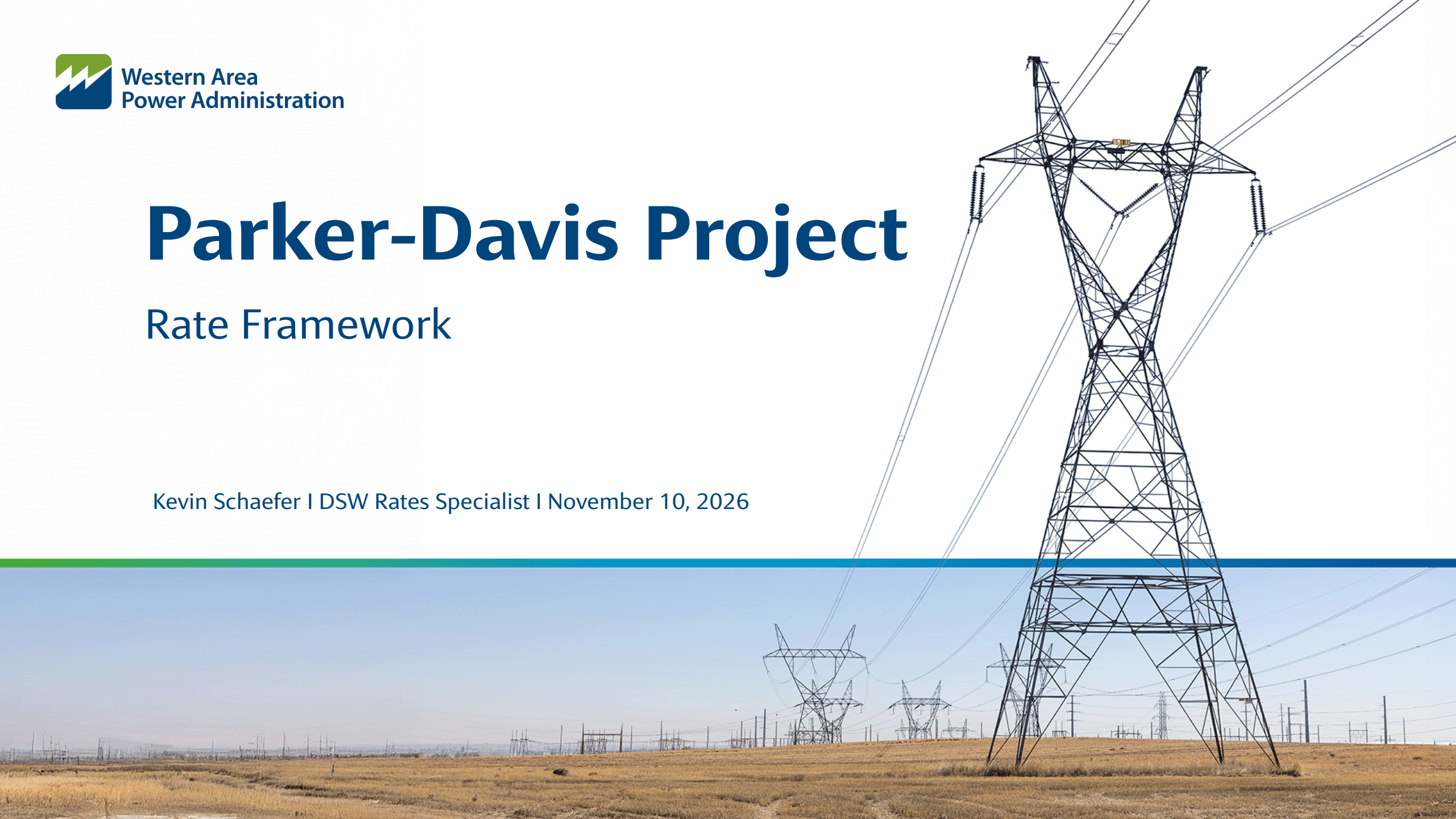
Western Area Power Administration

Parker-Davis Project

Rate Framework

Kevin Schaefer I DSW Rates Specialist I November 10, 2026



Existing anatomy of FES rate schedule

1 Energy Charge

Monthly Energy Allocation (kWh) × Energy Rate

Energy Rate = 50% of the annual Generation Revenue Requirement ÷ total annual energy allocation

2 Capacity Charge

Monthly Capacity Reservation (kW) × Capacity Rate

Capacity Rate = 50% of the annual Generation Revenue Requirement ÷ total annual Contract Rate of Delivery (CROD)

3 Transmission Charge

Contract Reservation × Long-term Firm Point-to-Point Rate

Contract Reservation based on Contract Rate of Delivery

4 Basin Fund Contribution

4.5 mills/kWh (Arizona) · 2.5 mills/kWh (CA/NV)

Lower Colorado River Basin Development Fund (LCRBDF); applied to kWh delivered

Existing rate schedule also includes Excess Energy, Unauthorized Overruns/Unreserved Use, and Power Factor provisions

Existing drivers of the Generation Revenue Requirement

FY 2029 Revenue Determinants (as of FY 2027)

Annual Expenses: $29.0M

Reclamation O&M		$15.6M
WAPA O&M		$3.4M
Other Expense		$0.3M
Purchase Power & Wheeling	*= 17% of costs*	$5.0M
Principal & Interest	*Deficit portion ~ $4M*	$4.7M



Offsets: $4.0M

Other revenue
$4.0M

Carryover
$0.0M

= $25.0M Generation Revenue Requirement

Existing rate framework and application

FY 2029 Rates (as of FY 2027)

Generation Revenue Requirement (GRR)
$25.0M

Split 50 / 50 = $12.5M each

Energy Charge
÷ Energy Allocations
1,229,778 MWh
10.17 mills/kWh

Capacity Charge
÷ Capacity Reservations
233,844 kW
$4.46 /kW-Month

Hypothetical Monthly Bill (AZ Customer)

Charge	Calculation	Amount
Energy	1,300,000 kWh × 10.17 mills	$13,221
Capacity	2,600 kW × $4.46	$11,596
Transmission	2,600 kW × $1.76/kW-mo (FY 2027 Rate)	$4,576
LCRBDF	1,300,000 kWh × 4.5 mills/kWh	$5,850
Total		**$35,243**

Existing rate framework expires September 30, 2028

Criteria for new rate framework

Align rate design with marketing plan product changes

Collect for all costs

Determine Generation Revenue Requirement

Continue to use formula rate concept with annual updates

Marketing plan products

Quarterly Energy
Deliveries follow forecast hydro generation

Optional Energy
Supplemental purchases, cost passed through

Transmission use
FES transmission reservation or rounded up seasonal CROD for COCP use

CROD = Contract Rate of Delivery
COCP = Contractor Owned/Contractor Purchased

Prelim anatomy of P-DP rate schedule

1 Generation Revenue Requirement Share

Generation Revenue Requirement × Customer's Proportionate Share

Customers pay their monthly proportionate share of the Generation Revenue Requirement based on their Contract Rate of Delivery (CROD)

2 Optional Energy

Energy Delivered x Charge

Customer request to purchase energy based on amount delivered x calculated average price

3 Transmission Charge

Contract Reservation × Long-term Firm Point-to-Point Rate

Contract reservation equals CROD, or rounded up Seasonal Full Transmission Usage (if elected for COCP)

4 Basin Fund Contribution

4.5 mills/kWh (Arizona) · 2.5 mills/kWh (CA/NV)

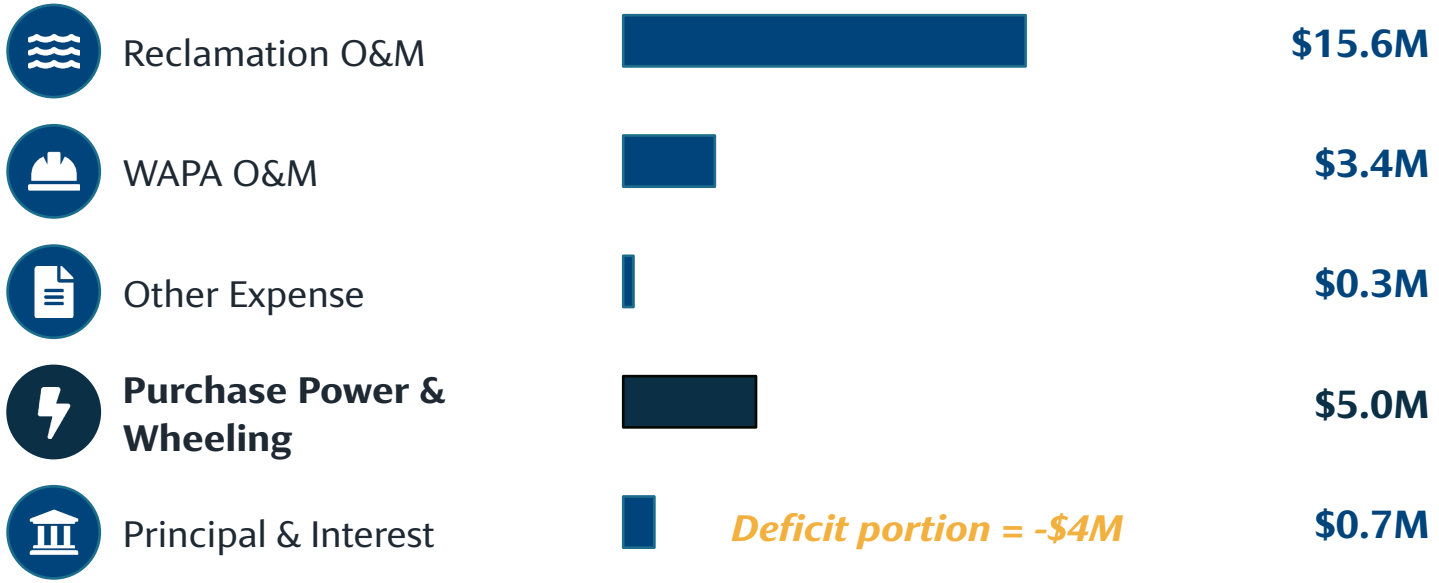
Lower Colorado River Basin Development Fund; applied to kWh delivered

Working through Excess Energy, Unauthorized Overruns/Unreserved Use, and Power Factor provisions

Prelim drivers of the Generation Revenue Requirement

FY 2029 Revenue Determinants (as of FY 2027)

Annual Expenses: $25.0M



Offsets: $4.0M

Other revenue
$4.0M

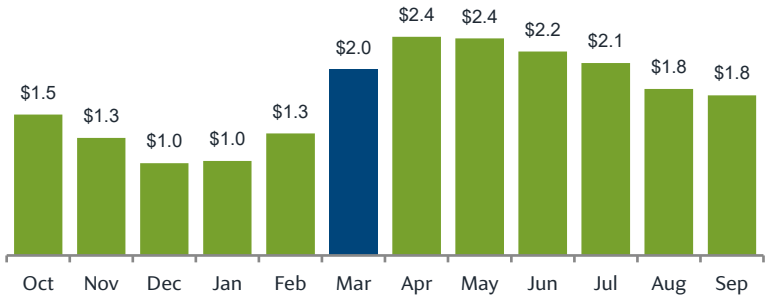
Carryover
$0.0M

= $21.0M Generation Revenue Requirement

Prelim application of rate framework

From annual generation revenue requirement (GRR) to each customer's monthly charge

Monthly billing shaped based on energy deliveries



Monthly Distribution of GRR
(based on 10-year generation average)

Calculate Generation Revenue Requirement

$21.0M

Excludes PMP Deficits of $4.0M

(FY 2029 example)

Pay proportionate share based on CROD

Share = Customer's seasonal CROD ÷ total seasonal CROD

Summer (kW): **1%** = 2,600 ÷ 260,000

Charge based on customer's share of Monthly GRR

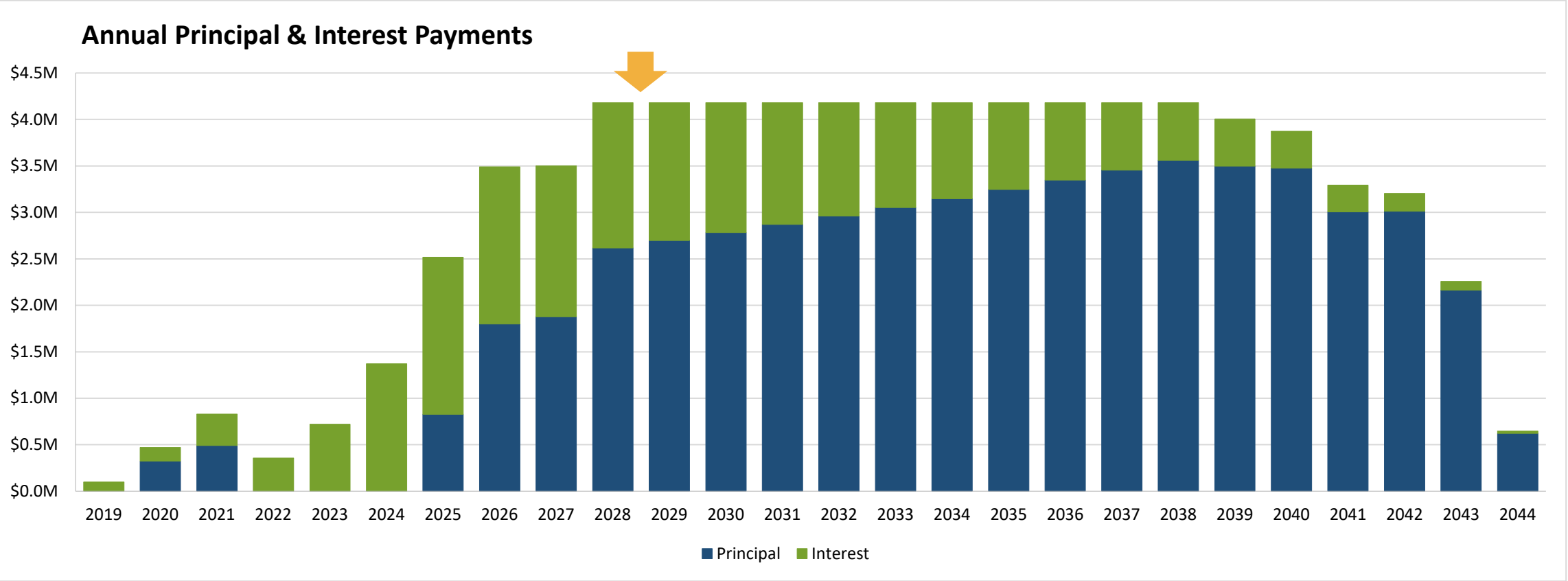
March GRR $2.0M

× Customer's Share 1%

= $20K

CROD = Contract Rate of Delivery

Prelim prior marketing period costs - deficits



3% or 4%
interest rate

20-year
repayment term

~$4M
typical P&I

~$47M
Estimated remaining principal balance, FY 2028 EOY

Prelim rate framework

FY 2029 Rates (as of FY 2027)

Generation Revenue Requirement (GRR)
$21.0M

Prior Marketing Period (PMP) Costs*
~$4M annually

Hypothetical Monthly Bill (AZ Customer)

March GRR = $2.0M · CROD % = 1% (or 2.6K kW)

Charge	Calculation	Amount
GRR Share	$2.0M x 1%	$20,000
PMP Costs (estimated)	$4.0M x 1% ÷ 12 months	$3,333
Transmission	2,600 kW × $1.76/kW (FY 2027 Rate)	$4,576
LCRBDF	926,000 kWh × 4.5 mills/kWh	$4,167
Total		**$32,076**

*Prior marketing period costs (Deficits) are not applicable for new customers

Rate timeline



Conduct informal meetings and walk through preliminary ideas

Issue proposal for generation rate and begin public process

Conduct public meetings

Public process ends and all comments are considered

Publish new generation rate schedule

Information sharing – generation focused

Biannual Advancement of Funds Coordination (WAPA & Reclamation):

Planning Board (February): Review of upcoming generation work plans and budget estimates

Funding Board (July): Approval of work plans and advance-funding allocations

Annual Rate Setting & Operating Plans:

Annual Operating Plan (May): Generation and purchase power cost projections

Proposed Rates & Charges (June): Review of upcoming revenue requirements and rates

Information sharing – transmission focused

Planning Meetings

Budget vs. Actuals Meeting (Dec): Discusses O&M and capital budget variances and allocations

Work Plan Meeting (May): Discusses execution status and future work plans

DSW Ten-Year Plan (TYP) Capital Program Meetings*

TYP Active Projects Update Meeting (Quarter 1): Updates on existing projects

TYP Draft Plan Meeting (Quarter 2): Propose capital projects and seek feedback

TYP Final Plan Meeting (Quarter 3): Issue final capital program

Prepayment Funding Meeting (Quarter 4): Voting on new prepayment projects

*TYP meetings are held on a calendar year basis rather than fiscal year

Information sharing – 10 CFR Part 903

Rate Adjustment Process – Public consultation conducted every 5 years or as needed

Public Notice: Proposal announced via the *Federal Register*

Public Engagement: Comment and consultation period, forums

Transparency & Decision: Responses to feedback, final published rate order

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