

Parker-Davis Project & Post 2028 Marketing Initiative

Potential New Customer Meeting

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Agenda

- Parker-Davis Project Background
- 2028 Marketing Initiative
 - Introduction
 - Process and Estimated Timeline
 - Resource Pool
 - Capacity and Energy Allocations
 - Minimum Scheduling
 - Customer Requested Purchase Power and Use of Transmission
 - Other Contract Considerations
- What to know if applying for a Federal hydropower allocation
- Tribal Benefit Crediting Arrangements
- Challenges/Considerations



TEAMS Meeting Housekeeping Items

- All participants are muted on entry to ensure a smooth remote meeting
- For questions during Q&A periods, please choose one of the following options:
 - Send questions to the host in the Teams chat
 - Use the “Raise Hand” icon next to your name in participant list. The host will unmute and call on you
- We will have time for additional questions at the end of the meeting
- Make sure you are not “double-muted” when attempting to talk (i.e., muted on your device in addition to the Teams application)
- We will be recording the meeting, so that it is available for future reference



Parker-Davis Project Background

- Authorization for the Parker Dam Power Project occurred in the Rivers and Harbors Act of August 30, 1935
- Davis Dam Project was authorized on April 26, 1941, under provisions of the Reclamation Project Act of 1939
- The Parker Dam Power Project and Davis Dam Project were consolidated into the Parker-Davis Project (P-DP) on May 28, 1954
- P-DP was last marketed in the early 2000s during the Post-2008 remarketing effort



Customer Service Territory Map

- P-DP is in the DSW footprint which covers parts of Arizona, Southern California and Southern Nevada.



Parker-Davis Project Information

- Parker Dam
 - 4 units at 30 MW each, total of 120 MWs
 - Half of Parker generation goes to Metropolitan Water District
- Davis Dam
 - 4 units at 51.75 MWs, total of 207 MWs
 - 1 unit at 48 MWs
- P-DP is under contract with 36 contractors
- The current amount of annual energy allocated under the contract is 1,425,045 MWs or 1,425 GWs.



Post 2028 Parker-Davis Project Marketing Initiative: Introduction

- Allocations established in the 2003 and 2006 Federal Register Notices, effective October 1, 2008
- P-DP Firm Electric Service contracts will expire September 30, 2028
- To address the upcoming expiration of the contracts, we have begun the Post-2028 Marketing Initiative
- A marketing initiative, sometimes referred to as remarketing, is the review and possible development or revision of a power marketing plan when there are additions to generation capability or when existing power sales contracts expire



Post 2028 Parker-Davis Project Marketing Initiative

- The Parker-Davis Post 2028 Marketing Initiative will:
 - Extend all or a portion of current allocations
 - Review and determine concepts and issues surrounding:
 - Potential creation of a resource pool
 - Available capacity and extensions of resource allocations based on Energy Planning and Management Program (EPAMP)
 - Available energy and energy calculations



Marketing Initiative Process

- The Marketing Initiative process typically begins with an informal process
- WAPA issues an Initial Federal Register Notice
 - Formal Public Process begins
 - Public Information Forums
 - Public Comment Forums
- Publish Final Federal Register Notice



Near-Term Timeline

Informal Customer Meetings

September 2023

November 2023

Meeting with Potential New Customers

October 2023

Initial Notice of Proposal

February 2024



Estimated Long-Term Timeline

- Informal Customer/Potential New Customer Meetings: Inform on Post 2028 P-DP effort and background (Sep 2023 – Nov 2023)
- Notice of Proposal: Apply EPAMP and PMI to P-DP (Feb 2024)
- Notice of Decision: EPAMP and Power Marketing Initiative (PMI) to P-DP (Aug 2024)
- Notice of Proposed Criteria (Dec 2024)
- Notice of Final Criteria & Call for Applications (May 2025)
- Notice of Proposed Allocation (Feb 2026)
- Notice of Final Allocation (Jun 2026)
- Contacts: Formulations & Finalization (Jul 2026 – Oct 2027)



Resource Pool Considerations

- Apply EPAMP/PMI
- Consider creating a resource pool of up to 3% of seasonal capacity allocations
 - Supports widespread use
 - Include 3.75 MW from Davis rewind
 - A 3% resource pool would be approximately 8 MW in the summer and 6 MW of capacity in the winter that could be allocated



Resource Pool – When and who can apply

- If WAPA creates a resource pool, new customers will have the opportunity to apply for a Federal hydro allocation
- The application process would start when WAPA issues an FRN with a call for applications and established criteria for who can apply



What are we marketing?

- A P-DP allocation is comprised of capacity, energy, and transmission
- The allocation is considered a “bundled” product
- Capacity is the amount of energy that can be scheduled in any given hour. Referred to as Contract Rate of Delivery (CROD) in the firm electric service contracts
- Energy is the monthly amount of energy, that is available to each customer to schedule
- Transmission is bundled with the Federal hydro allocation



Capacity Allocations

- New allocations could include less than 1 MW allocations
- If fractional MWs are allocated, use a rounding methodology for all customers:
 - To ensure CROD is not exceeded in any hour
 - Efficient utilization of capacity
 - Help ensure capacity is available in valuable times of the day



Energy Allocations

- Current contracts include a calculation for determining a firm fixed energy allocation per winter and summer season that WAPA is required to deliver regardless of hydro output
- However, applying this type of calculation in the recent years has increased our purchase power cost dramatically
 - Generation has been reduced due to the drought
 - WAPA must purchase increasing amounts of power on the open market
 - Market prices can be extremely volatile



Actual vs Projected Generation

2008 to present annual contractual energy allocation	1,425.0 GWH
FY23 total P-DP actual annual net generation	1,143.1 GWH
FY24 total P-DP projected net generation (as of Aug 2023)	1,251.5 GWH



Future Energy Allocation Considerations

- Revise the existing energy calculation laid out in the Marketing Plan and align closer to the current hydrology
- Set monthly energy quarterly based on Reclamation's 24-month study



Minimum Scheduling

- WAPA requires a certain amount of energy to be scheduled in certain hours
- Why do we impose minimums:
 - Accommodate Reclamation water requirements, reduce purchase power costs and minimize sales in low load hours
- Current requirement is 25% minimum in off peak hours
- Traditional on/off peak distinction no longer reflective of system demands
- Consider establishing a new minimum requirement that tracks better with how power is currently scheduled



Customer requested Purchase Power/Use of Transmission

- Option for all customers that allows WAPA purchase energy on the customers behalf on a pass-through cost basis
 - Cannot exceed customer's CROD
- Option that will allow customers to utilize the transmission reserved for delivery of their firm electric service allocation for customer owned/purchased resources
 - Cannot exceed customer's CROD
 - Work through details



Other Contract Considerations

Advancement of Funds:

- Potential new customers who receive an allocation will be required to prepay for service according to the rate schedule and may participate in advance funding of WAPA's and Reclamation's operation and maintenance expenses under the existing advance of funds agreement

Repayable Capital Advances:

- New customers will be required to reimburse existing customers for undepreciated replacement advances, to the extent existing customers' allocations are reduced because of potentially creating a resource pool

Deficits:

- Deficits incurred during a previous marketing period will not be passed through to potential new customers

Suggested Contract Term 20 Years



What to know if you apply for a Federal Hydro Allocation

- Customer must be a preference entity
- Customer must be ready, willing and able to take their allocation
- Allocations are delivered on the P-DP system but not beyond
 - If customer is a utility, they must be interconnected or have transmission to reach WAPA's system to take delivery of the power
 - If customer is a retail load, they must work with their utility and get agreement that the utility will accept the energy on their behalf and provide them with a credit on their utility invoice
- Tribes can work with WAPA to create a benefit crediting arrangement



Benefit Crediting Arrangement

- Benefit crediting arrangements are offered only to tribes
- A Tribe partners with another entity, typically a utility that agrees to:
 - Take the power from WAPA
 - Pay the WAPA invoice
 - Provide the Tribe with a monetary benefit
- Can save on wheeling and other transmission charges
- WAPA drafts the contract between the tribe, benefit crediting partner, and WAPA
- Tribes negotiate the terms/benefit directly with the benefit crediting partner
- WAPA ensures the contract terms are reasonable and in compliance with the firm electric service contracts



Potential New Customer Challenges

- Allocations can be small/fractional MWs
 - Energy cannot always be scheduled in high priced hours
 - Utilities may not be willing to credit full amount (one for one)
- The hydro power allocation value proposition may be different to each utility
- Utilities use different factors to evaluate the hydropower benefit
 - Hours of the day the resource is available
 - Flexibility of scheduling the resource
 - Market pricing
 - Cost of utilities' own resources
 - Federal hydro costs may be higher than a Utilities marginal resource cost



Considerations to Assist with Challenges

- Start work early with your Utility
- Do short term/long term analyses that projects if there is a benefit in taking the allocation
- Consider aggregation
- WAPA may be able to provide some services such as aggregation at a pass-through cost
 - Not a guarantee
 - Case by case basis



Website

<https://www.wapa.gov/about-wapa/regions/dsw-2/pdpremarketing/>

- Contains:
 - Presentations
 - Additional materials



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