



WESTERN AREA POWER ADMINISTRATION  
An agency of the U.S. Department of Energy

**Sierra Nevada Region**

# **PLANT UPDATE**

Informal Rates Meeting

October 29, 2009

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# Plant Update



- Since 1997 investments (assets placed in service) were not added to PRS due to
  - Changes as a result of CVPIA (credits/offsets)
  - Marketing changes
  - Competing projects
- Contractor hired in August 2008
- Results include
  - Increased project repayment (PRR)
  - Increased interest expense (PRR/TRR/Reg.)

# CVP Plant Update (cont.)



## Summary of Results

### – FY's 1997 through 2007

- \$32 million in investments were added to PRS
- Interest
  - \$12.8 million for the period 1997-2008
  - \$1.5 million annual interest ongoing, reduced as investments are repaid

### – FY 2008

- \$44 million in investments were added to PRS
- \$2.1 million in interest

# CVP Plant 1997-2007



| <b>Plant Additions and Interest by Agency 1997-2007</b> |              |              |             |
|---|--------------|--------------|-------------|
| Description   | Total        | Western      | Reclamation |
| <b>Plant Additions (1997-2007)</b>                      | \$32,497,421 | \$26,553,912 | \$5,943,509 |
| <b>Interest (1997-2008)</b>                             | \$12,839,693 | \$5,099,977  | \$7,739,716 |
| <b>Interest (going forward)</b>                         | \$1,500,000  | \$595,806    | \$904,194   |

- Reflects CVPIA credits and offsets
- Reflects adjustments to amounts previously included in PRS
- Reflects changes to CVP annual cost allocation percentages

# Plant 2008



| CVP Plant Update 2008                       |                      |
|---|----------------------|
| Agency and Facility Description             | 2008                 |
| <b>Western 1/</b>                           |                      |
| - New Melones Gen Tie                       | \$ 3,755,411         |
| - Trinity Interconnection (Substation)      | \$ 11,555,909        |
| - Replacements and Adjustments              | \$ 703,258           |
| - Keswick Transfer from Reclamation         | \$ 2,609,155         |
| <b>Total Western</b>                        | <b>\$ 18,623,733</b> |
| <b>Reclamation 1/</b>                       |                      |
| - Shasta Runners (RAX) & Other Shasta Costs | \$ 20,678,000        |
| - New Melones Power Plant                   | \$ 4,985,937         |
| - Nimbus Power Plant                        | \$ 1,536,511         |
| - Other Misc. Additions/Adjustments         | \$ (1,386,617)       |
| <b>Total Reclamation</b>                    | <b>\$ 25,813,831</b> |
| <b>TOTAL Western and Reclamation</b>        | <b>\$ 44,437,564</b> |
| <b>Associated Interest:</b>                 | <b>\$2,149,803</b>   |

1/ Reflects the asset cost already reduced by approximately 25% paid by project use power

# Effect on PRS



## Power Repayment Study (PRS)

- FY 1997 through 2007
  - Increased project investments by \$32 Million
  - Resulted in interest of \$12.8 million for the period
  - Interest repaid in PRS by reconstructing how the project would have been paid if plant was added and interest recorded
  - Effectively increased project repayment to avoid deficit and applied repayment principles (paying highest interest assets first)
- FY 2008
  - Increased project investments by \$44 Million
  - Interest increased \$2.1 million

# Effect on PRR



- Power Revenue Requirement (PRR)
  - Annual project repayment increased by \$2 million
  - Interest expense increased by approximately \$3.5 million
    - As investment is repaid, interest expense will decrease

# Effect on Transmission & Reg.



- Revenue requirement increased by interest expense only
- Investment increase: no affect on the TRR
  - Paid annually through depreciation expense
  - Plant & Depreciation is recorded through Western's Results of Operations and so is paid annually
- \$12.8 million interest affected one-year only
  - CVP Transmission Revenue Requirement increased by \$2.2 million
  - PACI Transmission Revenue Requirement increased by \$550,000
  - COTP Transmission Revenue Requirement increased by \$415,000
  - Regulation Revenue Requirement increased by \$229,000



# Questions?

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