

2025 Power Marketing Initiative (PMI) Proposal

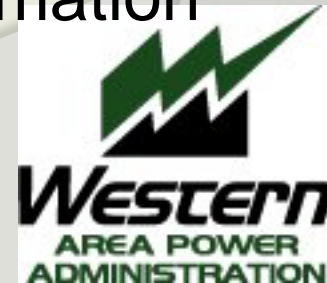
**Western Area Power Administration
Rocky Mountain Region**

Loveland Area Projects

November 29-30, 2011

Agenda

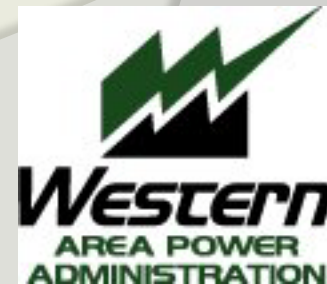
- Overview of Western Area Power Administration
- Post-1989 Loveland Area Projects (LAP) Marketing Plan
- Energy Planning and Management Program
- Development of the 2025 PMI Proposal
- 2025 PMI Proposal
- 2025 PMI Comment Period & Proposal Information
- Questions



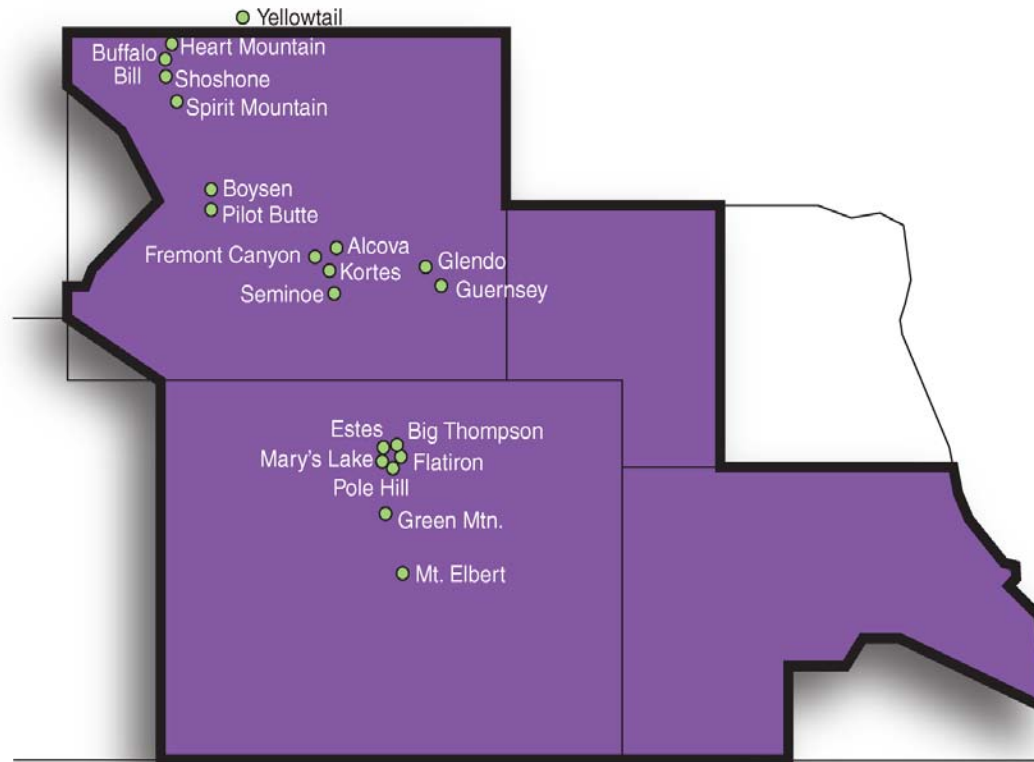
Overview of Western Area Power Administration (Western)

- One of four power marketing administrations within the Department of Energy
- Mission: Market and deliver reliable, renewable, cost-based Federal hydroelectric power and related services within a 15-state region of the central and western U.S.
- Vision: Provide premier power marketing and transmission services

Rocky Mountain Region (RMR) is one of five regional offices

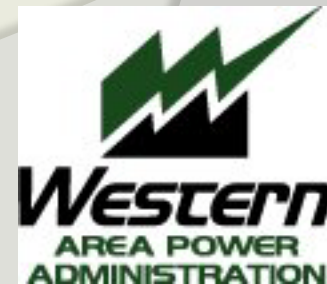


Rocky Mountain Region Loveland Area Projects Power Plants



Post-1989 LAP Marketing Plan (Marketing Plan)

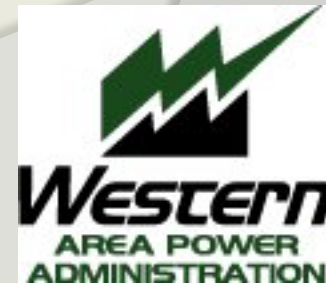
- Extended long-term commitments to existing customers and allocated power to 57 new customers through September 30, 2004
- Established Conservation and Renewable Energy (C&RE) Program
- Marketed capacity and energy based on Bureau of Reclamation (Reclamation) hydrology study
- Extended marketing area



Energy Planning and Management Program (EPAMP)

Implemented in 1995

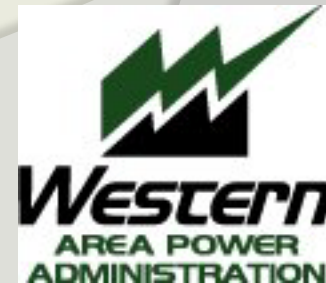
- **Part 1** – Integrated Resource Planning (IRP)
 - Replaced C&RE Program
- **Part 2** – Power Marketing Initiative (PMI)
 - Amended the Marketing Plan



EPAMP - Part 2 PMI (continued)

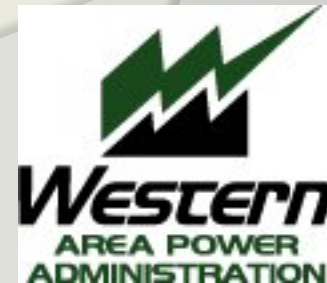
LAP

- Extended and amended the Marketing Plan through September 30, 2024
 - Made commitments to existing customers
- Established periodic resource pools
 - Acquires new customers through resource pools
- Waived utility status requirement for Native American Tribes



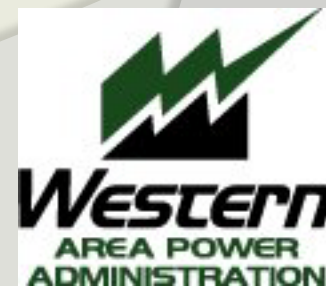
Development of the 2025 PMI Proposal

- 2011 Reclamation Hydrology Study
 - 2025 estimate of capacity and energy
 - Update of 1982 study for LAP Marketing Plan
- Customer input - July and August 2011 informal meetings
- Consultation with Native American Tribal customers



2025 PMI Proposal

- Amends Marketing Plan Principles for:
 - Contract Term
 - Resource Pools
- Extends Marketing Plan Principles for:
 - Marketable Resource
 - Hydrology/River Operations Withdrawal Provision
 - Marketing Area
 - Mt. Elbert Pumped-Storage Power Plant

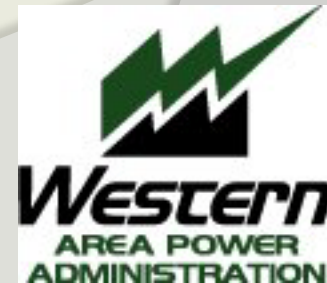


Amends Marketing Plan Principles

Contract Term

- Firm electric service (FES) contract term should strike a balance between
 - Customers' need for stability in resource planning
 - Western's mission requirements and its need for flexibility (achieved through resource pools and withdrawal provisions)
- Pick-Sloan Missouri Basin Program (PSMBP)- Eastern Division 30-year contract term in their 2021 PMI

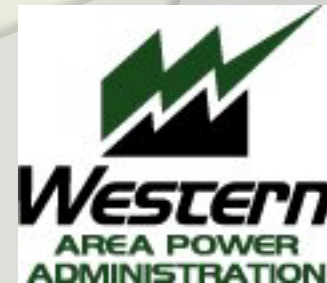
2025 PMI Proposal: 30 year contract term
(through September 30, 2054)



Amends Marketing Plan Principles

Resource Pools

- Flood Control Act of 1944 – widespread use
- Marketing Plan – 57 new customers
- EPAMP – new customers were added through resource pools
 - Initial resource pool in 2004 – 4% of marketable resource
 - Two additional resource pools in 2009 and 2014 of up to 1% of the marketable resource
 - New customers received between a minimum of 100kW and a maximum of 5MW

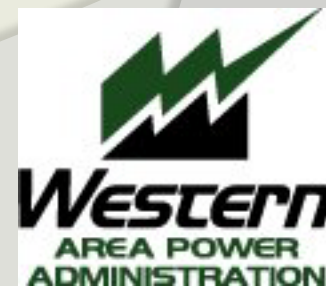


Amends Marketing Plan Principles

Resource Pools

2025 PMI Proposal:

- Resource pools for new preference entities every 10 years
- Up to 1 percent of the marketable resource
- First one effective at the beginning of the contract term October 1, 2024; subsequent pools effective on October 1, 2034 and on October 1, 2044

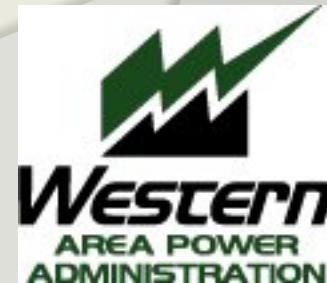


Extends Marketing Plan Principles

Marketable Resource

Power plants

- LAP resources include 19 PSMBP-Western Division hydroelectric power plants and Mt. Elbert Power Plant, all of which are owned and operated by the Bureau of Reclamation
- Yellowtail Power Plant - two of four units are marketed as LAP resources and two are marketed as PSMBP-Eastern Division resources
- 830 MW of combined LAP installed capacity

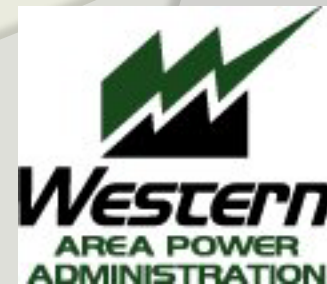


Extends Marketing Plan Principles

Marketable Resource

Current Marketing Plan

- Developed in early 1980's based on Reclamation's long-term hydrology and reservoir operations modeling
- Contracts expire September 30, 2024
- Western allocated average monthly energy and monthly capacity available 90% of the time



Extends Marketing Plan Principles

Marketable Resource

Current Marketing Plan

- Customers may schedule their monthly energy allocation between minimum and maximum levels in any hour
- Maximum hourly schedule is a customer's monthly capacity
- Minimum hourly schedule is based on Reclamation's minimum reservoir release requirements and Western's off-peak regulation requirements
- Western may, with five years prior notice, adjust allocations based on changes in hydrology or river operations



Extends Marketing Plan Principles

Marketable Resource

2011 Reclamation Hydrology Study

- Updated Marketing Plan long-term hydrology study and reservoir modeling
- Used 70 years of stream flow data as input to reservoir operation models configured for expected 2025 conditions
- Energy and capacity calculated at same risk levels
- Results indicate:
 - 7% less energy than in original study
 - Shift of LAP generation from winter months into spring and fall months



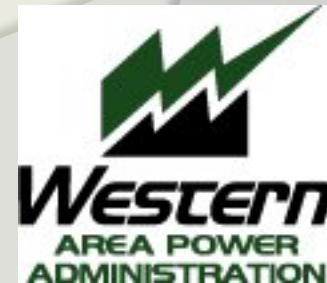
Extends Marketing Plan Principles

Marketable Resource

2025 PMI Proposal: No change

Continue contract rates of delivery in effect at the end of the current contract period (September 30, 2024)

Reduced by up to 1 percent for the initial resource pool effective October 1, 2024



Extends Marketing Plan Principles

Hydrology & River Operations Withdrawal Provision

2025 PMI Proposal: No Change

Western reserves the right to adjust the contract rate of delivery on five years advance written notice in response to changes in hydrology and river operations

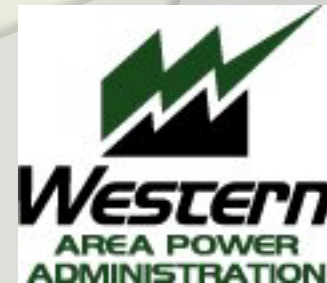
Adjustments would occur after an appropriate public process



Extends Marketing Plan Principles

LAP Marketing Area

- Combined marketing area for Fryingpan-Arkansas (Fry-Ark) Project and PSMBP-Western Division
- Colorado and Wyoming east of the Continental Divide, western Nebraska, and part of Kansas
- Marketing area includes territory beyond what is served by Federal transmission or existing wheeling contracts

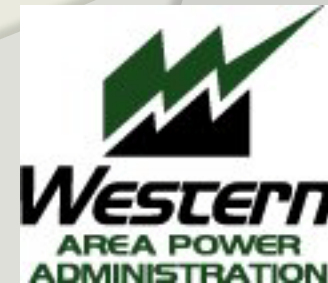
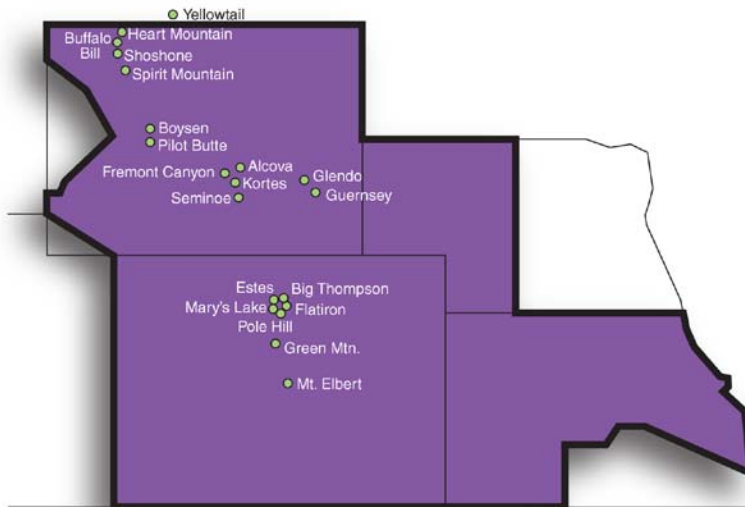


Extends Marketing Plan Principles

LAP Marketing Area

The marketing area of LAP includes the portion of the State of Wyoming east of the Continental Divide, the portion of the State of Colorado east of the Continental Divide, Mountain Parks Electric, Inc.'s service territory in Colorado west of the Continental Divide, the portion of the State of Nebraska west of the 101st Meridian, the portion of the State of Kansas located in the Missouri River Basin and the portion of the State of Kansas west of the eastern border of the counties intersected by the 100th Meridian.

Loveland Area Powerplants



Extends Marketing Plan Principles

LAP Marketing Area

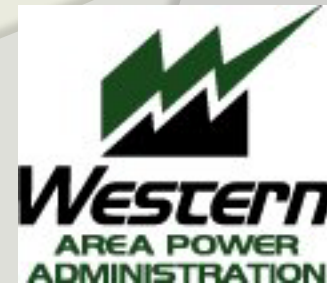
2025 PMI Proposal: No change

Continue current LAP marketing area

Extends Marketing Plan Principles

Mt. Elbert Pumped-Storage Power Plant

- Only power plant built as part of the Fry-Ark Project
- Includes two 100 MW units
- Both units became commercially available in 1984
- Pumped-storage power plant uses reversible pump/turbines to generate on-peak energy and pumps water to the upper reservoir in off-peak hours
- Integrated with the PSMBP-Western Division in 1989, creating LAP



Extends Marketing Plan Principles

Mt. Elbert Pumped-Storage Power Plant in the Current Marketing Plan:

- Only “flow through” generation is included in LAP energy allocations
- Full 200 MW capacity included in LAP capacity allocations
- Off-peak energy must be returned to Western commensurate with any on-peak energy taken

2025 PMI Proposal: No change

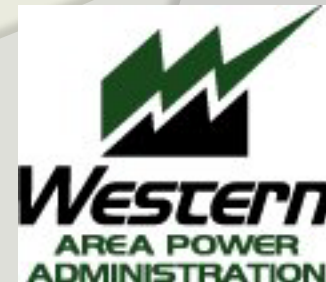
Continue current Mt. Elbert marketing features



2025 PMI Proposal

Summary

- ✓ Contract Term: 30-year contract term
- ✓ Resource Pools: Resource pools only for new preference customers for up to 1 percent of marketable resource under contract at the time, at the beginning of the contract term and again every 10 years (i.e., October 1, 2024, 2034, and 2044)
- ✓ Marketable Resource: No change
- ✓ Hydrology/River Operations Withdrawal: No change
- ✓ Marketing Area: No change
- ✓ Mt. Elbert Pumped-Storage: No change

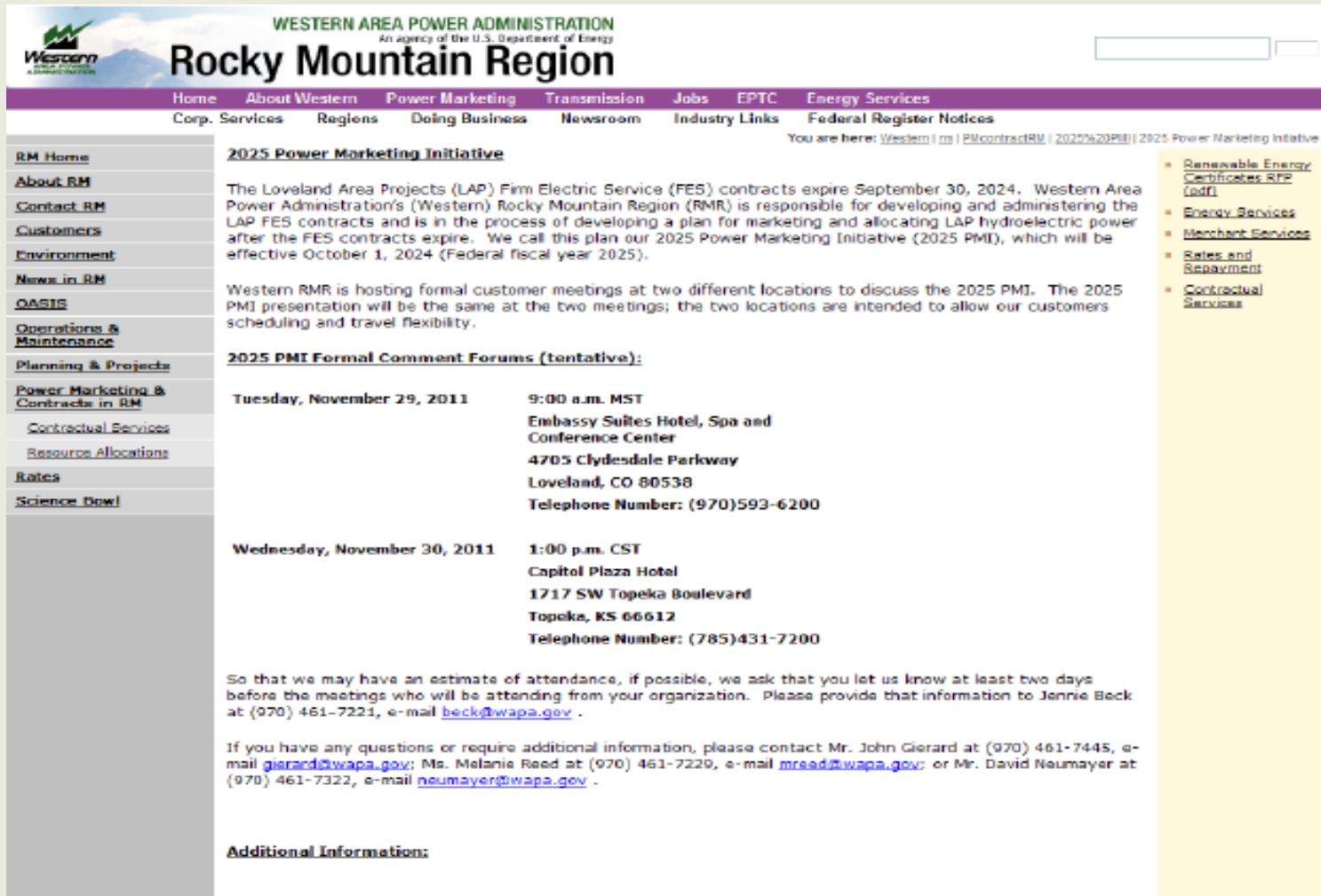


2025 PMI Comment Period

- FRN published; comment period began October 17, 2011
- Public information and comment meetings
 - November 29, 2011, Loveland, CO
 - November 30, 2011, Topeka, KS
- **Comments due by 4:00 p.m. MST, Monday, January 30, 2012**
- Publish responses to comments and final decision FRN ~ Spring 2012

2025 PMI Proposal Information

<https://www.wapa.gov/rm/PMcontractRM/2025%20PMI/default.html>



WESTERN AREA POWER ADMINISTRATION
An agency of the U.S. Department of Energy

Rocky Mountain Region

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- Renewable Energy Certificates RFP (pdf)
- Energy Services
- Merchant Services
- Rates and Repayment
- Contractual Services

2025 Power Marketing Initiative

The Loveland Area Projects (LAP) Firm Electric Service (FES) contracts expire September 30, 2024. Western Area Power Administration's (Western) Rocky Mountain Region (RMR) is responsible for developing and administering the LAP FES contracts and is in the process of developing a plan for marketing and allocating LAP hydroelectric power after the FES contracts expire. We call this plan our 2025 Power Marketing Initiative (2025 PMI), which will be effective October 1, 2024 (Federal fiscal year 2025).

Western RMR is hosting formal customer meetings at two different locations to discuss the 2025 PMI. The 2025 PMI presentation will be the same at the two meetings; the two locations are intended to allow our customers scheduling and travel flexibility.

2025 PMI Formal Comment Forums (tentative):

Tuesday, November 29, 2011	9:00 a.m. MST Embassy Suites Hotel, Spa and Conference Center 4705 Clydesdale Parkway Loveland, CO 80538 Telephone Number: (970)593-6200
Wednesday, November 30, 2011	1:00 p.m. CST Capitol Plaza Hotel 1717 SW Topeka Boulevard Topeka, KS 66612 Telephone Number: (785)431-7200

So that we may have an estimate of attendance, if possible, we ask that you let us know at least two days before the meetings who will be attending from your organization. Please provide that information to Jennie Beck at (970) 461-7221, e-mail beckj@wapa.gov.

If you have any questions or require additional information, please contact Mr. John Gierard at (970) 461-7445, e-mail gierard@wapa.gov; Ms. Melanie Reed at (970) 461-7220, e-mail mreed@wapa.gov; or Mr. David Neumayer at (970) 461-7322, e-mail neumayer@wapa.gov.

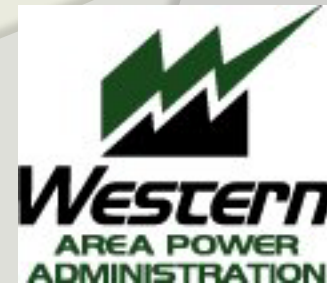
Additional Information:

Provide written comments to:

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QUESTIONS