

# SNR

# Informal Rates Meeting



Power Repayment  
Workshop

June 10, 2008

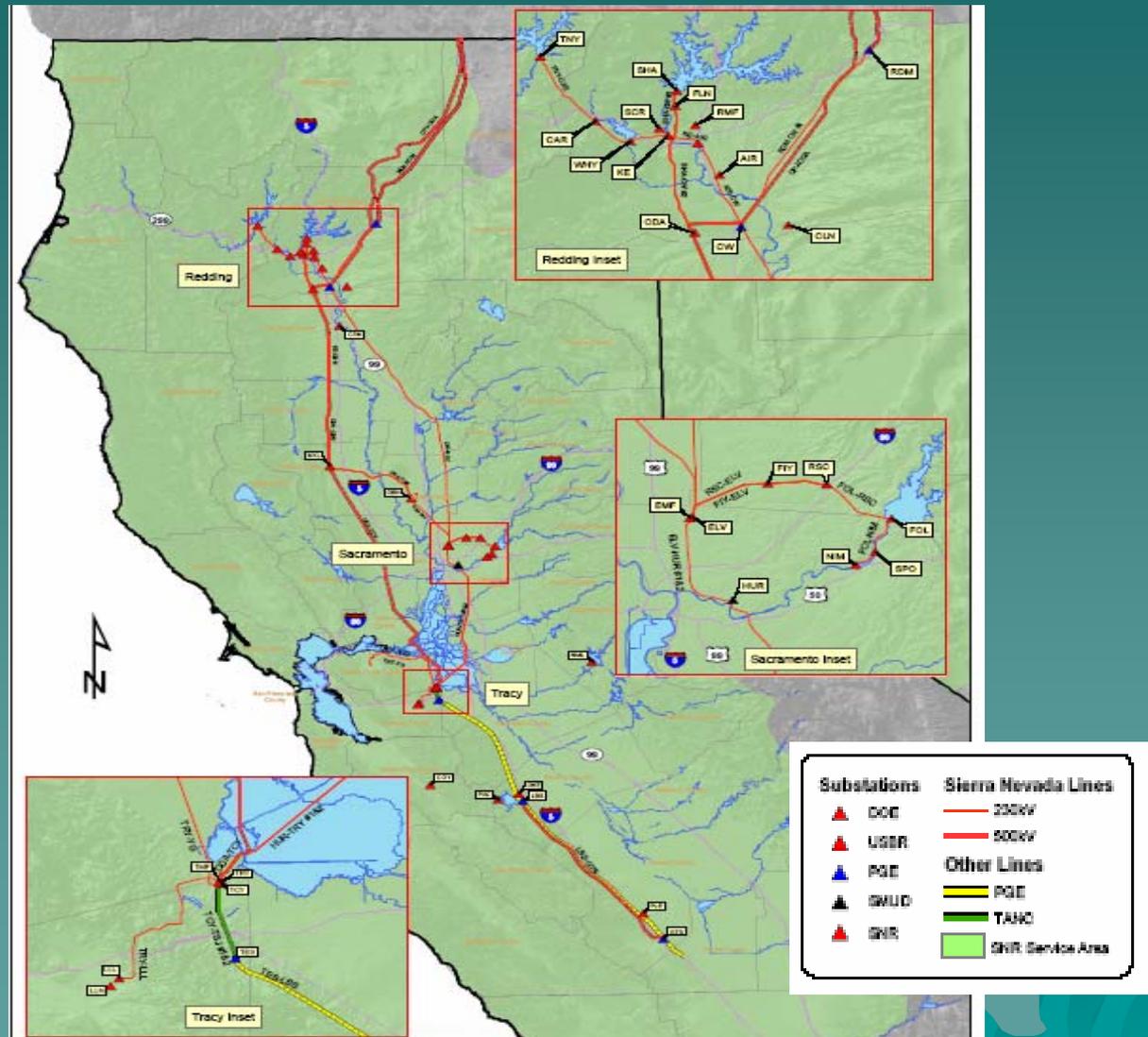
# Western Area Power Administration Sierra Nevada Region

- ◆ Background
- ◆ Related Legislation
- ◆ Repayment Policy and Guidelines
- ◆ Power Repayment Study
  - Application of PRS Principles and Procedures to the CVP PRS
  - Prospective PRS

# Background

- ◆ SNR Resource Map
- ◆ SNR Marketing Area

# SNR Resource Map



# SNR Marketing Area



# Legislation, Policy & Guidelines

## Governing Rates & Repayment

# Legislation, Policy, & Guidelines Governing Rates & Repayment

- ◆ Reclamation Project Act of 1939
- ◆ 1944 Flood Control Act
- ◆ CVP Legislation
- ◆ Washoe Legislation
- ◆ Repayment Guidelines (RA 6120.2)

# Central Valley Project Authorization

- ◆ 1935 - Authorized in the Emergency Relief Appropriation Act, 48 Stat. 115.
- ◆ 1937 - Reauthorized in the River and Harbors Act, 50 Stat. 850.
- ◆ 1992 - Modified in the CVP Improvement Act, 106 Stat. 4706.

# Central Valley Project Act

- ◆ Primary Purposes:
  - Navigation
  - Flood Control
  - Delivery of Water
  - Mitigation, protection, and restoration of wildlife

# Central Valley Project Act

- ◆ Secondary Purposes:
  - Recreation
  - Power
  - Other beneficial uses

# Central Valley Project Act

## ◆ Power

- The sale of power is to be used as a means of financially aiding and assisting the primary functions.

# Repayment Policy & Guidelines

# DOE Order RA 6120.2

- ◆ PMA Financial Reporting
  - Developed in the early 70's by DOI
  - Adopted by DOE in 1979 and revised in 1983

# DOE Order RA 6120.2

(continued)

- ◆ Other Specific Power System Accounting
  - Interest Rates
  - Deficits
  - Priority of Revenue Application
- ◆ Financial Statements

# DOE Order RA 6120.2

(continued)

## ◆ Power Repayment Studies

- Annual Study
- Rate Adjustment Plan
- Duration of Repayment Period
- Start of the Repayment Period
- Forecasting of Revenues, Expenses, and Hydrology
- Replacements
- Status of Repayment

# CVP Repayment Characteristics

- ◆ Date Initiated: 1944
- ◆ Repayment Period: 50 yrs
- ◆ Method: Balloon payment
- ◆ Interest rates are set at the Treasury yield rate (avg of 6.14% over 57 yrs)
- ◆ Interest Rate Methodology: Principal plus interest payments

# Washoe Repayment Characteristics

- ◆ Date Initiated: 1987
- ◆ Repayment Period: 50 yrs
- ◆ Method: Balloon payment
- ◆ Interest rates are set at the Treasury yield rate (avg of 6.14% over 57 yrs)
- ◆ Interest Rate Methodology: Principal plus interest payments

# Repayment Period

- ◆ Reclamation and Western have some differences in repayment methods (e.g. interest rates)
- ◆ Western's Position:
  - Original investment to be repaid by 2030
  - Replacements repaid according to Accounting Replacement Book
  - Repayment of power costs continue under the auspices of the Reclamation Act of 1939
- ◆ Reclamation's Position:
  - All investment to be repaid by 2030 (including replacements)
  - Reclamation is using PL 99-546 (Coordinated Operations Agreement) as basis for repayment
  - Awaiting Solicitor's Opinion

# CVP Cost Allocation

Craig Stroh  
Economist  
Reclamation  
Mid-Pacific Region

# Power Repayment Study

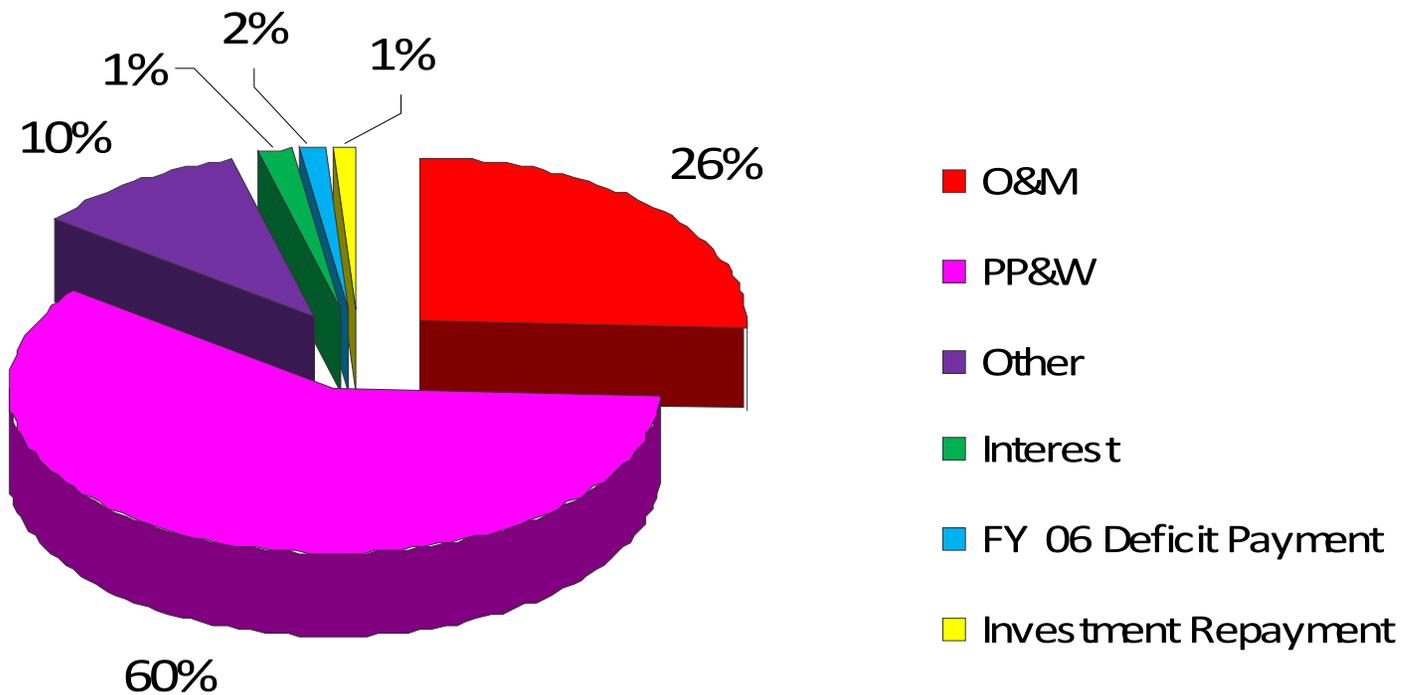
# Power Repayment Study

- ◆ Documents Project Repayment
- ◆ Summarizes historical financial data
- ◆ Estimates future:
  - Revenues
  - Expenses (O&M and interest)
  - Replacements and additions
- ◆ Computes future principal payments

# Repayment Requirements and Priority (RA 6120.2)

- ◆ Annual Expenses
- ◆ Interest
- ◆ Deficits
- ◆ Required Investment Repayments
- ◆ Investment Repayment
  - Capital Repayment
  - Aid to Irrigation Obligation

# FY 2007 PRS Revenue Application



# FY 2007 PRS Revenue Application

<b>Revenues</b>	<b>(\$ 000's)</b>
Firm Power (includes BR revs of \$57.5M)	\$ 257,301
Transmission	\$19,135
Other	\$33,400
<b>Total Revenue</b>	<b>\$ 309,836</b>
<b>Revenue Application</b>	
<u><b>Annual Expenses</b></u>	
O&M	\$79,124
Purchased Power and Wheeling	\$185,450
Interest	\$4,628
Other	\$32,465
<b>Total Annual Expenses</b>	<b>\$301,667</b>
<b>Revenue available after annual expenses</b>	<b>\$8,169</b>
<u><b>Annual principal payments</b></u>	
Deficit Payment	\$4,890
Investment Repayment	\$3,280
Aid to Irrigation	\$0
<b>Remaining Revenues Application</b>	<b>\$8,170</b>
<b>Energy Sales (MWH)</b>	<b>2,815,553</b>
Estimated Calculated BR Composite Rate	\$20.40

# PRS

- ◆ Projections are based on:
  - Budgets
  - Contracts
  - Trends
  - Calculations

# What does the PRS look like?

Power Repayment Study				
Years	Power Sales	Revenue	Expenses	Net Revenue Available for Repayment
<b>Historic Data</b>				
<b>Subtotals</b>				
<b>Future Data</b>				
<b>Grand Total</b>				

# Document Used for Repayment

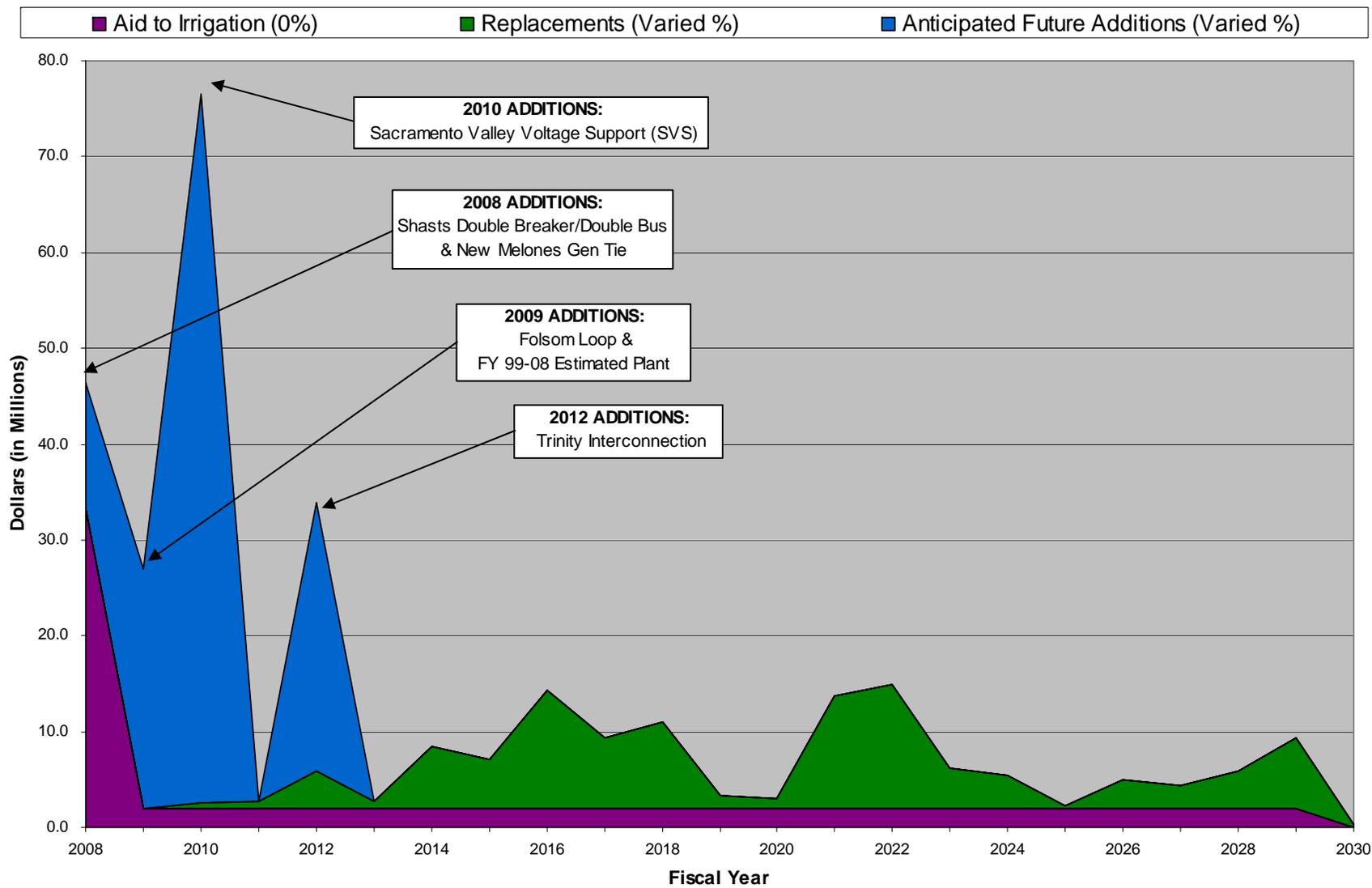
- ◆ PRS Reports (see handout)
  - Executive Summary

# CVP Repayment Status (as of 2007 PRS\*)

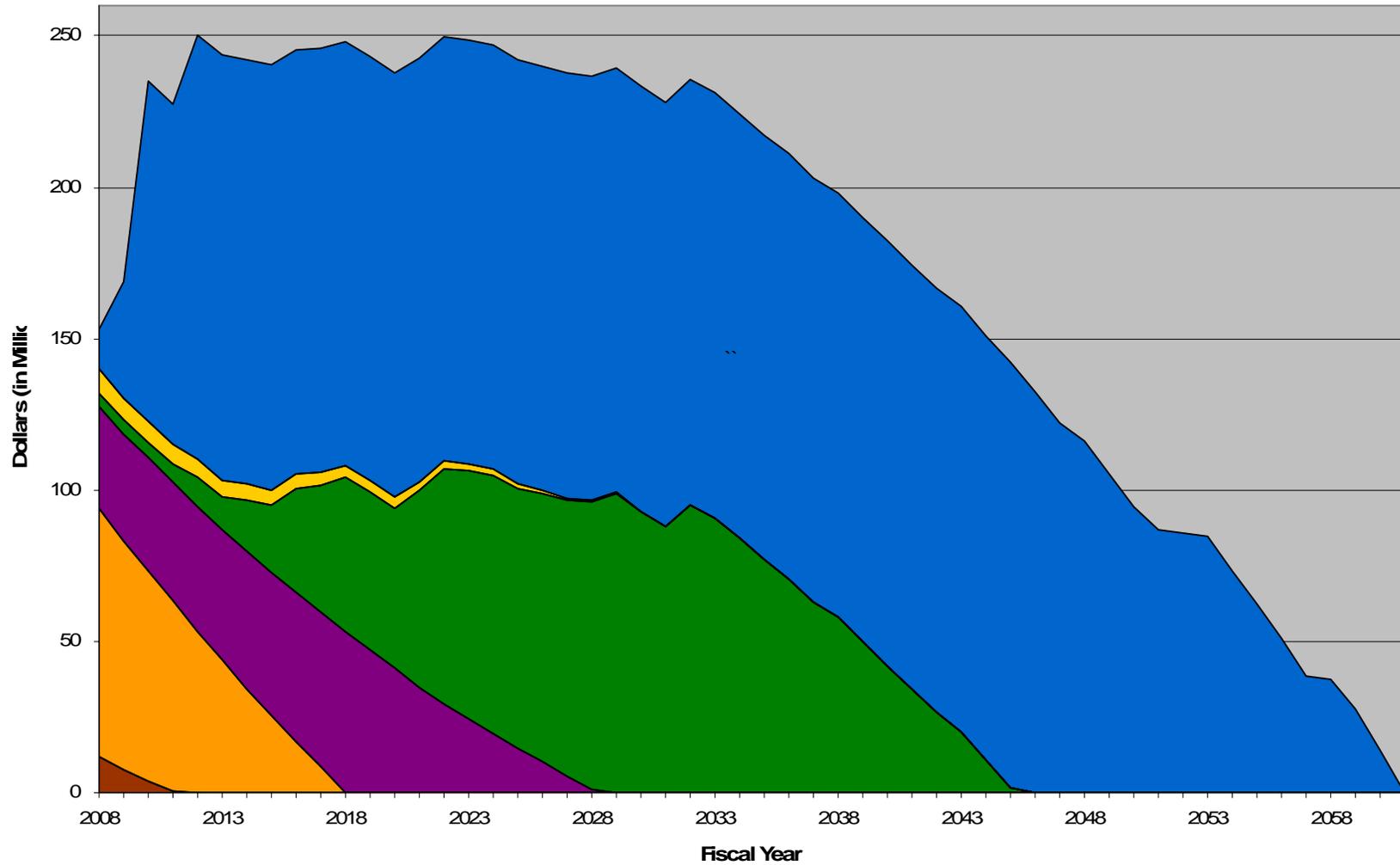
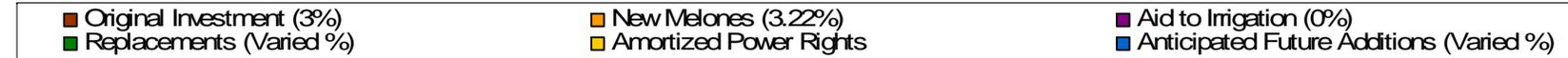
- ◆ Remaining Original Plant: \$16M (due 2014)
- ◆ Other Investments and Due Dates:
  - New Melones Original Plant: \$88.7M (due 2030)
  - Irrigation Aid: \$75M (due 2030) \$33M plus an anticipated escalation
  - New Melones Gen Tie: \$5M (due 2058)
  - Shasta Double Bus-Double Breaker: \$8.2M (due 2058)
  - Folsom Loop: \$5M (due 2059)
  - SVS: \$74M (due 2060)
  - Trinity Interconnection: \$28M (due 2062)
  - FY 99-08 Plant Estimated Additions: \$20M (various due dates)
  - Future Replacements: \$63M (due various times)
- ◆ Removal of \$56M of Deferred Capacity from Aid to Irrigation

\* plus future year projections

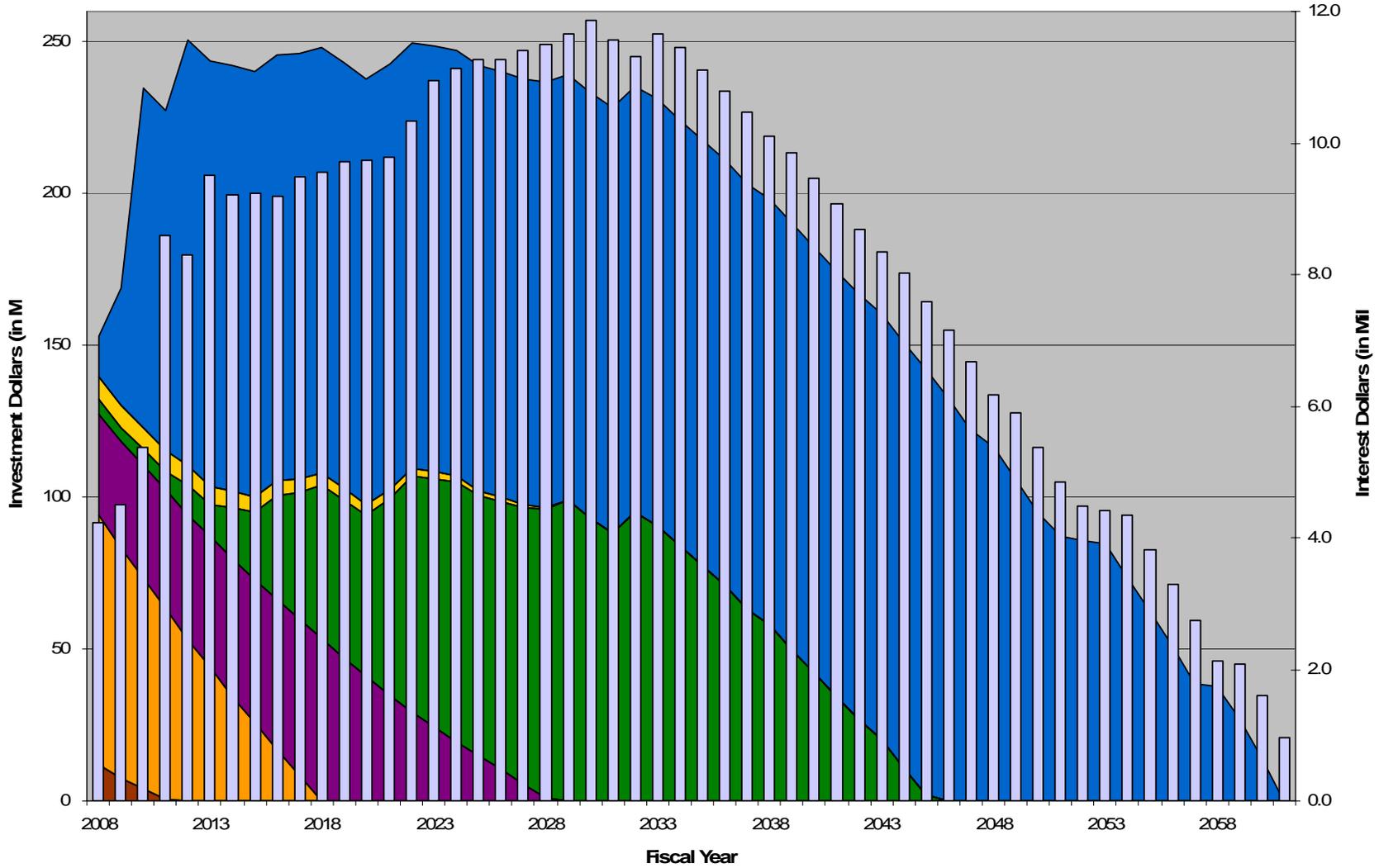
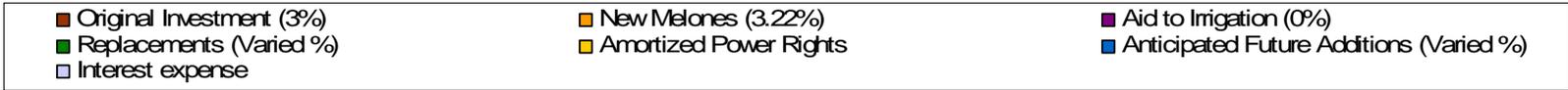
## Anticipated Future Investment Additions



## Projected CVP Unpaid Federal Investment

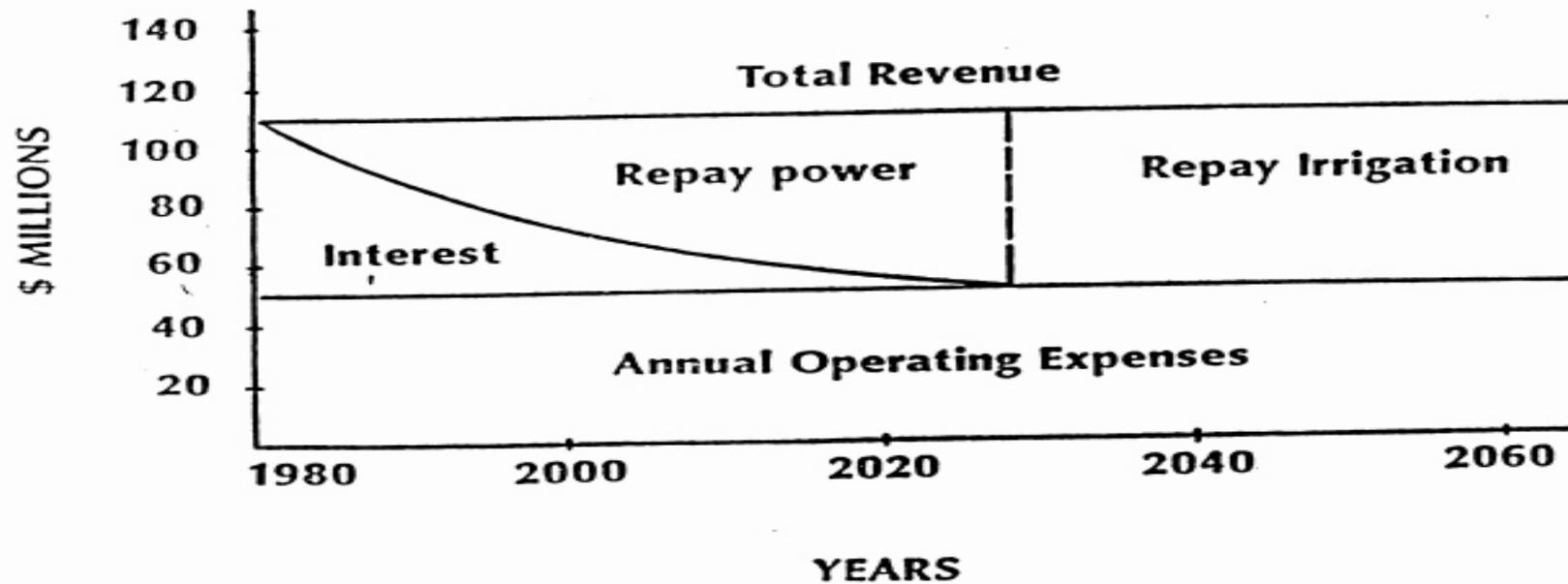


# Projected CVP Unpaid Federal Investment and Total Interest



# Project Repayment

## IDEAL PROJECT REPAYMENT



## Projected CVP Repayment of Investment

