Attachment G
2026 Drought Response Operations Plan
Impacts to the Basin Fund and Bulk Electric System

1. *Overview of effects to the Basin Fund*
    a. *Describe the estimated financial impacts to the Upper Colorado River Basin Fund (Basin Fund) if Drought Response Operations do not occur. This description will include the underlying operational assumptions and other factors upon which the estimate is based, for each Initial Unit.*

Assumptions:

- The Colorado River Storage Project (CRSP) powerplants are electrically integrated. Impacts described below are for the system and for individual CRSP units.
- The firm power rate in place during this period was approved under Rate Order No. WAPA-206[1] (WAPA-206), which continues to shift firming and replacement energy costs directly to power customers as originally established under Rate Order No. WAPA-199.
- The scope of possible hydrological scenarios throughout this period consists of minimum and most probable inflow 24-month study for March 2026.
- The Basin Fund balance is $233 million and is anticipated to total $185 million by the end of this fiscal year, assuming no experiments that require bypass are conducted in 2026.
- Reclamation implements the proposed 2026 Drought Response Operations Plan from May 2026 to April 2027 and may consider further adjustments to the Plan if hydrological conditions worsen.
- In the analysis of the Basin Fund that follows, if Glen Canyon generation were to cease, CRSP transmission and merchant function revenues and operations

[1] The Federal Energy Regulatory Commission (FERC) approved Rate Order No. WAPA-206 June 12, 2024 (EF24-1-000), placing the Salt Lake City Integrated Area Projects (SLCA/IP) firm power rate into effect January 1, 2024. The CRSP Project makes up the major set of powerplants of SLCA/IP; therefore, in this document, we will refer to the firm power rate as the SLCA/IP rate. Under the SLCA/IP Marketing Plan (81 FR 85946) and preceding SLCA/IP firm power rates, Western Area Power Administration (WAPA) commits to firm electric service, contractually, and purchases firming energy from market sources in order to meet its contractual obligations. In years 2021 and 2022, due to drought conditions affecting the Colorado River and projected high prices associated with purchases to meet firm power obligations, WAPA, in consultation with its customers, developed and implemented the deliverable sales amount (DSA) forecasted generation methodology. Approved under Rate Order No. WAPA-199 (WAPA-199), sales are limited to the DSA that can be generated. WAPA will make firming purchases to meet the projected DSA amount rather than Sustainable Hydropower (SHP) levels as it has done in the past. Customers must provide the difference between generation and contractual allocations. For those customers who elect, WAPA will offer Western Replacement Firming (WRF) purchased power to customers to firm to SHP levels. WRF is a pass-through product where, upon customer request, WAPA purchases the additional power at market rates, the cost is passed onto the customer, and the customer must pay for the additional purchases in the current year in order to tie repayment to cost occurrence. This avoids negative impact on the Basin Fund. Customers electing not to take WRF will receive the DSA. To date, customers have largely chosen to mitigate the firming expense by electing to schedule only the amount of CRSP power projected to be available from the CRSP Initial Units.

expenditures would continue. Furthermore, revenue from capacity sales would continue; however, revenue from energy sales will be substantially reduced.

Impacts to the Basin Fund without Drought Response Operations:

- The Basin Fund balance will decline in all scenarios, but the driest hydrological scenario drops the Basin Fund below the minimum balance required to maintain operations.
- Power revenues to meet operational expenses come from SLCA/IP capacity and energy sales. Revenue from capacity sales is independent of the SLCA/IP energy generated and sold. Capacity revenue is approximately one half of total sales revenue.
- Under the current rate, WAPA will have little to no firming expenses.
- The potential for experimental releases or other bypass flows exists at the Initial Units with or without Drought Response Operations. The Basin Fund may be required to fund experimental flows within the Plan year. This may reduce the Basin Fund balance by $1 to $50 million depending on the number and design of experiments.
- In a majority of hydrological scenarios, when Lake Powell elevations are above 3490 ft. and the Glen Canyon Powerplant is generating power, WAPA expects that firming expenses through April 2027 will be similar to recent years.
- If the driest hydrological scenario occurs, Lake Powell elevations could fall below 3490 ft. as early as August 2026.
    - If Glen Canyon generation is lost, while revenue from capacity sales would continue, revenue from energy sales will be substantially reduced.
    - WAPA estimates that revenue from the CRSP project will total $183 million in FY 2026; $89 million from capacity sales, $30 million from transmission service and merchant sales and $64 million from CRSP energy sales. If Lake Powell elevations fall below 3490 ft., then Glen Canyon generation, which is about 65-80% of total CRSP energy, would be lost. Therefore, energy sales revenue without Glen Canyon generation is expected to fall from $64 million to $39 million. Revenue from capacity, energy, and other sales is expected to fall to $161 million ($89 million in capacity sales + $39 million in energy sales + $33 million for other).
    - Assuming expenses would remain at $222 million in FY 2026 or about $18.5 million/month, revenue would total $161 million or about $13.4 million per month. The difference between revenue and expenses ($5 million per month) would have to be withdrawn from the balance in the Basin Fund.
    - The Basin Fund is projected to be $185 million at the beginning of FY 2027. If, to meet operational expenses, WAPA and Reclamation drew exclusively on the Basin Fund at the rate of $19 million per month, the Basin fund would have an FY 2027 ending balance of $83 million.
    - Absent additional actions, the Basin Fund would be depleted before the end of FY 2028.

- At present, WAPA and Reclamation are developing a plan to reduce expenses, but most expenses are fixed and required for operation and maintenance.
- It would be difficult, if not impossible, for WAPA and Reclamation to reduce expenses while maintaining a sustainable balance in the Basin Fund and maintain system reliability.

b. Describe the estimated financial impacts to the Basin Fund if the proposed Drought Response Operations occur. This description will include the underlying operational assumptions and other factors upon which the estimate is based, for each Initial Unit.

Impacts to the Basin Fund with Drought Response Operations:

- As described above, for this analysis, it is assumed Reclamation will implement the proposed 2026 Drought Response Operations Plan. If hydrological conditions worsen, Reclamation will increase Drought Response Operations Releases from Upstream Initial Units, or take other necessary actions, over this time period to maintain elevation 3490 ft. at Lake Powell.
- Under the current rate structure, WAPA will have little to no firming expenses.
- A Drought Response Operation reduces the risk of negative impacts to the Basin Fund because it increases the probability of maintaining Lake Powell elevation at or above 3490 ft. This will result in the power customers continuing to receive hydropower energy. The projected revenues would be collected in the Basin Fund for WAPA and Reclamation expenses.
- The potential for experimental releases or other bypass flows exists at the Initial Units with or without Drought Response Operations. The Basin Fund may be required to fund experimental flows within the Plan year. This may reduce the Basin Fund balance by $0.5 to $50 million depending on the number and design of experiments.

2. Overview of effects to the Bulk Electric System

a. Describe the potential effects if Drought Response Operations do not occur. This description will include the underlying operational assumptions and other factors upon which the estimate is based, for each Initial Unit.

Assumptions:

- WAPA's CRSP Region (CRSP) will remain with its current marketing structure throughout this time period.
- Glen Canyon has "black start" responsibilities within the Western Electric Coordinating Council (WECC), (a Western US reliability council).
- The CRSP Region participates in emergency assistance which requires that CRSP powerplants respond to system emergencies when they occur.

Impacts to the bulk electrical system without Drought Response Operations:

- Over the majority of hydrological conditions, WAPA is able to meet its reliability, emergency assistance requirements and black-start conditions.
- However, some hydrological conditions result in Lake Powell elevations that eliminate electrical production at the Glen Canyon powerplant. When there is no electrical production at Glen Canyon:
  - Glen Canyon black start obligations cannot be met.
  - The loss of Glen Canyon generation would require power customers to utilize replacement resources, which would be limited during peak demand months.
  - Flaming Gorge and Aspinall may respond to reserve emergencies where additional generation may be needed to stabilize the electric grid. However, responding to emergencies with these Initial Units would change these dams' water releases and could have environmental impacts.

b. Describe the potential effects if Drought Response Operations occur. This description will include the underlying operational assumptions and other factors, including timing, upon which the estimate is based, for each Initial Unit.

Assumptions:

- Over the timeframe described, Reclamation implements the 2026 Drought Response Operations Plan.
- If hydrological conditions worsen, Reclamation will make adjustments to Drought Response Operations Releases from Upstream Initial Units, or take other necessary actions, over this time period to maintain elevation 3490' at Lake Powell.

Impacts to Bulk Electrical System with Drought Response Operations:

- With Glen Canyon's powerplant in operation – even at low Lake Powell elevations, WAPA will be able to maintain its commitments to the reliability of the bulk electrical system.
  - Glen Canyon black start obligations are met.
  - Electrical emergencies are responded to using Glen Canyon Dam.

3. *Overview of effects to the SLCA/IP Firm Power contracted power deliveries*

a. *Describe the estimated effects to the Power Customers if Drought Response Operations do not occur. This description will include the underlying operational assumptions and other factors upon which the estimate is based, for each Initial Unit*

Assumptions:

- During the time frame described, firm electric service customers will receive WAPA's contractual delivery of available SLCA/IP Firm Power as forecasted by WAPA under the current rate construct.

Impacts without Drought Response Operations:

- Under the current rate construct, firm power customers are voluntarily taking reductions of their contracted SLCA/IP firm power allocation. Reductions have been up to one third of CRSP energy – compared to historic power deliveries by WAPA (pre WAPA-199). The reductions are greater in the winter months than in the summer months.
- These reductions in energy deliveries to customers will continue through the scheduled time frame of the current rate construct, under Rate Order No. WAPA-206, which expires in December 2028.
- Without Drought Response Operations, in cases where Lake Powell elevation falls below 3490 ft, the loss of Glen Canyon power generation, which represents 65-80% of the SLCA/IP resource, would result in a proportional decrease in electric power deliveries of approximately 65-80%. Customers would have to replace lost generation with more expensive replacement power, especially in the peak months of July, August, December and January.

b. Describe the estimated effects to the Firm Power Customers if the proposed Drought Response Operations occur. This description will include the underlying operational assumptions and other factors upon which the estimate is based, for each Initial Unit.

Impacts with Drought Response Operations:

- Ensuring sufficient water elevation at Glen Canyon would allow customers to continue receiving energy deliveries and provide continued revenue to the Basin Fund. It allows customers to optimize the use of their capacity allocation to reduce their power costs.
- Power customers are working with WAPA to create a long-term solution for rate-making purposes. Having some certainty in deliveries from Glen Canyon allows customers time to craft both replacement options and rate structures with WAPA.
- Power customers would continue to receive hydropower energy and resulting revenues would be collected in the Basin Fund for WAPA and Reclamation expenses.