

SLCA/IP FY 2003 Rate Adjustment

Informal Customer Meeting
October 18, 2001



Carol Loftin

Rates Manager
CRSP Management Center

Rate Adjustment Topics

- ▶ SLCA/IP Firm Power
- ▶ CRSP Transmission
- ▶ Ancillary Services
- ▶ Schedule for Rate Adjustment Process



Paul Stuart

SLCA/IP Firm Power
Rates Team

Salt Lake City Area/Integrated Projects

% Energy

CRSP 95.8

Other Integrated Projects

Dolores 0.7

Seedskadee 1.0

Collbran 0.7

Rio Grande 1.8

100

Firm Power Rate

- ▶ Current firm power rate (SLIP-F6)
 - Effective: April 1, 1998
 - Energy: 8.10 mills/kWh
 - Capacity: \$3.44 kW/month
 - Composite Rate: 17.57 mills/kWh
 - Expires: March 30, 2003
- ▶ Proposed firm power rate (SLIP-F7)
 - Effective: October 1, 2002

SLCA/IP Current Rate

		FY 1997 PRS
Item	Unit	Current Rate
		1998 CBBA
Rate Setting Period:		
Beginning year	FY	1998
Pinchpoint year	FY	2057
Number of rate setting years	Years	60
Revenue Requirements:		
<i>Annual expenses</i>	1,000	\$62,708
<i>Annual principal payments</i>	1,000	\$65,614
Total Annual Revenue Requirements	1,000	\$128,322
(Less Offsetting Annual Revenue:)	1,000	(\$16,731)
Net Annual Revenue Requirements	1,000	\$111,591
Energy Sales	MWH	6,352,718
Composite Rate	mills/kWh	17.57
Billing Rates:		
Energy Rate	mills/kWh	8.1
Capacity Rate (per month)	\$/kW-month	3.44

SLCA/IP Rate Comparisons

Item	Unit	FY 1997 PRS	FY 2000 PRS	Change from	
		Current Rate	Preliminary	Current Rate	
		1998 CBBA	2003 Work Plan	Amount	Percent

Rate Setting Period:					
Beginning year	FY	1998	2003		
Pinchpoint year	FY	2057	2060		
Number of rate setting years	Years	60	58		

SLCA/IP Rate Comparisons

Item	Unit	FY 1997 PRS	FY 2000 PRS	Change from	
		Current Rate	Preliminary	Current Rate	
		1998 CBBA	2003 Work Plan	Amount	Percent

Revenue Requirements:					
<i>Annual expenses</i>					
Operation and Maintenance 1/	1,000	\$35,368	\$62,452	\$27,084	77%
Purchased Power 2/	1,000	\$5,452	\$14,000	\$8,548	157%
Wheeling	1,000	\$7,523	\$8,104	\$581	8%
Integrated Projects requirements 3/	1,000	\$7,887	\$4,786	(\$3,101)	-39%
Interest 4/	1,000	\$4,934	\$2,641	(\$2,293)	-46%
Other 5/	1,000	\$1,544	\$3,145	\$1,601	104%
Total	1,000	\$62,708	\$95,128	\$32,420	52%

1/ Reclamation's O&M increased 78% and Western's O&M increased 75%.

2/ FY 1997 PRS projected 299.1 GWH @ 18.23 mills and the FY 2000 PRS projected 400 GWH @ 35 mills.

3/ Decreased in FY 2000 by excluding Dolores and Seedskadee surplus revenues from SLCA/IP revenue requirements.

4/ Interest decreased because of fewer unpaid investments in FY 2000 PRS.

5/ FY 2000 PRS include costs for CSRS, health, and life insurance benefits and costs to retire loan from Colorado for RIF

SLCA/IP Rate Comparisons

Item	Unit	FY 1997 PRS	FY 2000 PRS	Change from	
		Current Rate	Preliminary	Current Rate	
		1998 CBBA	2003 Work Plan	Amount	Percent
<i>Annual principal payments</i>					
Replacements 6/	1,000	\$11,846	\$13,268	\$1,422	12%
Original Project and Additions 7/ Irrigation	1,000	\$8,198	\$5,766	(\$2,432)	-30%
	1,000	\$45,570	\$46,060	\$490	1%
<i>Total</i>	1,000	\$65,614	\$65,094	(\$520)	-1%
Total Annual Rev. Requirements	1,000	\$128,322	\$160,222	\$31,900	51%

6/ More future replacements budgeted and projected in the FY 2000 PRS.

7/ Fewer future additions budgeted in the FY 2000 PRS.

SLCA/IP Rate Comparisons

Item	Unit	FY 1997 PRS	FY 2000 PRS	Change from	
		Current Rate	Preliminary	Current Rate	
		1998 CBBA	2003 Work Plan	Amount	Percent

(Less Offsetting Annual Revenue:)					
Transmission	1,000	\$15,161	\$14,757	(\$404)	-3%
Merchant Function	1,000	\$0	\$10,482	\$10,482	8/
Other 9/	1,000	\$1,570	\$5,108	\$3,538	225%
<i>Total</i>	1,000	\$16,731	\$30,347	\$13,616	81%
Net Annual Rev. Requirements	1,000	\$111,591	\$129,875	\$18,284	16%

8/ There were no merchant function revenues projected in the current rate.

9/ Includes ancillary services, facility use charges, and other miscellaneous service charges.

SLCA/IP Rate Comparisons

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		1998 CBBA	2003 Work Plan	Amount	Percent

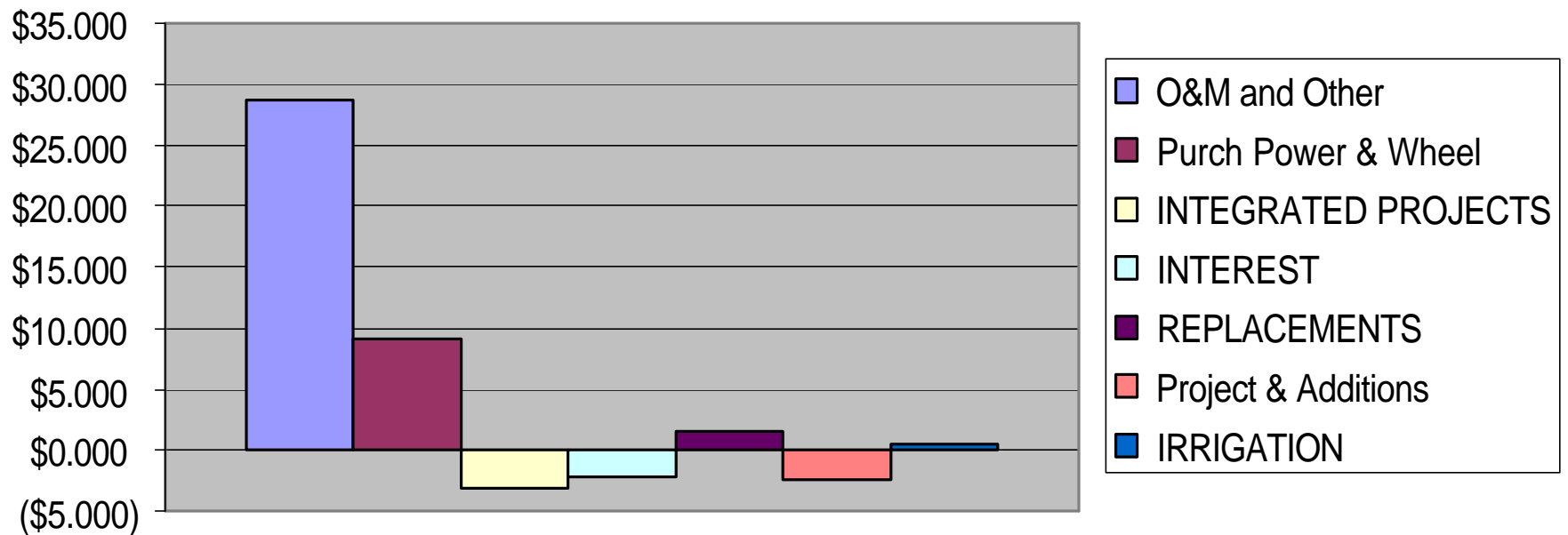
Energy Sales	MWH	6,352,718	6,258,256	-94,462	-1%
Composite Rate	mills/kWh	17.57	20.75	3.19	18%
Energy Rate	mills/kWh	8.1	9.6	1.47	18%
Capacity Rate (per month)	\$/kW-month	3.44	4.07	0.63	18%

Change in Annual Revenue Requirements and Firm Power Rates

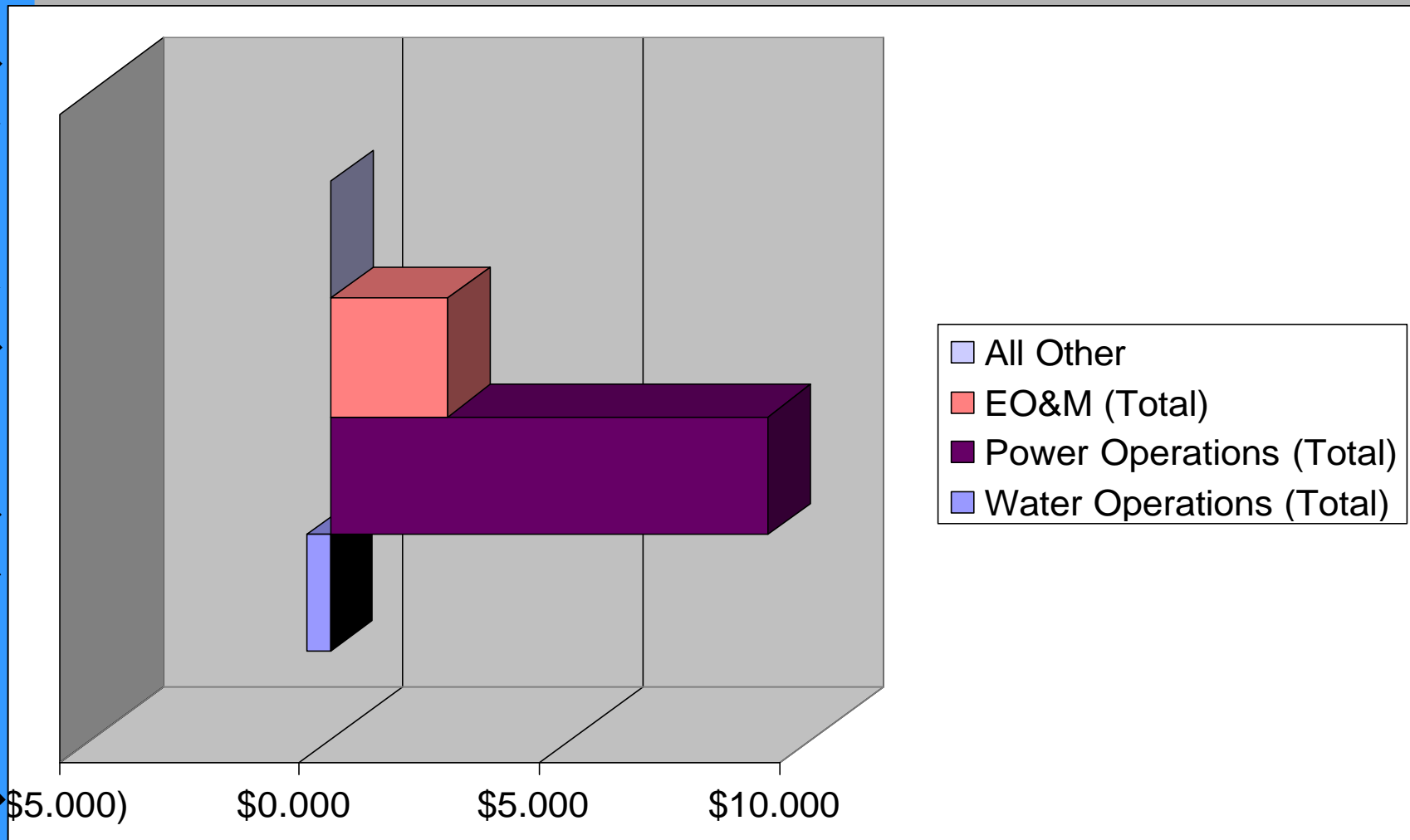
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Change in Revenue Requirements

Components of Gross Revenue Requirements Increase
in \$millions per year

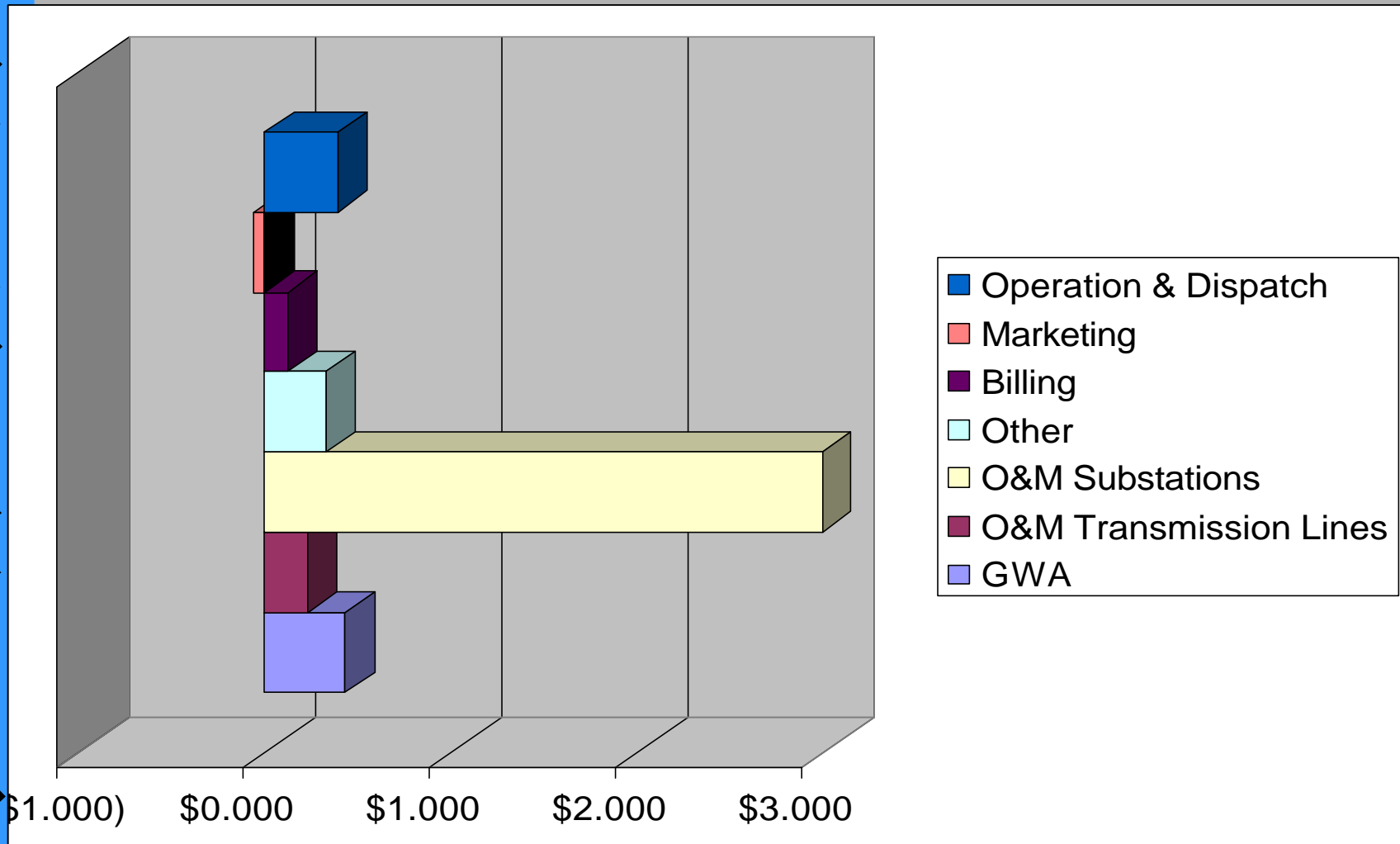


Reclamation Budgeted O&M Increases



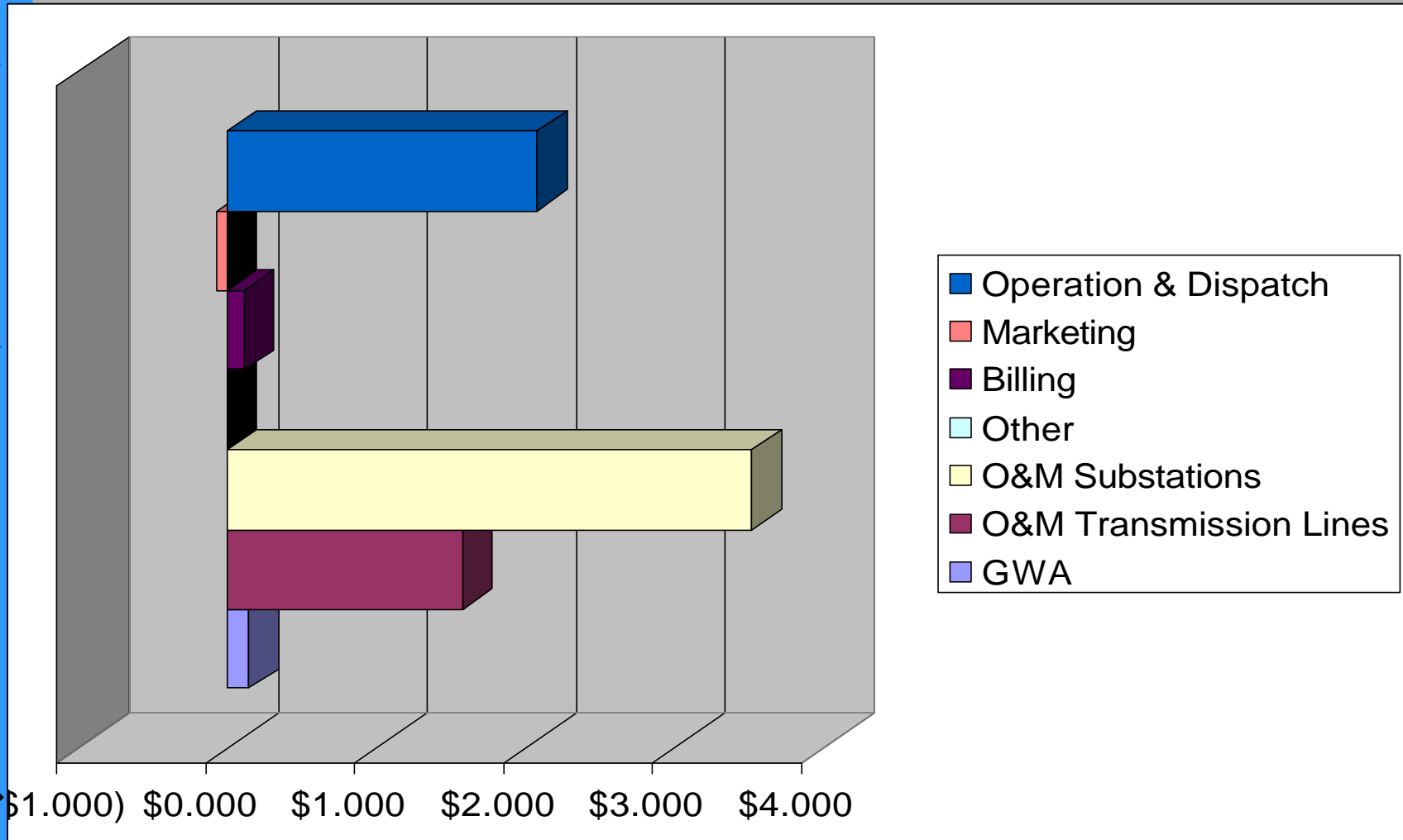
SLCA/IP Firm Power

Desert Southwest Region Budgeted O&M Increases



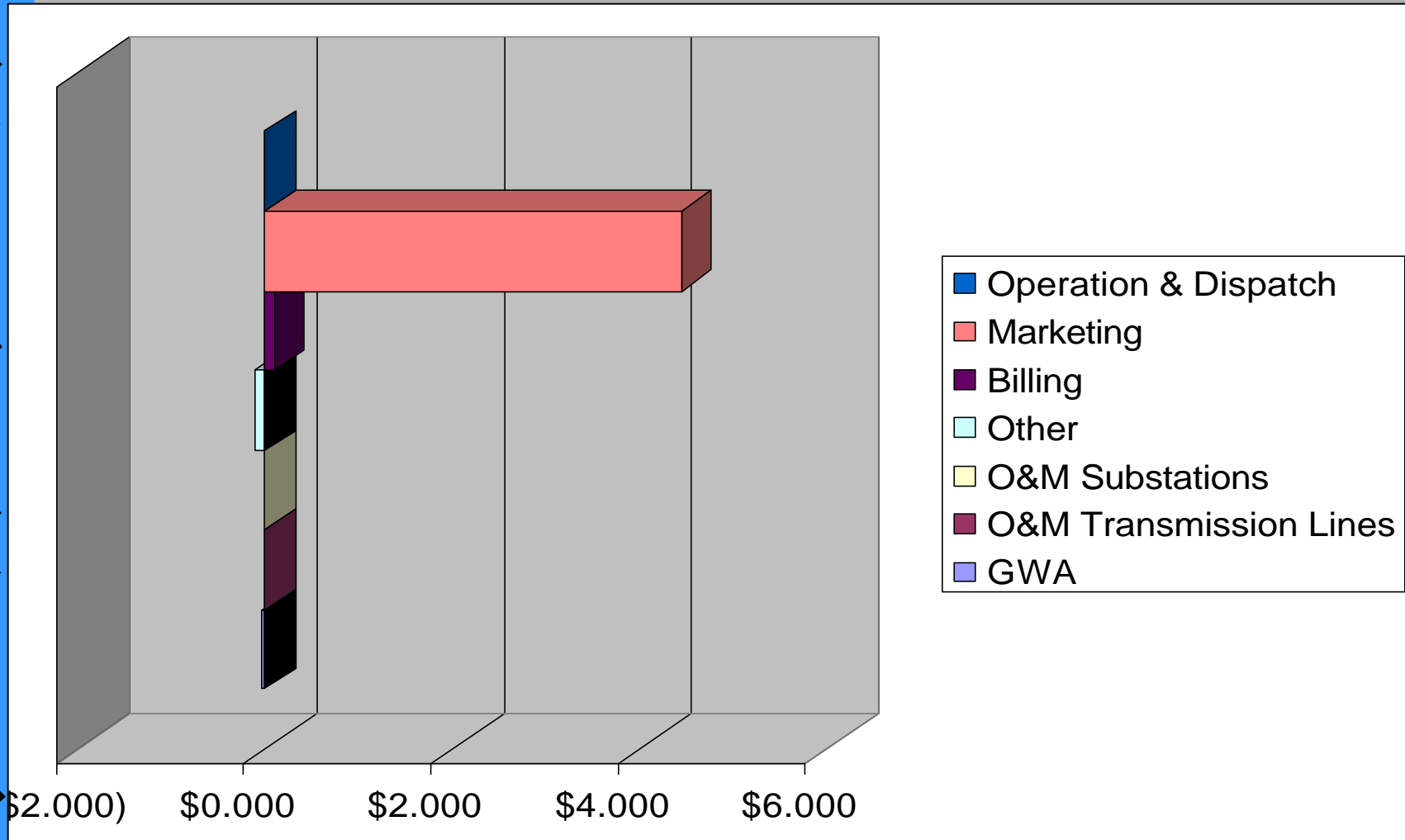
SLCA/IP Firm Power

Rocky Mountain Region Budgeted O&M Increases



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CRSP MC Budgeted O&M Increases



SLCA/IP Firm Power

Firm Power Issues

- ▶ Reconstruction of Investment
- ▶ Future Aid To Irrigation Costs
- ▶ Bonneville Unit Power Investigation Costs
- ▶ Glen Canyon Cost Allocations

Questions and Answers

SLCA/IP Firm Power



Valerie Deppe

CRSP Transmission
Rates Team

Purpose of Revising Methodology

- ▶ Current rate expires March 30, 2003.
- ▶ Requested in last rate process.
- ▶ Consistent with other Western regions, other utilities, and RTOs.
- ▶ More accurately assigns costs.

Revised Methodology Timeline

- ▶ September 27, 2000 - Meeting
- ▶ August 24, 2001 - Update
- ▶ October 18, 2001 - Informal Meeting
- ▶ October 1, 2002 - Rate Effective

Current Firm Transmission Rate

- ▶ SP-PTP5 effective April 1, 1998
- ▶ Expires March 30, 2003
- ▶ Formula-based rate updated annually
- ▶ Revenue credits and transmission reservations updated every April 1st
- ▶ Current rate is \$2.14/kW-month

Formula for Current and Depreciation Methodologies

▶ Annual Revenue Requirement

Less Transmission Credits

Divided by Transmission Reservations

Comparison Between Methodologies

- ▶ Basis for cost projections
 - Current Methodology
 - > Average of five year projections.
 - Depreciation Methodology
 - > Single test year, plus any known and measurable.

Comparison Between Methodologies

▶ Revenue Requirement

– Current Methodology

> Sum of transmission share of Western's investment, O&M, and transmission purchases.

– Depreciation Methodology

> Fixed Charge Rate multiplied by Net Investment.

Comparison Between Methodologies

- ▶ Joint Use Investment Allocation
 - Current Methodology
 - > 50/50
 - Depreciation Methodology
 - > Various analyses

Comparison Between Methodologies

- ▶ O&M Allocation
 - Current Methodology
 - > Transmission's share of total Western and Reclamation CRSP investment.
 - Depreciation Methodology
 - > Transmission's share of total Western CRSP investment.

Rates

- ▶ Update of current methodology results in a rate of \$2.12/kW-month.
- ▶ Depreciation methodology results in a rate of \$2.16/kW-month, updated annually.
- ▶ Overall: revenue requirements, revenue credits, and loads increased.

Questions and Answers

CRSP Transmission

Rodney Bailey

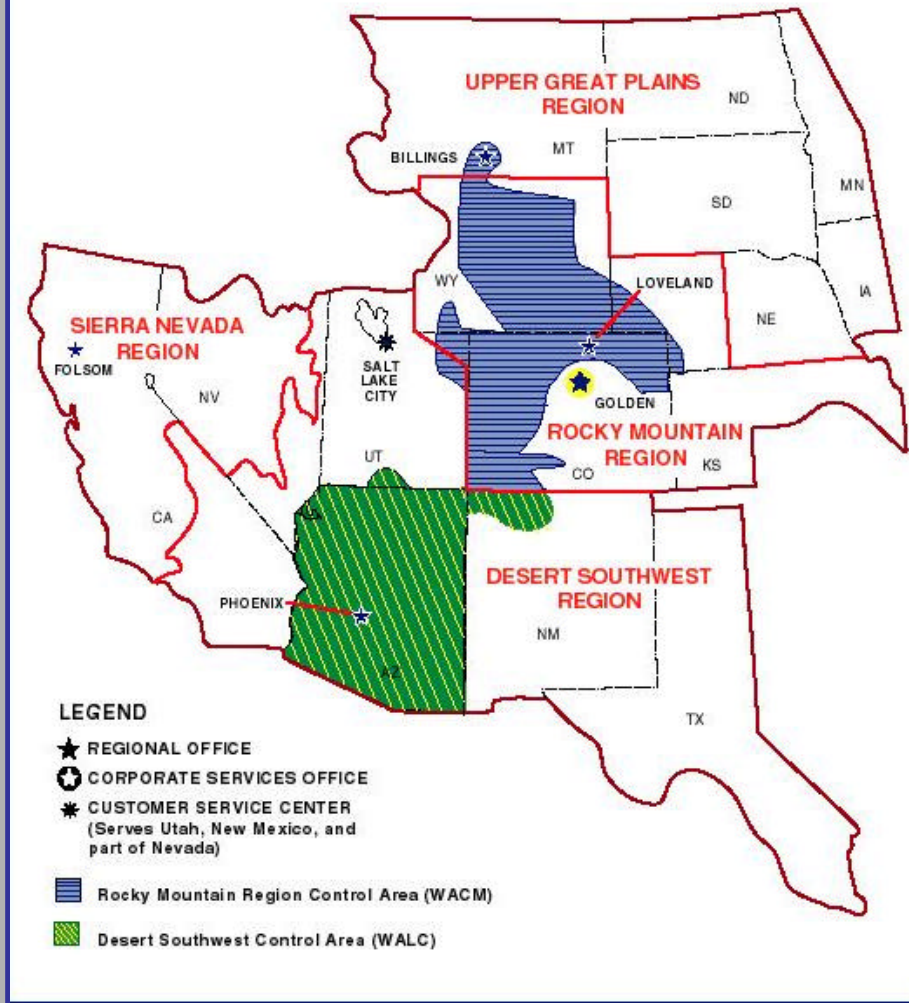
Ancillary Services

Rates Team

Ancillary Services

- ▶ Scheduling, System Control and Dispatch
 - Included in CRSP Transmission Rate.
- ▶ Reactive Supply and Voltage Control
- ▶ Regulation and Frequency Control
- ▶ Energy Imbalance
- ▶ Spinning Reserves
- ▶ Supplemental Reserves

Control Area Consolidation Post-April 1, 1998 Control Areas



Ancillary Services

Scheduling, System Control and Dispatch

- ▶ Defined under Schedule 1 of Western's Tariff.
- ▶ No change from current rate methodology.

Reactive Supply and Voltage Control

- ▶ Defined under Schedule 2 of Western's Tariff.
- ▶ WACM & WALC rate schedules apply, which include CRSP revenue requirement.
- ▶ Current Rates
 - WACM - \$0.10/kW-month.
 - WALC - \$0.05/kW-month.
- ▶ No change from current rate methodology.

Regulation and Frequency Control

- ▶ Defined under Schedule 3 of Western's Tariff.
- ▶ If available from SLCA/IP resources, will be charged the SLCA/IP firm capacity rate.
- ▶ If unavailable from SLCA/IP resources
 - WACM - \$0.16/kW-month.
 - WALC - Generator Capacity Charge.
- ▶ No change from current rate methodology.

Energy Imbalance

- ▶ Defined under Schedule 4 of Western's Tariff.
- ▶ Provided through Control Area.
- ▶ No change from current rate methodology.

Spinning and Supplemental Reserves

- ▶ Defined under Schedules 5 & 6 of Western's Tariff.
- ▶ Obtain from open market and pass-through costs.
- ▶ Minor change from current rate methodology.

Questions and Answers

Ancillary Services

Schedule for Rate Adjustment Process

- ▶ February 15, 2002
 - Publish FRN for proposed rates. Brochures mailed out to customers and interested parties.
- ▶ March 19, 2002
 - Public Information Forum.

Schedule for Rate Adjustment Process

- ▶ April 16, 2002
 - Public Comment Forum.
- ▶ May 17, 2002
 - End of Comment Period.

Schedule for Rate Adjustment Process

- ▶ September 1, 2002
 - Rate Order published.
- ▶ October 1, 2002
 - SLCA/IP Firm power, CRSP transmission rates, and ancillary services become effective.

Contacts

- ▶ Rates Manager
 - *Carol Loftin* - (801) 524-6380
- ▶ SLCA/IP Firm Power Rate
 - *Paul Stuart* - (801) 524-3526
- ▶ CRSP Transmission
 - *Valerie Deppe* - (801) 524-4445
- ▶ Ancillary Services
 - *Rodney Bailey* - (801) 524-4007

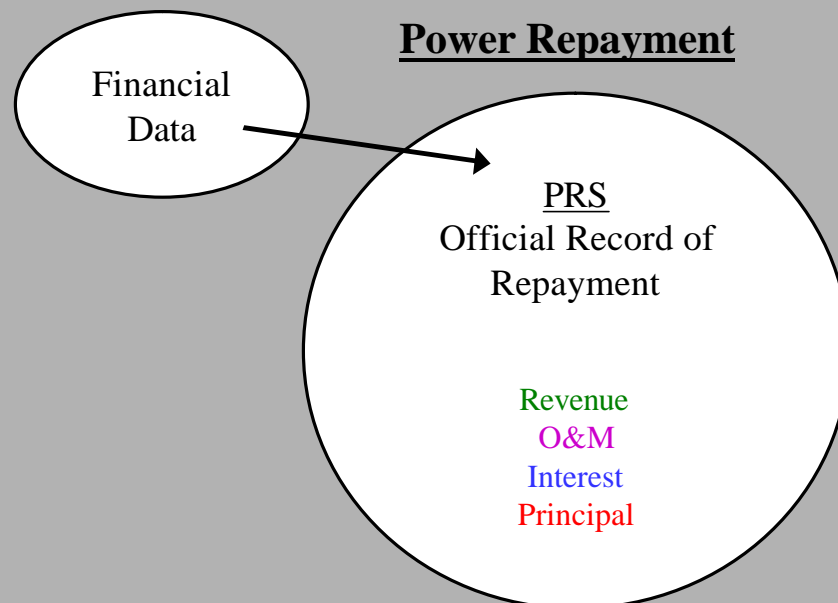
Information: <http://www.wapa.gov/CRSP/CRSP.HTM>

Questions and Answers

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Accounting for Revenues

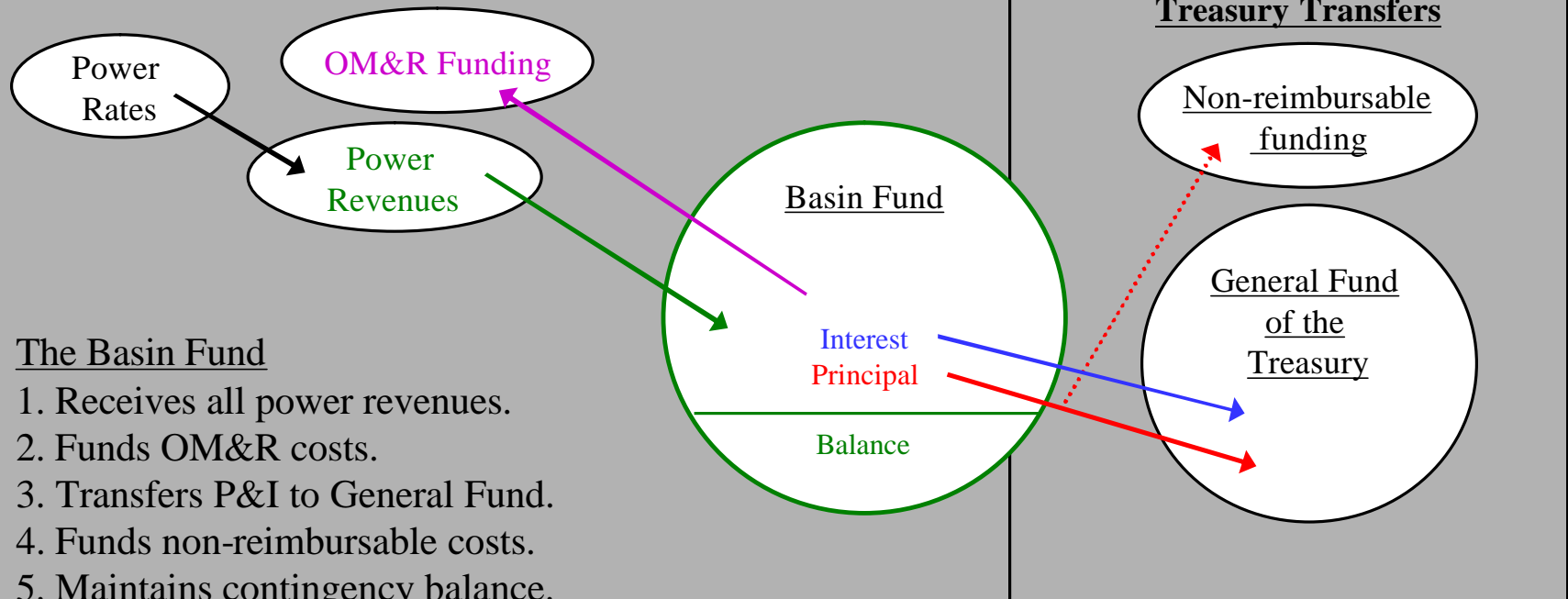


The PRS

1. Summarizes all revenues and expenses PRS.
2. Computes Interest.
3. Applies excess revenue to repayment obligations.
4. Excludes non-reimbursable funding.
5. Official record of repayment.

Accounting for Revenues

Basin Fund Cash Flow



The Basin Fund

1. Receives all power revenues.
2. Funds OM&R costs.
3. Transfers P&I to General Fund.
4. Funds non-reimbursable costs.
5. Maintains contingency balance.

Accounting for Revenues

Power Repayment and Basin Fund Cash Flow

