


Wheeling Stakeholder
Meeting #4

"Remainders & Closure"

June 17, 2014
Ken Seasholes

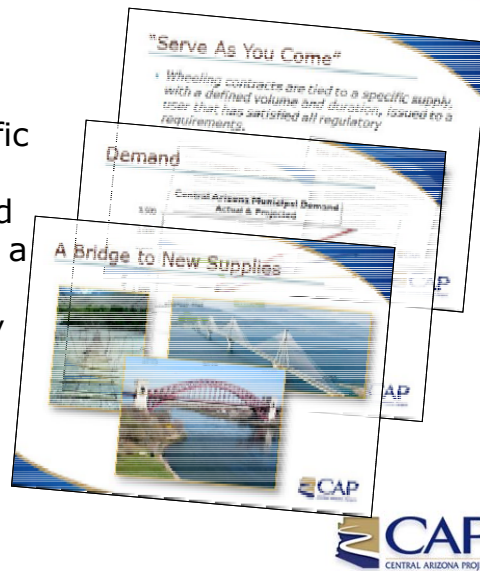
Agenda

- Review of Major Themes and Modifications to Staff Proposal
 - Serve As You Come
 - Operations
 - Cost & Capacity
- Open Discussion
- Review of Next Steps



"Serve As You Come"

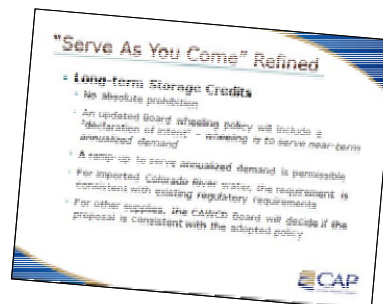
- Core concept that links a wheeling contract to a specific supply, with a defined volume and duration, issued to a user that has satisfied regulatory requirements



"Serve As You Come"

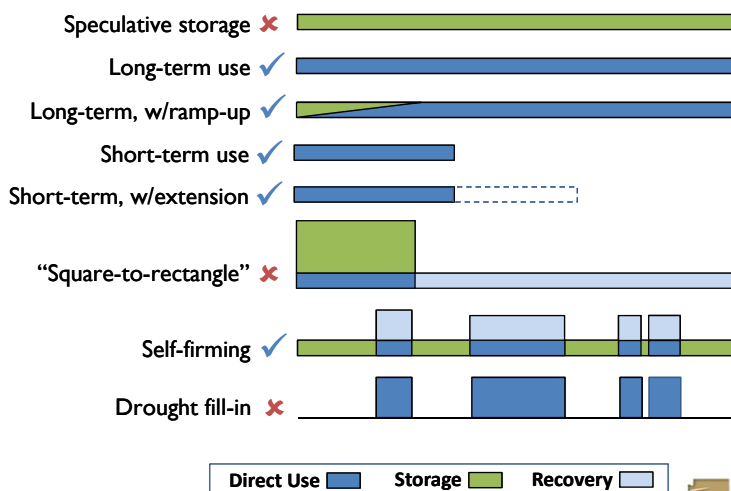
Contracting Purpose

- Role of "speculation" and long-term storage credit accrual remains controversial
- Pushback on several aspects of the staff view, particularly basing policy on near-term annual uses
- Lack of clarity on different scenarios added to confusion



"Serve As You Come"

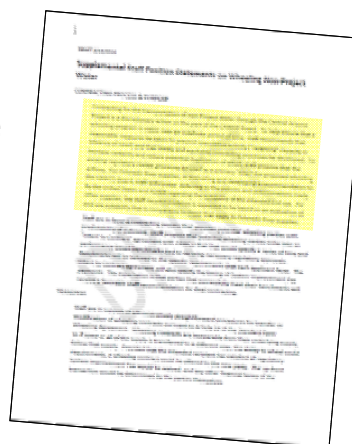
Contracting Purpose



"Serve As You Come"

Contracting Purpose

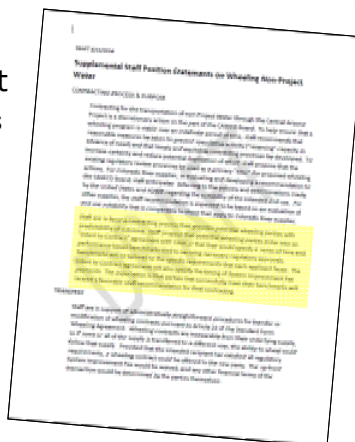
- Staff position statement places emphasis back on gatekeeping function of the regulatory process
 - Intended to acknowledge stakeholder concerns
 - Deference to ADWR and USBR for Colorado River transfers
 - Comparable evaluation for other supplies



"Serve As You Come"

Contracting Process

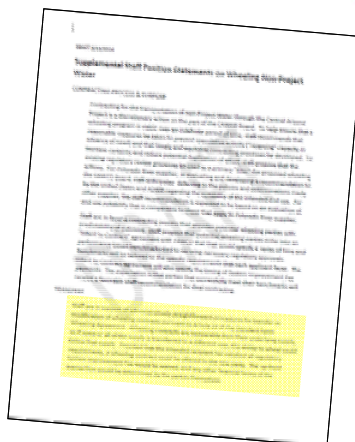
- Statement also discusses an "intent to contract" agreement
 - Softens "All regulatory approvals have been completed" concept
 - Based on tailored time & performance-based benchmarks
 - Helps provide predictability for potential wheeling parties
 - Board would approve
- New environmental clearance language added to draft Standard Form of Wheeling Agreement (section 6, page 3)



"Serve As You Come"

Transfers

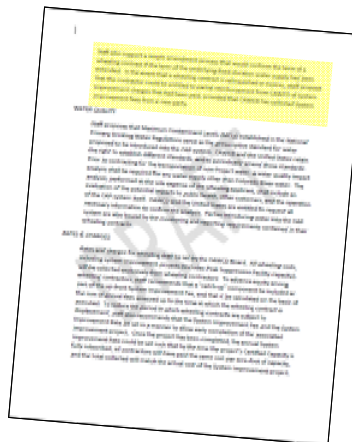
- Two policy goals:
 - Provide straightforward administrative processes
 - Maintain link between wheeling contract and underlying supply
- If supply is transferred, wheeling contract could follow
 - Subject to regulatory review, and Board approval
 - No double-collection of up-front System Improvement Fee
- New Assignment language in Agreement (section 22, page 14)



"Serve As You Come"

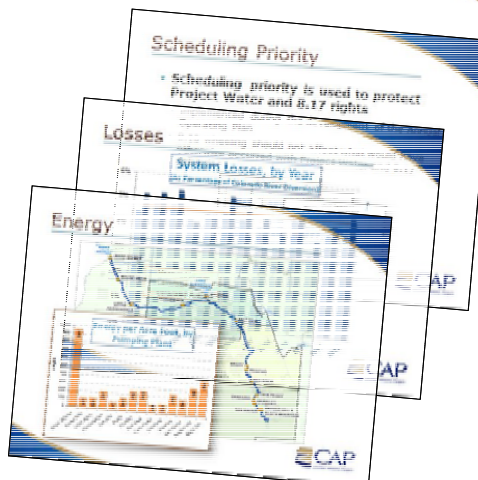
Transfers

- Simple amendment process if term of fixed-duration water supply is extended
- Proposed partial fee reimbursement if contract is relinquished or expires
 - Provided CAP has collected fees from a new party



"Operations"

- Meeting reviewed major operational provisions of draft Standard Form Agreement
 - Scheduling Priority
 - Interruptions & Reductions
 - Energy
 - Losses
 - Water Quality



"Operations"

Scheduling Priority

- Original scheduling priorities worked well, with minor exceptions
 - "2.0 MAF" & "May 95%" scenarios

Scheduling Priority

• Current Staff Proposal

1. Project Water (including Excess), and 0.10 non-Project Water after improvement projects are complete
 - Monthly 11% maximum enforced on 0.10 first
2. 0.17 non-Project Water
3. 0.10 non-Project Water before improvement projects are complete

► Performs well over a wide range of scenarios, but two hypothetical exceptions have been identified...



"Operations"

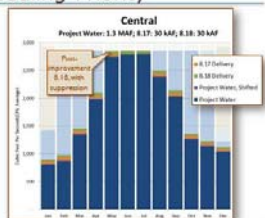
Scheduling Priority

Scheduling Priority

• Revised Staff Proposal

1. WEST: (as annual volume)
 - a) Post-improvement 0.10

Scheduling Priority

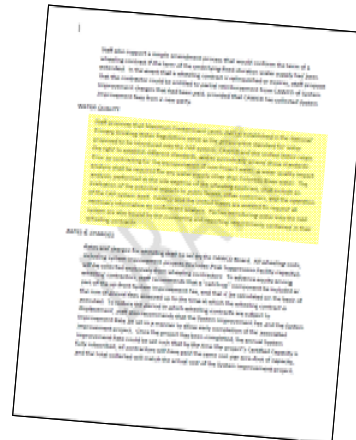


- Revised priorities fix exceptions, and generate identical results for ordinary scenarios
- Incorporated into section 13.3 of Standard Form Agreement (page 8)

"Operations"

Water Quality

- Mixed reaction to Staff discussion of water quality
- Staff Position Statement sets high bar
 - Federal MCLs as presumptive standard
 - Water quality impact analysis
 - Additional detail added to the Standard Form Agreement
 - 10.2 Monitoring & reporting
 - 10.3 Compliance with regulations
 - 10.4 Right to refuse transport



"Operations"

Other Provisions

- Additional operational language added to Standard Form Agreement
 - **2.3** (page 2): Added definition of contractor service area
 - **7.1** (page 4): Expanded point of receipt and point of delivery language
 - **7.2** (page 4): Added language on construction of connection facilities to point of receipt
 - **8** (page 6): New place of use section requiring use in contractor's service area
 - **13.5** (page 10): Rewording of schedule change provision



"Cost & Capacity"

- Update on capacity study provided new set of draft cost & capacity estimates
 - Large range in capacity per project
 - Narrower range of cost per AF of capacity
- Extensive input on rates and charges
 - Various ideas on how to collect revenue for early project completion



"Cost & Capacity"

Rates & Charges

- The position statement elaborates on staff concepts, and incorporates several points from stakeholders

System Improvement Fee

- Other considerations
 - In general, long-term stability in the Fee is preferable (i.e., no early or late entry advantage)
 - Reducing the period in which 8.18 can be displaced (i.e., post-certification, pre-construction) may also be desirable
 - Therefore, it may be prudent to bring some of the improvement costs forward in time
 - Collecting some money through a rate component can also be beneficial
 - A "catch-up" mechanism may be worth considering



"Cost & Capacity"

Rates & Charges

- System improvements paid with up-front fee and annual rate
- A "catch-up" component included to promote equity
- Fee & rates set to complete improvement project prior to full subscription of associated certified capacity
- Post-completion rates set so all contractors will have paid the same cost per acre-foot of capacity when full subscription is achieved
- No anticipated carry-over



"Cost & Capacity"

Rates & Charges

- It is premature to further develop a rate structure, but the general policy objectives appear to be achievable
 - Some factors will remain uncertain through time
 - Some displacement risk is borne by early contractors
 - Some carrying costs are borne by early contractors
- Additional rate & fee-related text added to Standard Form Agreement
 - **14.1.2** (page 11): Payment terms for pumping energy
 - **14.1.3** (page 11): Capital equivalency charge defined and payment terms added
 - **14.1.3** (page 12): System improvement rate defined



Open Discussion



Review of Next Steps

Wheeling Stakeholder Process

- **Purpose**

- Refine and improve the Staff Proposal
 - White Papers
 - Standard Form of Wheeling Agreement
 - Revisions to the Operating Agreement
 - Wheeling Model
 - [Additional Policies]

- **Goal**

- Have a set of framework documents that can be approved by the CAP Board, and Reclamation, including a standard form wheeling agreement as envisioned under article 8.18 of the Master Repayment Contract



Initial Stakeholder Meeting; March 12, 2014



Review of Next Steps

- Incorporate additional feedback
- Bring refined staff proposal to the Board in August
- Seek Board direction to negotiate on the basis of the staff proposal
- Solicit **support** and **advocacy** for the proposal, and for the importance of reaching conclusion

