’ worth of projections in the PRS as opposed to expenses where the 5th year is replicated to the end of the study with exceptions for the RIP Loans and MOA expense.

Question: **(O&M Budget Projections for CRSP)** What is \$2M increase in power marketing?

Answer: Power Marketing is mentioned in several places in the Average O&M Budget Projections worksheet. The changes shown reflect the difference from the FY17 workplan to the FY22 workplan. In addition to salary increases and inflationary costs, the move from GWA (overhead) to direct charging shifted costs to Power Marketing. Note that we no longer project GWA.

Question: **(O&M Budget Projects for CRSP)** Suggest aligning the GCDAMP 2021-2029 average with new sustainable level of non-reimbursable funding.

Answer: Non-reimbursable expenses are not included in the PRS, so this is not rate impacting. WAPA will update the worksheet when we receive the updated workplan.

Question: **(Transmission Expense Comparison)** Concerning transmission expense averaging, shouldn’t transmission contracts which have terminated be removed?

Answer: WAPA will review the transmission contracts document and ensure terminated contracts are removed.

Question: **(Transmission Expense)** When did the Pace/APS contract originally intend to expire (vs. when is the new expiration date)?

Answer: May 31, 2022, originally. It is expiring about 15 months early on February 15, 2021.

Question: (**Transmission Expense**) NTUA – is it 30 MW or 40 MW (contract 4537) and when did it change from 30-40?

Answer: Total transmission provided to NTUA is 80 MW and has been since 1999. The total is still 80 MW. NTUA requested a redirect of some of its transfer rights so that is what is reflected in the change from 30 MW to 40 MW.

Question: (**Transmission Expense**) Is the Pacific 2436 contract still in effect? When does it terminate?

Answer: Yes. It terminates June 1, 2047.

Question: (**Transmission Expense**) Has the Intertie contract terminated? (10149) If so, when?

Answer: It is still an active contract, and current arrangements plan to have this contract go through September 2022.

Question: (**Salinity**) What is the best estimate of Paradox Valley Unit O&M given current EIS process? Estimating it should decrease.

Answer: The PVU EIS process is not finished yet, so an alternative has not been identified in a Record of Decision. Our best estimate of annual O&M costs for the existing well into the foreseeable future are \$2.5 - \$2.7 M. That equates to \$93,750-\$101,250 in cost share from the Upper Colorado River Basin Fund.

Question: (**Salinity**) What determines the transfer in 2026 that increases costs in that year?

Answer: It is a \$1.4M transfer to Treasury at the end of the estimated lifespan of the Paradox Valley Unit.

Question: (**Aid to Participating Projects**) Are there any title transfer processes in the works that would reduce irrigation assistance? (See Dingell Act/BOR D&S issued 3/23/2020)

Answer: Title Transfer under the John D. Dingell Jr. Conservation, Management, and Recreation Act: Reclamation is authorized to facilitate the transfer of title of certain Reclamation projects and facilities when such transfers are beneficial. This allows local water managers to make more water management decisions at the local level, while allowing Reclamation to focus its management efforts on those projects with a greater Federal nexus. As part of this effort, Reclamation continues to engage with water users and stakeholders to identify projects and facilities that may be potential candidates for such a transfer. WAPA is not aware of any that would reduce irrigation assistance.

Question: (**Transmission Revenue Contracts**) Question regarding rollover rights/reasonable expectation of capacity revenue for Pace/APS terminated contract.

Answer: Addressed in Public Comment Section above.

Question: **(Project Use)** What happens in 2024 (Navajo Gallup) and in 2028 (Bonneville Unit) to increase project use?

Answer: For Navajo-Gallup, the official date of being close to full buildout is 2024. At that time most everything should be online. 2028 is the anticipated beginning of CUPCA mandated water recycling anticipated power use.

Question: **(Project Use)** What is the specific use referred to in footnote 4) for Provo River Delta Restoration Project? Is that project use power or is it fish & Wildlife mitigation? If this is “in the early planning stages”, recommend the increase usage not be included from an operational/planning standpoint?

Answer: Provo River Delta Restoration footnote is power for water aeration, a fish and wildlife related NEPA commitment. Currently anticipate to come online in 3-4 years.

Question: **(Aid to Irrigation)** What is CRDF?

Answer: The Colorado River Development Fund was authorized by Congress in the Boulder Canyon Project Act of 1940 to support the projects being developed by the Colorado River which were considered non-reimbursable. The projects that received CRDF funding received an amount determined at the time the fund was established.

Question: **(Aid to Irrigation)** Why is 2018 SPCCR data used instead of 2019 for the irrigation calculations?

Answer: WAPA uses the most current Statement of Project Construction Cost and Repayment (SPCCR) for Aid to Irrigation calculations. We do not expect to have the 2019 SPCCR until June or July.

Question: Are there updated figures, which we expect would show a reduction in irrigation assistance given the shift to M&I? When was the latest calculation of irrigation assistance?

Answer: WAPA does not have any updates. The last calculation for Aid to Participating Projects occurred last fall. We cannot recalculate Aid to Irrigation without an updated SPCCR. The latest M&I Revenue projections are in the PRS and table 13-2 in the supporting documentation. We moved from an offset methodology for tracking Aid to Irrigation in the FY 2019 Final PRS to a Revenue Repayment methodology when Reclamation transferred \$32M in Revenue to WAPA. This was a net zero transaction for the PRS and had no impact on the rate or repayment.

Question: **(M&I Revenues)** This table is noted as FY2015. Is there more recent information available?

Answer: The table date should be changed to FY2018. It is the most current information.