A Brief Introduction to SLCA/IP Rate Setting and CRSP Basin Fund Liquidity

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Salt Lake City Area Integrated Projects

• Colorado River Storage Project
  – Glen Canyon power plant (80% of total)
  – Flaming Gorge, Aspinall, Fontenelle

• Rio Grande Project (New Mexico)
• Collbran Project (Colorado)
SLCA/IP Electrical Customers
- publicly-owned, non profit utilities

• Rural Electric Coops
• Municipalities (generally, small)
• Federal facilities (Air Force Bases)
• State Institutions (Universities)
• Irrigation districts
• Native American Tribes
  - 53 tribes in the rocky mtn & southwest
  - SLCA/IP meets ≈ 50% of tribal needs
Financial Data used to set SLCA/IP rate

• Reclamation & Western O&M Expenses
  – The most variable of these: the expense of purchase power to “firm” contractual commitments

• Required Principal & Interest Payments
• Replacements expense
• “Aid to Irrigation” obligations
Setting the SLCA/IP rate

• The data are future-year estimates or forecasts
• Rates are set using forecasts for a set of future years
• The SLCA/IP rate is set by the year with the highest total expense
  – called the “pinch point” year
• The SLCA/IP rate is good for 5 years
Liquidity and the CRSP Basin Fund

• Power revenue is held in a U.S. Treasury account managed by Western: CRSP Basin Fund

• Basin Fund monies are used to:
  - Fund USBR & WAPA O&M, replacements, and emergency expenditures
  - Pay Treasury interest on Federal investments
  - Pay Treasury capitalized Federal investment
  - Fund non-reimbursable expenses (as provided by GCPA)

• Money is transferred to the U.S. Treasury “General Fund” to repay the SLCA/IP Federal investment assigned to power

• A carry-over balance needs to exist in the Basin Fund at the end of the fiscal year.
The Basin Fund
1. Receives all power revenues
2. Funds future OM&R costs
3. Transfers P&I to General Fund
4. Funds non-reimbursable costs
5. Maintains contingency balance
Experimentation @ Glen Canyon Dam, resulting expenses and liquidity

- Experimental releases may add a Western expense in order to meet contractual obligations during the experiment
  - e.g. the LSSF of WY 2000 added $\approx 32$ million in “firming” power expenses
- Under GCPA, these are “non-reimbursable” expenses – not included in the SLCA/IP rate
How do non-reimbursable expenses affect the Basin Fund?

• GCPA allows for use of the Basin Fund dollars without having to seek appropriations.

• IF there is sufficient revenue in the Basin Fund to cover these costs, revenues are taken out of the Basin Fund.

• When Funds are taken out of the Basin Fund, it reduces the cash available for other expenditures in the Basin Fund.
Basin Fund, Liquidity and GCD Experiments

• In a year in which the basin fund contains insufficient monies to meet anticipated O&M expenses and other obligatory payments for the next fiscal year...
• plus the GCPA, RIP and other non-reimbursable expenses;
• Western may be required to add a CRSP Basin Recovery Cost - CRC - to the SLCA/IP rate
  - The CRC is a temporary measure – reconsidered at least every year,
  - It is implemented at the beginning of a fiscal year. Incremental CRC revenue may lag anticipated added expenses
  - The amount of non-reimbursable expenses assigned to the CRC is limited to $25 million in a year
Short-term GCD experiments vs Long-term experiments and/or revised operating criteria

• The presentation so far relates only to “short-term” experiments

• Under the SLCA/IP contracts, anticipated or changed operations at the CRSP powerplants that have an effect on electrical power for the next 5 years or more may result in a change in the SLCA/IP power committed under contract

• In addition: a reduction in total energy sold to customers would result in a higher SLCA/IP rate in order to collect the same power revenue
Questions?

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