

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

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**On behalf of the Rates Analysis Division
and the CRSP-MC,
Western Area Power Administration**

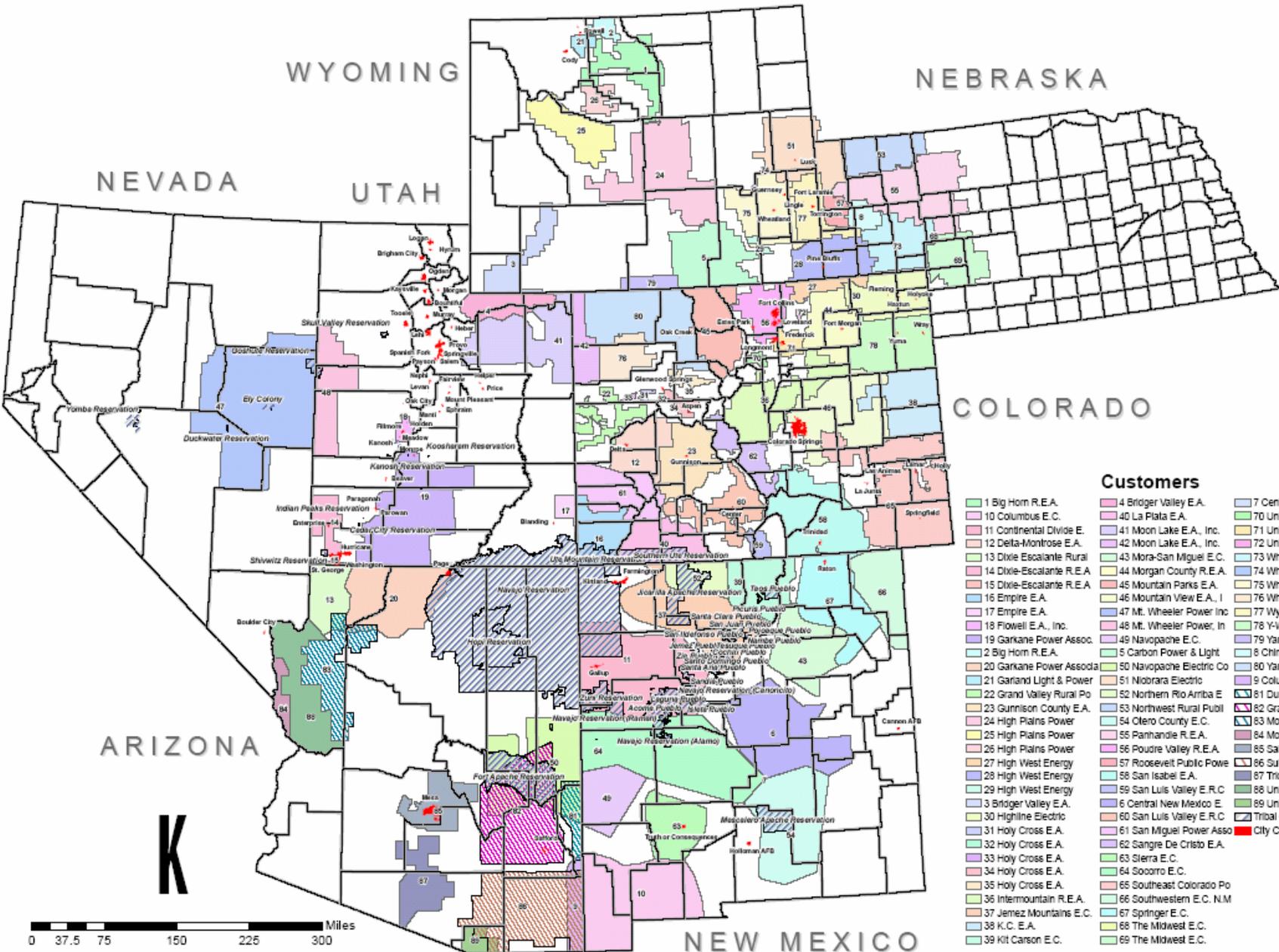
Salt Lake City Area Integrated Projects

- **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 \approx 50% of tribal needs**



Customers

- 1 Big Horn R.E.A.
- 2 Big Horn R.E.A.
- 3 Big Horn R.E.A.
- 4 Bridger Valley E.A.
- 5 Carbon Power & Light
- 6 Central New Mexico E.
- 7 Central New Mexico E.
- 8 Chimney Rock Public P
- 9 Columbus E.C.
- 10 Columbus E.C.
- 11 Continental Divide E.
- 12 Delta-Montrose E.A.
- 13 Dixie Escalante Rural
- 14 Dixie-Escalante R.E.A.
- 15 Dixie-Escalante R.E.A.
- 16 Empire E.A.
- 17 Empire E.A.
- 18 Flowell E.A., Inc.
- 19 Garkane Power Assoc.
- 20 Garkane Power Assoc.
- 21 Garland Light & Power
- 22 Grand Valley Rural Po
- 23 Gurnison County E.A.
- 24 High Plains Power
- 25 High Plains Power
- 26 High Plains Power
- 27 High West Energy
- 28 High West Energy
- 29 High West Energy
- 30 Highline Electric
- 31 Holy Cross E.A.
- 32 Holy Cross E.A.
- 33 Holy Cross E.A.
- 34 Holy Cross E.A.
- 35 Holy Cross E.A.
- 36 Intermountain R.E.A.
- 37 Jemez Mountains E.C.
- 38 K.C. E.A.
- 39 Kit Carson E.C.
- 40 La Plata E.A.
- 41 Moon Lake E.A., Inc.
- 42 Moon Lake E.A., Inc.
- 43 Mora-San Miguel E.C.
- 44 Morgan County R.E.A.
- 45 Mountain Parks E.A.
- 46 Mountain View E.A., I
- 47 Mt. Wheeler Power Inc
- 48 Mt. Wheeler Power, In
- 49 Navapahoe E.C.
- 50 Navapahoe Electric Co
- 51 Niobrara Electric
- 52 Northern Rio Arriba E
- 53 Northwest Rural Publ
- 54 Otero County E.A.
- 55 Panhandle R.E.A.
- 56 Poudre Valley R.E.A.
- 57 Roosevelt Public Powe
- 58 San Isabel E.A.
- 59 San Luis Valley E.R.C
- 60 San Luis Valley E.R.C
- 61 San Miguel Power Asso
- 62 Sangre De Cristo E.A.
- 63 Sierra E.C.
- 64 Sorro E.C.
- 65 Southeast Colorado Po
- 66 Southwestern E.C. N.M
- 67 Springer E.C.
- 68 The Midwest E.C.
- 69 The Midwest E.C.
- 70 United Power
- 71 United Power
- 72 United Power
- 73 Wheat Belt Public Pow
- 74 Wheatland R.E
- 75 Wheatland R.E
- 76 White River E.A.
- 77 Wyrulec Company
- 78 Y-W Electric
- 79 Yampa Valley E.A.
- 80 Yampa Valley E.A.
- 81 Duncan Valley E.C., Inc.
- 82 Graham County E.C., Inc.
- 83 Mohave E.C., Inc.
- 84 Mohave E.C., Inc.
- 85 Salt River Project
- 86 Sulphur Springs Valley E.C.
- 87 Tinco E.A., Inc.
- 88 UniSource Electric
- 89 UniSource Energy Services
- 90 Tribal Customers
- 91 Columbus E.C.

0 37.5 75 150 225 300 Miles

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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**

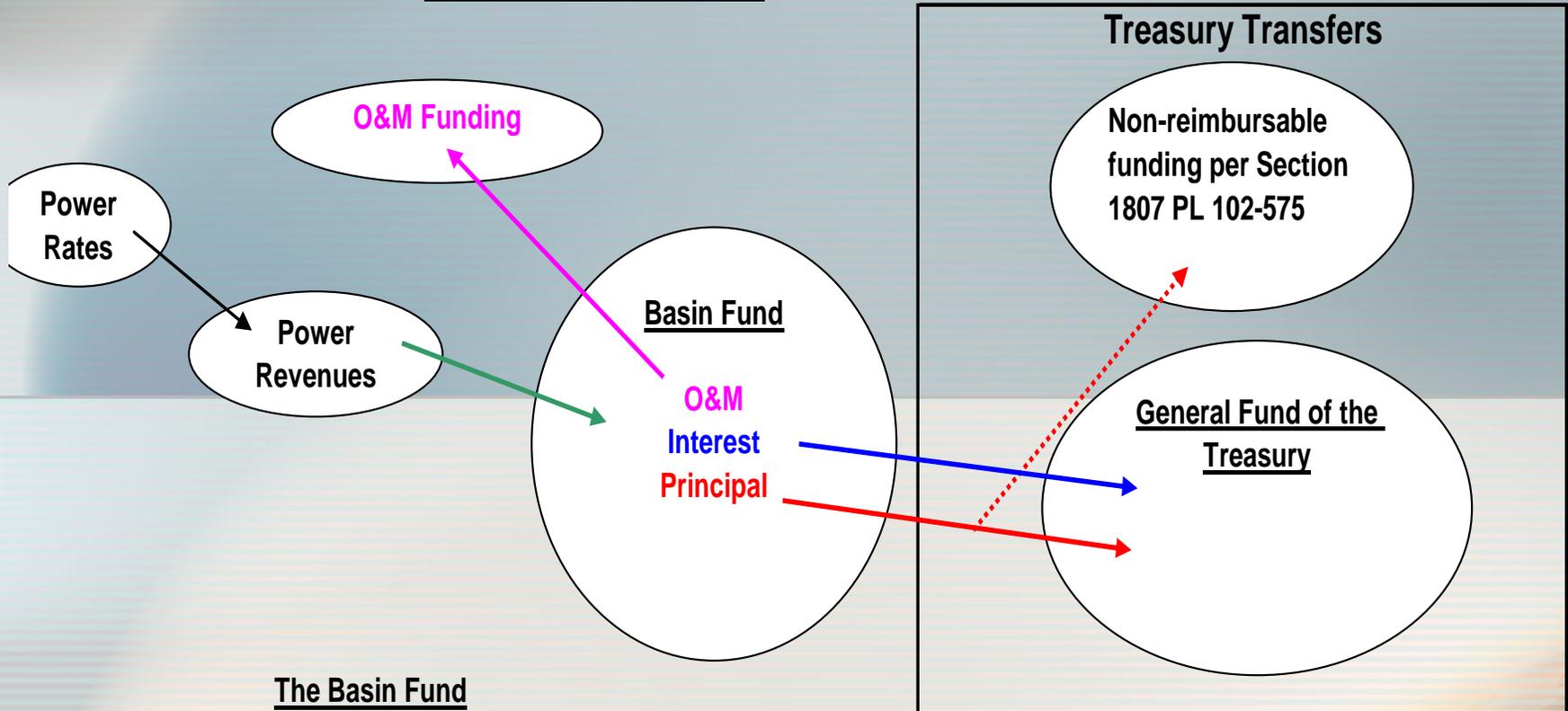
Setting the SLCA/IP rate

- 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.**

Basin Fund Cash Flow



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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