

Parker-Davis Project Fiscal Year 2022 Charges

Florence Brooks
Public Utilities Specialist
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Agenda

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- FY 2020 Summary
- FY 2021 Calculation of Rates
- FY 2022 Generation Rate Determinates
- FY 2022 Transmission Rate Determinates
- Rate Mitigations
- Preliminary FY 2022 Rates
- Next Steps and Contact Information

Standard Calculation Parameters

- Actual work plans are used to project O&M expenses when available. Work plans are escalated for inflation in remaining years of cost evaluation period (rate window).
- Ten-Year Plan information from WAPA and Reclamation is used to project capital costs
- Costs not readily identified as generation or transmission are allocated via the Cost Apportionment Study
- Transmission sales projections are based on contractual values, adjusted for known and measurable differences
- Deficits occur when revenues and carryover are insufficient to cover annual expenses and required investment payments

FY 2020 Summary

Projected			Actual		
Revenue		\$ 76,787,944	Revenue		\$ 81,006,669
Expenses			Expenses		
Operations & Maintenance	\$ 50,280,170		Operations & Maintenance	\$ 46,618,292	
Purchase Power & Wheeling	7,160,810		Purchase Power & Wheeling	18,762,213	
Principal & Interest	25,415,802		Principal & Interest	25,136,825	
		\$ 82,856,782			\$ 90,517,330
Net Revenue After Expenses		\$ (6,068,838)	Net Revenue After Expenses		\$ (9,510,661)
Carryover		\$ -	Carryover		\$ -
Carryover / (Deficit)		\$ (6,068,838)	Carryover / (Deficit)		\$ (9,510,661)

FY 2021 Calculation of Rates

Generation Rates

In FY 2021, the mitigation techniques of leveling and the amortization of Reclamation's replacement assets contributed to the generation rate increase being limited to 5%, for a rate of 13.67 mills/kWh.

Transmission Rates

The continued use of leveling and deferment of principal payments on transmission assets assisted in limiting the transmission rate increase to 4%, for a rate of \$20.64 kW-Year.

Drivers of FY 2022 Calculations

Upward Pressure

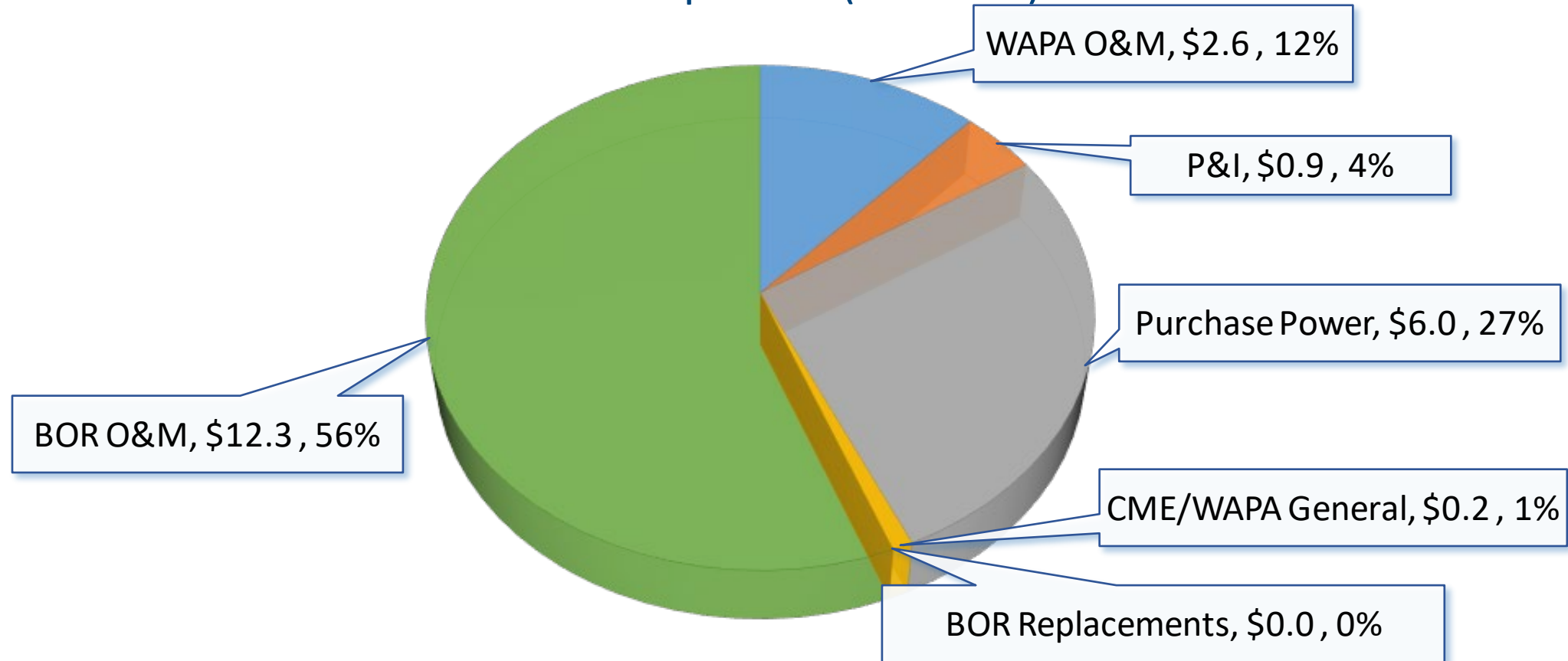
- Increased Purchase Power & Wheeling (Generation)
- Increased Operation & Maintenance (Generation)
- Decreased Reservations (Transmission)

Downward Pressure

- Flexibility of Repayment
 - Principal & Interest (Generation & Transmission)
 - Leveling (Generation & Transmission)

FY 2022 Generation Rate Determinates

Annual Expenses (in millions)



FY 2022 Generation Rate Determinates

Purchase Power & Wheeling (in millions)

	Generation PPW	5-Yr. Avg. PPW	Amount Included in Rate
FY 2014	\$ 3.3		
FY 2015	\$ 5.2		
FY 2016	\$ 3.6		
FY 2017	\$ 7.7		
FY 2018	\$ 6.5	\$ 5.3	
FY 2019	\$ 7.0	\$ 6.0	
FY 2020	\$11.3	\$ 7.2	
FY 2021 Rate			\$ 5.3
FY 2022 Rate			\$ 6.0

FY 2022 Generation Rate Determinates

Annual Expenses (in millions)

	FY 2021	FY 2022	Δ
Reclamation O&M	\$11.7	\$12.3	\$0.6
WAPA O&M	\$2.1	\$2.6	\$0.5
CME/WAPA General Expense	\$0.2	\$0.2	-
Purchase Power/Wheeling	\$5.3	\$6.0	\$0.7
Reclamation Replacements	\$0.0	\$0.0	-
P&I	\$1.1	\$0.9	(\$0.2)
Subtotal	\$20.4	\$22.0	\$1.6

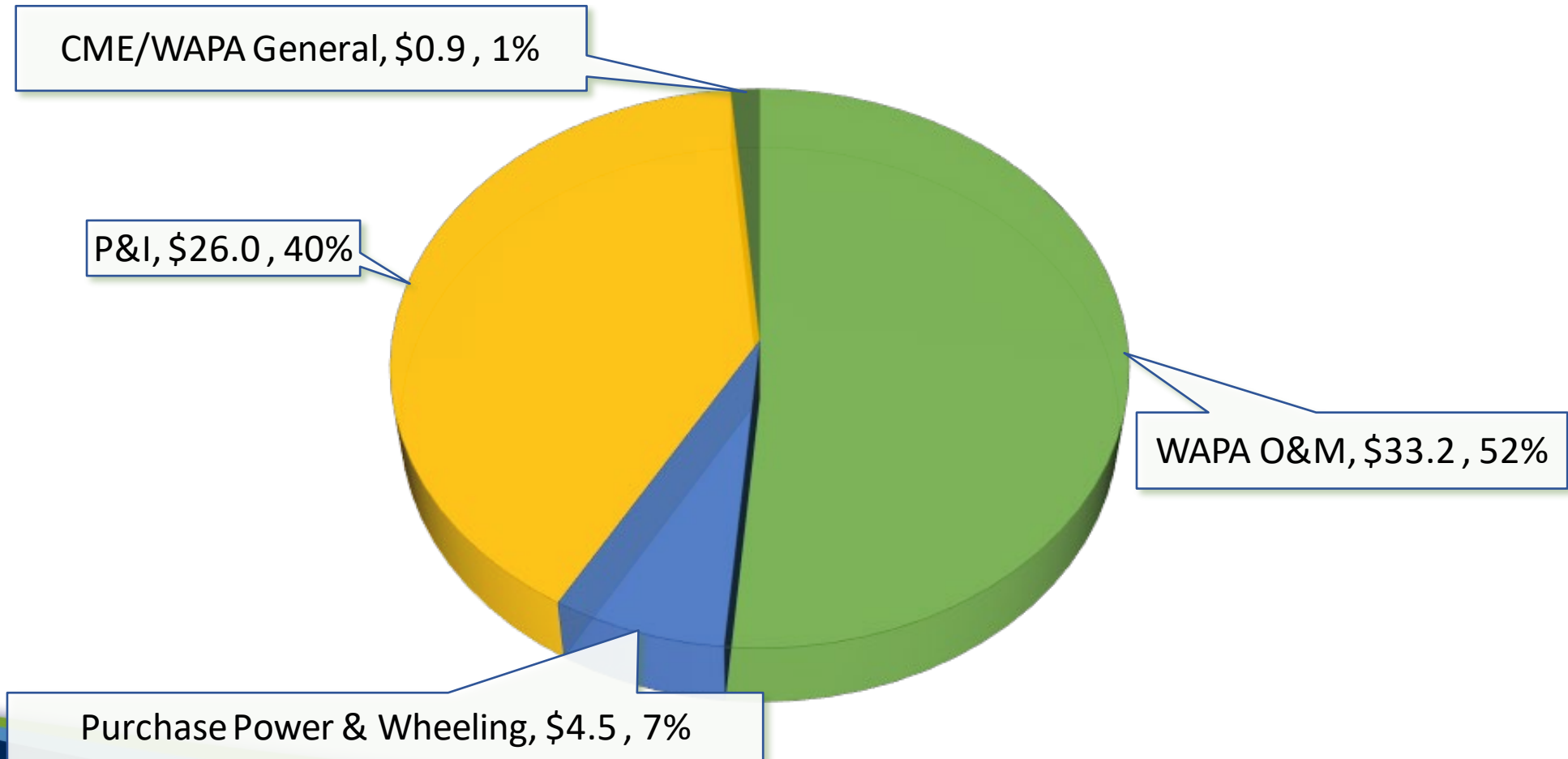
FY 2022 Generation Rate Determinates

Annual Other Revenue, Carryover and Reservations
(in millions)

	FY 2021	FY 2022	Δ
Other Revenue	\$0.3	\$0.4	\$0.1
Carryover	\$0.6	\$0.0	\$(0.6)
Subtotal	\$0.9	\$0.4	\$(0.5)
Revenue Requirement	\$19.5	\$21.6	\$2.1
Reservations (GWh)	1,425	1,425	-

FY 2022 Transmission Rate Determinates

Annual Expenses (in millions)



PPW & Other Revenues

- Transmission purchase power and wheeling supports losses and reserves
- Purchase power costs are offset by related revenues, primarily financial loss returns
- Going forward, in rate calculations increased purchase power costs will be offset by increased other revenues

	Purchase Power and Wheeling Costs (in millions)
FY 2018	\$ 5.6
FY 2019	\$ 4.8
FY 2020	\$ 7.5



Related Other Revenue (in millions)		
Total	Losses	Ancillary Services
\$ 5.1	\$ 4.7	\$ 0.4
\$ 5.1	\$ 4.6	\$ 0.5
\$ 8.1	\$ 7.5	\$ 0.6

FY 2022 Transmission Rate Determinates

Annual Expenses (in millions)

	FY 2021	FY 2022	Δ
WAPA O&M	\$35.1	\$33.2	\$(1.9)
WAPA General Expense	\$1.5	\$1.1	\$(0.4)
CME & Multi-Project	\$(0.4)	\$(0.2)	\$0.2
Purchase Power/Wheeling	\$1.9	\$4.5	\$2.6
P&I	\$25.6	\$25.1	\$(0.5)
Subtotal	\$63.7	\$63.7	\$0.0

FY 2022 Transmission Rate Determinates

(in millions)

	FY 2021	FY 2022	Δ
Other Revenue	\$6.5	\$10.2	\$3.7
Carryover	\$4.0	\$0.0	\$(4.0)
Subtotal	\$10.5	\$10.2	\$(0.3)
Revenue Requirement	\$53.2	\$53.5	\$0.3
Reservations (MW)	2,578	2,477	(133)

Rate Mitigations

- The shift of labor from WAPA's O&M program to a capitalized markets project, reduced the generation charge by 0.5% and the transmission charge by 1.7%
- Leveling, by which the charge is reduced in the early years of the rate window by not collecting for costs projected to be incurred in later years
- Reclamation replacement assets are amortized over their useful lives in lieu of being expensed annually

Rate Mitigations

- Discretionary principal payments on deficits and transmission assets are being deferred. Deferring generation deficit principal payments for one fiscal year results in a rate reduction of 6%.
- Increased projections in transmission purchase power are anticipated to be offset by corresponding increases in other purchase power-related revenues

Charges

	FY 2021 (current)	FY 2022 (preliminary)	Δ	% Δ
Energy (mills/kWh)	6.84	7.58	0.74	10.8%
Capacity (kW-Month)	\$2.99	\$3.32	\$0.33	11.0%
Composite w/o Transmission (mills/kWh)	13.67	15.15	1.48	10.8%

Firm Transmission (kW-Month)	\$1.72	\$1.80	\$0.08	4.7%
NITS Revenue Requirement	\$53.2m	\$53.5m	\$0.3m	0.6%

Questions/Thoughts



Next Steps

- Information regarding the FY 2022 charges will be posted on WAPA's website:
- <https://www.wapa.gov/regions/DSW/Rates/Pages/Parker-Davis-rates.aspx>
- Generation costs finalized at Advancement of Funds Annual Funding Board on July 15, 2021
- Rates will be finalized in August and become effective for the October 2021 service month

WAPA Contacts

Florence Brooks
Public Utilities Specialist
602-605-2479
brooks@wapa.gov

Tina Ramsey
Rates Manager
602-605-2565
ramsey@wapa.gov