

Welcome

Pick-Sloan Missouri River Basin Program--Eastern Division
&
Loveland Area Projects
Proposed 2018 Rate Adjustment Process

Please make yourself comfortable

- Public Information Forum will begin at 9:00 am
- Break – following the Public Information Forum
- Comment Forum 11:00 am – NLT 12:00 pm





Western
Area Power
Administration

Proposed 2018 Rate Adjustment Process

Public Information & Comment Forums

August 22, 2017 – Denver, Colorado
August 23, 2017 – Sioux Falls, South Dakota



Pick-Sloan Missouri River Basin
Program--Eastern Division

Rate Order No. WAPA-180

&

Loveland Area Projects

Rate Order No. WAPA-179

Panel Introductions

Jody Sundsted

Power Marketing Manager for UGP

Dave Neumayer

Power Marketing Manager for RMR

Linda Cady-Hoffman

UGP Rates Manager

Sheila Cook

RMR Rates Manager

Judy Shimek

UGP Rates Public Utilities Specialist

Tamala Gheller

RMR Rates Public Utilities Specialist



Agenda

- Rate Process Schedule
- Charge Components
- PRS Information
 - Pick-Sloan
 - Fry-Ark
- Regional Rate Proposals
 - LAP Rate Proposal
 - Pick-Sloan—ED Rate Proposal
 - 5% Voltage Discount Discussion
 - Sale of Surplus Product Rate Schedules
- Break
- Comment Forum



Rate Process Schedule (P-SMBP--ED and LAP)

- Federal Register Announcements

July 3, 2017

- Public Process (90 Days)

- Information & Comment Forums

August 22, 2017

Denver, CO

August 23, 2017

Sioux Falls, SD

- Close of Comment Periods

October 2, 2017

- Proposed Implementation of New Rates

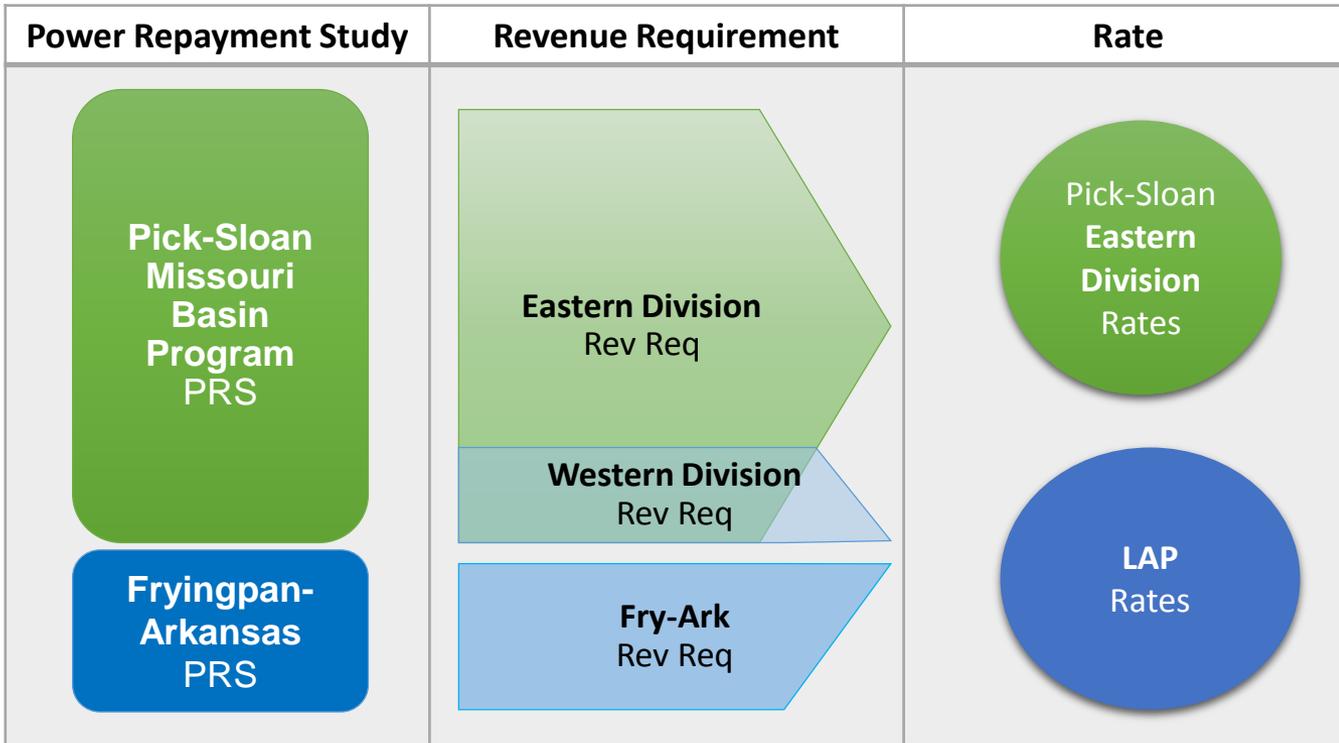
January 1, 2018



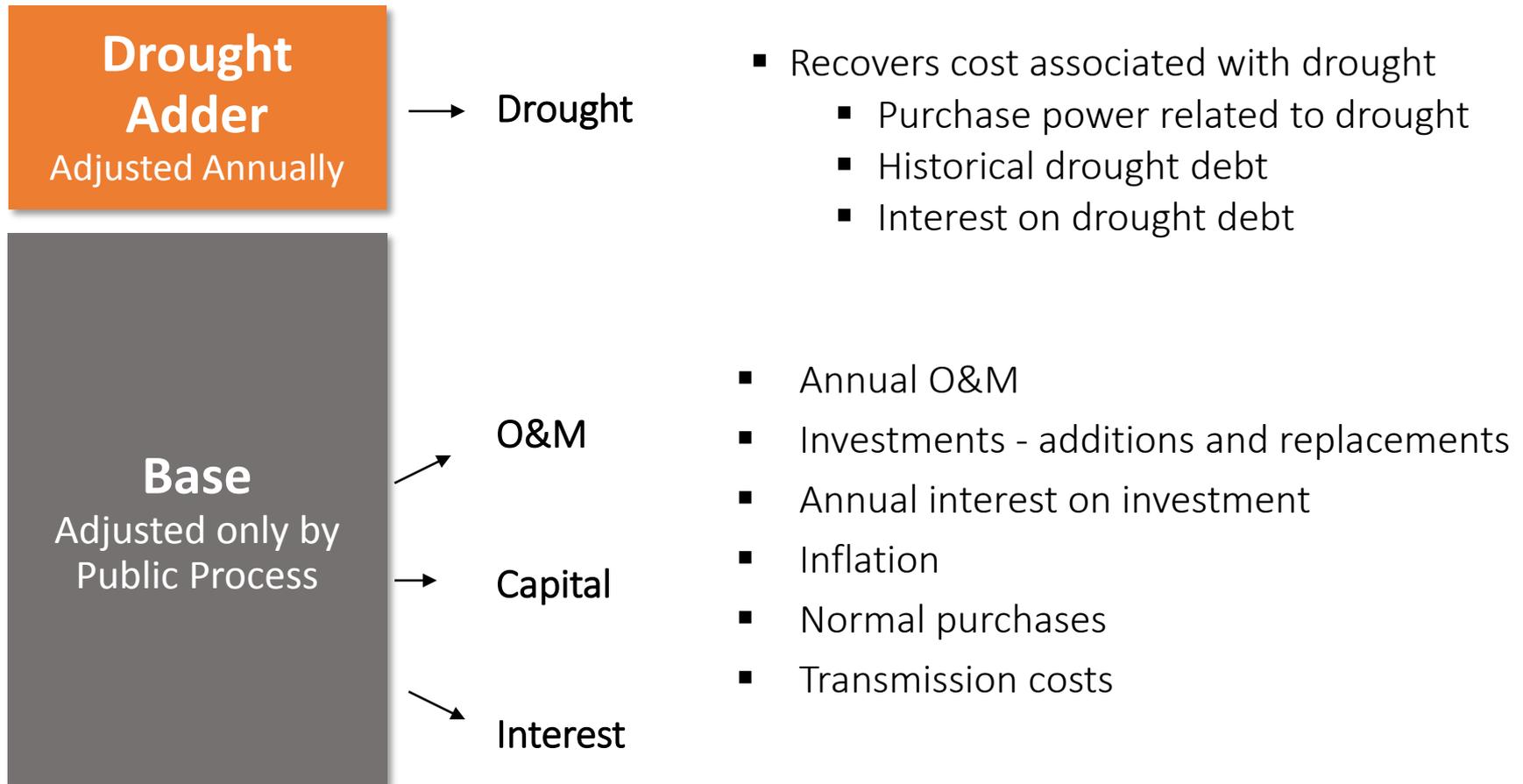
Charge Components



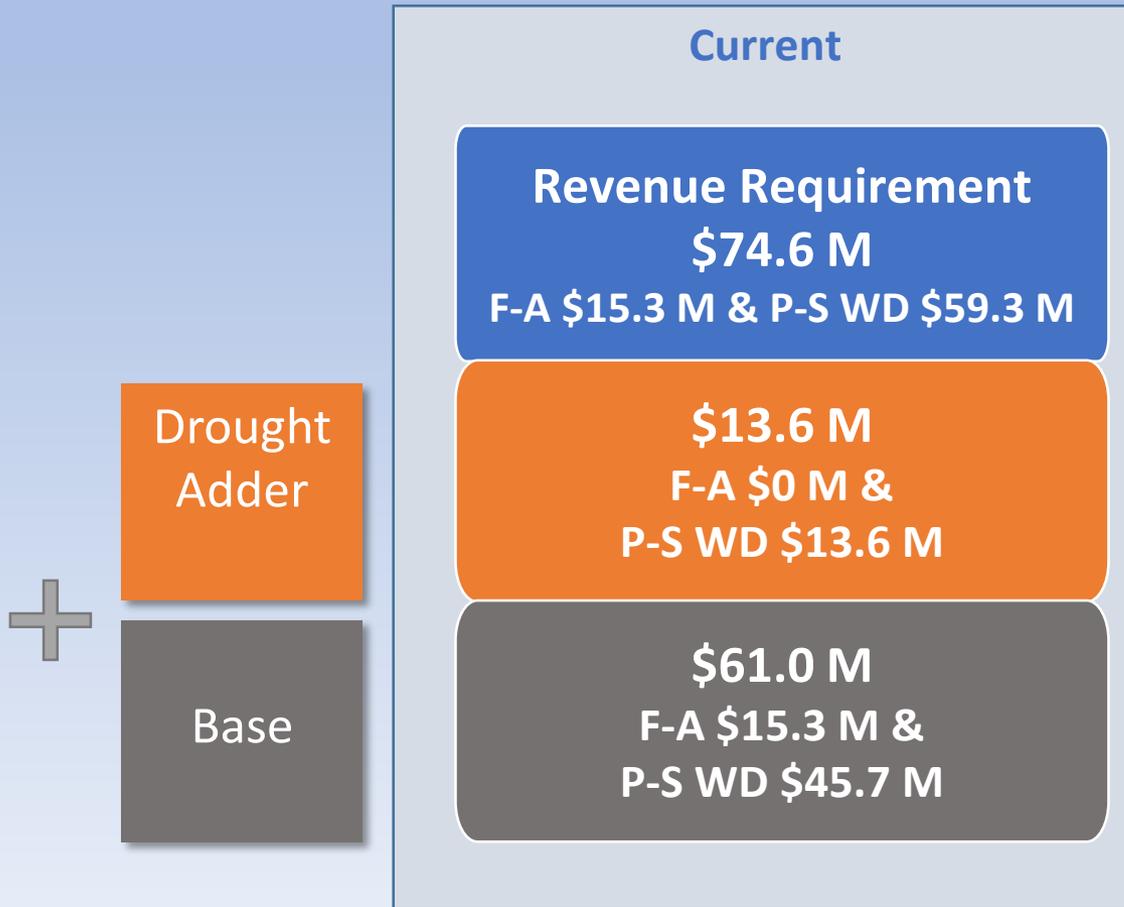
Rate Structures



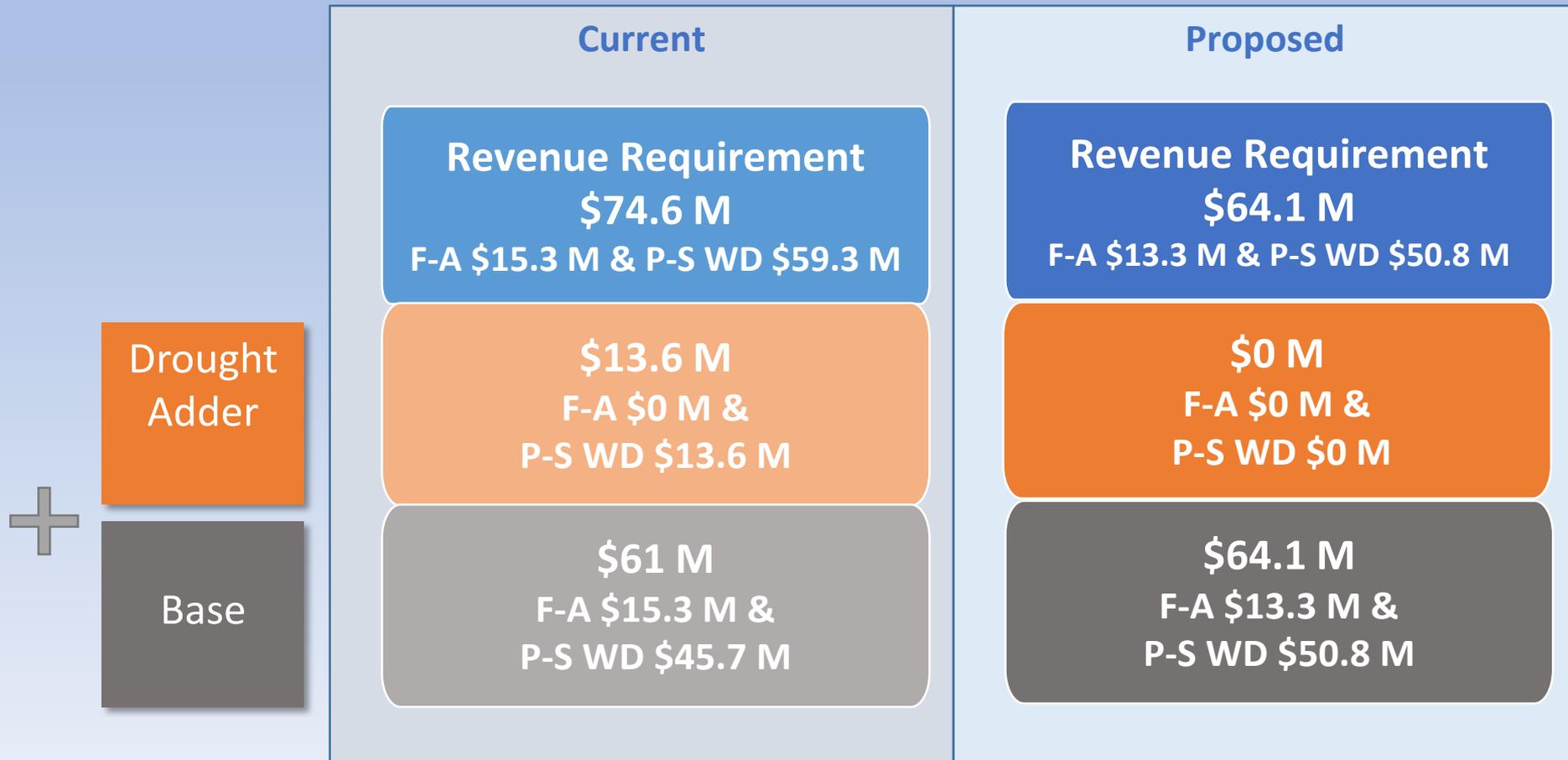
Overview of Component Costs



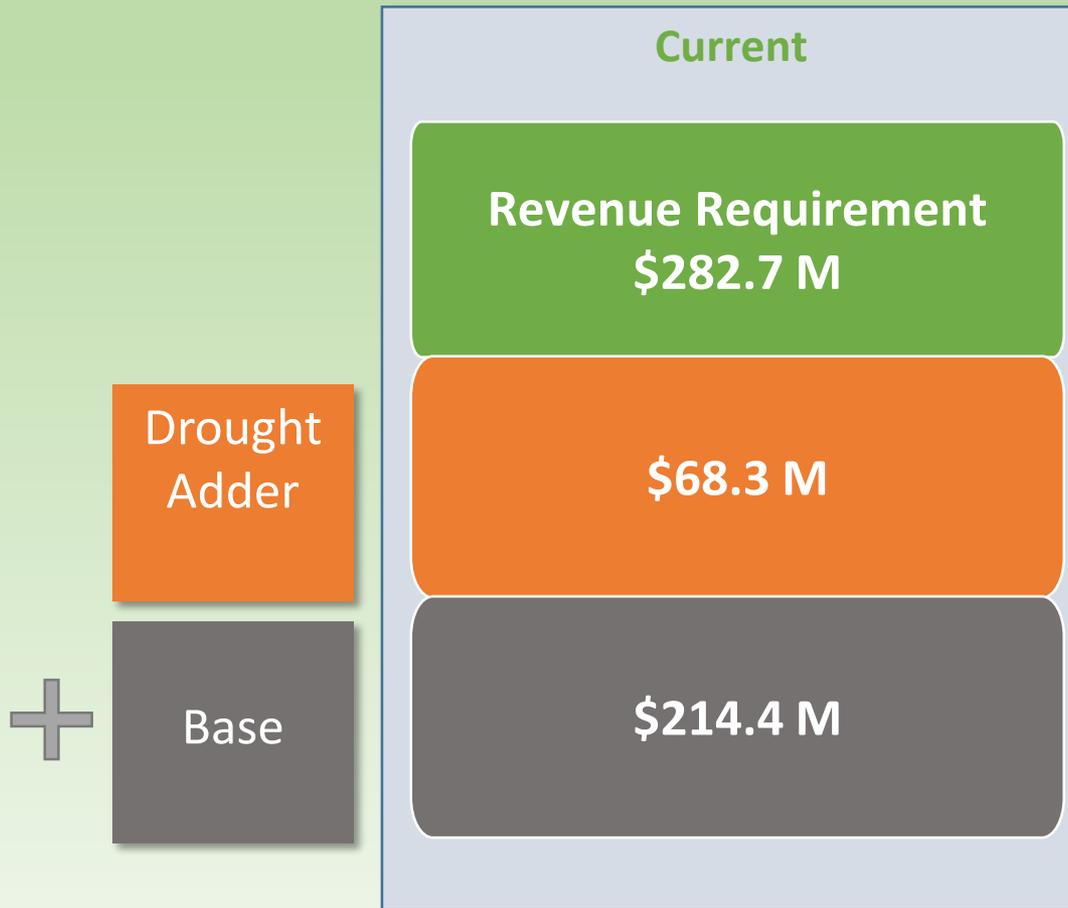
LAP Current Charge Components



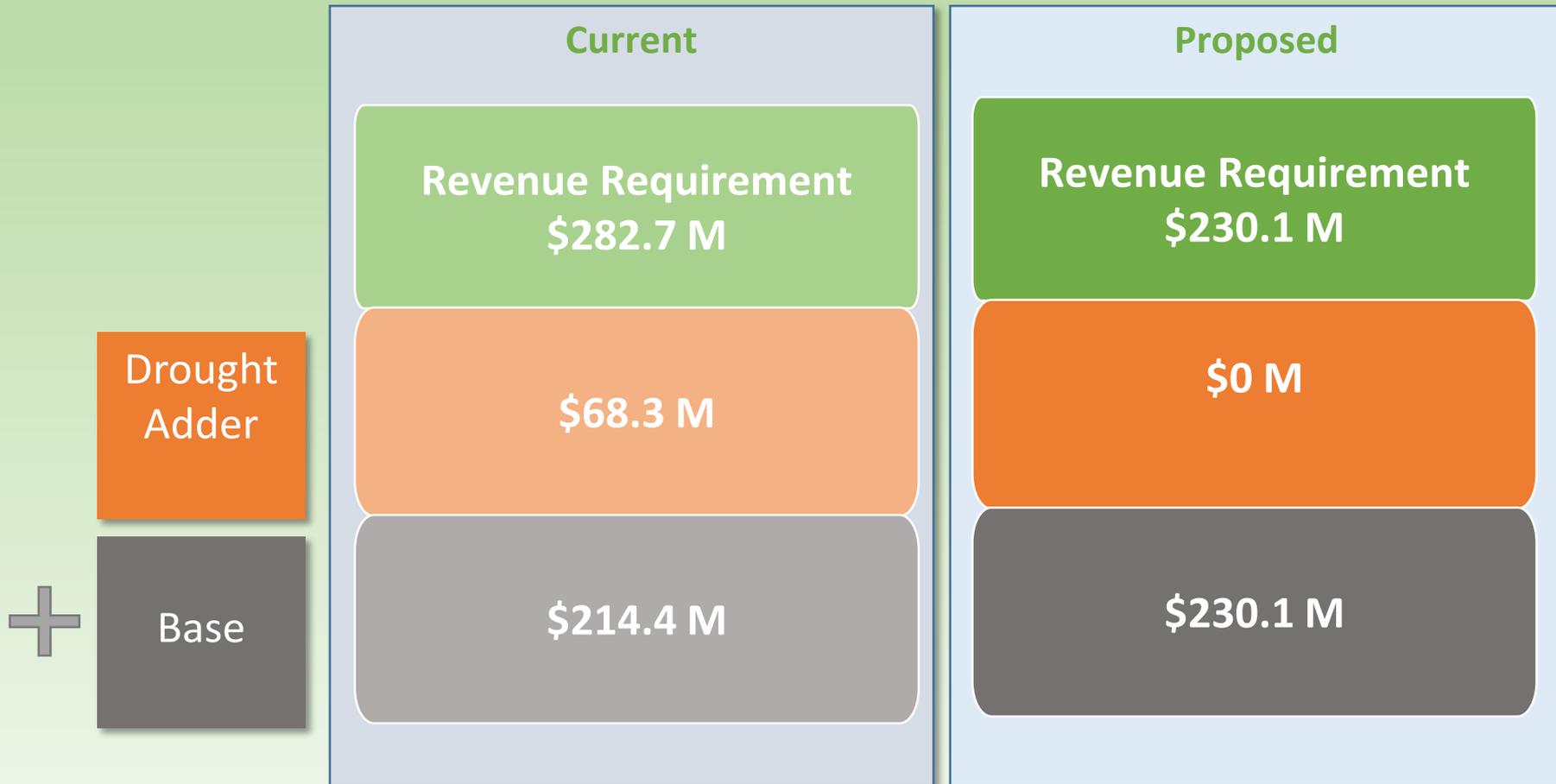
LAP Proposed Charge Components



P-SMBP--ED Current Charge Components



P-SMBP--ED Proposed Charge Components



PRS Information

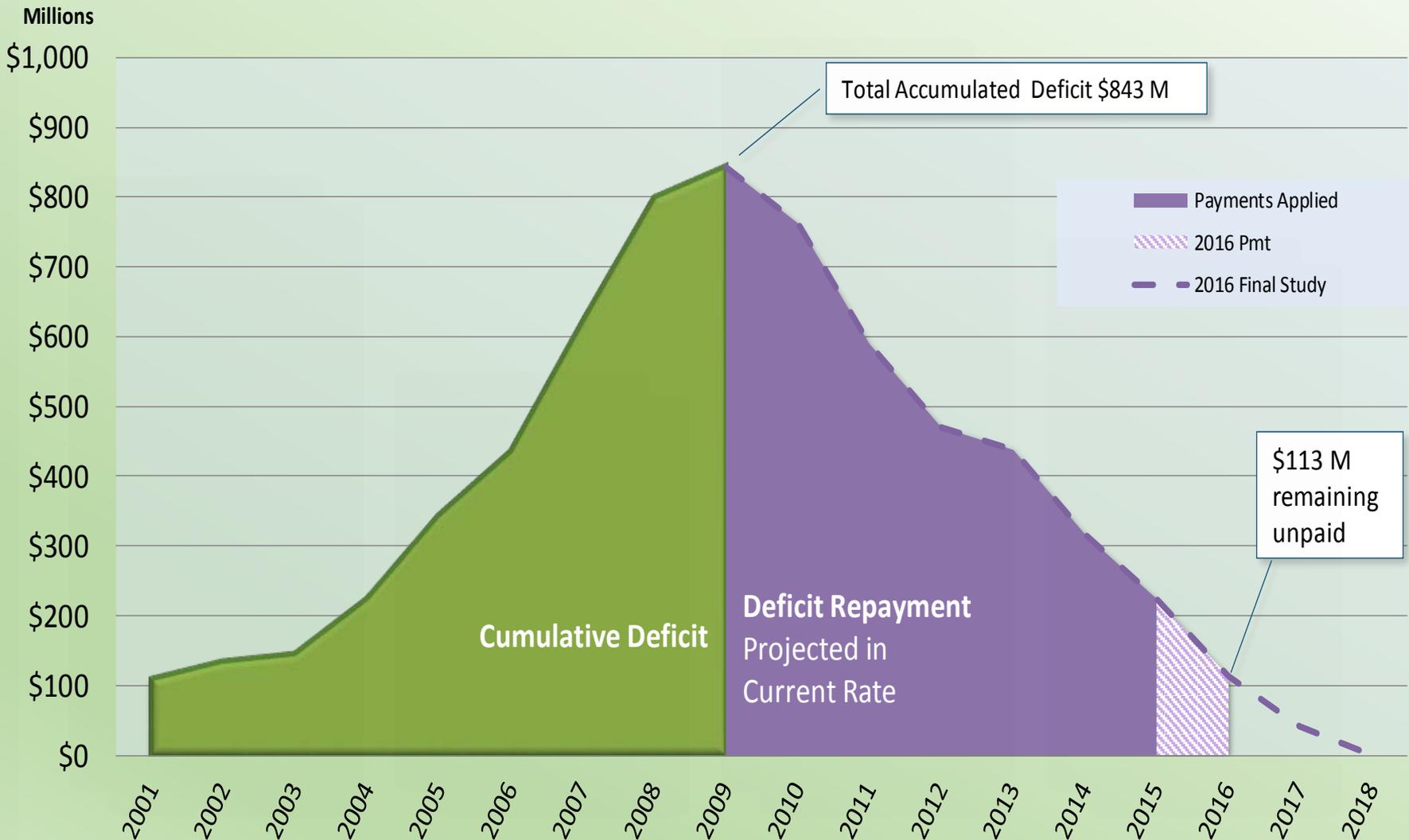


P-SMBP 2016 PRS

- 2016 deficit payment was \$110 M
 - Paid off the 2017 unpaid deficit balance
 - Balance applied towards 2018 remaining deficit balance
- \$113 M unpaid on the drought debt after 2016
- 2016 \$54 M required payments
 - Mostly in 2.5% to repay USACE investments
- 2020 is the PRS pinch point
- Study solves with a composite rate of 24.29 mills/kwh
 - Drought debt projected to be paid off in 2018



P-SMBP 2016 Deficit Repayment



Why the Drought/Base Changes

- Drought Adder is going to zero
 - Projected to make the last payment on the \$843 M accumulated drought by 2018
 - Paid ahead on the drought costs, final payment isn't required until 2019
- Base increasing
 - New 5-year cost evaluation period
 - New investments and replacements
 - New O&M expense
 - Inflationary costs in the 5-yr window

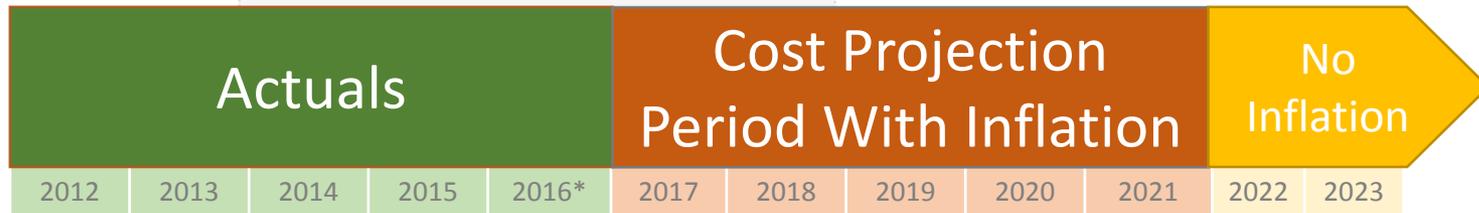


PRS 5-yr Projection Window

2015 Rate Setting PRS



2018 Rate Setting PRS



*Based on unaudited financials, with true up done the following year

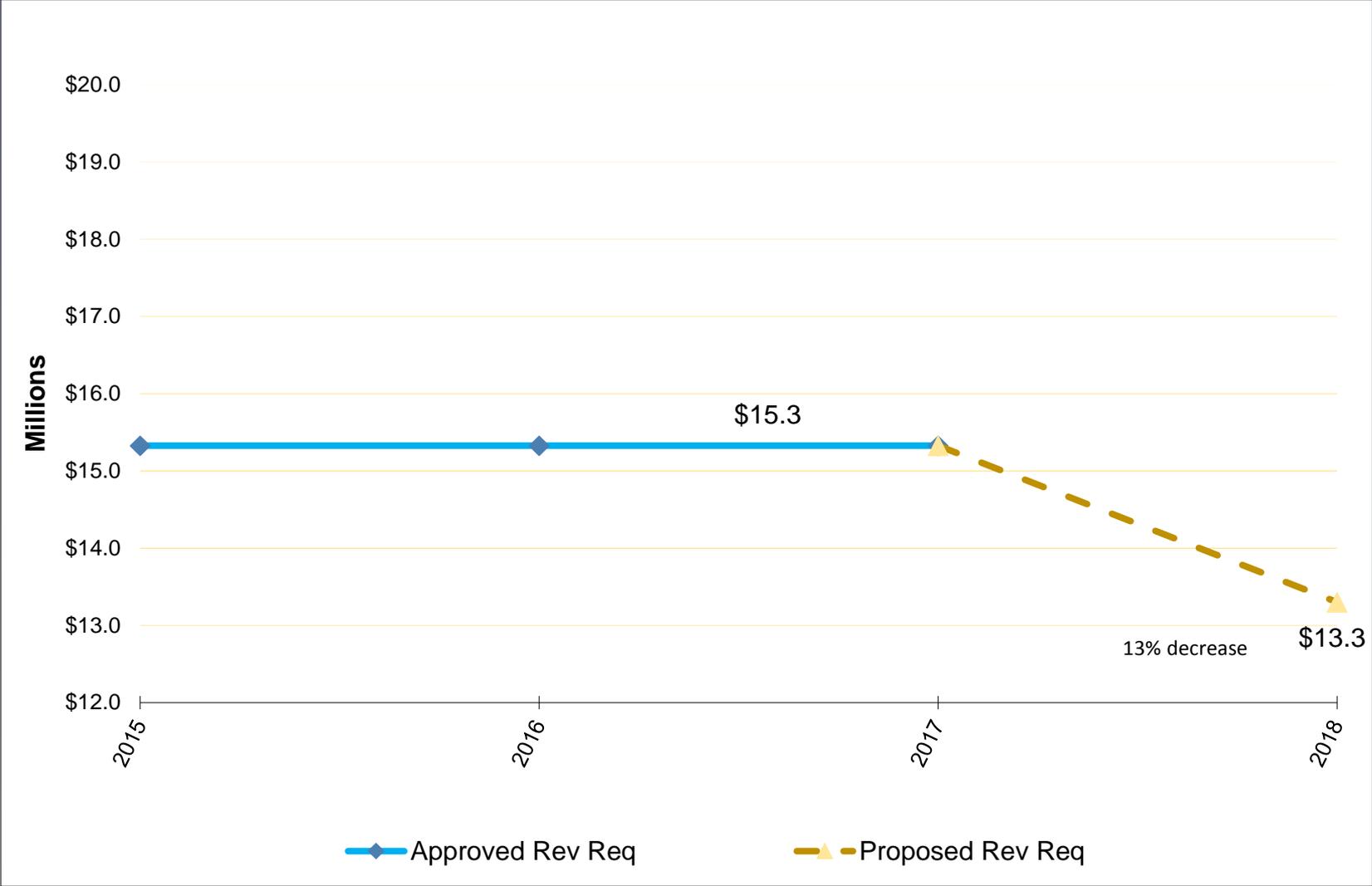


Fry-Ark FY 2016 PRS

- Uses FY18 Work Plans
 - Updated Mt. Elbert Rehabilitation Cost Projections
 - Study includes \$22.7M
- Study solves with a Revenue Requirement of \$13.3M
 - 13% lower than the approved \$15.3M
- FY17 Coupon Rate used for future projections is 4.429%
- No outstanding deficits
- 2034 continues to be the pinch point in the PRS



Fry-Ark Revenue Requirement



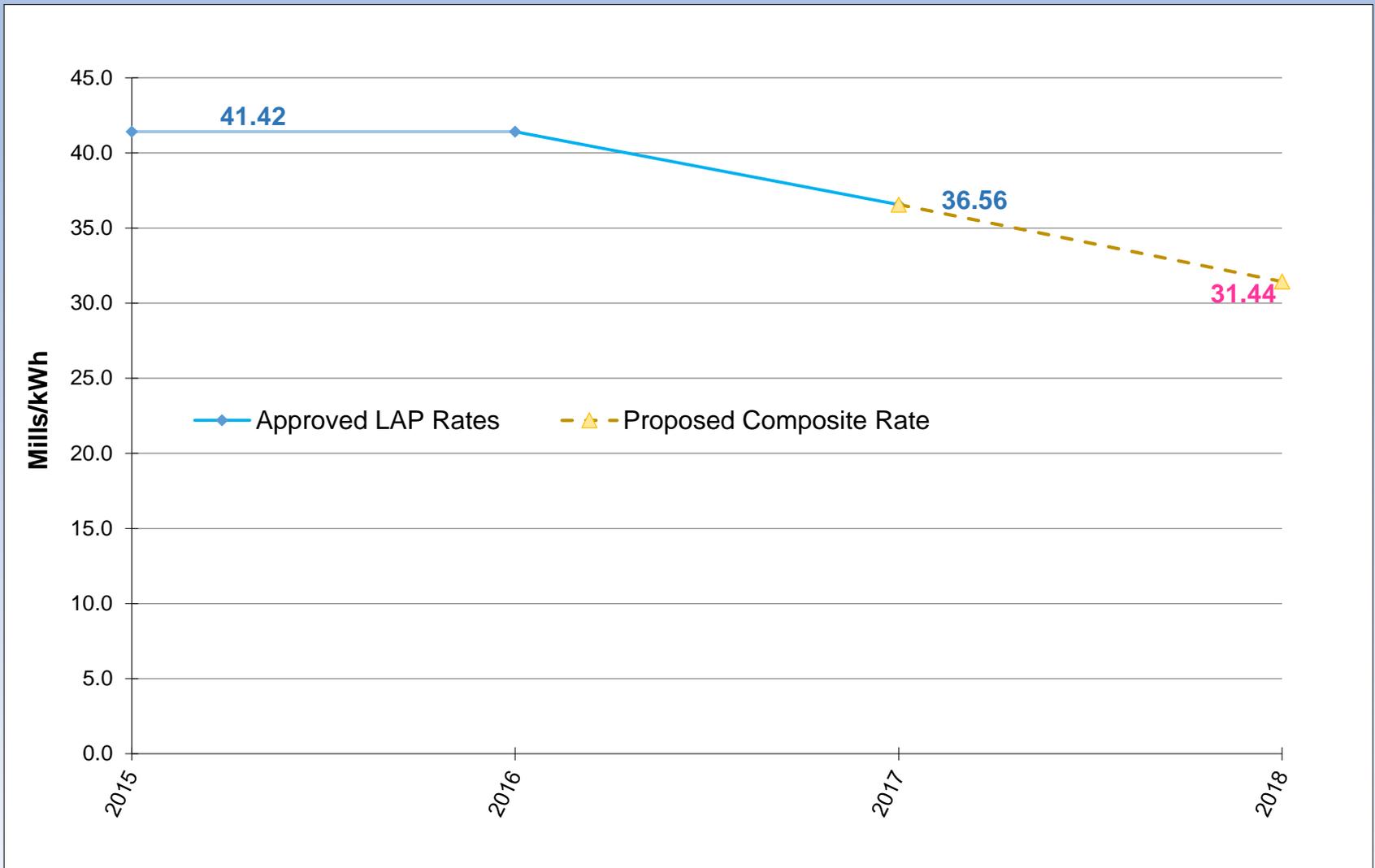
Regional Rate Proposals



LAP Rate Proposals



LAP Composite Rate



Why the Changes for P-SMBP--WD

- Drought Adder is going to zero
 - Projected to make the last payment on the \$843M accumulated Drought by 2018
 - Paid ahead on the drought costs, final payment isn't required until 2019
- Base increasing
 - New 5-year cost evaluation period
 - New Investments/Replacements
 - New Operations and Maintenance Expenses
 - Inflationary costs



Why the Changes for Fry-Ark

- Base decreasing
 - New 5-year cost evaluation period
 - New Operations and Maintenance Expenses
 - New Investments/Replacements
 - Inflationary Costs

2015 Rate Setting PRS



2018 Rate Setting PRS



Why the Changes for Fry-Ark (cont.)

- Changes between 2013 and 2034 (pinch point) when compared to 2015 Rate-Setting PRS
 - O&M Expenses – Decrease avg ~\$0.3M/yr
 - Ancillary Services Revenues – Increase avg ~\$1.1M/yr
 - Regulation and VAR
 - AVG NET REVENUE INCREASE - ~\$1.4M/yr – offsets Revenue Requirement



LAP Summary of Revenue Requirements

Firm Electric Service	Current Rates Effective January 1, 2017	Proposed Rates Effective January 1, 2018	Percent Change
LAP Rev Req	\$74.6M	\$64.1M	-14%
Fry-Ark Rev Req	\$15.3M	\$13.3M	-13%
PS-WD Rev Req	\$59.3M	\$50.8M	-14%



LAP Proposed Rates Summary

Firm Electric Service	Current Rates Effective January 1, 2017	Proposed Rates Effective January 1, 2018	Percent Change
LAP Rev Req	\$74.6M	\$64.1M	-14%
Composite Rate	36.56 mills/kWh	31.44 mills/kWh	-14%
Firm Energy	18.28 mills/kWh	15.72 mills/kWh	-14%
Firm Capacity	\$4.79/kW-mo	\$4.12/kW-mo	-14%



LAP

Proposed Charge Components

**\$64.9 Million Revenue Requirement
(Fry-Ark \$14.1 M & P-S WD \$50.8 M)**

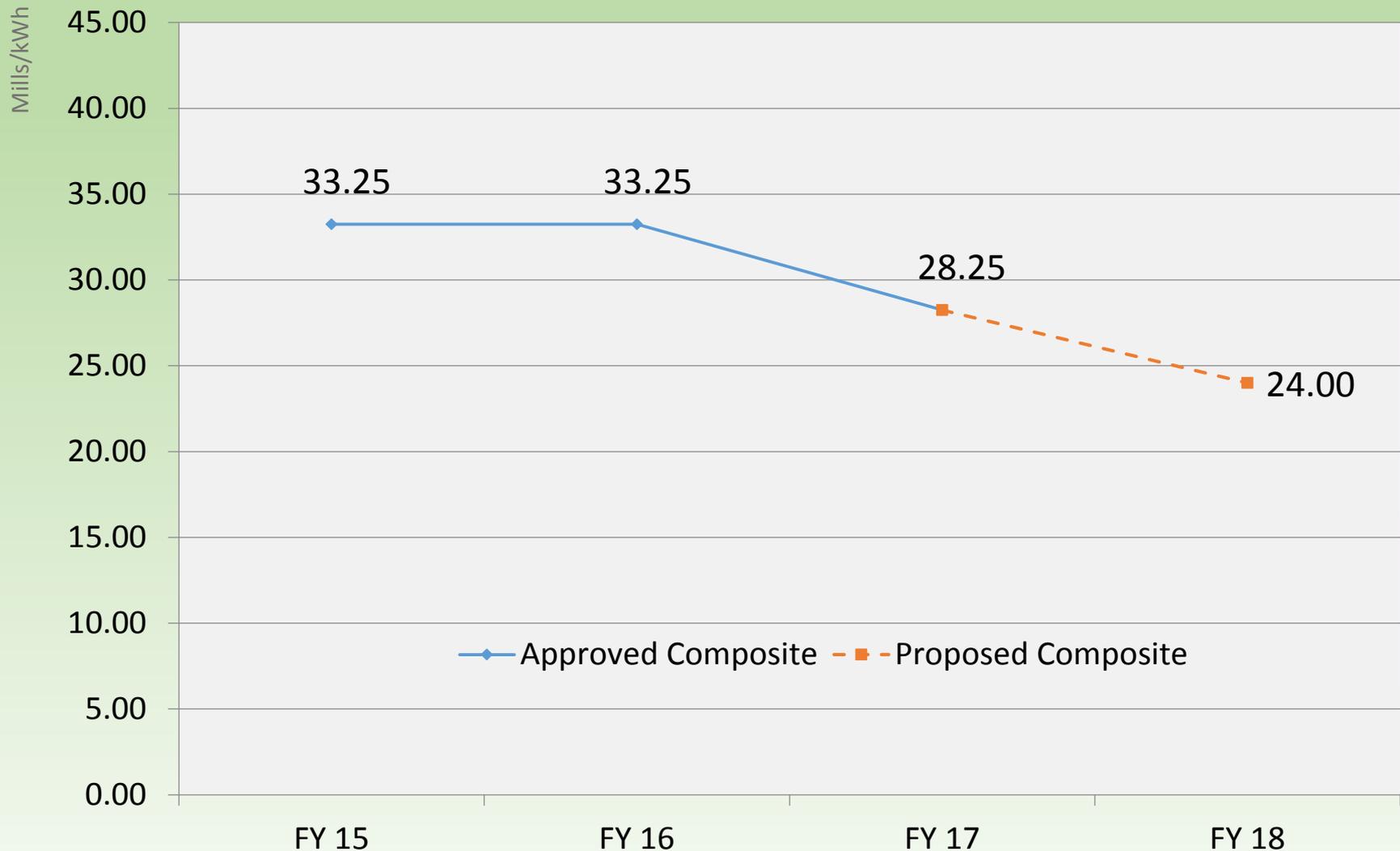
	Base	Drought Adder	Total Charges
Firm Capacity	\$4.12/kW-mo	\$0.00/kW-mo	\$4.12/kW-mo
Firm Energy	15.72 mills/kWh	0.00 mills/kWh	15.72 mills/kWh



P-SMBP--ED Rate Proposal



P-SMBP—ED Composite Rate



P-SMBP--ED Revenue Components

Firm Power Service	Current P-SMBP—ED Composite Rate 28.25 Mills/KWh	Proposed P-SMBP—ED Composite Rate 24.00 Mills/KWh	Change
Firm Power	\$247.0 Million	\$209.8 Million	
5 % Voltage Discount	\$10.7 Million	\$7.3 Million Propose to Remove	
Subtotal Firm Power	\$257.7 Million	\$209.8 Million	-19%
Firm Peaking Power	\$25.0 Million	\$20.3 Million	-19%
Total Firm Revenue Req.	\$ 282.7 Million	\$ 230.1 Million	-19%



P-SMBP—ED Proposed Rates Summary

Firm Power Service	Current Rates Effective January 1, 2017	Proposed Rates Effective January 1, 2018	% Change
P-SMBP-ED Revenue Requirement	\$282.7 million	\$230.1 million*	-19%
P-SMBP-ED Composite Rate	28.25 mills/kWh	24.00 mills/kWh	-15%
Firm Capacity	\$6.50 kW-month	\$5.25 kW-month	-19%
Firm Energy	16.18 mills/kWh	13.27 mills/kWh	-18%
Firm Peaking Capacity	\$5.85 kW-month	\$4.75 kW-month	-19%
Firm Peaking Energy ^{1/}	16.18 mills/kWh	13.27 mills/kWh	-18%

^{1/} Firm peaking energy is normally returned. This will be assessed in the event firm peaking energy is not returned.

* Without the Voltage Discount



P-SMBP--ED

Proposed Charge Components*

\$230.1 Million Revenue Requirement

	Base	Drought	Totals
Firm Capacity	\$5.25/kW-mo	\$0.00/kW-mo	\$5.25/kW-mo
Firm Energy	13.27 mills/kWh	0.00 mills/kWh	13.27 mills/kWh
Firm Peaking Demand ^{1/}	\$4.75/kW-mo	\$0.00/kW-mo	\$4.75/kW-mo

^{1/} Firm Peaking Energy is normally returned. In the event Firm Peaking Energy is not returned, the Firm Energy Rate will apply.

* Without Voltage Discount



5% Voltage Discount Discussion



What is the 5% Voltage Discount?

- Historically, the 5% voltage discount was allowed for customers taking deliveries at transmission voltage who provided facilities that resulted in cost savings to the government
- This proposal will eliminate the 5% voltage discount offset that is added to the annual revenue requirement for dollars lost due to providing the voltage discount



P-SMBP—ED 5% Voltage Discount and Rate Design

Revenue Requirement	2018 Past Rate Design
Firm Power	\$209.8 M
Firm Peaking Power	20.3 M
5% Voltage Discount	7.3 M
Gross Rev Requirement	\$237.4 M
Firm Power Composite Rate	$\$209.8 \text{ M} / 8742 \text{ GWh} = 24.00 \text{ M/kWh}$
Effective Composite Rate	$(\$209.8 \text{ M} + \$7.3 \text{ M}) / 8742 = 24.83 \text{ m/kWh}$



P-SMBP—ED 5% Voltage Discount and Proposed 2018 Revenue Requirements

Revenue Requirement	2018 Past Rate Design	2018 Rate Design with No 5% Voltage Discount
Firm Power	\$209.8 M	\$209.8 M
Peaking Firm Power	20.3 M	20.3 M
5% Voltage Discount	7.3 M	0 M
Gross Rev Requirement	\$237.4 M	 \$230.1 M
	$\$209.8 \text{ M} / 8742 \text{ GWh} = 24.00 \text{ M/kWh}$	
Effective Composite Rate	$(\$209.8 \text{ M} + \$7.3 \text{ M}) / 8742 = 24.83 \text{ m/kWh}$	$\$209.8 \text{ M} / 8742 \text{ GWh} = 24.00 \text{ m/kWh}$



WAPA-UGP Is Proposing to Discontinue the 5% Voltage Discount

- Consistent application of the discount is difficult
 - New customers
 - Determination of “sufficient savings” to justify discount
 - Staff time
- Existing PODs can sufficiently deliver our firm power & energy
 - 5% Voltage Discount must be evaluated for application at new PODs.
- For many customers, WAPA-UGP provides a small portion of the total power supply
 - The 5% discount impedes ability to simplify power billing for customers having multiple PODs.
- Requires complex power billing software
 - Discontinuing the 5% Voltage Discount would provide savings in future software.
 - No other WAPA projects have a Voltage Discount.



Sale of Surplus Product Rate Schedules



P-SMBP--ED Proposing a New Formula-Based Rate Schedule, P-SED-M1

- This is not a new business practice. It documents the authority to sale surplus energy and capacity products
- The schedule includes reserves, regulation, frequency response, and energy.
- If WAPA UGP surplus products are available, the charge will be determined based on market rates, plus administrative costs.
- The customer will be responsible for acquiring the transmission service necessary to deliver the products for which a separate charge may be incurred.



LAP Sale of Surplus Products - L-M1

- Current LAP surplus energy & capacity products included:
 - Reserves
 - Regulation
 - Frequency Response
- Requirements
 - Separate agreement(s) with LAP Marketing
- Charge
 - Based on market rates (+) administrative costs
- Proposing to add “*energy*” as a surplus product to existing Rate Schedule L-M1



More Information

P-SMBP--ED

Materials will be posted to
Website:

<https://www.wapa.gov/regions/UGP/rates/Pages/2018-firm-rate-adjustment.aspx>

Contact:

Linda Cady-Hoffman

Phone: 406-255-2920

E-mail: cady@wapa.gov

Address:

Western Area Power Administration
Upper Great Plains Region
2900 4th Avenue North, 6th Fl
Billings, MT 59101-1266

LAP

Materials will be posted to
Website:

<https://www.wapa.gov/regions/RM/rates/Pages/2018-Rate-Adjustment---Firm-Power.aspx>

Contact:

Sheila Cook

Phone: 970-461-7211

E-mail: scook@wapa.gov

Address:

Western Area Power Administration
Rocky Mountain Region
5555 East Crossroads Blvd
Loveland, CO 80538-8986



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Proposed 2018 Rate Adjustments

**Please take a break
Comment Forum
to begin at 11:00 am**



Comment Forum Panel

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Power Marketing Manager for UGP

Dave Neumayer

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Linda Cady-Hoffman

UGP Rates Manager

Sheila Cook

RMR Rates Manager

Judy Shimek

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Tamala Gheller

RMR Rates Public Utilities Specialist



Comment Forum

Proposed 2018 Rate Adjustment Process

**Please provide comments, via e-mail or letter form,
No Later Than October 2, 2017**

P-SMBP--ED

Attention:

Sonja Anderson, Acting UGP Regional Manager
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LAP

Attention:

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5555 East Crossroads Blvd
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