Western Area Power Administration

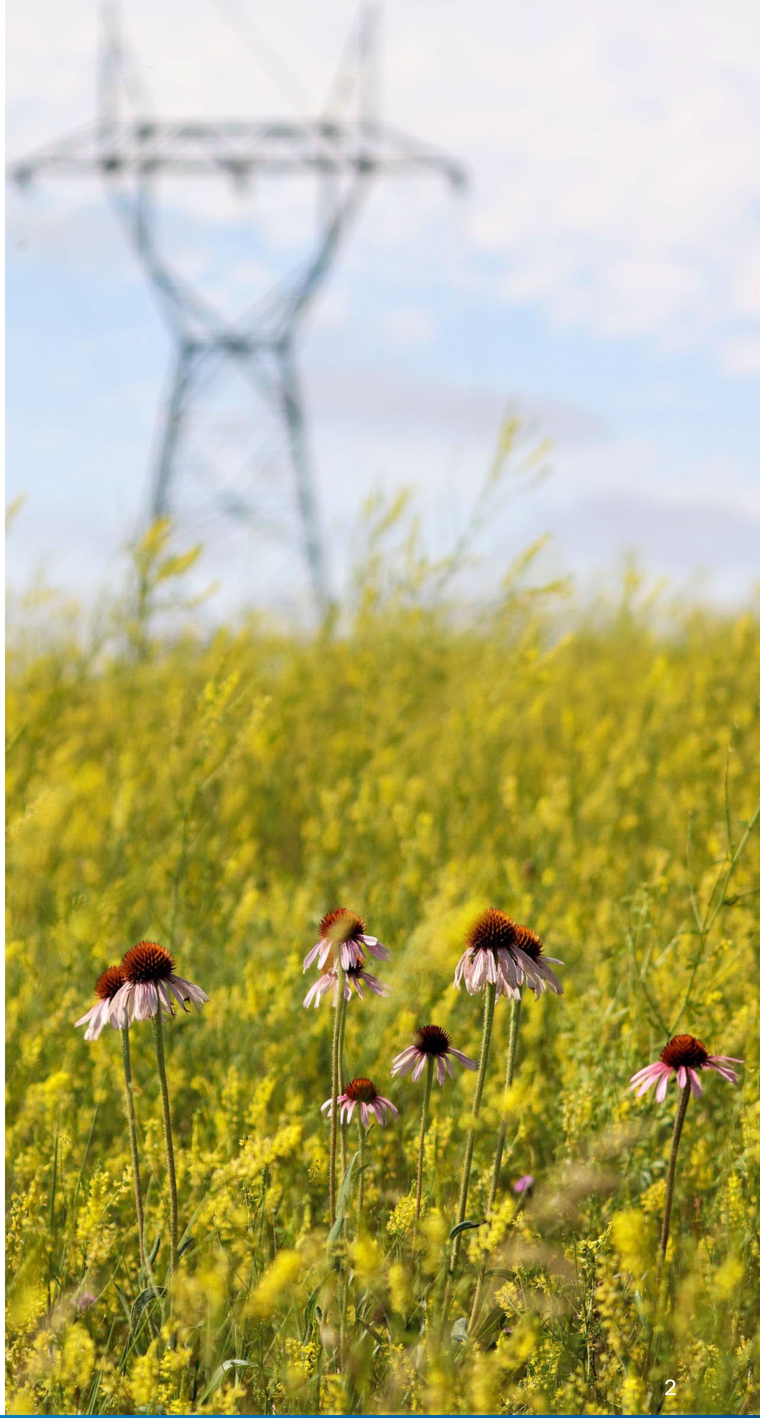
Proposed FY 2027 Rates & Charges

One Transmission Rate
Parker-Davis Project Generation Rate

Desert Southwest Region | June 17, 2026

Agenda

- Review of OTR Transmission Charge
- Proposed FY 2027 OTR Transmission Charge
- Review of P-DP Generation Rate
- Proposed FY 2027 P-DP Generation Rate
- P-DP Voluntary Energy Reduction Program Update
- Next Steps



One Transmission Rate

FY 2025 Results
FY 2026 Recap
FY 2027 Proposed Rate

One Transmission Rate Overview

Single transmission rate for WAPA-DSW transmission projects

Combine Central Arizona Project (CAP), Electrical District #5 – Palo Verde Hub (ED5-PVH), Pacific Northwest-Pacific Southwest Intertie (Intertie), and Parker-Davis (P-DP) projects transmission costs

Eliminated transmission pancaking, allows for more **efficient use** of DSW's transmission systems, provides **long-term financial and rate stability**

Formula rate updated each fiscal year (Oct 1st - Sep 30th)

FY 2025 OTR Results

(in thousands)		Rate FY 2025		Actuals FY 2025		Variance	%
Costs							
Operations and Maintenance (O&M)	$	62,255	$	62,415	$	160	
Other Expense		4,369		6,605		2,236	
Purchase Power and Wheeling (PPW)		21,321		15,128		(6,193)	
Principal and Interest (P&I)		56,787		51,259		(5,528)	
Prior Year Adjustment		(494)		(104)		390	
	$	**144,238**	**$**	**135,303**	**$**	**(8,935)**	**-6%**
Revenue							
Other Revenue	**$**	**(38,985)**	**$**	**(33,645)**	**$**	**5,340**	**-16%**
Revenue Requirement (Firm Sales)	**$**	**105,253**	**$**	**103,347**	**$**	**(3,595)**	**-3%**
Net Revenue After Expenses			**$**	**1,689**			

FY 2025 OTR Results – Summary

Costs

- Other Expense actuals were higher for benefits, and Multi-Project Use credits do not offset this category
- PPW lower due to CAISO Energy Imbalance Market (EIM) participation
- P&I adjusted from lower revenue collection, impacting discretionary payments

Revenue

- Firm revenue was 3% less than projected due to firm sale projections
- Other Revenue was 16% less than projected due to decrease in transmission loss revenue from lower pricing

Net Revenue

- Net revenue after expenses attributed to CAP and ED5-PVH

FY 2026 OTR Recap

Rate remained at FY 2025 level, rate of $21.12 /kW-Year

Estimated costs increased 3% from FY 2025

Other revenue and total reservations projected to increase, 7% and 2% respectively

Deferred discretionary principal payments on transmission assets and deficits helped maintain same rate

FY 2027 OTR

(in thousands)		FY 2026		FY 2027		Change	%
Costs							
Operations and Maintenance (O&M)	$	66,385	$	69,612	$	3,227	
Other Expense		4,436		4,659		223	
Purchase Power and Wheeling (PPW)		21,100		21,500		400	
Principal and Interest (P&I)		57,503		62,621		5,118	
Prior Year Adjustment		(614)		(816)		(202)	
	$	**148,810**	**$**	**157,576**	**$**	**8,766**	**6%**
Revenue							
Other Revenue	**$**	**41,806**	**$**	**41,217**	**$**	**(589)**	**-1%**
Revenue Requirement	**$**	**107,004**	**$**	**116,359**	**$**	**9,355**	**9%**
Total Reservations (kW)		**5,075**		**5,515**		**440**	**9%**
Calculated Rate ($/kW-Year)	**$**	**21.12**	**$**	**21.12**	**$**	**-**	**0.0%**

CAP Costs

(in thousands)	FY 2026	FY 2027	Change	%
Operations and Maintenance (O&M)	$ 6,957	$ 7,007	$ 50	
Other Expense	426	458	32	
Purchase Power and Wheeling (PPW)	1,100	1,500	400	
Principal and Interest (P&I)	5,224	5,137	(87)	
Prior Year Adjustment	(1,331)	(758)	573	
Total	**12,376**	**13,344**	**968**	**8%**

- **PPW** increasing due to uncertainty of hydrology
- **Prior Year Adjustment** decreased as part of annual true-up

ED5-PVH Costs

(in thousands)		FY 2026		FY 2027		Change	%
Operations and Maintenance (O&M)	$	2,791	$	2,010	$	(781)	
Other Expense		71		71		-	
Purchase Power and Wheeling (PPW)		-		-		-	
Principal and Interest (P&I)		3,800		3,800		-	
Prior Year Adjustment		718		(58)		(776)	
Total		**7,350**		**5,823**		**(1,557)**	**-21%**

- **O&M** decreased due to lower transmission line work estimates
- **Prior Year Adjustment** decreased during annual expense true-up

Intertie Costs

(in thousands)	FY 2026	FY 2027	Change	%
Operations and Maintenance (O&M)	$ 12,835	$ 13,333	$ 498	
Other Expense	1,275	1,447	172	
Purchase Power and Wheeling (PPW)	10,000	10,000	-	
Principal and Interest (P&I)	21,006	22,870	1,864	
Prior Year Adjustment	-	-	-	
Total	**45,116**	**47,650**	**2,534**	**6%**

- **O&M** increased due to inflationary factors on labor rates
- **P&I** increased in part due to deferment of discretionary payments

P-DP Costs

(in thousands)		FY 2026		FY 2027		Change	%
Operations and Maintenance (O&M)	$	43,803	$	47,262	$	3,459	
Other Expense		2,663		2,683		20	
Purchase Power and Wheeling (PPW)		10,000		10,000		-	
Principal and Interest (P&I)		27,474		30,814		3,340	
Prior Year Adjustment		-		-		-	
Total		**83,940**		**90,759**		**6,819**	**8%**

- **O&M** increased mainly due to inflationary factors on labor rates
- **P&I** increased to include discretionary principal payments, which are deferred in FY 2026

Total OTR Costs

(in thousands)	FY 2026	FY 2027	Change	%
Operations and Maintenance (O&M)	$ 66,385	$ 69,612	$ 3,227	
Other Expense	4,436	4,659	$ 223	
Purchase Power and Wheeling (PPW)	21,100	21,500	$ 400	
Principal and Interest (P&I)	57,503	62,621	$ 5,118	
Prior Year Adjustment	(614)	(816)	$ (202)	
Total	**$ 148,810**	**$ 157,576**	**$ 8,766**	**6%**

OTR Revenue and Reservations

(in thousands)	FY 2026	FY 2027	Change	%
Revenue				
Other Revenue	$ 41,806	$ 41,217	$ (589)	-1%
Reservations				
Firm Transmission (kW)	5,075	5,515	440	9%

- **Other Revenue** decreases slightly to align with recent actuals
- **Long-term Firm Reservations** increased with additional sales beginning in FY 2027

FY 2027 OTR Summary

(in thousands)	FY 2026	FY 2027	Change	%
Costs				
Operations and Maintenance (O&M)	$ 66,385	$ 69,612	$ 3,227	
Other Expense	4,436	4,659	223	
Purchase Power and Wheeling (PPW)	21,100	21,500	400	
Principal and Interest (P&I)	57,503	62,621	5,118	
Prior Year Adjustment	(614)	(816)	(202)	
	$ 148,810	**$ 157,576**	**$ 8,766**	**6%**
Revenue				
Other Revenue	**$ 41,806**	**$ 41,217**	**$ (589)**	**-1%**
Revenue Requirement	**$ 107,004**	**$ 116,359**	**$ 9,355**	**9%**
Total Reservations (kW)	**5,075**	**5,515**	**440**	**9%**
Calculated Rate ($/kW-Year)	**$ 21.12**	**$ 21.12**	**$ -**	**0.0%**

OTR Questions

Parker-Davis Project Generation Rate

FY 2025 Results

FY 2026 Recap

FY 2027 Proposed Rates

Voluntary Energy Reduction Program (VRP)

Calculation Parameters

O&M Projections: Actual work plans used to project Operations and Maintenance expenses when available

Capital Cost Projection: Ten-Year Plan information from the Bureau of Reclamation (Reclamation) is utilized to project capital costs

Cost Allocation: Costs that are not readily identified as generation-specific are allocated via the Cost Apportionment Study

Deficits: Deficits occur when cumulative revenues and carryover funds are insufficient to cover annual expenses and required investment payments

FY 2025 Results

Projected		
Revenue		$ 36,215,521
Expenses		
Operations & Maintenance	15,935,772	
Purchase Power & Wheeling	18,000,000	
Principal & Interest	2,279,749	
		$ 36,215,521
Net Revenue After Expenses		$0
Carryover		$0
Carryover / (Deficit)		$0

Actual		
Revenue		$ 37,149,851
Expenses		
Operations & Maintenance	15,659,816	
Purchase Power & Wheeling	18,461,552	
Principal & Interest	3,028,483	
		$ 37,149,851
Net Revenue After Expenses		$0
Carryover		$0
Carryover / (Deficit)		$0

FY 2026 P-DP Recap

FY 2026 Rate: Increased 7.6% to $28.27 /kW-Year ($26.27 in FY 2025)

Estimated Costs: Increased by $2.5M (+6.9%) compared to FY 2025

Rate Mitigation: Deferred discretionary deficit principal payments by 25%

FY 2027 Rate Pressures

Pressure on Rates

Deficit Principal and Interest Costs

Deficit Recovery: Prior year deficits are amortized & recovered through future rates

Interest Expense: Deferred principal payments increase future interest costs

Increasing O&M Costs

Aging Infrastructure: System age is contributing towards higher O&M costs

Inflation & Reliability: Increased labor, equipment, and material costs

FY 2027 Rate Pressures (continued)

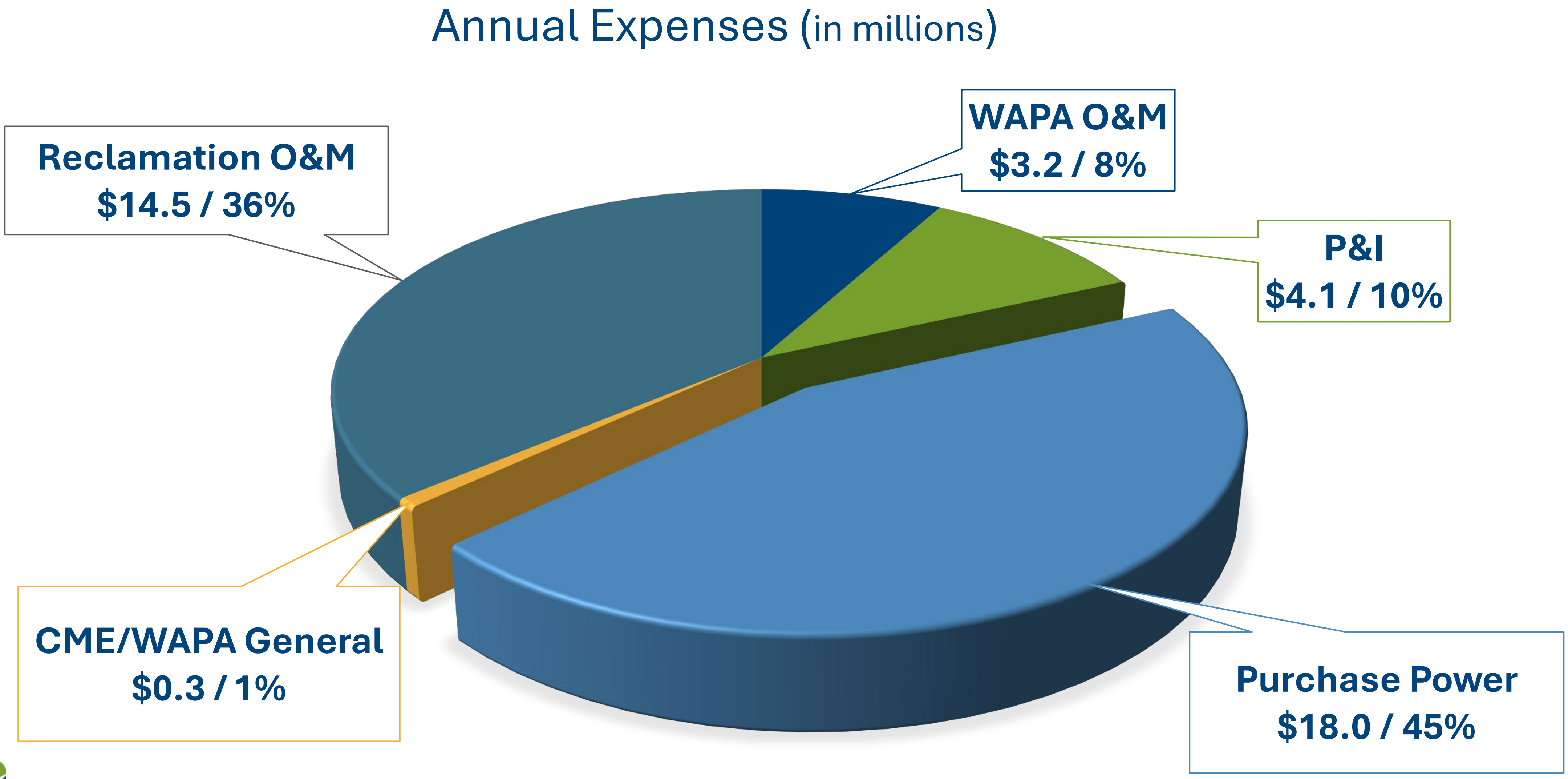
Pressure on Rates

Leverage Repayment Flexibility: Defer or level principal payments to actively smooth and reduce rate spikes

Extend Deficit Amortization: Adjusted terms from 10 to 20 years to spread out cost recovery

Minimize Purchase Power & Wheeling (PPW) Costs: Capitalize on favorable market prices, EIM participation, and P-DP Voluntary Energy Reductions

FY 2027 Rate Determinates



FY 2027 Expenses

Annual Expenses (in millions)

	FY 2026	FY 2027	Δ
Reclamation - O&M	$13.5	$14.5	$ 1.0
WAPA - O&M	$ 2.9	$ 3.2	$ 0.3
Other Expense (CME/WAPA General Expense/Multi-Project)	$ 0.3	$ 0.3	-
Purchase Power & Wheeling	$18.0	$18.0	-
Principal & Interest	$ 4.0	$ 4.1	$ 0.1
Subtotal	$38.7	$40.1	$ 1.4

Principal and Interest - Deficits*

Status of Generation Deficits ($ in millions)

	Original Amount	FY 2025 EOY Balance	Year Due	Typical P&I
FY 2018	$ 3.3	$ 1.8	2038	$ 0.2
FY 2019	$ 1.6	$ 1.4	2039	$ 0.1
FY 2020	$ 6.7	$ 6.7	2040	$ 0.6
FY 2021	$ 1.1	$ 1.1	2041	$ 0.1
FY 2022	$12.1	$12.1	2042	$ 0.9
FY 2023	$21.7	$21.7	2043	$ 1.6
FY 2024**	$ 8.3	$ 8.3	2044	$ 0.6
Total	$ 54.8	$ 53.1	Varies	$ 4.1

* 20-year repayment term

** FY 2024 Interest at 4%, others at 3%

Historical Purchase Power & Wheeling

Purchase Power & Wheeling (in millions)

	Generation PPW	5-Yr. Avg. PPW	Amount Included in Rate
FY 2021	$ 6.6	$ 7.8	$ 5.3
FY 2022	$21.0	$10.5	$ 6.0
FY 2023	$41.3	$17.4	$ 8.5
FY 2024	$23.9	$20.8	$18.0
FY 2025	$18.5	$22.3	$18.0
FY 2026 Rate	$18.0	$24.5	$18.0

FY 2027 Purchase Power & Wheeling

PPW Projections: Expected range of **$11M – $25M**, presented at the May 21, 2026, P-DP Annual Operating Plan (AOP) Meeting

Target Estimate: Currently maintained at **$18.0M**

Cost Mitigation Strategy: Held flat to FY 2024/25 levels, expect continued savings from EIM and P-DP Voluntary Energy Reductions

FY 2027 Rate Summary

Annual Other Revenue, Carryover, and Reservations (in millions)

	FY 2026	FY 2027	Δ
Other Revenue	$ 3.9	$ 3.9	-
Carryover	$ 0.0	$ 0.0	-
Subtotal	$ 3.9	$ 3.9	-

Revenue Requirement	$ 34.8	$ 36.2	$ 1.4

Reservations (GWh)	1,230	1,230	-

P-DP Generation Rate Mitigation Strategies

Maintain 20-year repayment term for existing deficits

Reduce Reclamation O&M budget by $300,000

Defer discretionary deficit principal payments by 25%

Purchase Power & Wheeling costs held steady at FY 2024/25 levels

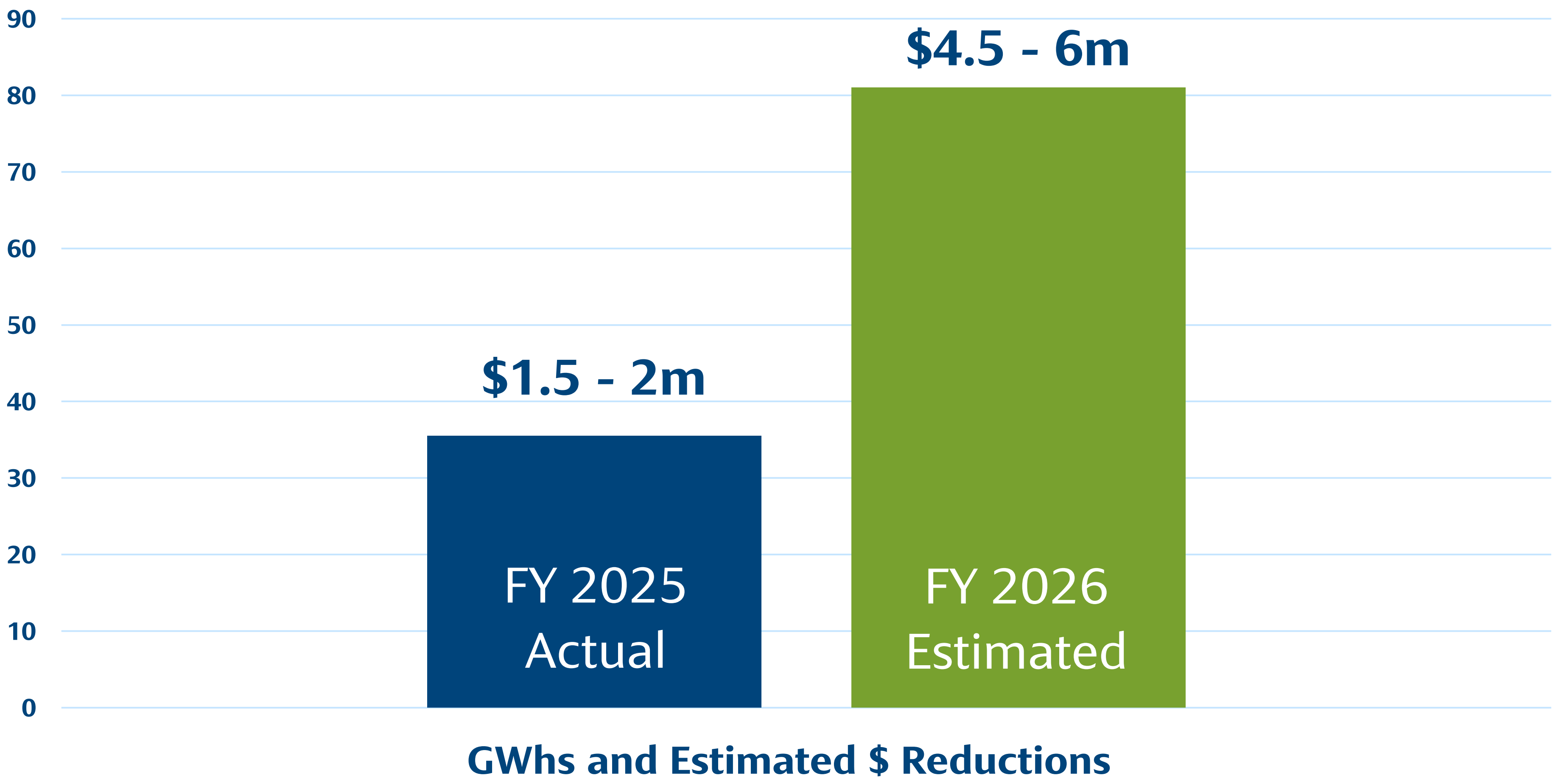
Summary Proposed Charges

	FY 2026	FY 2027 (preliminary)	Δ	% Δ
Energy (mills/kWh)	14.14	14.69	0.55	3.9%
Capacity (kW-Month)	$ 6.20	$ 6.44	$ 0.24	3.9%
Composite w/o Transmission (mills/kWh)	28.27	29.38	1.11	3.9%

P-DP Voluntary Energy Reduction (VRP) Program

- P-DP contractors can request voluntary reduction to reduce purchase power to firm hydropower
  - Quarterly hydropower projections are used for “Adjusted Monthly Energy” (Reduced from Exhibit A Energy)
  - Bill credits are provided for reductions
- Contractors representing 44% of P-DP allocated capacity are participating
- First reductions under the program occurred in April 2025
- The program has been added to WAPA’s P-DP application
- We encourage <u>ALL</u> P-DP contractors to sign the letter agreement to be eligible for the program

FY 2025-2026 VRP Participation



P-DP Questions

Next Steps

OTR:

https://www.wapa.gov/about-wapa/regions/dsw/rates/otr/

P-DP Generation:

https://www.wapa.gov/about-wapa/regions/dsw/rates/parker-davis-rate/

Include any P-DP Advancement of Funds Funding Board meeting changes

Rates are finalized in August, for October 2026 service month

Upcoming Meetings

Ten-Year Plan Supplemental Meeting - today at 1pm MST/PDT

P-DP Firm Electric Service Contract Development

- June 23, 2026 @ 10 am MST/PDT
- After June 23, recurring 2^{nd} & 4^{th} Tues @ 10am MST/PDT

P-DP Advancement of Funds Funding Board Meeting

- July 16, 2026 @ 11 am MST/PDT

Boulder Canyon Project

- Public Information Forum - July 16, 2026 @ 10 am MST/PDT
- Public Comment Forum - August 17, 2026 @ 10 am MST/PDT

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