

Formal Information & Comment Forums

**Proposed 2009 Rate Adjustments  
Pick-Sloan Missouri River Basin Program  
and  
Loveland Area Projects**

Jody Sundsted  
Linda Cady-Hoffman  
Sheila Cook

September 2008

## Jody Sundsted

Power Marketing Manager

Upper Great Plains Region

Billings, MT

9:00-10:30	Formal Information Forum
10:30-11:30	Break
11:30-12:30	Comment Forum

- Public Process
- Midwest Drought
- Informal Meetings Summary
- Rate Proposals
  - Rate Component Overview
  - Pick-Sloan Rate Setting Study
  - Pick-Sloan ED Rate Proposal
  - Fry-Ark Rate Setting Study
  - LAP Rate Proposal
- Rate Process Schedule
- Contact Information

- Informal Meetings

April 29, 2008

Denver, CO

April 30, 2008

Sioux Falls, SD

- Federal Register Announcement

August 15, 2008

- Public Process (90 Days)

- Information & Comment Forums

September 9, 2008

Denver, CO

September 10, 2008

Sioux Falls, SD

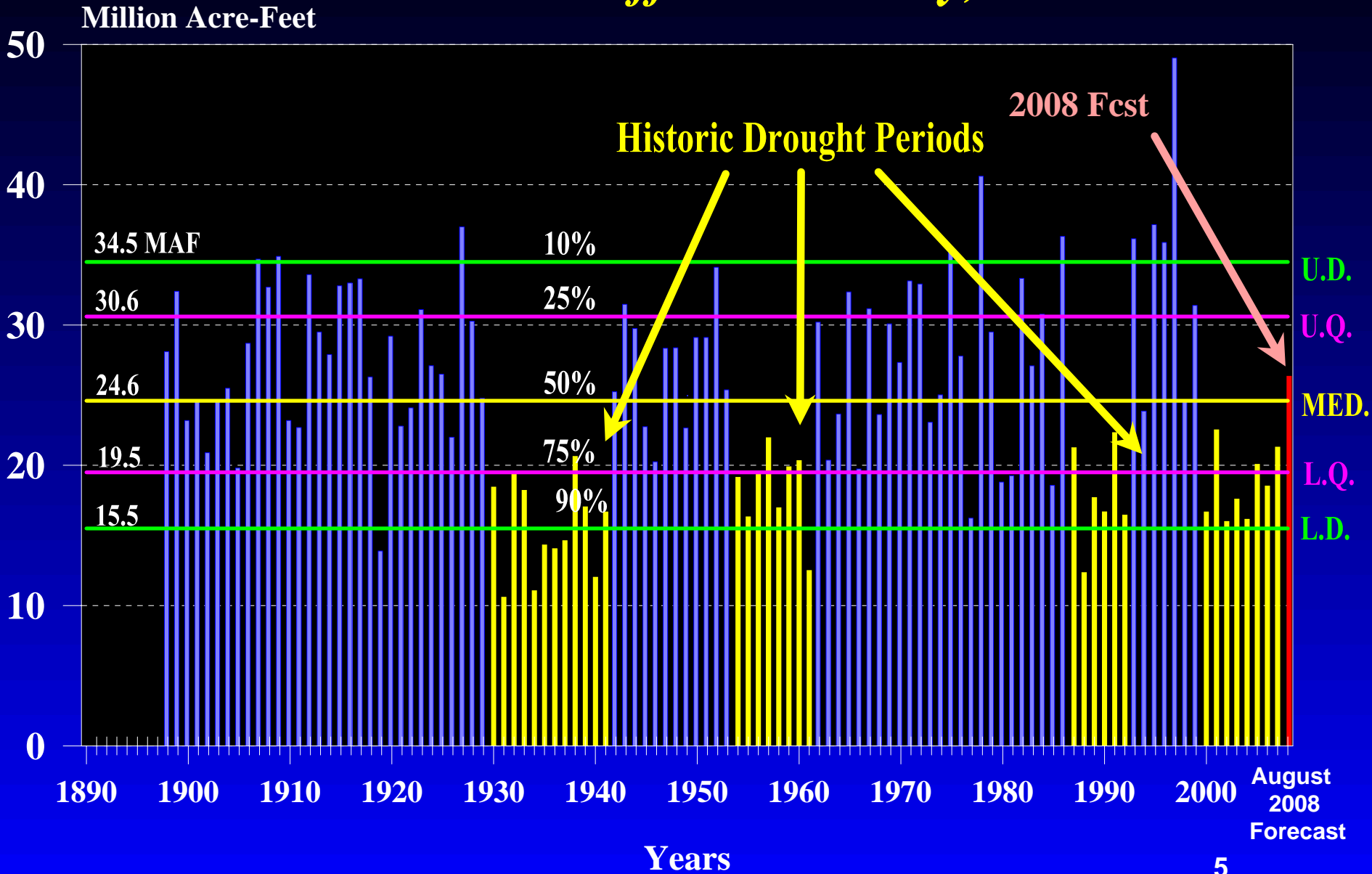
- Close of Comment Period

November 13, 2008

- Proposed Implementation of New Rates

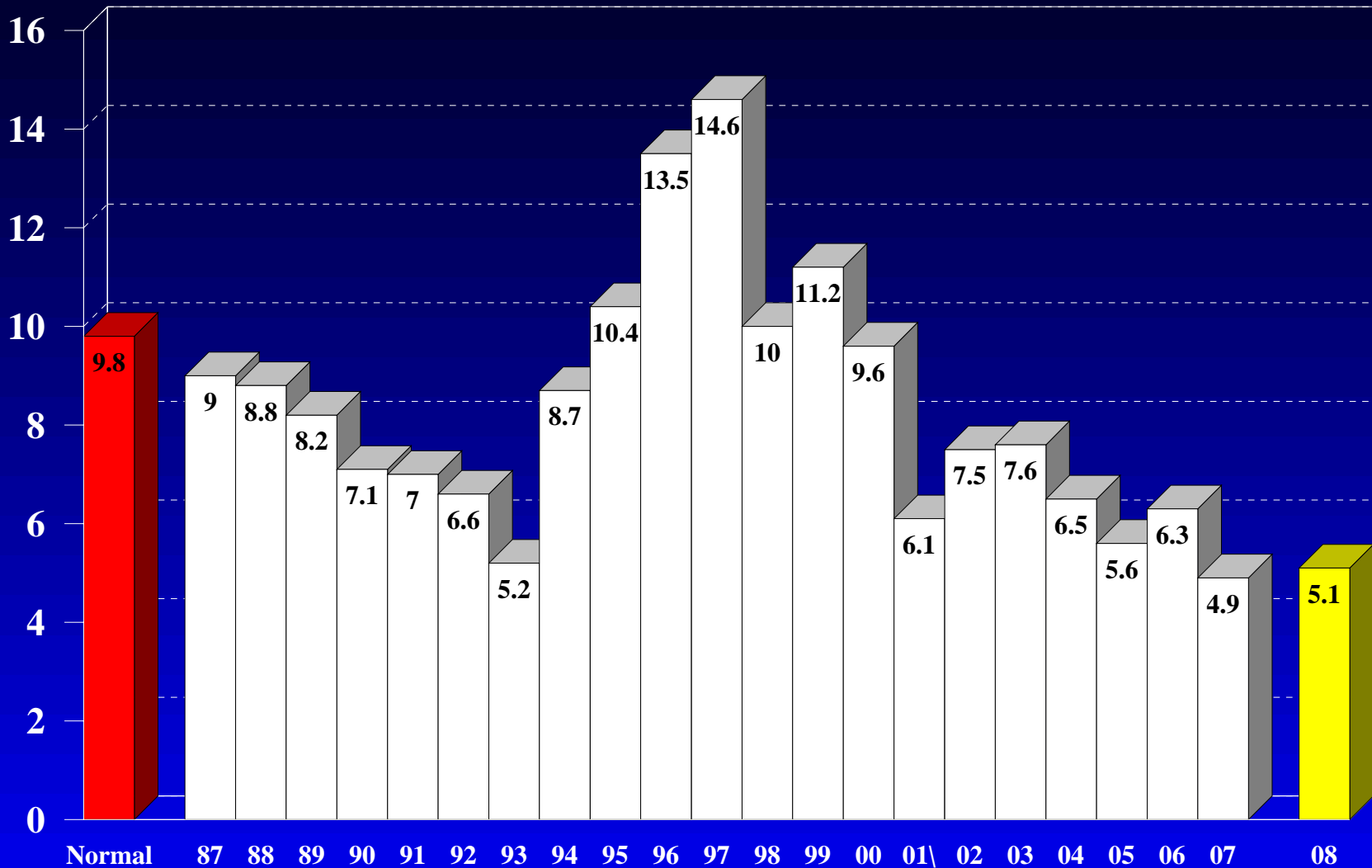
January 1, 2009

# Missouri River Mainstem Annual Runoff at Sioux City, Iowa



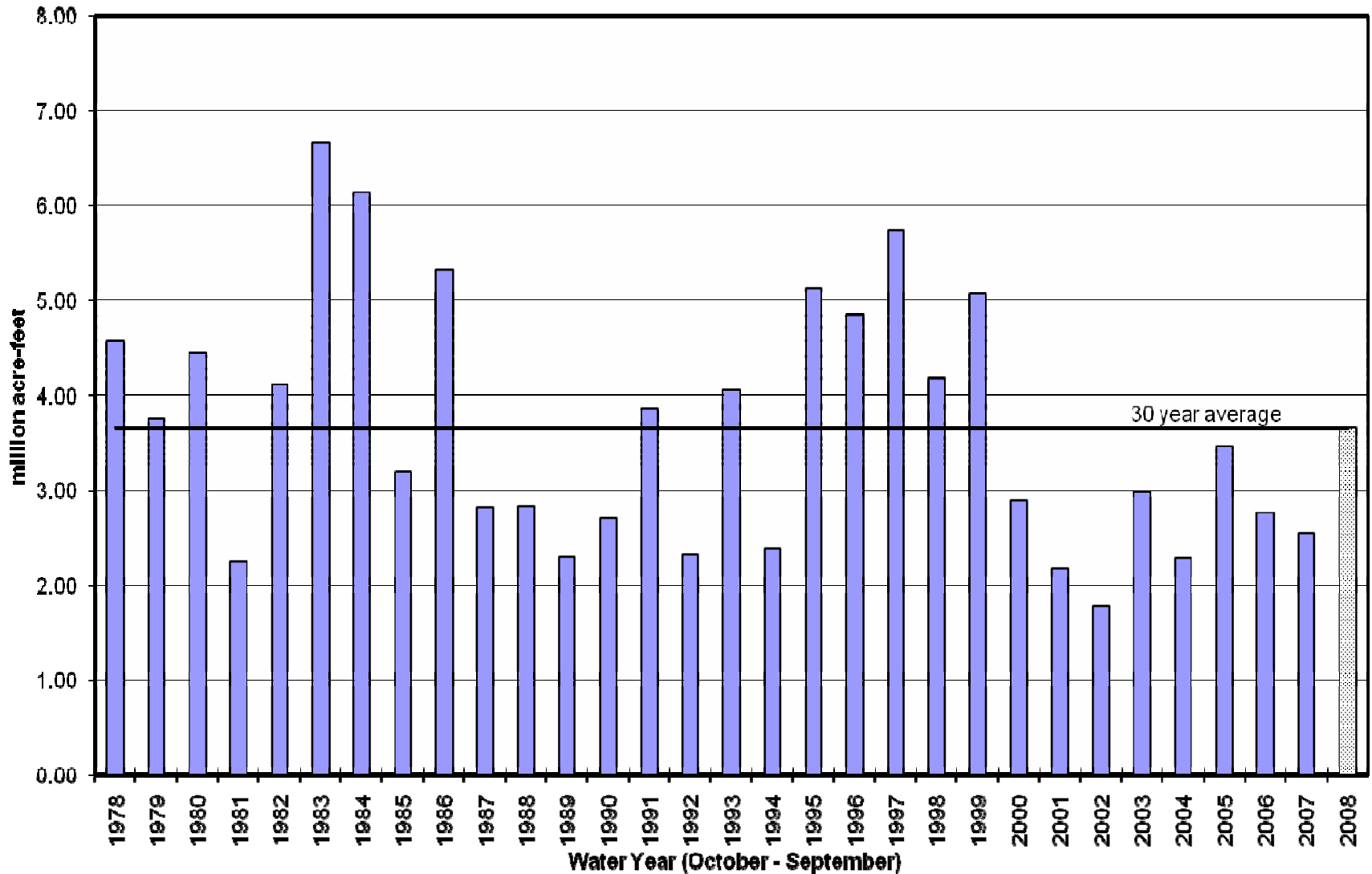
# Mainstem System Generation

Million Megawatt Hours

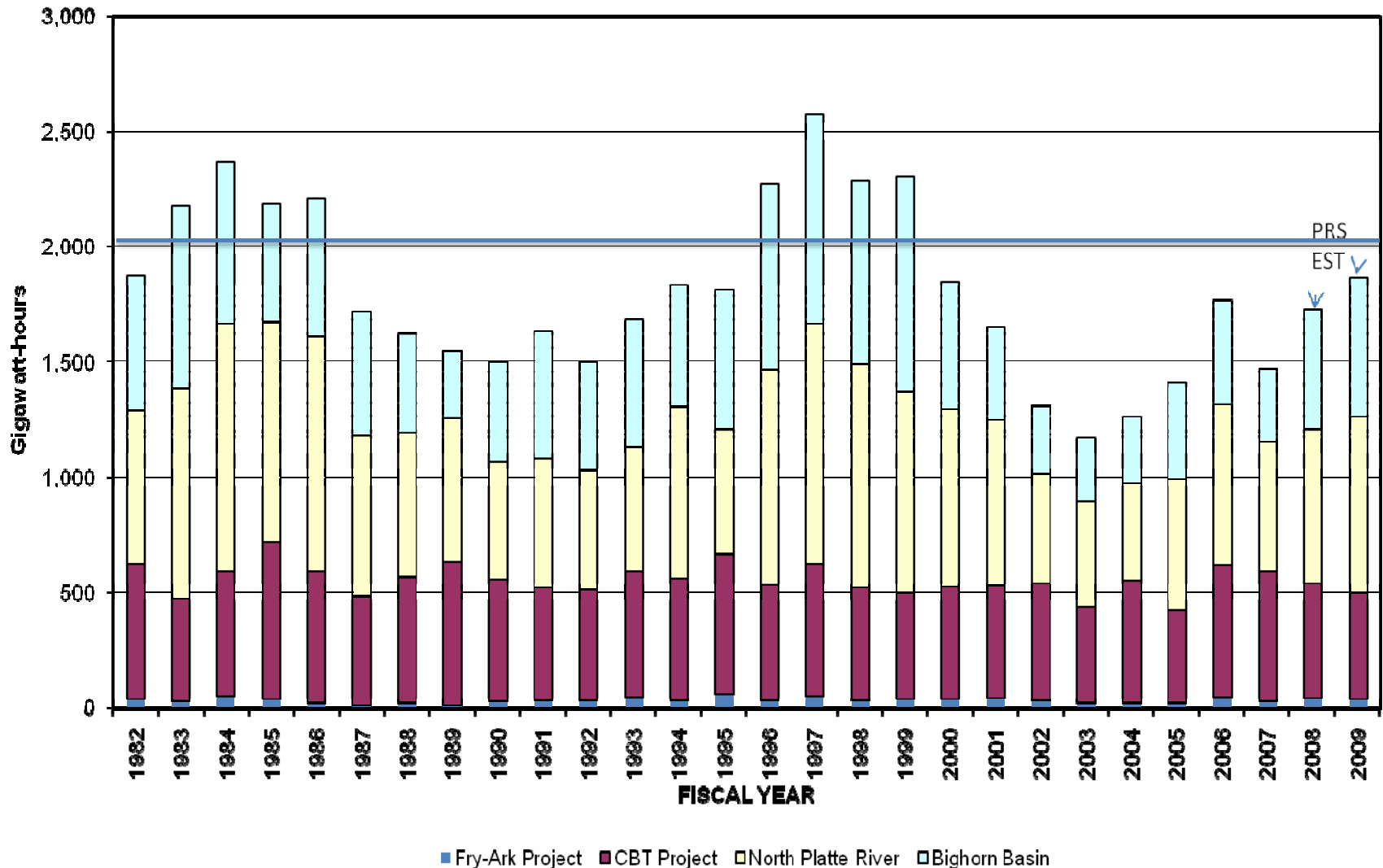


September  
Forecast

## ANNUAL LAP RESERVOIR INFLOW with projected FY08



## LAP GROSS GENERATION AT PLANT with projected FYs08-09





## Discussed:

- Possible 2<sup>nd</sup> Step Adjustment to Base Component
- Purchase Power Impact
- Continuing Drought Adder and Base Components
- Changing the Drought Adder Cap
- Accelerating the Drought Adder

# **Western's Rate Proposals Pick-Sloan & Fry-Ark**

**Base Rate**



**Drought Adder**

# Rate Component Overview

## (Pick Sloan & Fry-Ark)

**Drought Adder**

→ **Drought \$**

- Recovers Cost Associated with the Drought
  - Purchase Power related to drought
  - Interest on Drought Debt
  - Historical Drought Debt

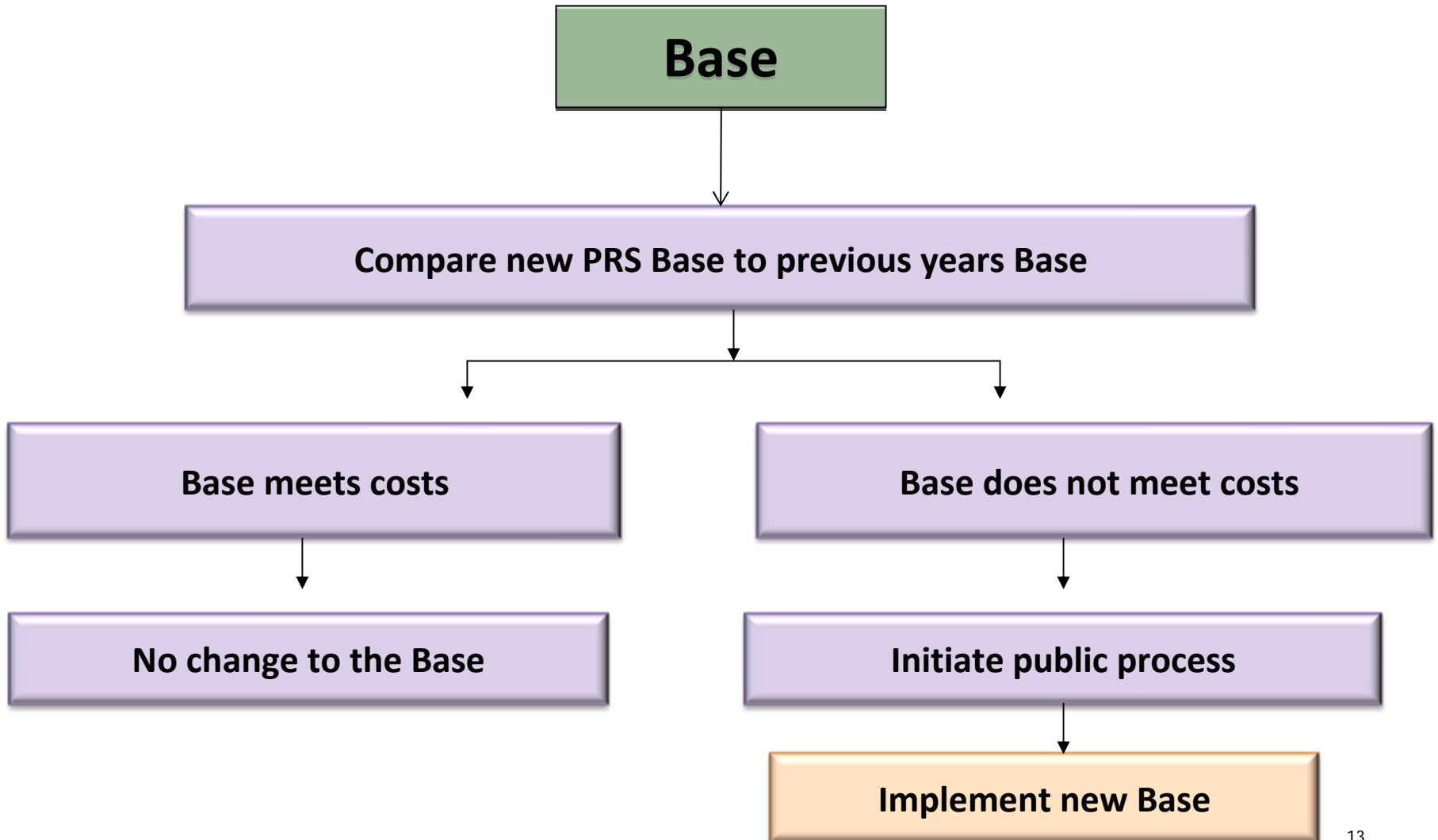
**Base**

↗ **O&M \$**

→ **Capital \$**

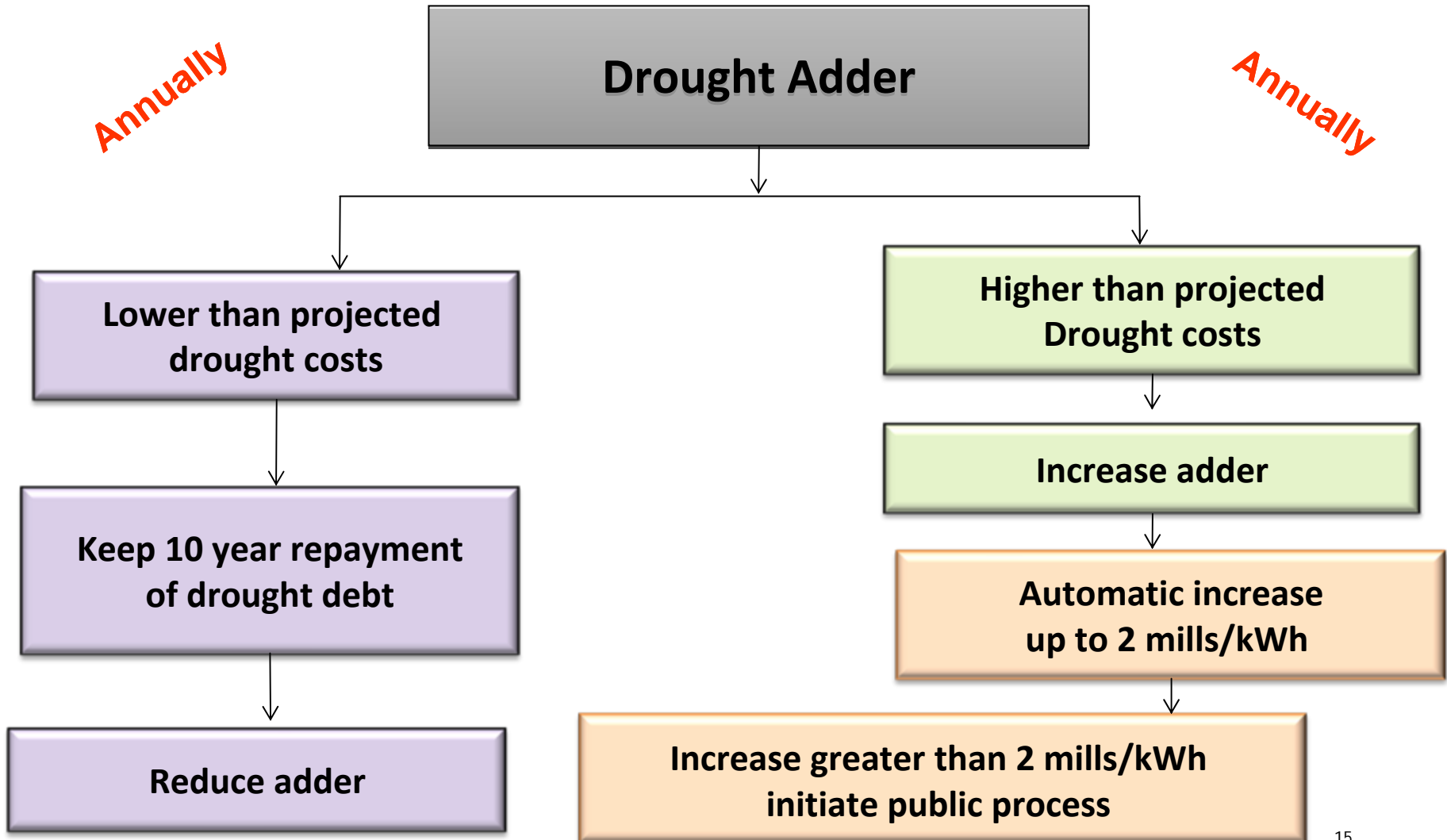
↘ **Interest \$**

- Annual O&M
- Investments - Additions and Replacements
- Annual Interest on Investment
- Inflation
- Normal Purchases
- Transmission Costs



- 2009 Rate Setting Studies showed a need to adjust the Base Rates
  - Corps, BOR and Western 2009 work plans
  - Pick-Sloan Base increased by .5 mills/kWh
  - Fry-Ark Base increased by .3 mills/kWh
- April 2010 work plans were rolled out
  - Pick-Sloan impact estimated under 1 mill/kWh
  - Fry-Ark impact estimated slight decrease
- A 2<sup>nd</sup> step Base Rate adjustment is not proposed
  - Level of funding for 2010 work plans is uncertain

# Drought Adder Methodology (Pick-Sloan & Fry-Ark)





# Drought Adder Methodology Remains Unchanged (Pick-Sloan & Fry-Ark)

---

- Preliminary PRS (final PPW late summer)
- Drought Adder component of the Rate can be adjusted annually in January billing period
- 2 mill cap on annual Drought Adder adjustments
- Send customers notice of change (October)
  - Advance notice given in early/late summer



# **Pick-Sloan Missouri River Basin Program 2009 Rate Adjustment**

Linda Cady-Hoffman  
Rates Manager  
Upper Great Plains Region

- Current Cumulative Deficit is \$632 M
- Projecting additional 2008 deficit of \$174 M
- Projected Cumulative Deficit of \$806 M
- Purchase Power is driving the rate 1<sup>st</sup> year out in the study (FY 2009)
- First Drought Deficit payment coming due in 2011
- Includes updated water projections discussed at April Informal meetings
- Pick-Sloan Composite Rate solved at 29.63 mills/kWh (up from 28.35 mills/kWh due to updated water projections and prices)



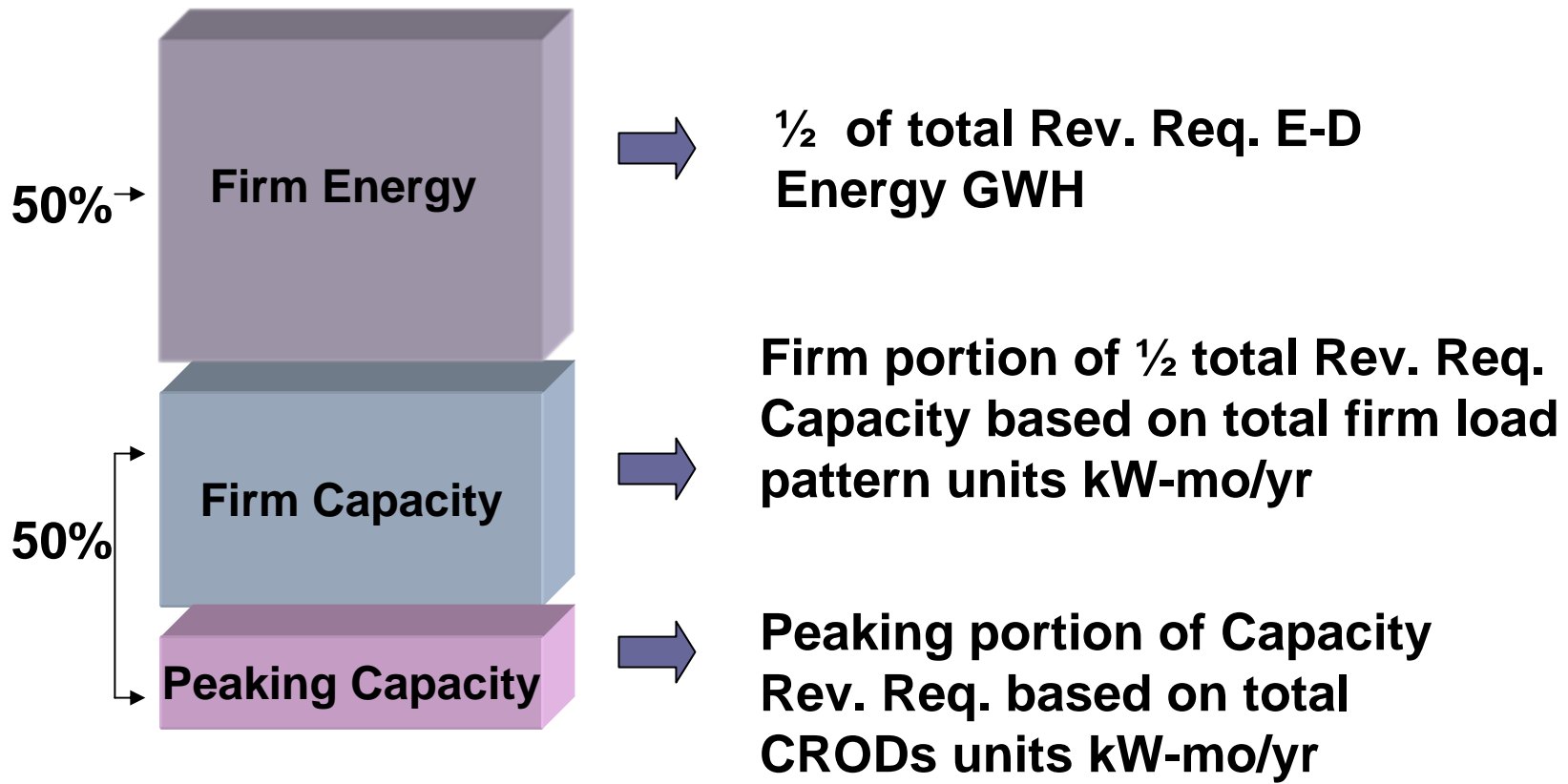
# Pick-Sloan 2009 Rate Adjustment

	<b>Composite Rate (mills/kWh)</b>	<b>Percent Increase</b>	<b>Pick-Sloan Firm Power Rev. Req. (millions)</b>	<b>Western Division Firm Rev Req. (millions)</b>	<b>Eastern Division Firm Rev Req. (millions)</b>	<b>Eastern Division Firm Plus Peaking Rev. Req. (millions)</b>
<b>Current Rates January 2008</b>	<b>24.78</b>	<b>25%</b>	<b>\$265.9</b>	<b>\$51.8</b>	<b>\$214.1</b>	<b>\$235.9</b>
<b>Proposed Rates January 2009</b>	<b>29.63</b>	<b>21%</b>	<b>\$317.9</b>	<b>\$61.4</b>	<b>\$256.5</b>	<b>\$283.0</b>

# Pick-Sloan ED Rate Proposal

- Firm capacity based on Metered Capacity Billing  
Units of 17,876 MW-mo/year
- 8,742 GWH of Firm Energy
- 356 MW of Peaking capacity recovered in the 50/50  
capacity and energy split
- Peaking capacity based on CROD billing units of  
4,272 MW-mo/year

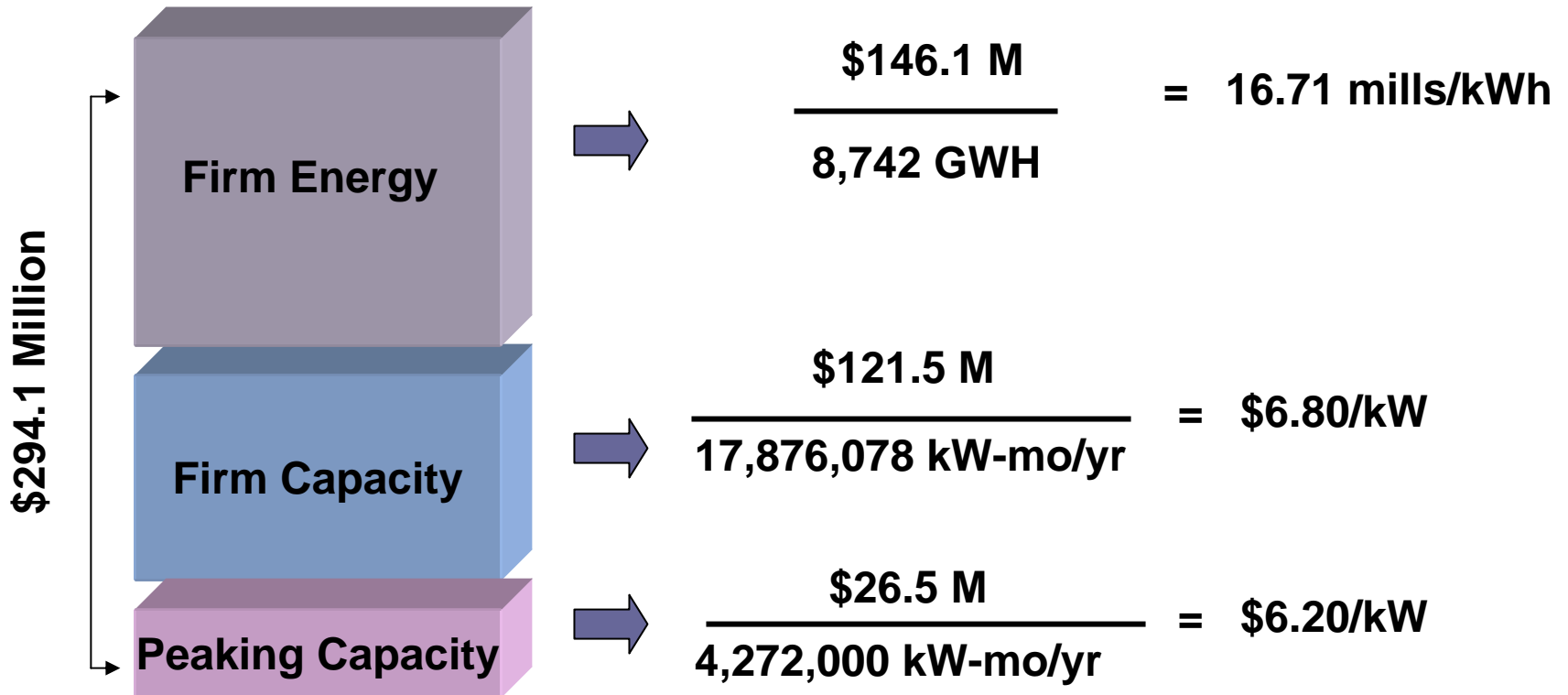
## 50/50 Capacity/Energy Split



Eastern Division rate is 50/50 design where 50% of the revenue is recovered from the capacity rate and 50% is recovered from the energy rate:

Firm Power Rev Req	\$256.5 Million
Peaking Revenue	\$ 26.5 Million
5% Discount	<u>\$ 11.1 Million</u>
Gross Revenue Req.	\$294.1 Million

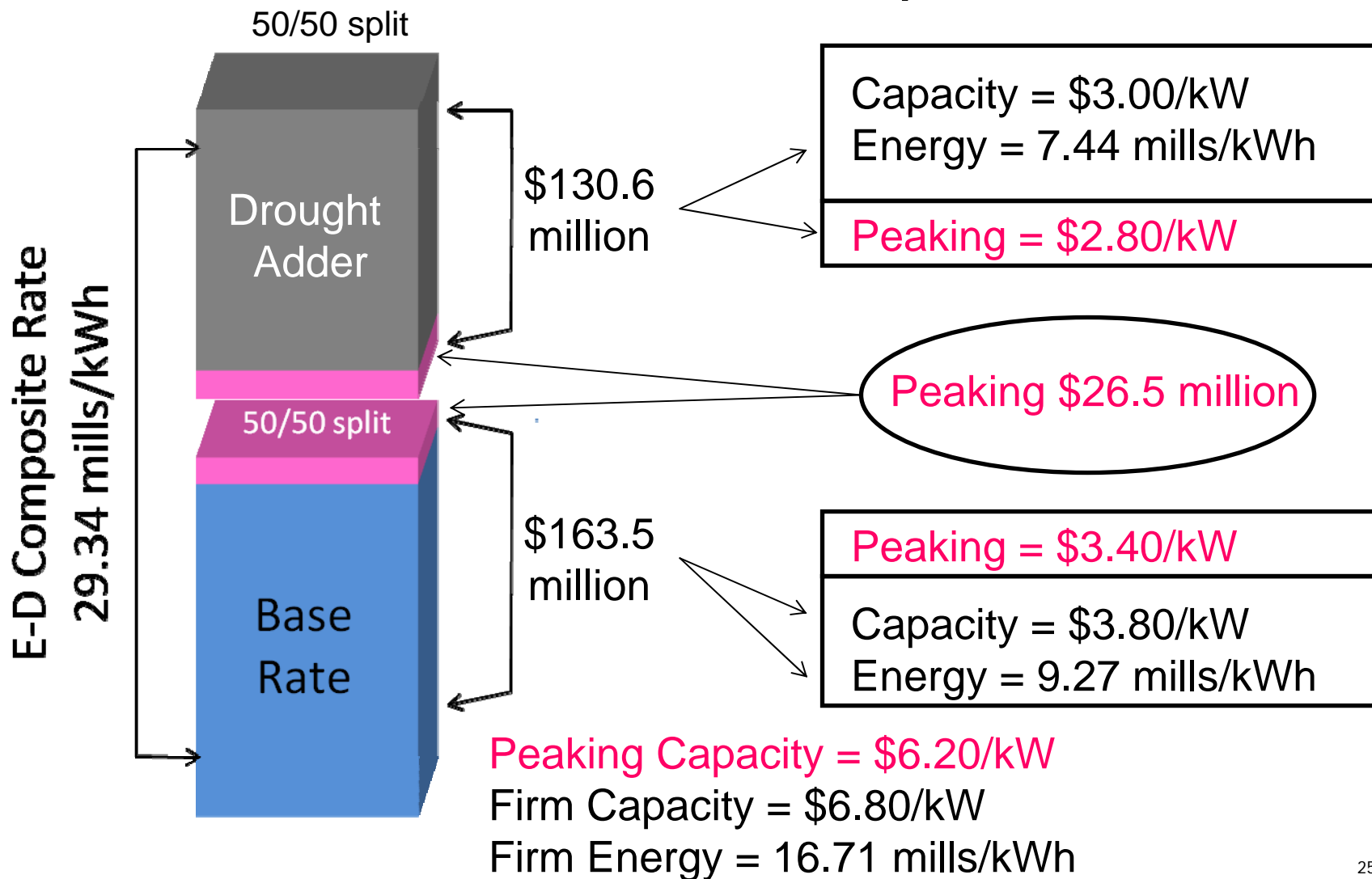
## 50/50 Capacity/Energy Split



Note: Nickel rule for capacity rounding



## \$294.1 Million Revenue Requirement



<b>Firm Power Service</b>	<b>Current Rates Effective January 1, 2008</b>	<b>Proposed Rates Effective January 1, 2009</b>
<b>ED Firm plus Firm Peaking Revenue Requirement</b>	\$235.9	\$283.0
<b>ED Composite Rate</b>	24.49 mills/kWh	29.34 mills/kWh
<b>Total Firm Capacity</b>	\$5.65 kW-month	\$6.80 kW-month
<b>Total Firm Energy</b>	13.99 mills/kWh	16.71 mills/kWh
<b>Total Firm Peaking Capacity</b>	\$5.10 kW-month	\$6.20 kW-month
<b>Total Firm Peaking Energy 1/</b>	13.99 mills/kWh	16.71 mills/kWh

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

# **Loveland Area Projects 2009 Rate Adjustment**

Sheila Cook  
Rates Manager  
Rocky Mountain Region

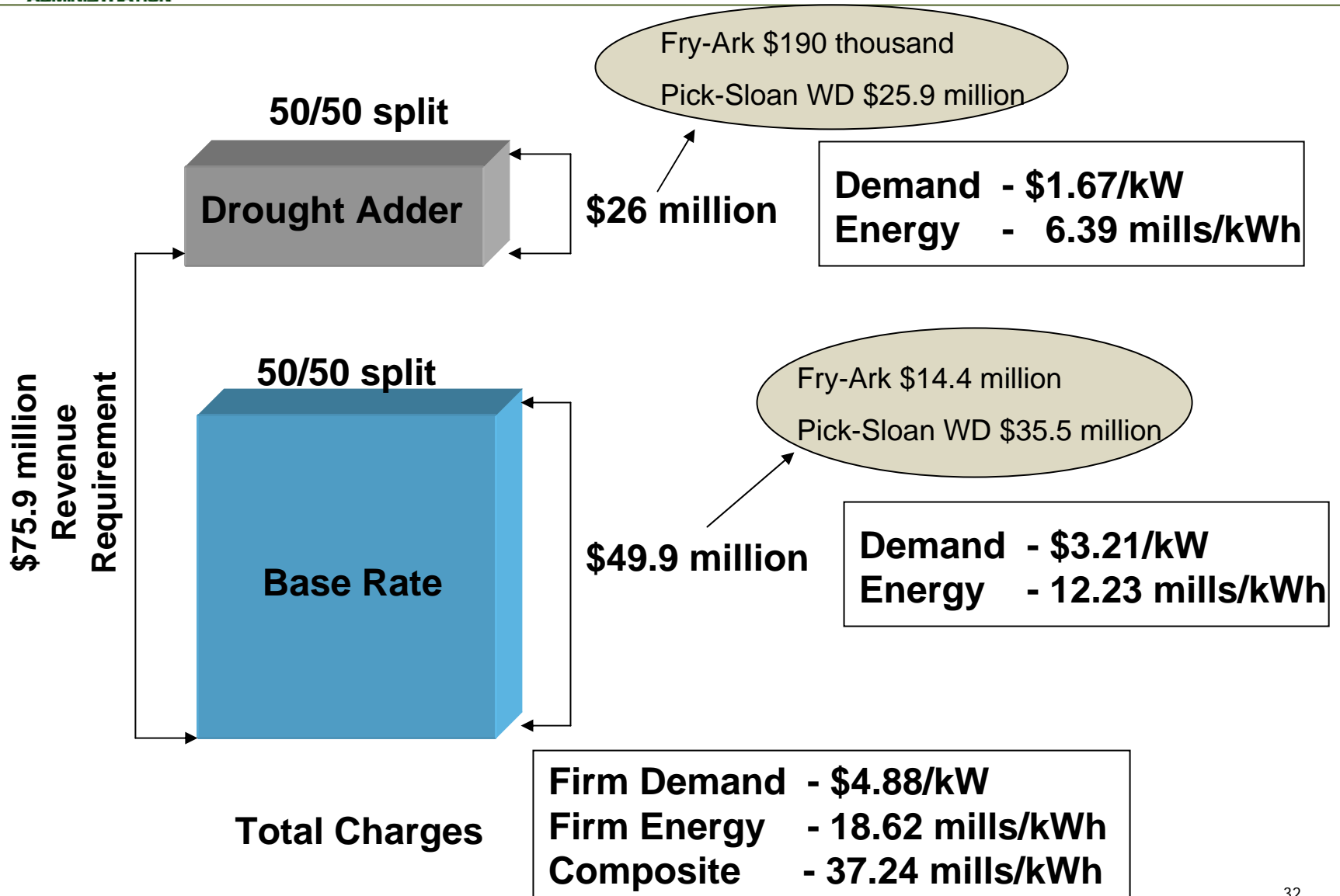
- Study solved with a revenue requirement of \$14.5 M
  - \$180,000 or 1.2% increase over existing requirement
  
- There are no deficits unpaid or projected
  
- Includes updated water projections as of February 2008

- Fry-Ark and P-SMBP-WD were operationally and contractually integrated in 1989
- Fry-Ark and P-SMBP-WD retain separate financial status
- A separate PRS is prepared annually for each project
  - Fry-Ark completed by Rocky Mountain Region
  - P-SMBP completed by Upper Great Plains Region with input from the Rocky Mountain Region

- LAP Rate is designed to return 50 percent of the revenue from the capacity component and 50 percent from the energy component
  - Capacity component is based on a monthly billing of the seasonal contract rate of delivery
    - Summer = 690.8 MW
    - Winter = 605.3 MW
  - Energy component is based on the annual contracted energy of 2,040 GWh

Revenue requirements from both projects are combined to develop the LAP revenue requirement:

	<u>Proposed</u>
Fry-Ark	\$14.5 Million
Pick-Sloan	<u>\$61.4 Million</u>
Total LAP	\$75.9 Million





<b>Firm Electric Service</b>	<b>Current Rates Effective January 1, 2008</b>	<b>Proposed Rates Effective January 1, 2009</b>	<b>Percent Change</b>
<b>Fry-Ark Rev. Req.</b>	\$14.3	\$14.5	1.2
<b>Pick-Sloan W-D Rev. Req.</b>	\$51.8	\$61.4	18.6
<b>LAP Composite Rate</b>	32.42 mills/kWh	37.24 mills/kWh	14.9
<b>LAP Firm Energy</b>	16.21 mills/kWh	18.62 mills/kWh	14.9
<b>LAP Firm Capacity</b>	\$4.25/kW	\$4.88/kW	14.9

- Informal Meetings

April 29, 2008

Denver, CO

April 30, 2008

Sioux Falls, SD

- Federal Register Announcement

August 15, 2008

- Public Process (90 Days)

- Information & Comment Forums

September 9, 2008

Denver, CO

September 10, 2008

Sioux Falls, SD

- Close of Comment Period

November 13, 2008

- Proposed Implementation of New Rates

January 1, 2009



# LAP Rate Process Other Information

---

Comments can be submitted via e-mail at:

[lapfirmadj@wapa.gov](mailto:lapfirmadj@wapa.gov)

Materials will be posted on Website:

<http://www.wapa.gov/rm/ratesRM/2009>

Contact:

Sheila D. Cook

Phone - 970-461-7211

E-mail - [scook@wapa.gov](mailto:scook@wapa.gov)

Mailing Address:

Western Area Power Administration

Rocky Mountain Region

PO Box 3700

Loveland, CO 80539



# Pick-Sloan E-D Rate Process

## Other Information

---

Comments can be submitted via e-mail at:

[ugpfirmrate@wapa.gov](mailto:ugpfirmrate@wapa.gov)

Materials will be posted on Website:

<http://www.wapa.gov/ugp/rates/2009firmrateadjust>

### Contact:

Linda Cady-Hoffman

Phone - 406-247-7439

E-mail - [cady@wapa.gov](mailto:cady@wapa.gov)

### Mailing Address:

Western Area Power Administration

Upper Great Plains Region

PO Box 35800

Billings, MT 59107-5800

**Thank you for your attention. Please provide verbal comments at the Comment Forum following this presentation or send written comments, via e-mail or letter form, by November 13, 2008.**

Comment Forum  
11:30 a.m. – 12:30 p.m.