O&M Comparison of First Preference (FP) and Project Use Customers

(using actual FY 2007 financial data)

For use in the Informal Rates Meeting, 10/30/08

		From FY 07 Project Use True-Up (FP substitution) - Note 2				FY 07 PRR Actual		
			(Note 1)					
		O&M BY AGENCY	First Pref USE SHARE	FORMULA	PROJECT USE ALLOCATED COSTS	O&M BY AGENCY	FIRST PREFERENCE SHARE (note 3)	FIRST PREFERENCE ALLOCATED COSTS (note 4)
	Western Power System Expenses:							
	Transmission expense - operation	$ 11,608,175	1.28%	1	$ 148,499			
	Transmission expense - maintenance (includes anticipated expensed RRADs)	$ 22,937,175	1.28%	1	$ 293,427			
	Power users accounting and collecting expenses	$ 4,306,979	2.73%	4	$ 117,652			
	Power marketing and general power resources planning expenses	$ 7,193,983	3.77%	5	$ 271,522			
	Sub-total Western O&M	**$ 46,046,313**			$ 831,100	**$ 46,046,313**	4.94%	**$2,274,688**
	Unfunded CSRS - Western CVP	$ 1,706,331			$ -	$ 1,706,331	4.94%	
	Unfunded CSRS - Western Intertie					$ 193,274	4.94%	
	Loss on Dispostion of assets					$ 102,130	4.94%	
	Intertie O&M					$ 1,494,327	4.94%	
	Total Western O&M	**$ 47,752,644**			**$ 831,100**	**$49,542,375**		**$2,274,688**
	Reclamation Expenses:							
	Hydraulic Power Generation	$ 24,940,734	3.98%	3	$ 993,649			
	Transmission Expense	$ 312,658	3.98%	3	$ 12,456			
	Administrative & General Expense	$ -	3.98%	3	$ -			
	Carriage System	$ 292,510	3.98%	3	$ 11,654			
	Water Marketing	$ 5,048,392	3.98%	3	$ 201,130			
	Reclamation Scheduling Agent Cost (loads)	$ 234,575	0.00%	6	$ -			
	Reclamation's Scheduling Agent Cost Assoc with CVP Gen	$ 703,726	3.98%	3	$ 28,037			
	Sub-total USBR O&M	**$ 31,532,595**			**$ 1,246,925**	**$ 31,532,595**	4.94%	**$1,557,710**
	Unfunded CSRS for Reclamation	$ -				$ 1,337,696	4.94%	
	Total USBR O&M	**$ 31,532,595**			**$ 1,246,925**	**$32,870,291**		**$1,557,710**
	TOTAL O&M (Western & Reclamation)	**$ 79,285,239**			**$ 2,078,025**	**$82,412,666**		**$3,832,398**

OFFSETTING REVENUE CALCULATIONS:

	Total Offset Revs	FP Share of Offset
PTP	$ 7,030,800	$ (347,322)
NITS offset	$ 11,953,139	$ (590,485)
		$ (937,807)
Subtotal (Adj w-CVP Xm offset)		$2,894,591
PU Revenue offset (O&M ONLY)	$ 16,498,366	$ (815,019)
Total Cost to FP (with Xm and PU Revenues)		**$2,079,572**

FP customers receive offsetting revenue benefits for several revenue streams. (PU does not receive any of these offsets.)

The largest offsets and most easily identifiable that are associated with O&M include:

- CVP Transmission Revenues (PTP and NITS)
- PU Revenues

FP customers' share of these benefits for FY 2007 are calculated at 4.94% of the total.

Notes:

1/ Using Reclamation's O&M Sub Allocation Methodology (which is used for determining PU Costs)

2/ To develop the FP use share, FP load and meter information was substituted for PU Load and meter information in the Sub Allocation.

3/ This equates to the actual FP computed percentage for FY 2007.

First Preference Customer formula = (PU load) / [(CVP gen + Washoe gen + Lewiston gen + PU forward purchase) - PU load]

4/ To perform the comparison, all costs paid for by preference customers (such as Intertie O&M, unfunded benefits and costs associated with the Loss of Disposition of Assets) that are NOT paid for by Project Use are zeroed out for this analysis.

If preference customers are interested in pursuing maintaining equity on these costs, they should discuss these line items with Reclamation for inclusion in future sub allocation methodologies.