

Public Information Webinar

Proposed 2015 Firm Rate Processes

Pick-Sloan Missouri River Basin Program--Eastern Division

and

Loveland Area Projects

May 2, 2014



Introductions

Linda Cady-Hoffman
UGPR Rates Manager

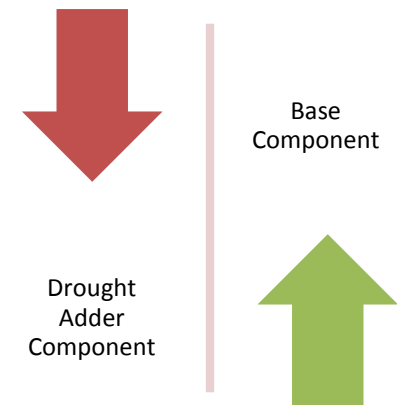
Sheila Cook
RMR Rates Manager

Agenda

- Rate Process
- Charge Components
- PRS Information
 - Pick-Sloan
 - Fry-Ark
- Proposed Rates
- Schedule
- Contact Info
- Questions

Public Process Required

- Current Rate Expires December 31, 2014
- Existing Rates do not need to change
 - Overall Rates are sufficient to recover costs
 - Proposed Process will true up the Base and Drought Adder Components
 - Base component needs to be modified via a formal public process

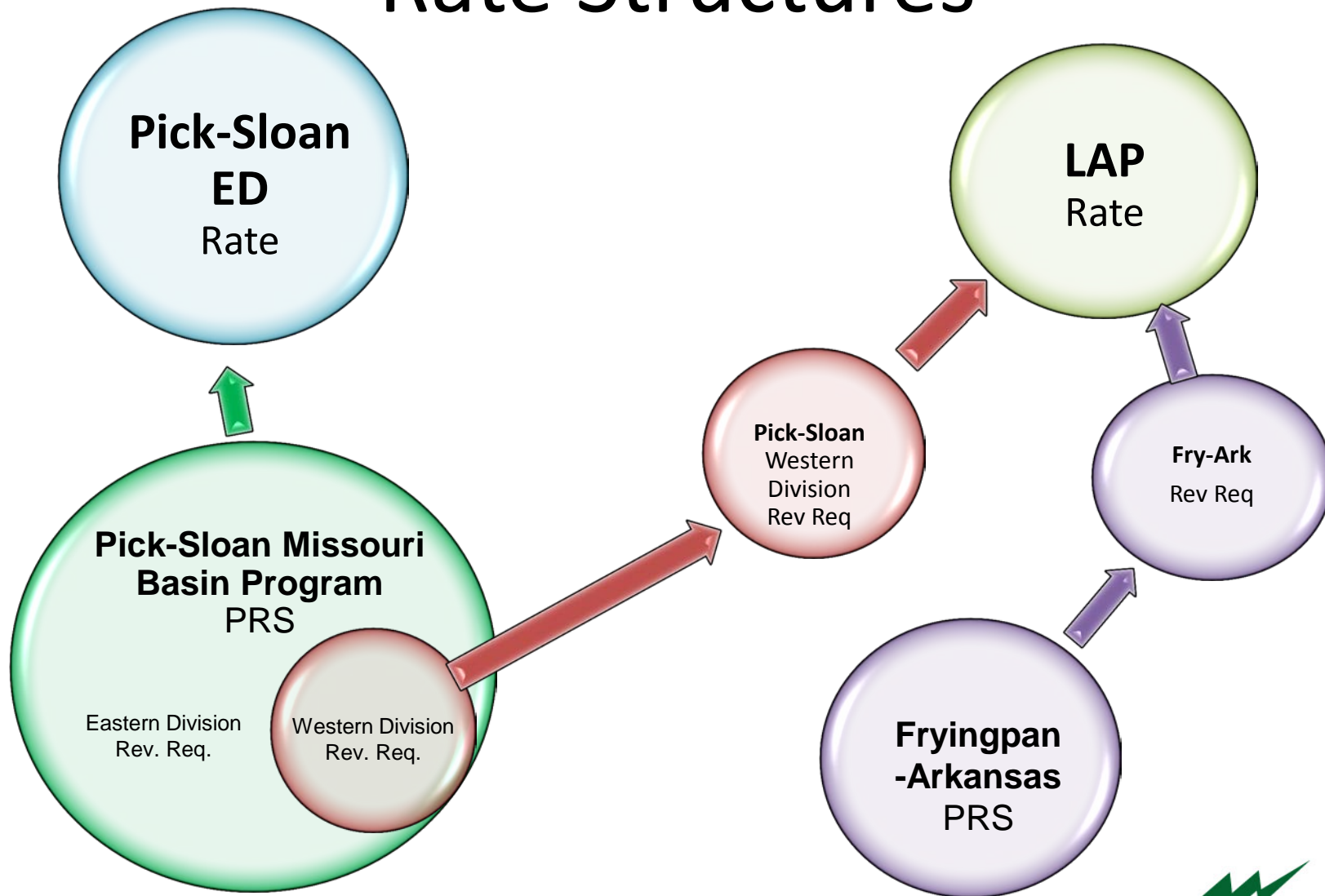


Why a Minor Rate Process?

- Minor process defined as less than 1% change to Revenue Requirement
 - In this case there is no change to the Revenue Requirements
- 30 day comment period after FRN publication
- No formal meetings required

P-SMBP--ED and LAP Charge Components

Rate Structures



Charge Components

Same for P-SMBP--ED and LAP

Annual Revenue Requirement

Drought Adder



Base

Adjusted Annually, by up to 2 mills,
or by Public Process

Adjusted only by Public Process

Overview of Component Costs



→ Drought

- Recovers cost associated with the drought
 - Purchase Power related to drought
 - Historical drought debt
 - Interest on drought debt



↗ O&M

→ Capital

↘ Interest

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

Charge Components Loveland Area Projects Firm Power

Current Annual Revenue Requirement

\$84.5 M

(F-A \$15.3 M & P-S WD \$69.2 M)

Drought Adder

\$33.3 M

(F-A \$0.2 M & P-S WD \$33.1 M)



Base

\$51.2 M

(F-A \$15.1 M & P-S WD \$36.1 M)

Adjusted Annually up to 2
mills by Formula or by Public
Process

Adjusted only by Public
Process

Charge Components Loveland Area Projects

Firm Power

Current Annual Revenue Requirement

\$84.5 M

(F-A \$15.3 M & P-S WD \$69.2 M)

Proposed Annual Revenue Requirement

\$84.5 M

(F-A \$15.3 M & P-S WD \$69.2 M)

Drought Adder

\$33.3 M

(F-A \$0.2 M & P-S WD \$33.1 M)



Base

\$51.2 M

(F-A \$15.1 M & P-S WD \$36.1 M)

Proposed Drought Adder

\$23.5 M

(F-A \$0 M & P-S WD \$23.5 M)

Proposed Base

\$61.0 M

(F-A \$15.3 M & P-S WD \$45.7 M)

Firm and Firm Peaking Rate Components P-SMBP--ED

**Annual Revenue Requirement
\$ 332.8 M**

**Drought Adder
\$ 166.8 M**



**Base Rate
\$ 166.0 M**

Adjusted Annually up to 2 mills by
Formula or by Public Process

Adjusted only by Public Process

Firm Rate Components P-SMBP--ED

Annual Revenue Requirement
\$332.8 M

Proposed Annual Revenue Requirement
\$ 332.8 M

Drought Adder
\$166.8 M

Proposed Drought Adder
\$118.4 M



Base Rate
\$166.0 M

Proposed Base
\$214.4 M

Power Repayment Studies

P-SMBP 2013 Composite PRS*

- Study solves at composite rate of 33.54 mills/kWh
 - Drought 11.83 mills and Base 21.71 mills
 - Sufficient revenue requirement to recover expenses
 - Drought debt paid off in 2019
- 2013 made a \$69.9M Irrigation Aid Payment
- \$37 M Deficit Payment in 2013
- \$432 M unpaid on the Drought after 2013
- 2017 & 2018 are the PRS pinch points

*Based on un-audited data.

Why the Drought/Base changes for Pick-Sloan

- Drought Adder is going down
 - Repaid \$411 M of \$843 M incurred in the drought
 - Paid ahead on the drought costs
 - Making payments drought costs due in 2016
- Base increasing
 - New 5-year cost evaluation period
 - New Investments/Replacements
 - New Operations and Maintenance Expenses
 - Inflationary costs

PRS 5-yr Projection Window

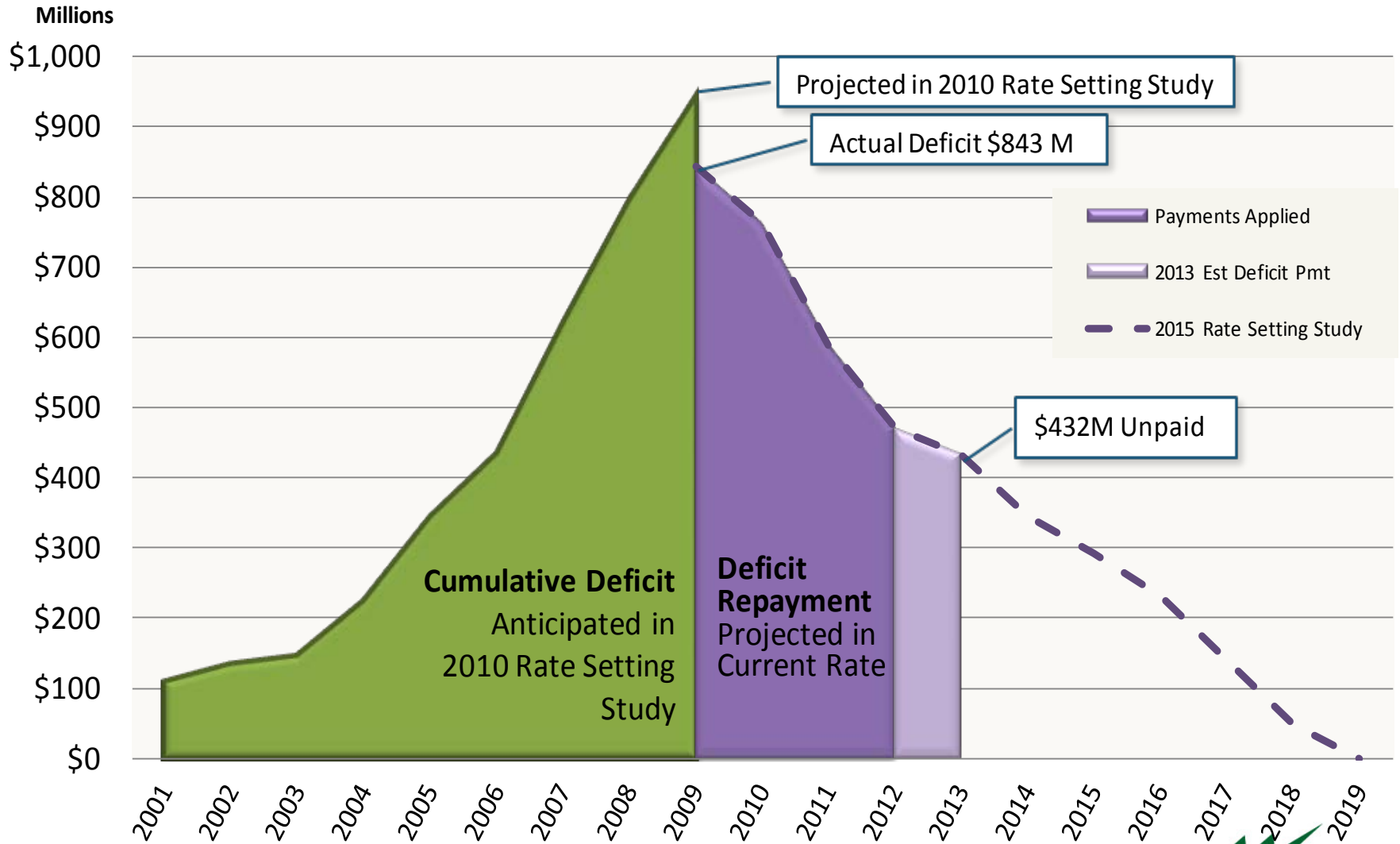
2010 Rate Setting PRS



2015 Rate Setting PRS



Planned Deficit Repayment FY 2013



Fryingpan-Arkansas Project

FY 2013 PRS*

- Fry-Ark Study is solving at the approved Revenue Requirement of \$15.3M
 - Base is now \$15.3M vs. current \$15.1M
 - 2034 is still pinch point in the PRS
 - No Deficits outstanding
 - Deficits were not taken for drought costs
 - Does not include the majority of costs related to the upcoming Mt. Elbert refurbishment project.

* Based on un-audited data.

Why the Drought/Base changes for Fry-Ark

- Drought Adder is going to zero – there were no deficits actually incurred as all drought costs were paid annually
- Base increasing
 - New 5-year cost evaluation period
 - New Investments/Replacements
 - New Operations and Maintenance Expenses
 - Inflationary costs

Proposed Rates

Loveland Area Projects Proposed Charge Components

**\$84.5 Million Revenue Requirement
(Fry-Ark \$15.3M & P-S WD \$69.2M)**

	Base	Drought	Totals
Firm Capacity	• \$3.92/kW-mo	• \$1.51/kW-mo	• \$5.43/kW-mo
Firm Energy	• 14.95 mills/kWh	• 5.76 mills/kWh	• 20.71 mills/kWh

Summary of Proposed LAP Rates

Firm Electric Service	Current Rates Effective January 1, 2010	Proposed Rates Effective January 1, 2015	Percent Change
Fry-Ark Rev Req	\$15.3 M	\$15.3 M	0%
PS-WD Rev Req	\$69.2 M	\$69.2 M	0%
Composite Rate	41.42 mills/kWh	41.42 mills/kWh	0%
Firm Energy	20.71 mills/kWh	20.71 mills/kWh	0%
Firm Capacity	\$5.43/kW-mo	\$5.43/kW-mo	0%

P-SMBP--ED

Proposed Charge Components

\$332.8 Million Revenue Requirement

	Base	Drought	Totals
Firm Capacity	• \$4.90/kW-mo	• \$2.75/kW-mo	• \$7.65/kW-mo
Firm Energy	• 12.33 mills/kWh	• 6.72 mills/kWh	• 19.05 mills/kWh
Firm Peaking Demand ^{1/}	• \$4.45/kW-mo	• \$2.45/kW-mo	• \$6.90/kW-mo

Summary of Proposed Pick-Sloan ED Rates

Firm Power Service	Current Rates Effective January 1, 2010	Proposed Rates Effective January 1, 2015	% Change
P-SMBP-ED Firm + Firm Peaking Rev Requirement	\$332.8 million	\$332.8 million	0%
P-SMBP-ED Composite Rate	33.25 mills/kWh	33.25 mills/kWh	0%
Firm Capacity	\$7.65 kW-month	\$7.65 kW-month	0%
Firm Energy	19.05 mills/kWh	19.05 mills/kWh	0%
Firm Peaking Capacity	\$6.90 kW-month	\$6.90 kW-month	0%
Firm Peaking Energy ^{1/}	19.05 mills/kWh	19.05 mills/kWh	0%

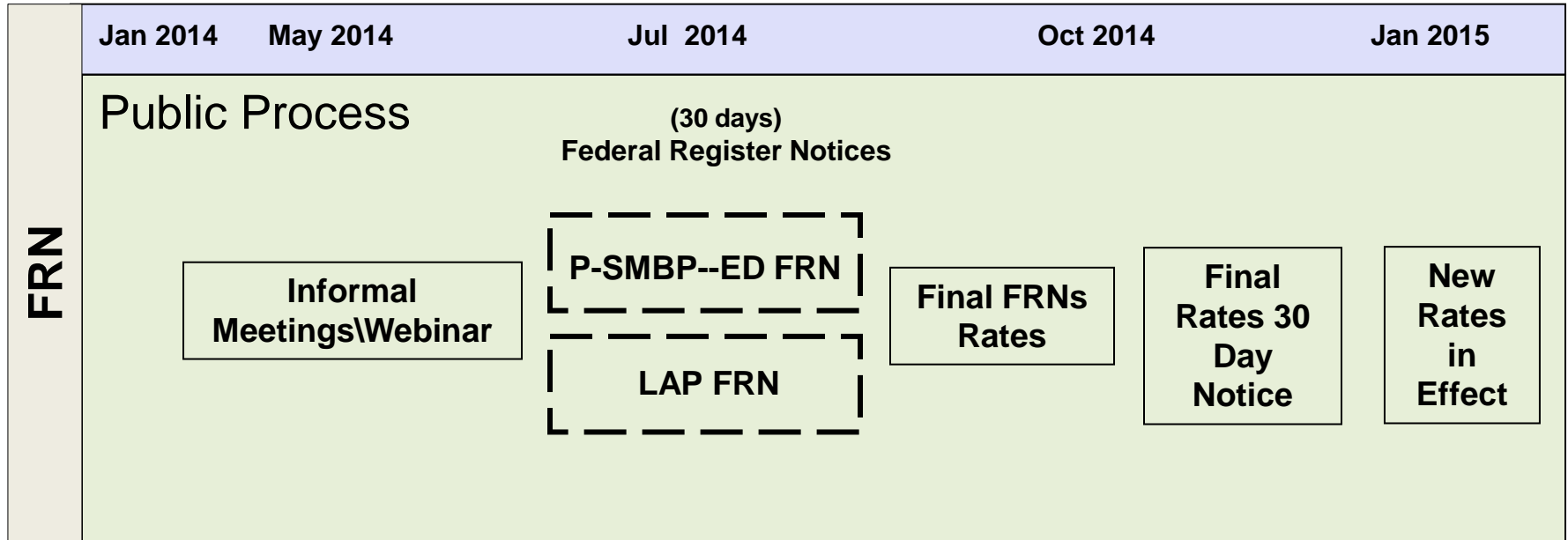


^{1/}Firm peaking energy is normally returned. This will be assessed in the event firm peaking energy is not returned. 25

Public Process Schedule

- May 2, 2014 - Webinar in place of in-person meetings
- Late June/early July – Publish 2 FRNs
 - FRN for P-SMBP—ED and an FRN for LAP
 - (begins 30 day comment period)
- Comment period closes 30 days after FRN publication
- Publish Final FRNs- Fall 2014 (October)
- January 1, 2015 - New Rate Schedules in place

Public Process Schedule



Rate Process

Other Information

Pick-Sloan ED

Materials will be posted to
Website:

<http://www.wapa.gov/ugp/rates/2015firmrateadjust>

Contact:

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Loveland Area Projects

Materials will be posted to
Website:

<http://www.wapa.gov/rm/ratesRM/2015/default.htm>

Contact:

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Questions

