Western Area Power Administration

Arizona Tribal Energy Association

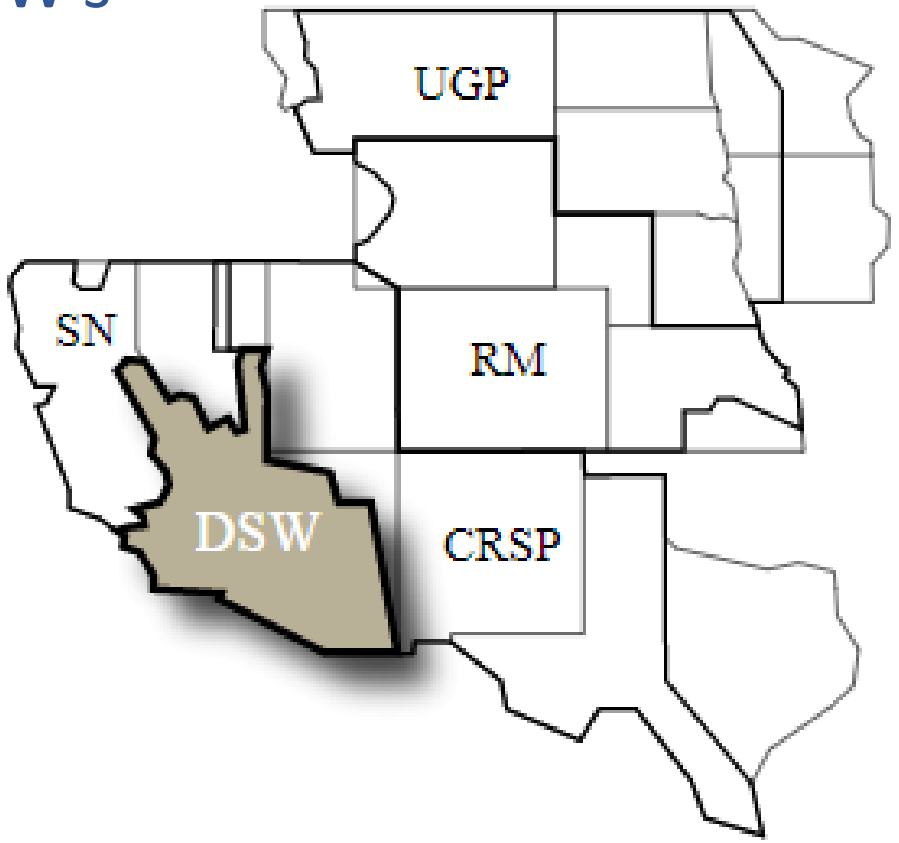
2023 Annual Meeting

Scott R. Lund

May 11, 2023

Leadership Changes at DSW

- June 2022, Jack Murray selected as DSW's Senior Vice President and Regional Manager
- January 2023, Neilia Abban became DSW's Financial Manager
- Jim Kendrick, formerly VP of Power Marketing, in a new role focusing on Markets and Infrastructure
- Ethel Redhair, formerly Financial Manager, now advisor



2022 Accomplishments and Activities

- Energy Imbalance Market (EIM) go live April 5th:
  - Compressed timeframe of 18 months
  - Metering changes
  - New software
  - Training and trading strategies
  - Stood-up 24-hour EIM desk
  - Tariff and rate schedule changes
- Continued commitment to safety with zero recordable accidents

2022 Accomplishments and Activities

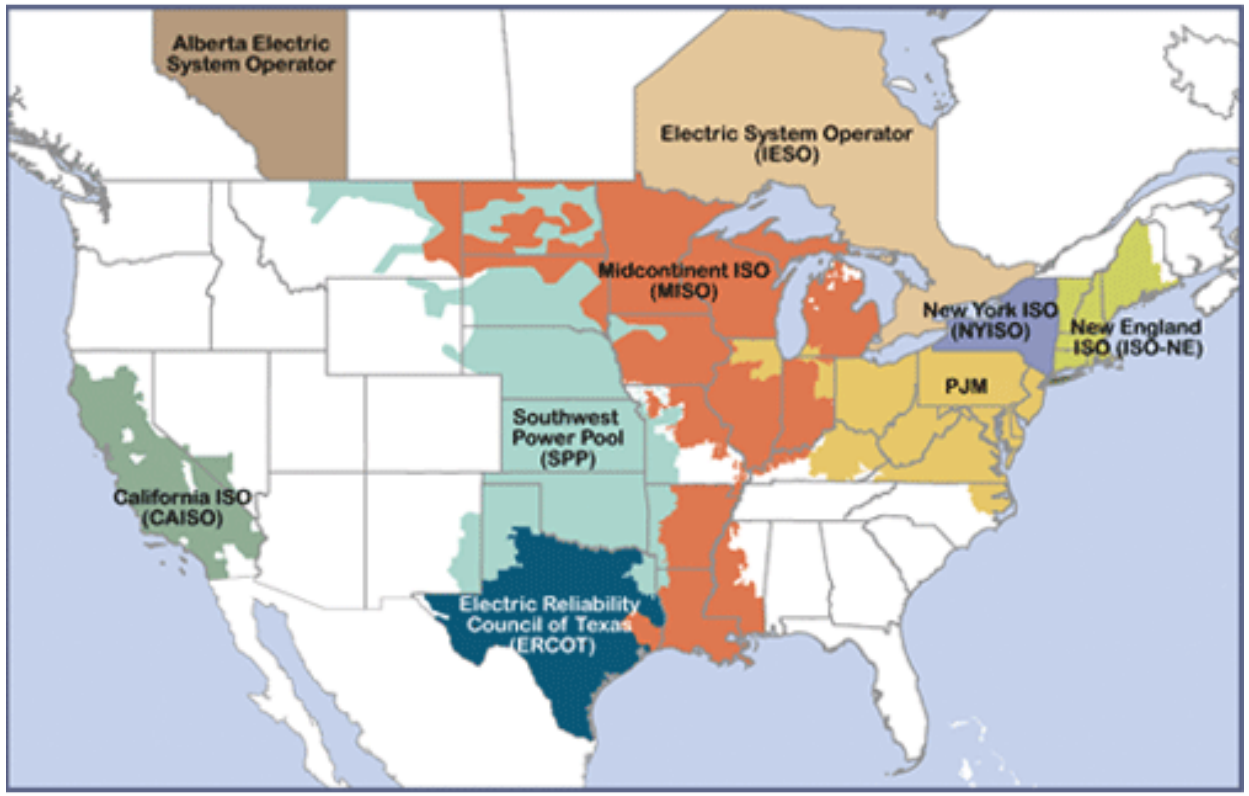
- Restoration of Pinnacle Peak-Rogers transmission line
- Completed $72 million in projects such as equipment replacements and rebuilds
- Created Transmission Asset Planning group within DSW
- Renewable Energy Certificates for Boulder Canyon Project

What Are We Working On Now?

Market Activities

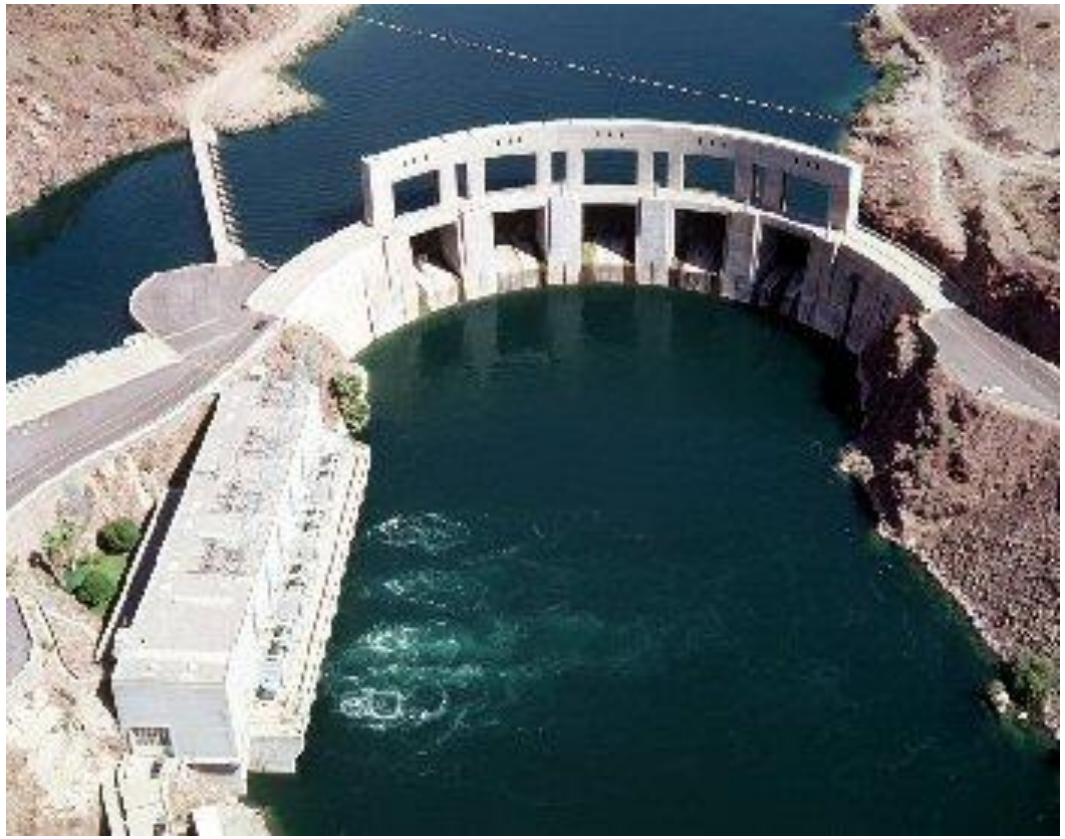
DSW's strategy is to evaluate any opportunity that may benefit our customers:

- SPP's Markets+
  - Phase 1 participant
- CAISO's Extended Day-Ahead Market
- Western Markets Exploratory Group

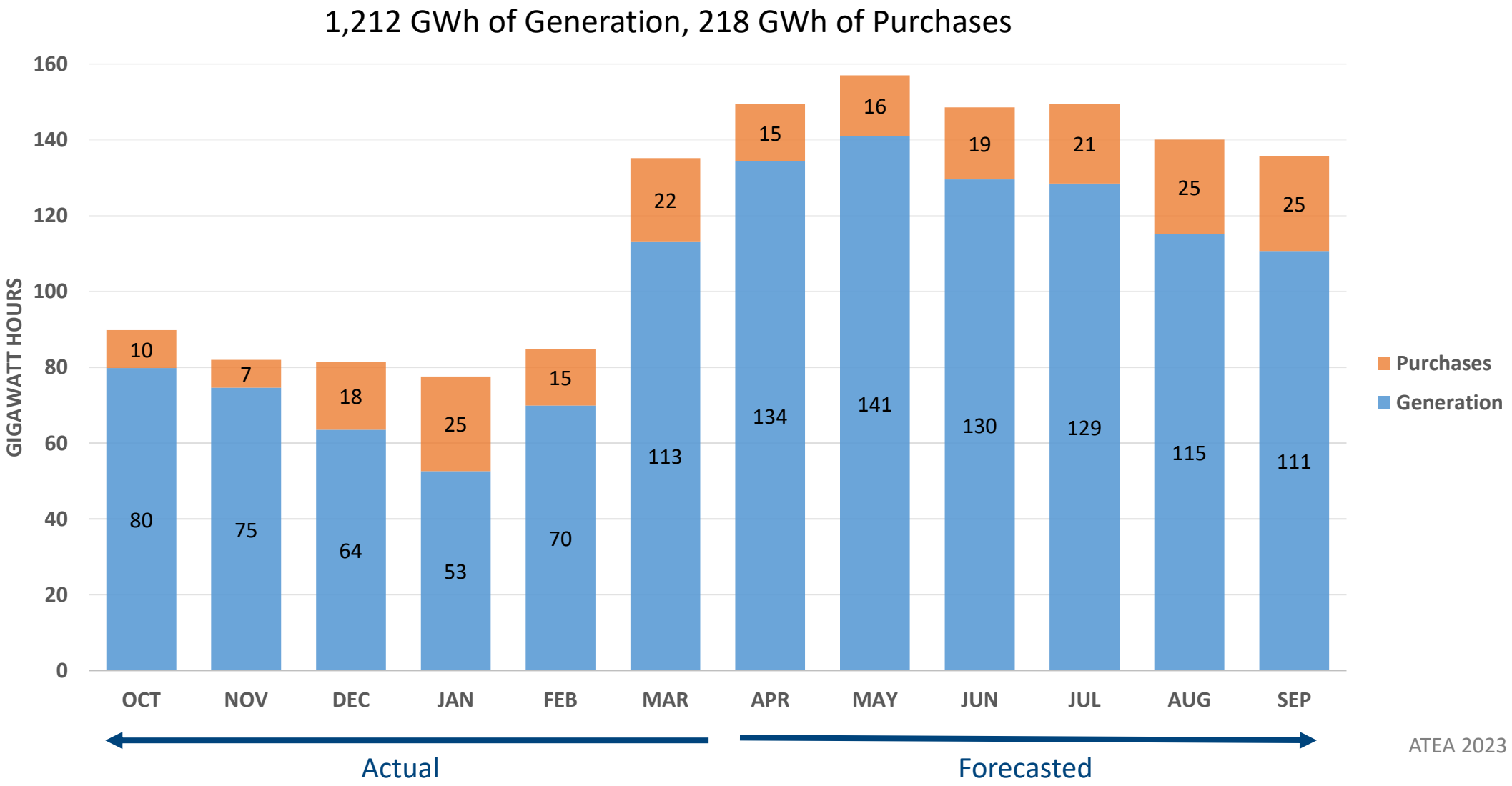


Parker-Davis Project Post-2028 Marketing

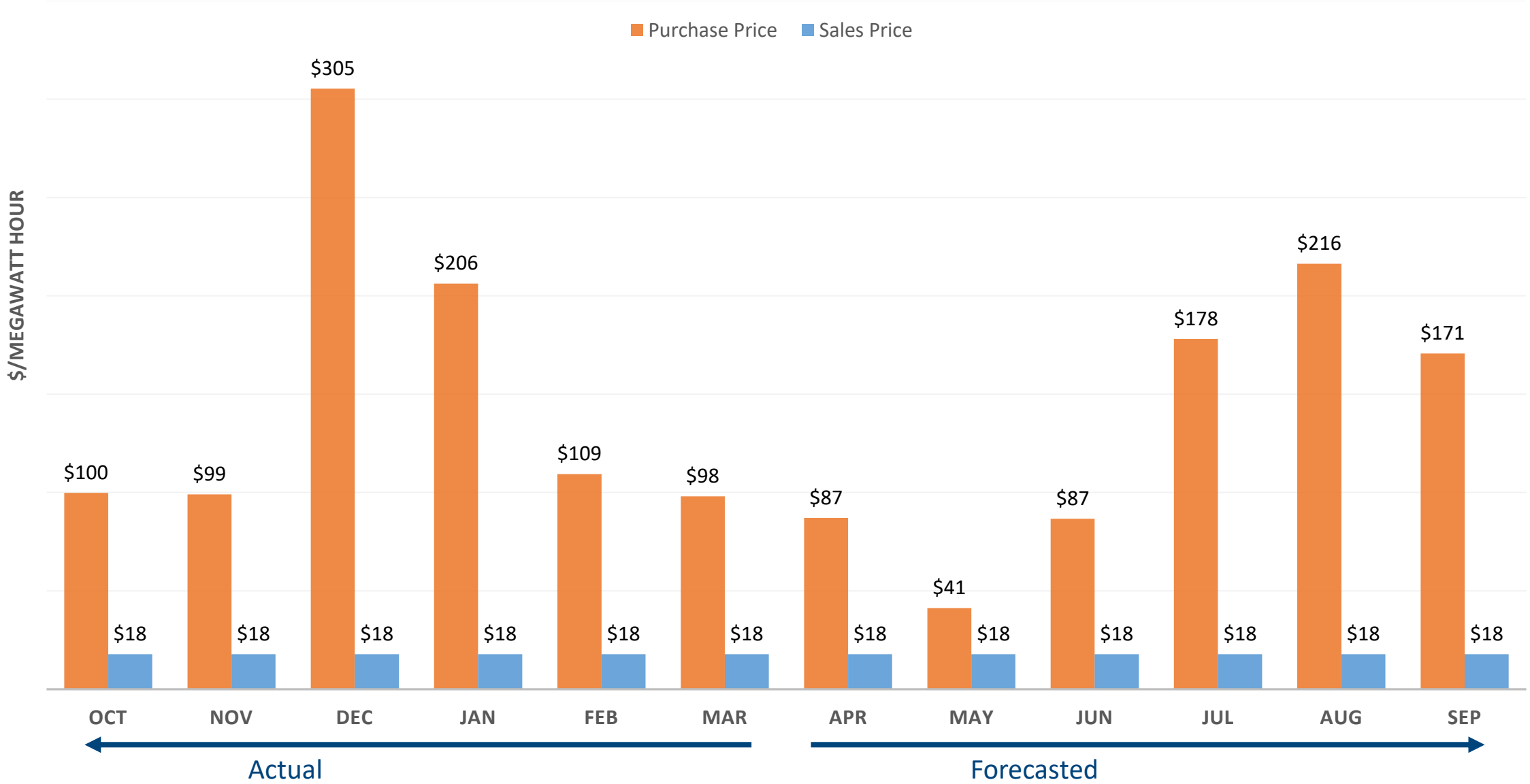
- Current power contracts expire 2028
- Re-engaging customers – Padmini Palwe new Power Marketing Advisor
- A two-fold consideration:
  - How to market on long-term basis
    - Resource pool or extension
    - Changes to product
  - Interim solution for increasing purchase power costs



Quantity of Purchases – FY 2023

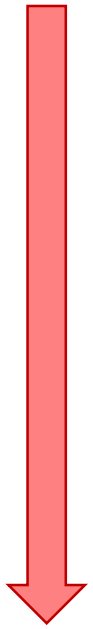


Price of Purchases – FY 2023



Cost of Purchases

Decreasing Price Certainty



Year	GWh	Purchase Cost (millions)	% of Typical Operating Cost
2023	218	$34.1	184%
2024	152	$23.6	128%
2025	139	$9.9	54%
2026	145	$8.9	48%
2027	166	$9.9	54%
2028	177	$10.3	56%
2029	178	$10.2	55%
2030	174	$9.9	54%

Combined Transmission Rate

- One Transmission Rate (OTR)
- Single price applicable to all DSW transmission systems:
  - Central Arizona Project
  - ED5-PVH Project
  - Intertie Project
  - Parker-Davis Project
- Increases efficiency, reduces pancaked service, encourages additional sales, enhances financial and rate stability

Combined Transmission Rate

- Rates are at an all-time high level of convergence

OTR	CAP	ED5-PVH	Intertie	PDP
$21.00/kW-Yr	$21.00/kW-Yr	$21.36/kW-Yr	$19.32/kW-Yr	$22.68/kW-Yr

- Held multiple meetings in 2022, posted fact sheets, FAQs, and customer impacts analyses to web
- February 2023, based on customer support moving forward with public rate setting process:
  1. Propose OTR with an implementation date of January 2024
  2. Extension of Intertie and Parker-Davis Project rates set to expire

FY 2024 Boulder Canyon Project Rates

- *Federal Register* notice April 18th
  - Information and comment forums May 18th and June 20th
  - Comment period ends July 17th
- Base charge increasing 3.5%, composite rate 6.7%
- Reclamation and DSW budgets cut 1% and 13%
- Watching Reclamation's Supplemental Environmental Impact Statement
- Need sustainable work plans as hydrology devolves

Transmission Infrastructure

- Notable increase in interconnection and new transmission service requests
  - EIM participation
  - Growth in renewable resources
  - Awareness and interest in transmission
- With your support and funding, 14 Ten-Year Plan projects underway
  - Bouse Upgrade
  - Parker-Blythe
  - Gila-Knob
  - Pinnacle Peak-Rogers

Transmission Infrastructure

- Harnessing partnerships to rebuild aging transmission systems:
  - Vail-Tortolita with TEP (underway)
  - Southline with Grid United (exploring)
- Statements of Interest for Mead Substation and adjacent transmission lines in El Dorado Valley
- Likely additional projects resulting from opportunities by Department of Energy's Grid Deployment Office and Office of Indian Energy Policy and Programs

Drought and Energy Dialogue Sessions

- CRSP, DSW, Reclamation dialogue sessions focused on long-term approach to drought
- Three sessions held in November and January
- Summary reports from each session and Udall Foundation's assessment report available on WAPA's website
- Currently planning a wrap-up session and next steps

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