



Western  
Area Power  
Administration

# Desert Southwest Region Update

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Arizona Tribal Energy  
Association Annual Meeting



# Topics to be covered today:

- Tribal Liaison For Desert Southwest Region (DSW)
- Joint Planning Agreement Update
- Markets Information
- Funding Update
- Drought Contingency Planning
- Rates
- Staffing Updates



# Tribal Liaison – DSW

- Fairly new, full-time position for DSW
- Develops close working relationships with tribal customers
- “One stop shop”
- Committed to building/maintaining Government-to-Government relationships
- Available to ensure messages from tribes are heard!



# Joint Planning Agreement

- In 1995 (23 years ago), DSW and its customers produced a principles agreement with the intent of ultimately developing what was called a Joint Planning Agreement or JPA
- The JPA would facilitate the sharing of information between DSW and its customers regarding the Intertie and Parker-Davis Projects
- Customers began working with us to develop the JPA in early 2017 (21 months ago)



# Joint Planning Agreement

- We had 7 meetings to develop the JPA and 5 rounds of drafts with customer comments
- We completed the drafting on December 17th and are currently mailing offer letters to customers
- The JPA provides a process for information sharing and customer input regarding construction projects in our Ten-Year Plan, capitalized O&M, budgets, and transmission planning



# Markets

- **Slow down in late 2018**
  - MWTG issues
  - CAISO day ahead market enhancements
  - Focused on Reliability Coordinator reconfiguration decisions
- **CAISO EIM Continues to Expand**
  - 2019 – BANC/SMUD & Seattle City Light
  - 2020 – SRP & LADWP
  - 2021 – PNM & Northwestern Energy
  - BPA conducting stakeholder process – likely to announce in spring
- **MWTG dissipates – currently no other option to EIM**
- **Wide variety of potential next steps in the west**
  - SPP and PJM seeking new start-up opportunities as service provider / market operator
  - Could take form as new EIM or RTO
  - Most appear to be keeping all options on the table – including WAPA



# DSW Exploring Market Alternatives

- Re-assess 2013 Argonne National Labs WAPA EIM study based on current assumptions
- Working with neighboring electricity providers on evaluating market-based alternatives
- Objective is to determine the potential risks to customers of the changing energy landscape and identify market-based strategies that would provide the greatest value to DSW customers



# How DSW Receives Funding for Intertie and Parker-Davis

- Long-term Firm Transmission Service is pre-paid by the customers (prepayment funds)
- Prepayment funds are used to fund Operations & Maintenance (O&M) and approved Construction activities, such as 10-Year Plan
- Appropriations are used to fund Capital O&M and some Construction activities
- Non-prepayment funds are used to fund Purchase Power activities





# Intertie and Parker-Davis Funding

- Continuing pressure on our appropriated funding from Congress
- Specific to the Intertie and Parker-Davis Projects, this will affect the cash available from transmission prepayments that is currently used to fund our construction program
- Dependent on the level of appropriated funding, we estimate a cash shortage by 2026 or 2027
- To address this cash shortage and maintain a reliable transmission system, we will consider adjusting our capital plans, identifying alternative funding sources and harnessing our other sources of cash payments
- Will work with customers on alternatives to this shortage



# Drought Contingency Planning

- We are working with our partners at the Bureau of Reclamation's Lower Colorado region to assess how the Drought Contingency Plan for the lower Basin may affect generation from the Boulder Canyon Project
- As you know, there are many factors that affect water releases and in turn hydropower generation
- Based on the latest projections of hydrology, generation may be reduced by 7% to 15% in the next five years. Thereafter, the reduction could be as high as 22% by 2028
- We are working with Reclamation's Lower Colorado region to refresh and refine our impact analysis and will share that information with you as soon as possible



# Boulder Canyon Project (Hoover Dam) Rate

- Fiscal Year 2019 Base Charge: \$69.7 million
- Customers pay their proportionate share of the net annual cost known as the “base charge” rather than a per unit cost
- Decrease of \$7.2m from fiscal year 2018 due to reduced working capital needs, deferred annual costs, and changes in non-power revenue projections
- Continued upward pressure on the base charge is expected due to necessary maintenance of the aging facility
- Bureau of Reclamation and WAPA will continue to work with the customers to ensure the base charge remains affordable



# Parker-Davis Project Rate

- Generation: 12.50 mills/kWh Transmission: \$18.72/kW-Yr
- Generation rates increased 0.95 mills/kWh from fiscal year 2018 due to increases in O&M costs and purchase power
- Transmission rates increased \$1.20/kW-Year due to the replacement of aging infrastructure and reduced other revenues
- Purchase power costs due to hydrology and the rebuilding of the transmission system will continue to affect rates in the near term
- WAPA has successfully moderated rate increases by restructuring repayment and is working on other techniques



# Staffing Updates

- DSW Project Manager - Scott Lund
- VP Transmission System Asset Management - Jack Murray
- VP Power Marketing - Jim Kendrick
- VP Transmission Services, Acting - Greg Hansen
- Safety & Occupational Health Manager - Krystall Valencia
- Environmental Manager - Sean Berry
- \* Customer/Tribal Liaison - Linda Marianito

