

Parker-Davis Project Fiscal Year 2023 Charges

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Agenda

- Standard Calculation Parameters
- Fiscal Year (FY) 2021 Summary
- FY 2022 Calculation of Rates
- FY 2023 Generation Rate Determinates
- FY 2023 Transmission Rate Determinates
- Rate Mitigations
- Preliminary FY 2023 Rates
- Next Steps and Contact Information



Standard Calculation Parameters

- Actual work plans are used to project O&M expenses when available. Work plans are escalated for inflation in remaining years of cost evaluation period (rate window).
- Ten-Year Plan information from Reclamation and WAPA used to project capital costs
- Costs not readily identified as generation or transmission are allocated via the Cost Apportionment Study
- Transmission sales projections are based on contractual values, adjusted for known and measurable differences
- Deficits occur when revenues and carryover are insufficient to cover annual expenses and required investment payments



FY 2021 Summary

Projected			Actual		
Revenue		\$79,449,036	Revenue		\$90,002,196
Expenses			Expenses		
Operations & Maintenance	49,830,082		Operations & Maintenance	48,137,337	
Purchase Power & Wheeling	7,160,810		Purchase Power & Wheeling	16,328,173	
Principal & Interest	27,095,562		Principal & Interest	26,634,764	
		\$84,086,455			\$91,100,274
Net Revenue After Expenses		\$(4,637,419)	Net Revenue After Expenses		\$1,098,078
Carryover		\$4,637,419	Carryover		-
Carryover / (Deficit)		-	Carryover / (Deficit)		\$(1,098,078)



FY 2022 Calculation of Rates

Generation Rates

In FY 2022, the continued use of leveling and the amortization of Reclamation's replacement assets contributed to the generation rate increase being limited to 11%, for a rate of 15.15 mills/kWh.

Transmission Rates

Leveling and deferment of principal payments on transmission assets assisted in limiting the transmission rate increase to 5%, for a rate of \$21.60 kW-Year.



Drivers of FY 2023 Calculations

Upward Pressure

- Increased Purchase Power & Wheeling (PPW) – Generation

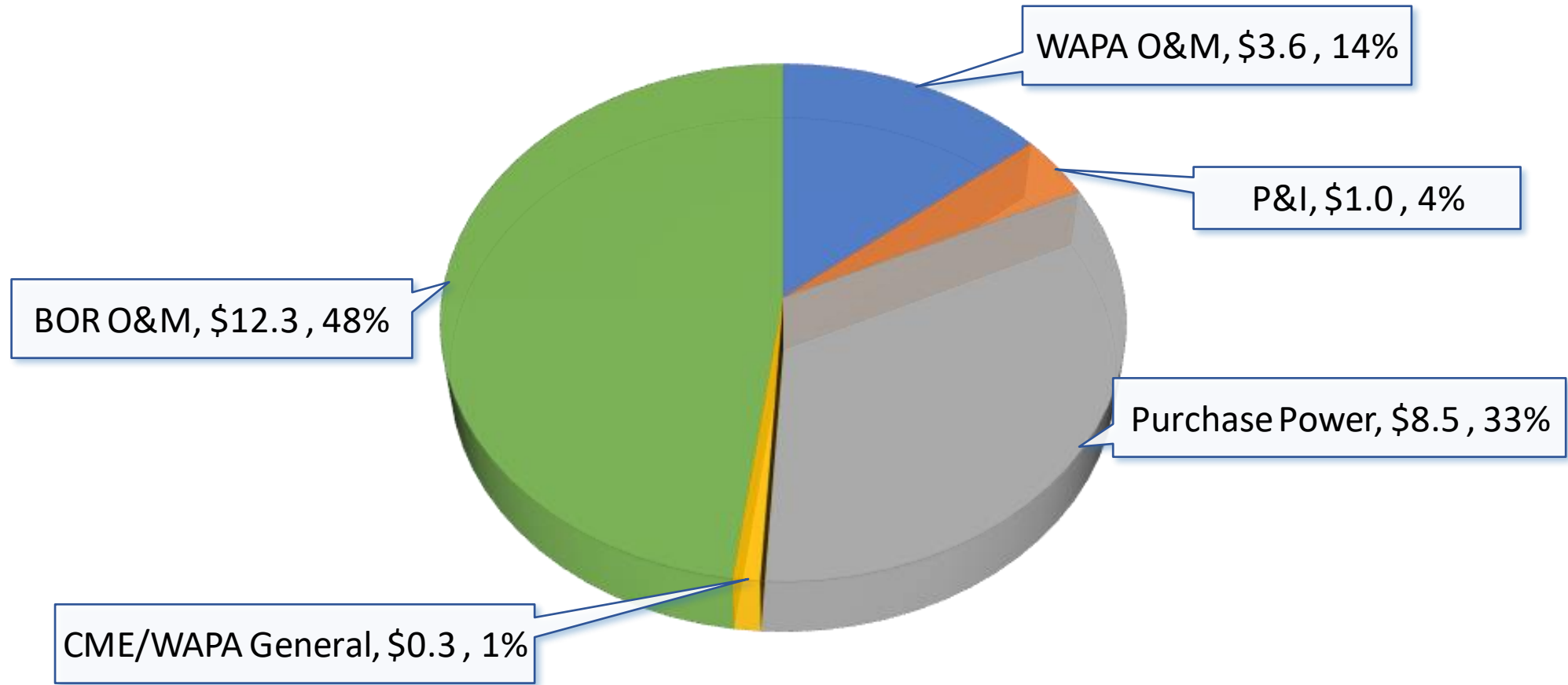
Downward Pressure

- Flexibility of Repayment
 - Principal & Interest – Generation and Transmission
 - Leveling – Generation and Transmission



FY 2023 Generation Rate Determinates

Annual Expenses (in millions)



FY 2023 Generation Rate Determinates

Purchase Power & Wheeling (in millions)

	Generation PPW	5-Yr. Avg. PPW	Amount Included in Rate
FY 2017	\$ 7.7		
FY 2018	\$ 6.5	\$ 5.3	
FY 2019	\$ 7.0	\$ 6.0	
FY 2020	\$11.3	\$ 7.2	
FY 2021	\$ 6.6	\$ 7.8	
FY 2022 Rate			\$ 6.0
FY 2023 Rate			\$ 8.5



Purchase Power & Wheeling

- At the Annual Operating Plan (AOP) in May, estimates of PPW for FY 2023 were \$21.9m
- \$21.9m would result in a 79% generation rate increase
- When prices are volatile, longer-term forecasts of PPW are highly variable
- Given price volatility and the impact to the rate, we are using a conservative amount of \$8.5m, higher than 5-year average but lower than AOP - this may result in a deficit in arrears



Principal and Interest (Deficits)

Although not a driver of the FY 2023 generation rate, the following summarizes the generation deficits incurred and forecast:

Status of Generation Deficits (\$ in millions)

	Original Amount	Balance at FY 2023	Year Due	Typical P&I
FY 2018	\$ 3.2	\$ 2.6	2028	\$ 0.6
FY 2019	\$ 1.6	\$ 1.4	2029	\$ 0.3
FY 2020	\$ 6.7	\$ 6.7	2030	\$ 1.1
FY 2021	\$ 1.1	\$ 1.1	2031	\$ 0.2
FY 2022 (est.)	\$ 4.0	\$ 4.0	2032	\$ 0.5



FY 2023 Generation Rate Determinates

Annual Expenses (in millions)

	FY 2022	FY 2023	Δ
Reclamation O&M	\$12.3	\$12.3	-
WAPA O&M	\$ 2.6	\$ 3.6	\$ 1.0
CME/WAPA General Expense/Multi-Proj	\$ 0.2	\$ 0.3	\$ 0.1
Purchase Power/Wheeling	\$ 6.0	\$ 8.5	\$ 2.5
Reclamation Replacements	\$ 0.0	\$ 0.0	-
P&I	\$ 0.9	\$ 1.0	\$ 0.1
Subtotal	\$22.0	\$25.7	\$ 3.7



FY 2023 Generation Rate Determinates

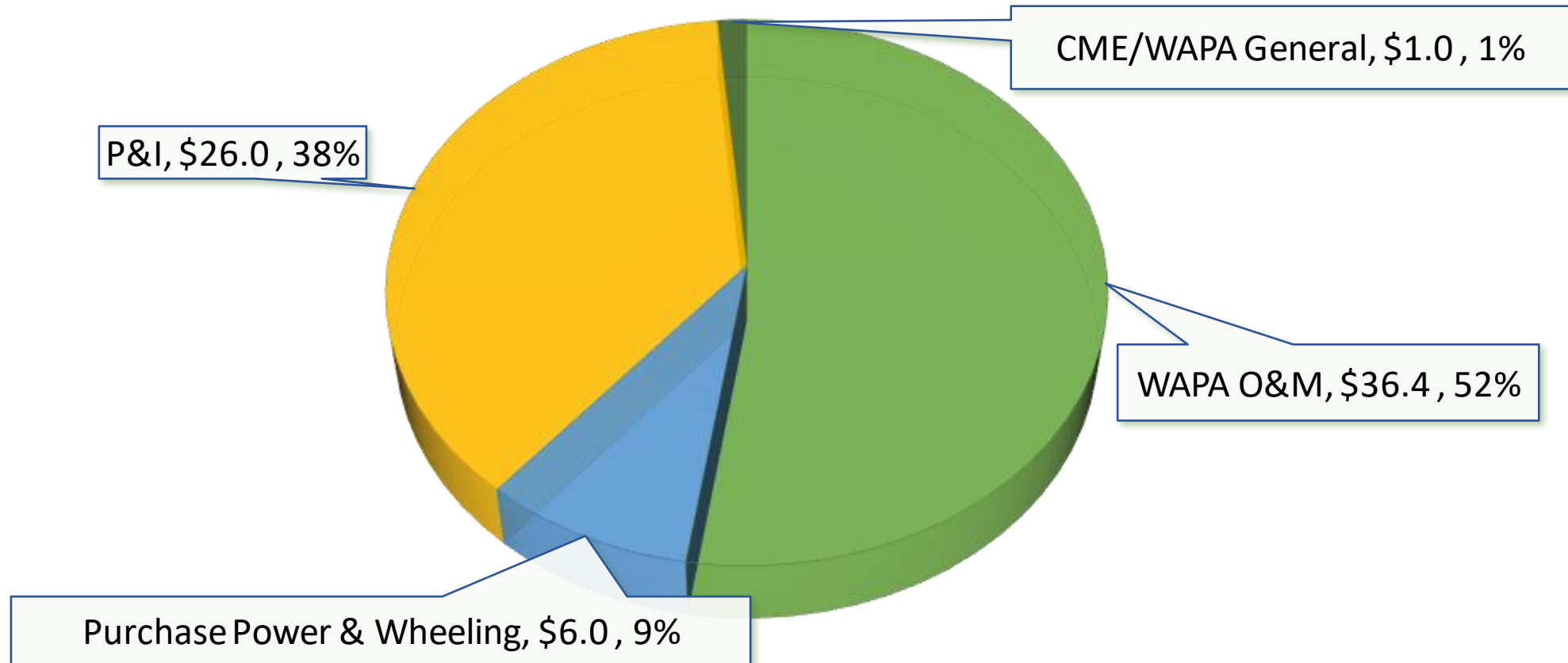
Annual Other Revenue, Carryover and Reservations (in millions)

	FY 2022	FY 2023	Δ
Other Revenue	\$ 0.4	\$ 0.4	-
Carryover	\$ 0.0	\$ 0.0	-
Subtotal	\$ 0.4	\$ 0.4	-
Revenue Requirement	\$21.6	\$25.3	\$ 3.7
Reservations (GWh)	1,425	1,425	-



FY 2023 Transmission Rate Determinates

Annual Expenses (in millions)



FY 2023 Transmission Rate Determinates

Annual Expenses (in millions)

	FY 2022	FY 2023	Δ
WAPA O&M	\$33.2	\$36.4	\$ 3.2
WAPA General Expense	\$ 1.1	\$ 1.2	\$ 0.1
CME & Multi-Project	\$(0.2)	\$(0.2)	-
Purchase Power/Wheeling	\$ 4.5	\$ 6.0	\$ 1.5
P&I	\$25.1	\$26.0	\$ 0.9
Subtotal	\$63.7	\$69.4	\$ 5.7



FY 2023 Transmission Rate Determinates

(in millions)

	FY 2022	FY 2023	Δ
Other Revenue	\$10.2	\$11.6	\$1.4
Carryover	\$ 0.0	\$ 0.0	-
Subtotal	\$10.2	\$11.6	\$1.4
Revenue Requirement	\$53.5	\$57.8	\$4.3
Reservations (MW)	2,477	2,548	71



Rate Mitigations

- Leveling: By which the charge is reduced in the early years of the rate window by not collecting for costs projected to be incurred in later years
- Deferring: Discretionary (early) principal payments on transmission assets are being deferred
- Deferring: Principal payments on generation deficits will be deferred in FY 2023. This will result in \$220k in additional interest over the life of the deficits, but will reduce the rate increase by 8.4%.



Charges

	FY 2022 (current)	FY 2023 (preliminary)	Δ	% Δ
Energy (mills/kWh)	7.58	8.89	1.31	17.3%
Capacity (kW-Month)	\$3.32	\$3.89	\$0.57	17.3%
Composite w/o Transmission (mills/kWh)	15.15	17.77	2.62	17.3%

Firm Transmission (kW-Month)	\$1.80	\$1.89	\$0.09	5.0%
NITS Revenue Requirement	\$53.5m	\$57.8m	\$4.3m	8%



Questions/Thoughts



Next Steps

- Information regarding the FY 2023 charges will be posted on WAPA's website:

<https://www.wapa.gov/regions/DSW/Rates/Pages/Parker-Davis-rates.aspx>

- Consider customer input/feedback
- Rates will be finalized in August and become effective for the October 2022 service month



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