

Customer Rate Meeting

Western Area
Power
Administration
Colorado River
Storage Project,
Management
Center

June 17, 2004

Firm Power Rate Topics

- ◆ Presentation (Tab A)
- ◆ Change in Annual Revenue Requirements (Tab B)
- ◆ Basic PRS Assumptions and Format (Tab C)
- ◆ Review of Preliminary FY 04 SLCA/IP PRS (Tab D)
- ◆ O&M Budgets & Summary Comparison Table (Tab E)
- ◆ CRSP Reconstruction (Tab F)
- ◆ Irrigation Assistance for Participating Projects (Tab G)

Firm Power Rate Topics (Cont'd)

- ◆ Salinity Costs (Tab H)
- ◆ Smaller Projects' Revenue Requirements (Tab I)
- ◆ Project Use Allocations (Tab J)
- ◆ Current Hydrology (Tab K)
- ◆ Purchase Power Costs Estimates (Tab L)
- ◆ Open Discussion (Tab M)
- ◆ PRS Tutorial (Tab N)

Salt Lake City Area/Integrated Projects (SLCA/IP)

% Energy

CRSP 95.8

Other Integrated Projects

Dolores 0.7

Seedskadee 1.0

Collbran 0.7

Rio Grande 1.8

100

SLCA/IP Firm Power Rate

- ◆ Current firm power rate (SLIP-F7)
 - Effective Oct. 1, 2002
 - Energy: 9.5 mills/kWh
 - Capacity: \$4.04 kW/month
 - Composite Rate: 20.72 mills/kWh

SLCA/IP Firm Power Rate

Item	Unit	Current Rate
Rate Setting Period:		
Beginning year	FY	2003
Pinchpoint year	FY	2060
Number of rate setting years	Years	58
Revenue Requirements:		
<i>Annual expenses</i>	1,000	\$88,014
<i>Annual principal payments</i>	1,000	\$67,767
Total Annual Revenue Requirements	1,000	\$155,781
(Less Offsetting Annual Revenue:)	1,000	(\$26,284)
Net Revenue Requirements	1,000	\$129,497
Energy Sales	MWH	6,250,518
Capacity Sales	kW	1,447,646
Composite Rate	mills/kWh	20.72
Billing Rates:		
Energy Rate	mills/kWh	9.5
Capacity Rate (per month)	\$/kW-month	4.04

SLCA/IP Study Comparisons

		FY 2001 PRS	FY 2004 PRS	Change from	
Item	Unit	Current Rate	Preliminary	Current Rate	
		2004 WP	2006 WP	Amount	Percent

Rate Setting Period:					
Beginning year	FY	2003	2006		
Pinchpoint year	FY	2060	2060		
Number of rate setting years	Years	58	55		

SLCA/IP Study Comparisons

Item	Unit	FY 2001 PRS	FY 2004 PRS	Change from	
		Current Rate	Preliminary	Current Rate	
		2004 WP	2006 WP	Amount	Percent
Operation and Maintenance					
Western	1,000	\$33,007	\$35,957	\$2,950	9%
Reclamation	1,000	\$25,427	\$29,320	\$3,893	15%
Total O&M	1,000	\$58,434	\$65,277	\$6,843	12%
Purchased Power 1/	1,000	\$5,198	\$2,353	(\$2,845)	-55%
Transmission	1,000	\$8,145	\$9,482	\$1,337	16%
Integrated Projects requirements	1,000	\$5,716	\$6,626	\$910	16%
Interest	1,000	\$7,451	\$3,635	(\$3,816)	-51%
Other 2/	1,000	\$3,070	\$3,689	\$619	20%
Total Expenses	1,000	\$88,014	\$91,062	\$3,048	3%

1/ In the current rate, Reclamation's 24 month plan was used for the near term. In the out years, Reclamation's forecast was used. In the preliminary 2004 PRS, purchased power is based on data from the April, 2004 24-month study for WY 2005 less system losses. Outyear projections of \$2 million per year were for misc. purchased power needs.

2/ Includes the cost of salinity, federal benefits costs, and interest on capitalized moveable equipment.

SLCA/IP Study Comparisons

Item	Unit	FY 2001 PRS	FY 2004 PRS	Change from Current Rate	
		Current Rate	Preliminary	Amount	Percent
		2004 WP	2006 WP		

<i>Annual principal payments</i>					
Deficits	1,000	\$336	\$476	\$140	42%
Replacements	1,000	\$14,060	\$12,795	(\$1,265)	-9%
Original Project and Additions	1,000	\$7,311	\$5,810	(\$1,501)	-21%
Irrigation 3/	1,000	\$46,060	\$48,562	\$2,502	5%
Total	1,000	\$67,767	\$67,643	(\$124)	0%
Total Annual Rev. Requirements	1,000	\$155,781	\$158,705	\$2,924	2%

3/ Could change as a result of the revised cost allocation in the Bonneville Unit DPR.					

SLCA/IP Study Comparisons

Item	Unit	FY 2001 PRS	FY 2004 PRS	Change from	
		Current Rate	Preliminary	Current Rate	
		2004 WP	2006 WP	Amount	Percent

(Less Offsetting Annual Revenue:)					
Transmission	1,000	\$18,003	\$19,619	\$1,616	9%
Merchant Function	1,000	\$5,864	\$7,505	\$1,641	28%
Other 4/	1,000	\$2,417	\$3,169	\$752	31%
<i>Total</i>	1,000	\$26,284	\$30,293	\$4,009	15%
Net Annual Revenue Requirements	1,000	\$129,497	\$128,412	(\$1,085)	-1%

4/ Other revenues include ancillary services such as spinning reserves, facility use charges, and other misc. service charges.

SLCA/IP Study Comparisons

		FY 2001 PRS	FY 2004 PRS	<i>Change from</i>	
Item	Unit	Current Rate	Preliminary	<i>Current Rate</i>	
Net Annual Rev. Requirements	1,000	\$129,497	\$128,412	(\$1,085)	-1%
Energy Sales	MWH	6,250,518	5,185,892	-1,064,626	-17%
Capacity Sales	kW	1,447,646	1,452,131	4,485	0%
Composite Rate	mills/kWh	20.72	24.76	4.04	19%
Energy Rate	mills/kWh	9.5	10.2	0.70	7%
Capacity Rate (per month)	\$/kW-month	4.04	4.33	0.29	7%

Composite Rate Discussion

Composite Rate =
Revenue Requirements
GWH for sale

128.4 Million/5185.8
GWH =
24.76 mills/kWh

Or

128.4 Million/6250.5
GWH =
20.54 mills/kWh

Basic PRS Assumptions and Format (Tab C)

Power Repayment Study (PRS) Format							
					Priority of Repayment		
Years	Power Sales	Revenue	Expenses	Net Revenue Available for Repayment	Investment with higher interest rate	Investment with lower interest rate	Other Payments
Historic Data							
Subtotals							
Future Data							
Grand Total							

Review of FY 2004 SLCA/IP Preliminary PRS (Tab D)

(Refer to handout)

Western O&M Budgets (Tab E)

Current Rate (2004 Work Plan)	FY 2004 PRS (2006 Work Plan)	Change
\$33 Million	\$36 Million	\$3 Million

Bureau O&M Budgets (Tab E)

Current Rate (2004 Work Plan)	FY 2004 PRS (2006 Work Plan)	Change
\$25 Million	\$ 29 Million	\$ 4 Million

CRSP Reconstruction (Tab F)

- ◆ Two Parts of Reconstruction
 - Reconstruction of Investment
 - Recalculation of Interest

Audit Findings

- ◆ Reason for the Reconstruction
 - 1995 - Interest on Federal Investment (Bureau vs. Western)
 - 1998 - Calculation of Interest on Outstanding Power Investment

CRSP Reconstruction Summary (Tab F)

2003 Unpaid Federal Investment (UFI) Comparisons

\$1,000

<u>Rate</u>	<u>FY-2002 PRS</u>	<u>FY-2003 PRS</u>	<u>Change</u>
10%	53,225	47	(53,178)
9%	143,722	51,870	(91,852)
8%	42,172	130,202	88,030
7%	4,597	7,213	2,616
6%	1,396	9,279	7,883
5%	-	18,581	18,581
4%	-	7,531	7,531
3%	-	5,034	5,034
2%	148,779	185,354	36,575

Interest Savings

- ◆ \$20.4 million dollar interest saving adjustment.
- ◆ Future interest expense reduced \$50 million over next 10 years compared with 2002 PRS.

Irrigation Assistance (Tab G)

Item	Current	Revised	Change
Aid to Mainstem	111,346	109,926	(1,420)
Aid to Participating Projects	2,588,172	2,588,149	(23)
Total	2,699,518	2,698,075	(1,443)

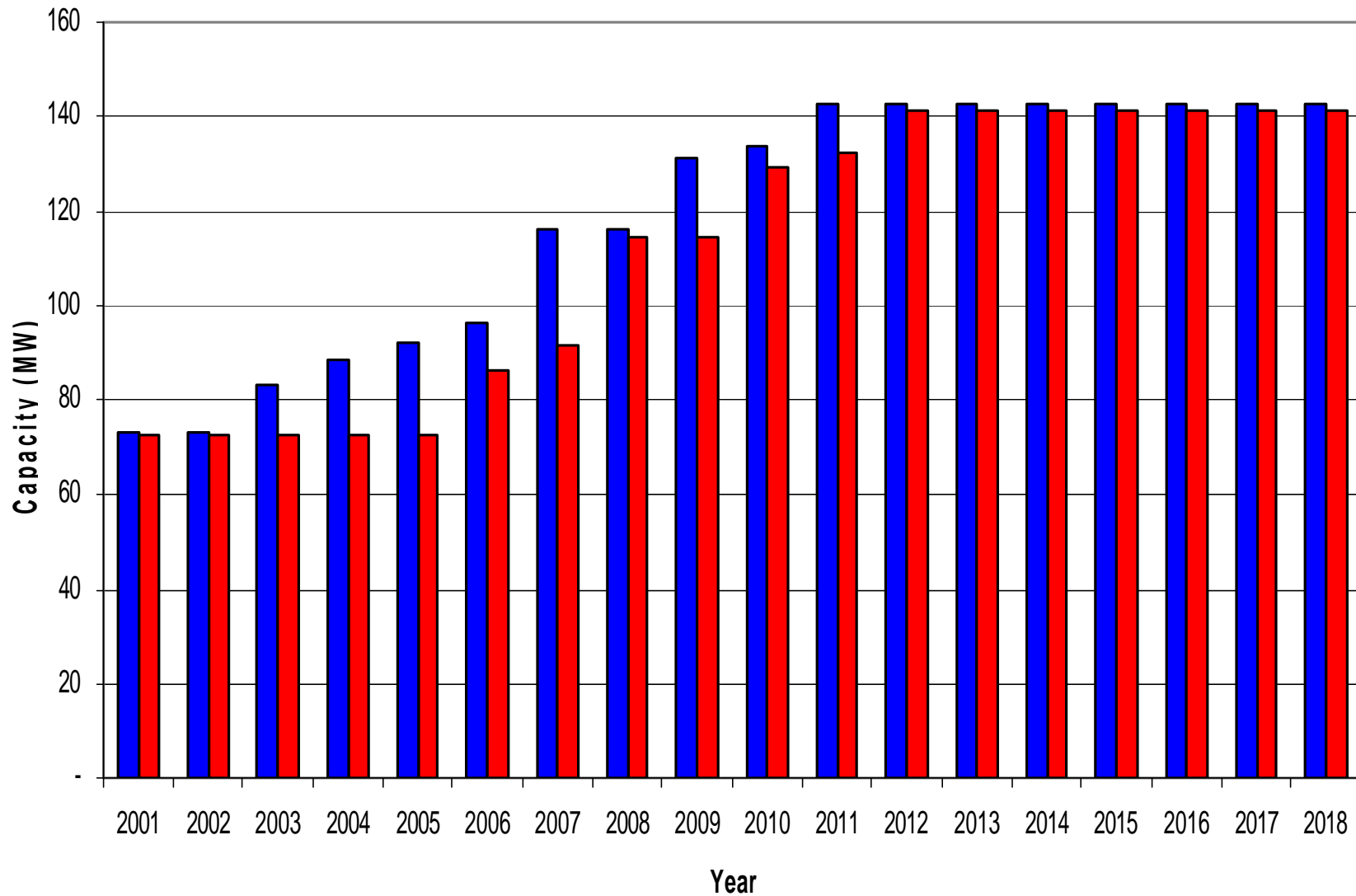
Salinity Costs (Tab H)

Fiscal Yr	Current Rate	FY 2004 PRS	Change
2004	1,464	2,161	697
2005	1,464	2,524	1,060
2006	1,464	2,618	1,154
2007	1,523	2,618	1,095
2008-2060	1,523	2,618	1,095

Smaller Projects Revenue Requirements (Tab I)

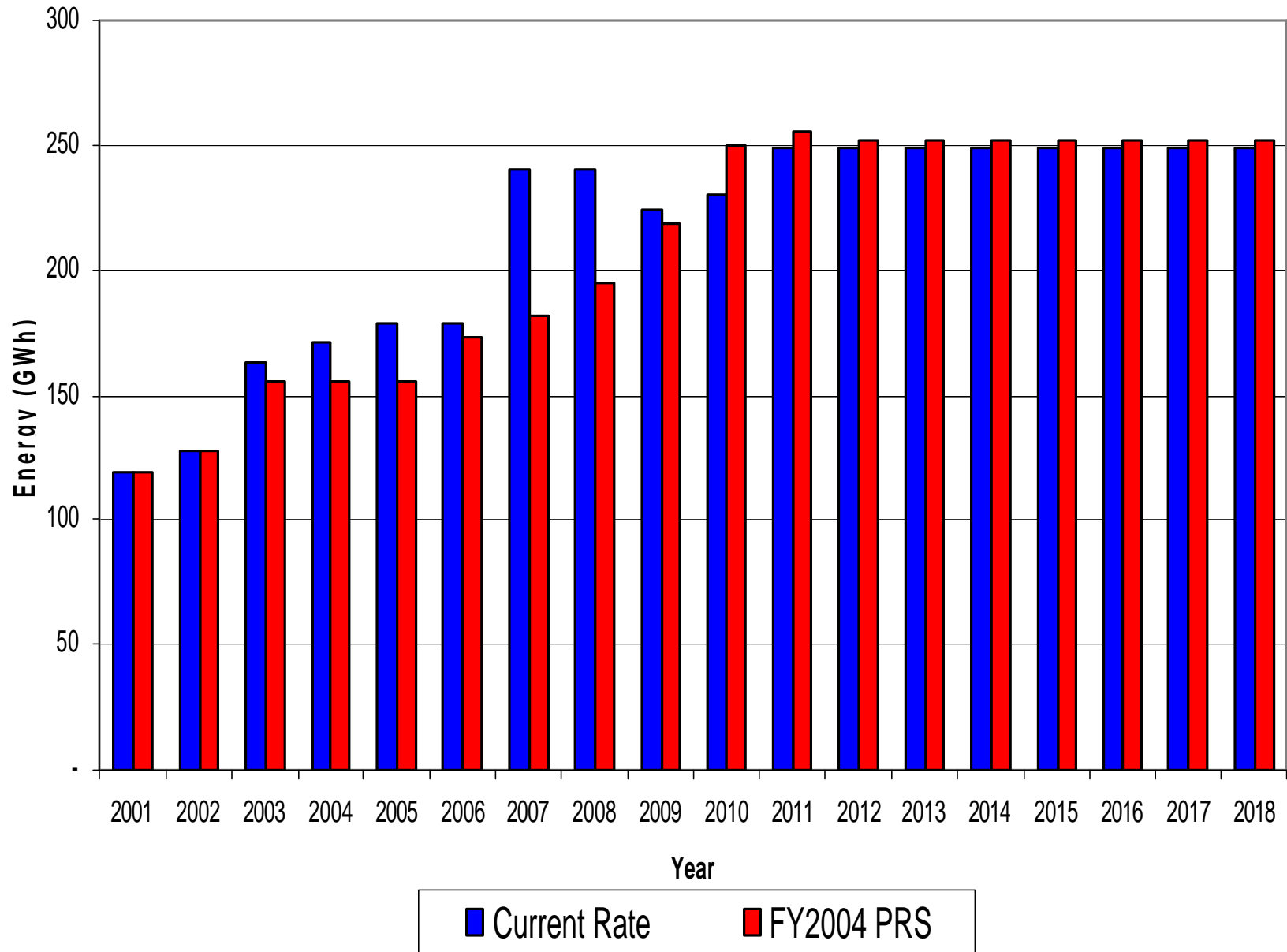
Current Rate	FY 2004 PRS	Change
\$ 5.7 Million	\$ 6.6 Million	\$ 0.9 Million

Comparison of Project Pumping Capacity Projections

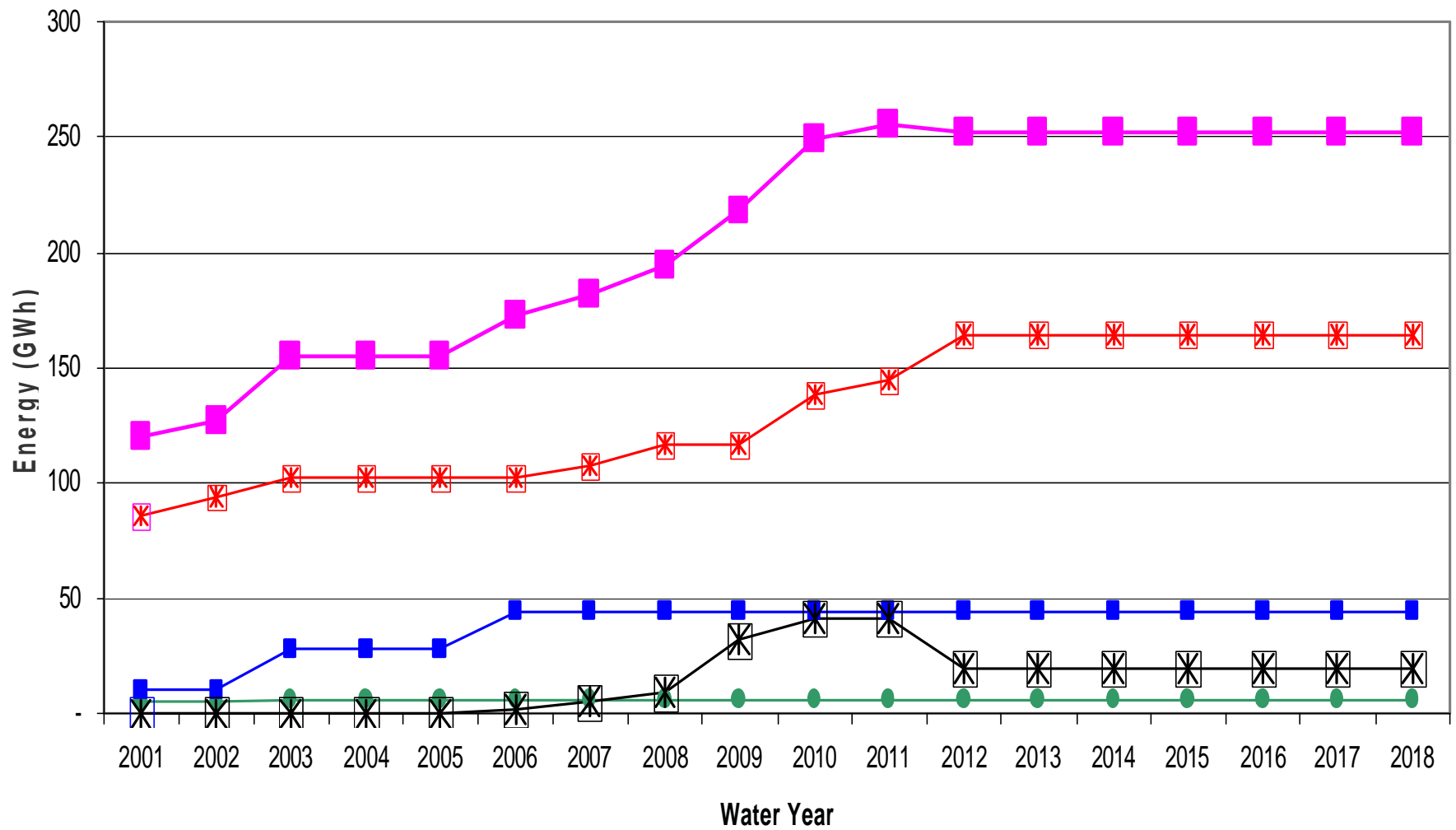


■ Current Rate ■ FY2004 PRS

Comparison of Project Pumping Energy Projections

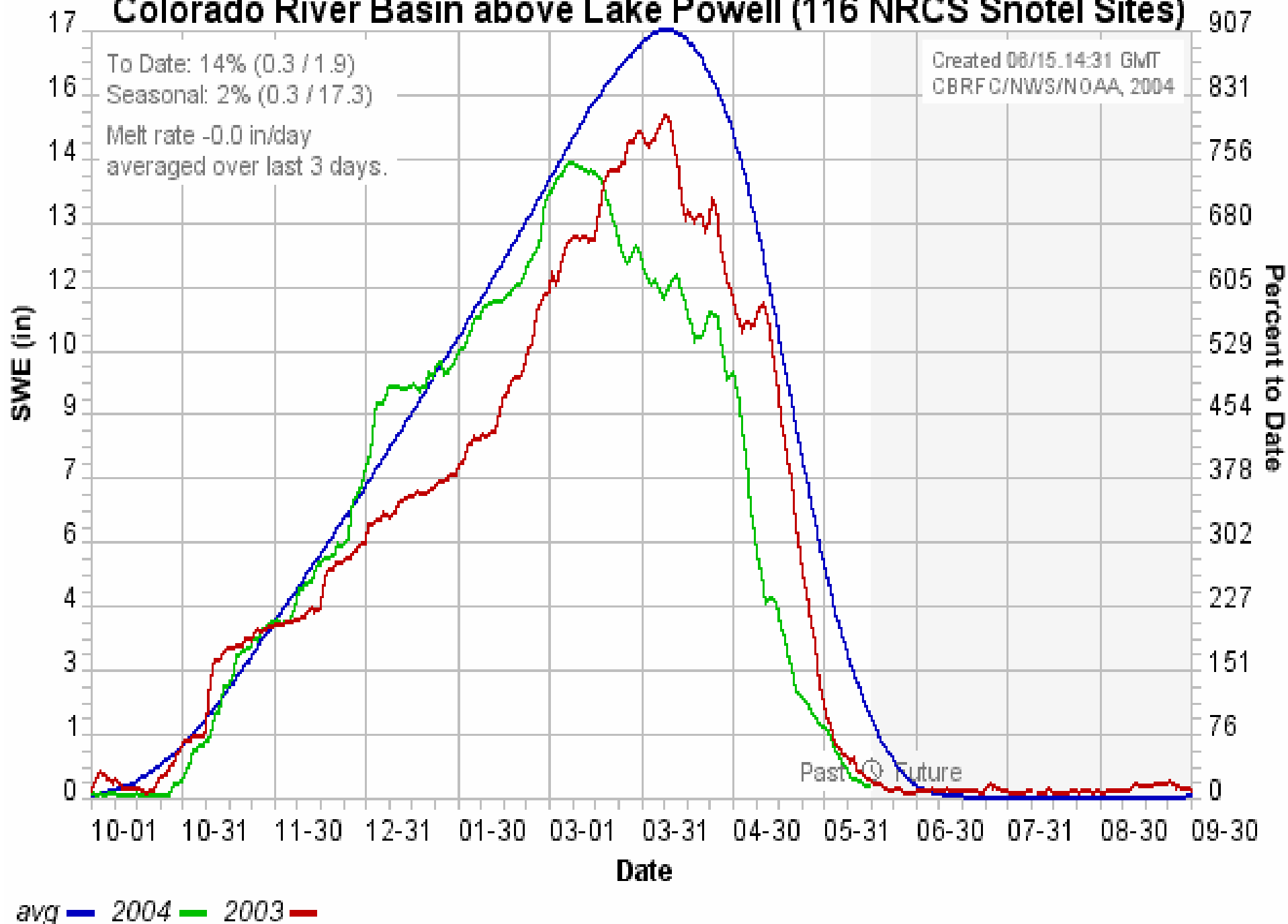


Project Pumping Annual Energy Use FY2004 PRS



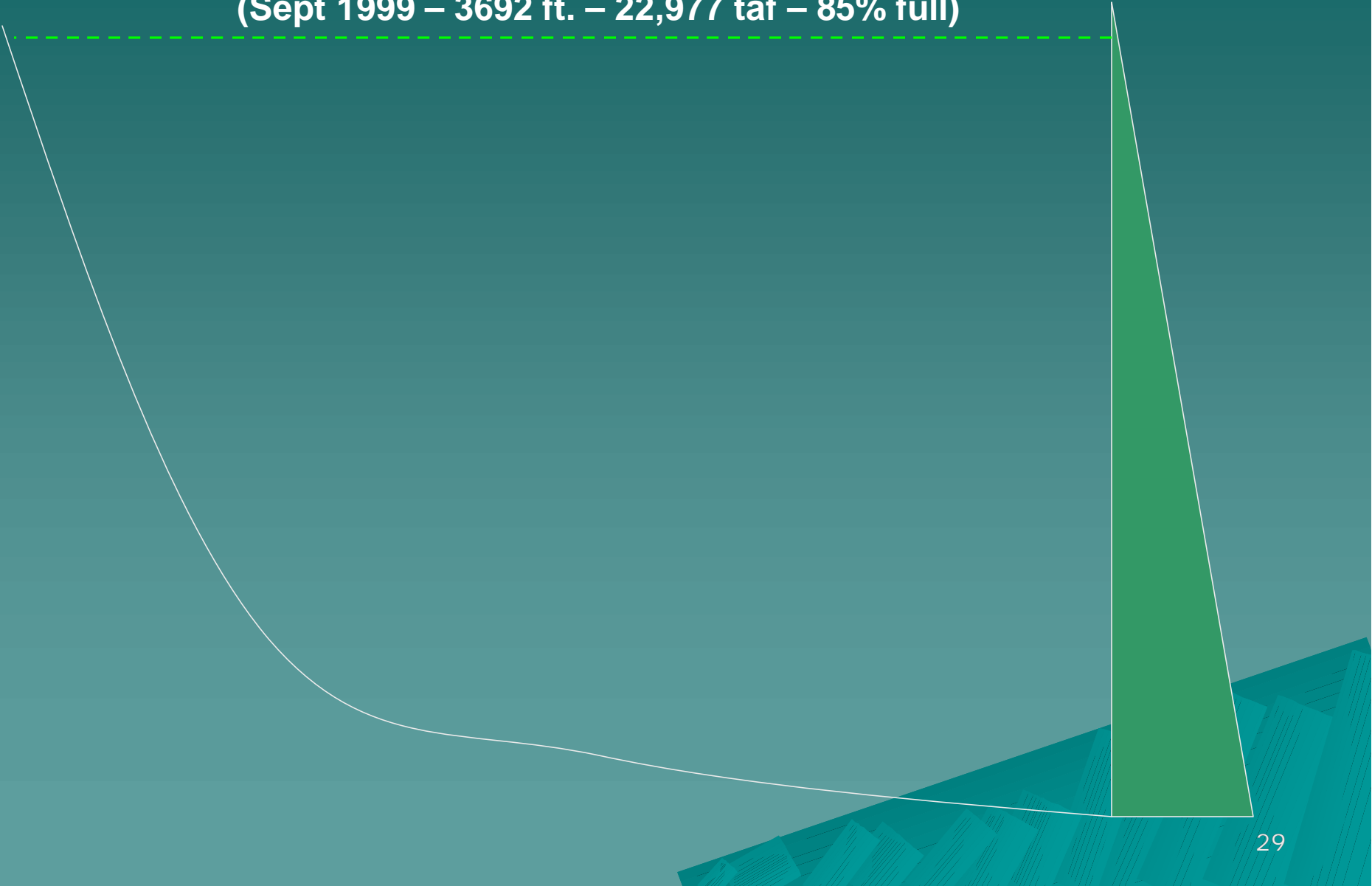
Current Hydrology (Tab K)

Colorado River Basin above Lake Powell (116 NRCS Snotel Sites)



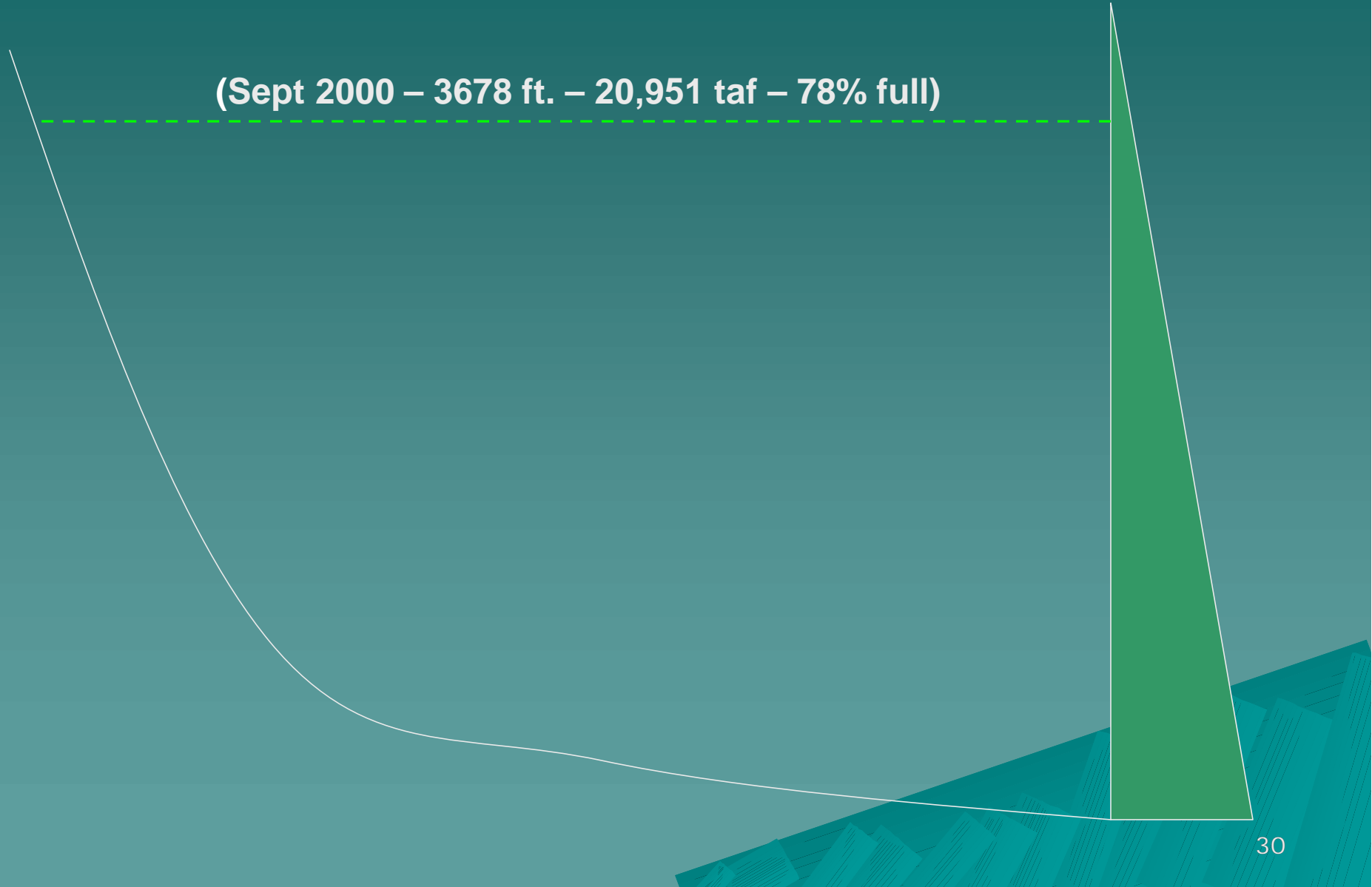
Elevation Level at Lake Powell

(Sept 1999 – 3692 ft. – 22,977 taf – 85% full)



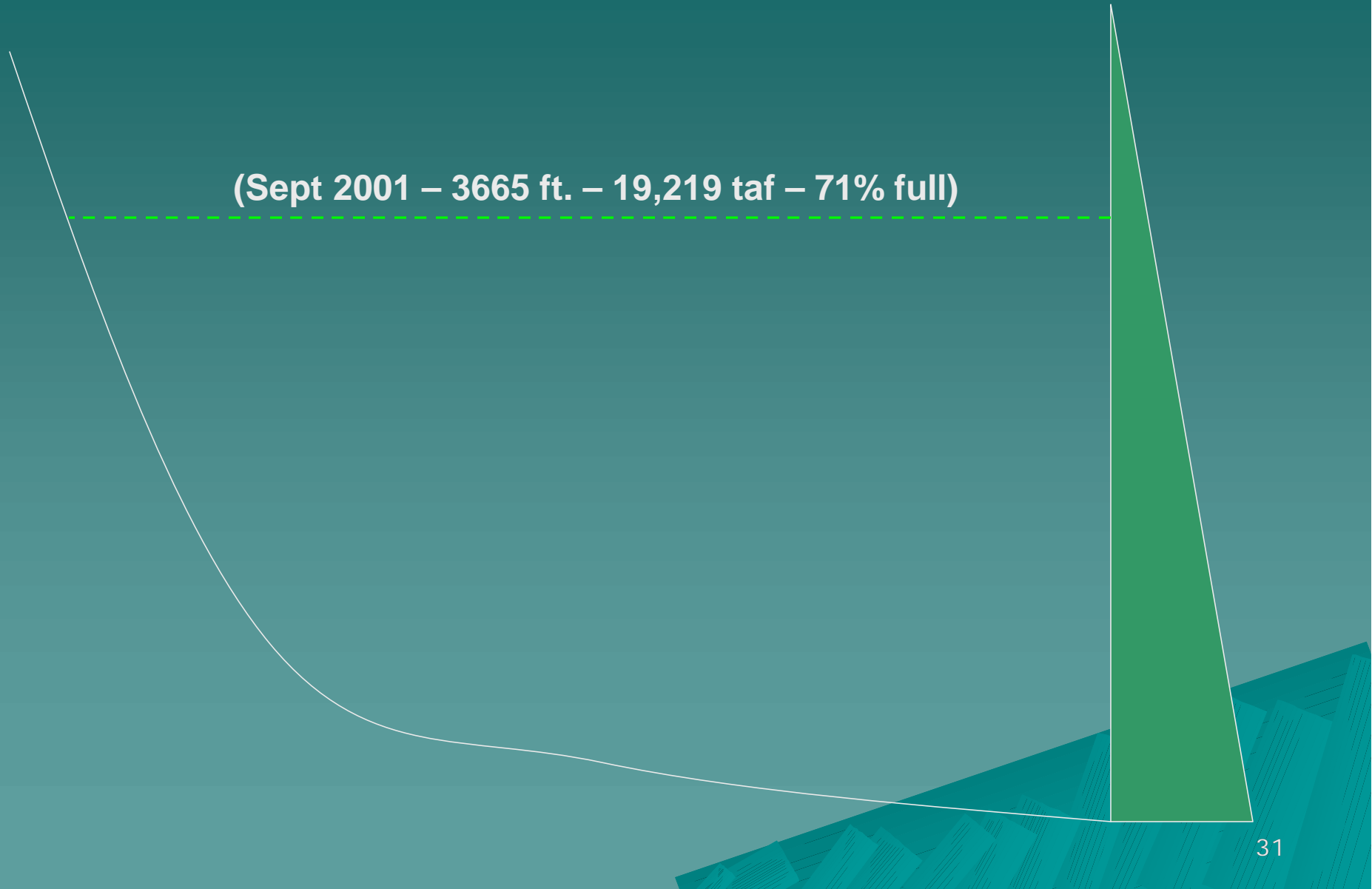
Elevation Level at Lake Powell

(Sept 2000 – 3678 ft. – 20,951 taf – 78% full)



Elevation Level at Lake Powell

(Sept 2001 – 3665 ft. – 19,219 taf – 71% full)



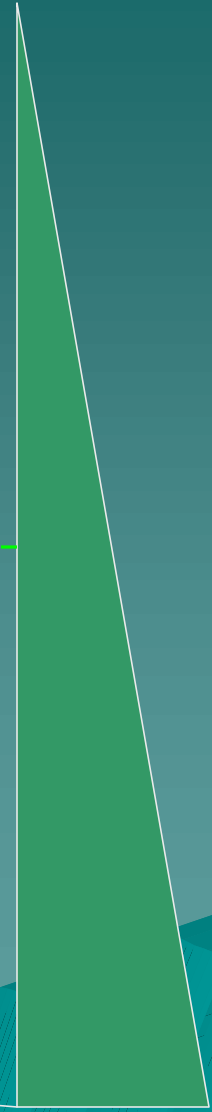
Elevation Level at Lake Powell

(Sept 2002 – 3626 ft. – 14,413 taf – 53% full)



Elevation Level at Lake Powell

(Sept 2003 – 3602 ft. – 11,977 taf – 44% full)



Elevation Level at Lake Powell

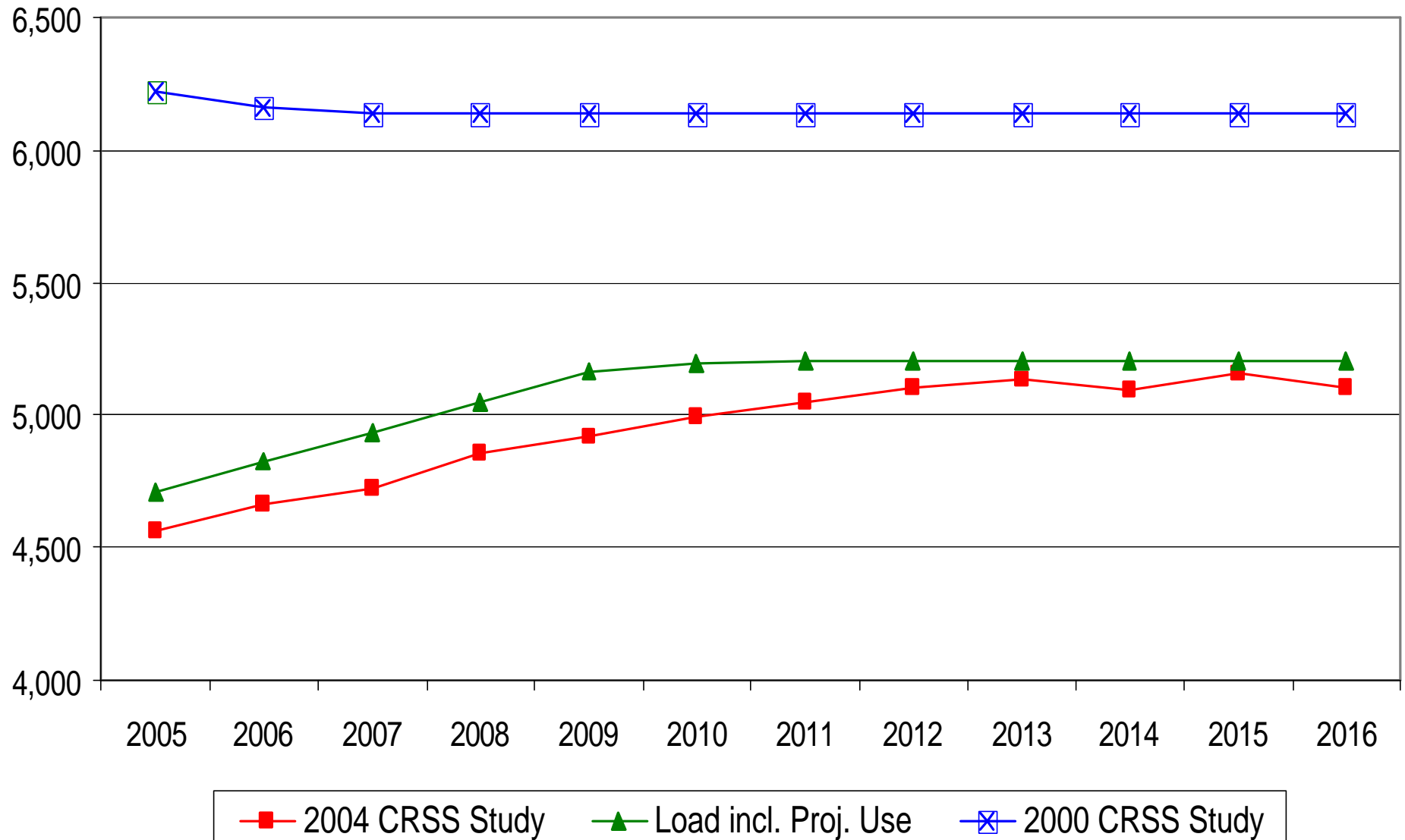
(Estimated Sept 2004 – 3574 ft. – 9,643 taf – 36% full)

Bottom Generation – 3490 ft. – 4,000 taf -15%

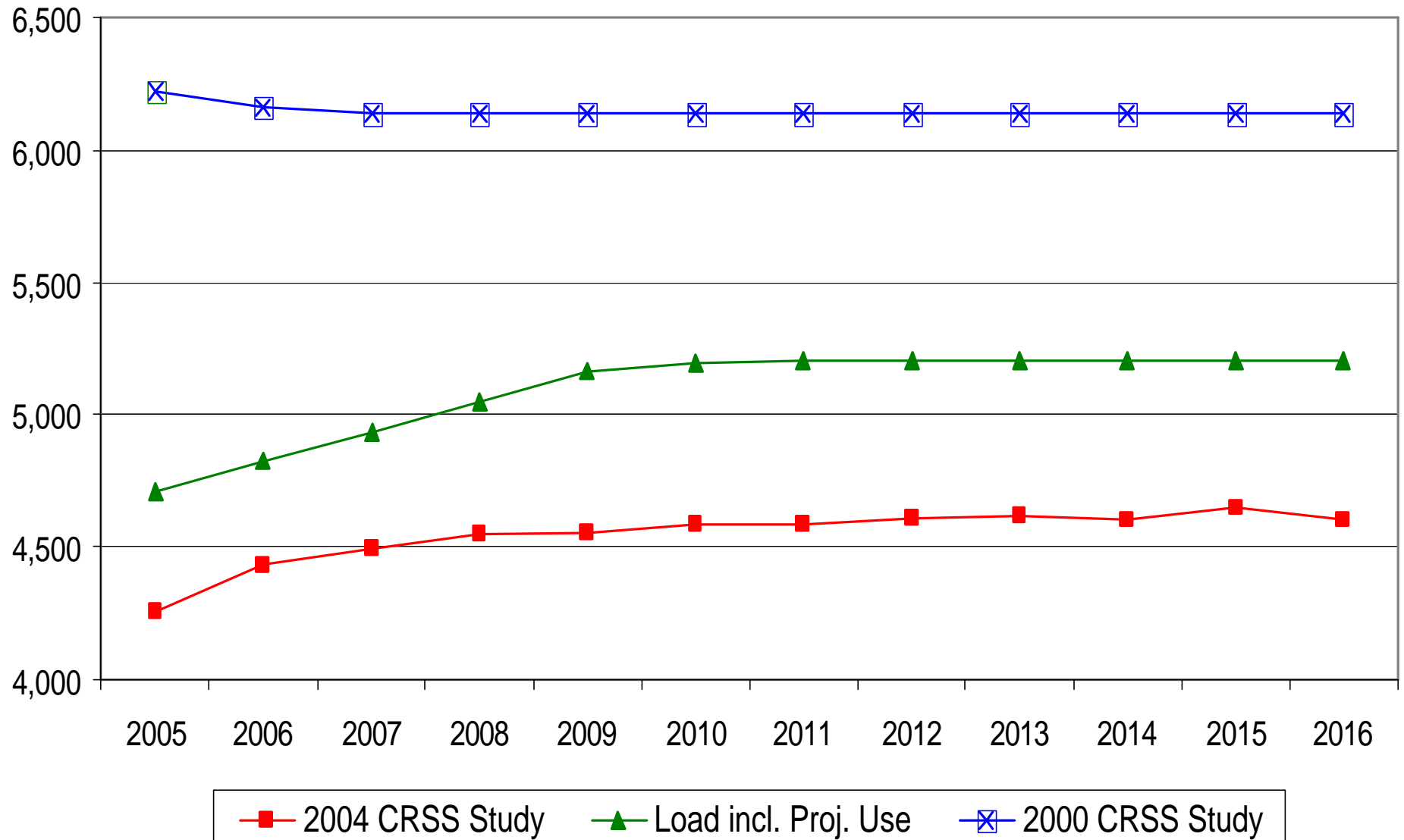
22 % probable



Comparison of Net SLIP Generation in GWh using Average Hydrological Conditions

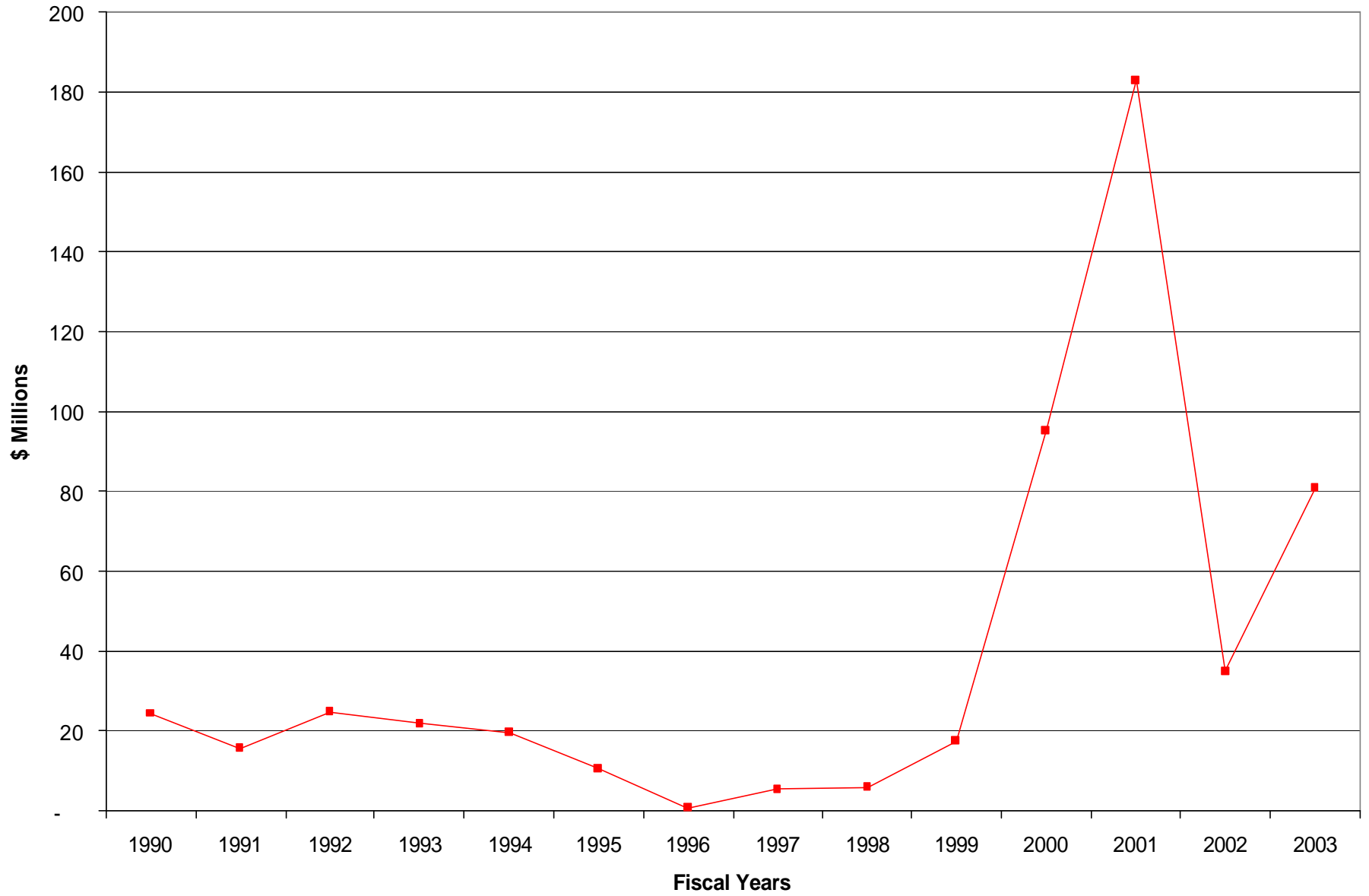


Comparison of Net SLIP Generation in GWh using Median Hydrological Conditions



Purchase Power Cost Estimates (Tab L)

CRSP Historic Purchased Power Expenses



Purchase Power for FY 04

- ◆ FY 2004 Purchase power expenses through May, 2004: **\$31,836,534**
- ◆ FY 2004 Estimated Purchase power expenses from June, 2004 to September, 2004: **\$13,999,454**

Rate Effects of Most Probable

- ◆ Energy: 10.20 mills/kWh
- ◆ Capacity: \$4.33 kW/month
- ◆ Composite Rate: 24.76 mills/kWh

Rate Effects of Continued Drought

- ◆ Energy: 11.40 mills/kWh
- ◆ Capacity: \$4.84 kW/month
- ◆ Composite Rate: 27.72 mills/kWh

Open Discussion (Tab M)

- ◆ Questions and Answers
- ◆ Tentative rate adjustment schedule

Information: www.wapa.gov/crsp

Tentative Rate Adjustment Schedule

Informal Meetings	October - November, 2004
Publication of FRN	January , 2005
Public Information Forum	February, 2005
Public Comment Forum	March, 2005
End of Comment Period	April, 2005
Effective Date	October 1, 2005

Rates Team

CAROL LOFTIN
TEAM LEAD
RATES MANAGER
801-524-6380

SLIP FIRM POWER RATE
AND CRSP PRS:
PAUL STUART
801-524-3526

TRANSMISSION, SMALLER PROJECTS,
& ANCILLARY SERVICES:
RODNEY BAILEY
801-524-4007

LOGISTICS:
TAMALA GHELLER
801-524-6388