REMARKS BY G. G. STAMM
AT
CRSP CUSTOMER MEETING
IN
SALT LAKE CITY, UATH, NOVEMBER 29, 1972

MARKETING BEYOND 1976

It is always a pleasure to meet with Reclamation's Paying Partners. In this case, primarily our Colorado River Storage and Participating Project power customers. You and the Storage Project are our concern here today.

It is quite like a mutual benefit alliance or partnership. We produce electric power economically and make it available to you at a reasonable price in accordance with established principles and regulations. You in turn, by purchasing this off-shoot of Reclamation enable the Bureau to reimburse the U. S. treasury with interest for most of the funds appropriated by the Congress to construct the project.

The agenda says my topic is "Marketing beyond 1976". Marketing what, to whom, in what manner, and for how much?

First, what? John says existing Storage Project Power Capability is obligated by 1975. As a matter of fact, as John also pointed out, some of you have already found your CRSP supply will be inadequate for your system needs before then. Let's look at this problem then. Will additional quantities of power be available from the Storage Project in the future? The answer is yes! Qualified because these additional amounts will be small in comparison to your needs.
The first block available will be in the category that one man's loss is another man's gain. I am referring to the withdrawal principle, wherein power that has been sold in the Southern Division on an interim basis will be needed by Preference customers in the Northern Division to help meet their loads. So with tongue in cheek, I will refer to the Northern Division and say the first block of additional project power will become available in 1976 when this withdrawal will be effected. You must realize, however, that the amount will be of little help to you. The net withdrawal will be less than 30 megawatts and your loads will have grown by almost 90 megawatts during the 1975-76 period alone.

The second block will become available when Crystal Powerplant goes on the line. At the present time, we anticipate this will be late in 1977. This 28 megawatt plant along with a resultant increase of 60 megawatts capacity at Morrow Point will provide the Northern Division Customers with 70 megawatts and Southern Division Customers with 18 megawatts additional entitlement. However, here again the Northern Division loads will increase by almost 90 megawatts alone during the same time frame. Here also we encounter a problem of oscillation in the Southern Division. If we withdraw to 20% of the project capability in 1976 we are talking about 238 megawatts. Then when Crystal comes on in 1977 this amount increases to 257 megawatts.

The third block will become available from the powerplants of the Central Utah Project. This will be the final block as the Storage Project now stands and the most optimistic time frame we can foresee would make this block available in 1981 or 82. Here again we are talking of about 100 megawatts for the Northern Division and some 30 megawatts for the Southern Division. In other words, from 1975 through 1981 while the Northern Division
loads alone will increase by 70%, the Northern Division share of additional project capability will only increase by something less than 20%. It is obviously then, a losing battle and I will talk more about this later.

Let's move along then -- to whom shall we sell these additional amounts of power? Do we sell to just "some" customers, do we sell only to "existing" customers, or do we sell to any and all qualifying preference customers? Two things are certain at this point: This power must be sold under the "Preference Law" and in accordance with the approved Storage Project Marketing Criteria. Most of you are familiar with both of these documents but I would like to refresh your memory as to what constitutes a "Preference Customer." Besides having to be a bunch of nice guys, preference customer status is given to municipalities and other public corporations or agencies, as well as to cooperatives and other non-profit organizations financed in whole or in part by loans made pursuant to the Rural Electrification Act of 1936 and any amendments thereof.

Now we know what we have to sell and to whom we must sell it. But, How? In what manner can we sell these additional blocks of power and still protect the monetary and operational integrity of the project? Do we apportion these additional increments only, or do we reapportion the full project capability with due regard, of course, to our existing contract commitments which we must and will honor? Which ever method we use, what factor do we use as a basis for determining the amounts each customer is entitled to? Do we use "Actual Needs?" Do we use "Estimated Future Requirements?" or do we use an "Applications for Allotment?" In any event, reserves and retained resources should be considered. A retained resource is
defined as power available under an existing contract with the Storage Project or some other Bureau Project such as the MRB, Parker-Davis, or Rio Grande, to name a few. Some of you may have contracts with private utility companies or you have your own declared generating facilities that in themselves constitute "another source" and can be considered as a retained resource.

Now, with all the foregoing properly resolved, let's talk about the Storage Project energy problem. Most of you are already aware that the 58.2% load factor determined from anticipated project energy capability studies initially, is now apparently a little over-zealous. The past ten years of operation have proved the project energy should be more nearly at 48% load factor. Some means of bringing the energy output more in line with actual project availability must eventually be implemented. Maybe a new rate schedule could do it, or even better, maybe these blocks of additional power should be sold as "peaking" power only, with a provision for returning the energy.

Now, you say, "The Storage Project has an additional block of power in 1977 that they are going to sell to me as a preference customer, in a manner I will help to determine, but for what price?" Actually, the present rate in effect (R4-FI) would be more than satisfactory to everyone with its average 6 mill per kilowatt hour cost if it could meet the project repayment needs. However, it would not be realistic for me to stand here and tell you today that the present rate will not change. We are confronted with the same rising costs problem that all of you are. Our Operation and Maintenance costs are and will probably continue to increase, and the construction costs for the latest and future project features are rising.
These, coupled with higher costs for Hoover Deficiency and firming energy purchases, and viewed with future upstream water supply depletions, point ominously to some point in time when an increase in rate will be inevitable. It does appear to us that this might possibly be as far away as the end of the first contracting period at which time (1990) an increase in average revenue to about 7 mills per kilowatt hour might be realistic. Even at that, your Storage Project Power will undoubtedly remain the best bargain on your power supply market.

All this discussion now brings us to a subject that won't go away even if we stick our heads in the sand. I am referring to the need for a supplemental power supply that each and everyone of you must face up to sooner or later. The rude awakening has already hit some of you and is sneaking up close behind the rest of you. From what I have said here today, I am sure you can see the need is obvious. By the time your system load in excess of your retained resources, equals the maximum Contract Rate of Delivery in your Storage Project Power Sales Contract you must have a supplemental source ready to pick up all of your additional needs. You will be on your own, since by that time there will be no more available from our plants. There will be no overrun capability and the Bureau cannot provide service as a power broker. In plain language, gentlemen, when it's gone, it is gone. We are hopeful that any additional power supply you may acquire will provide us the opportunity to serve you your just share of future blocks of project power as they become available. Our Bureau staff will be glad to assist you in any way we can as our time and manpower limitations will permit. We would appreciate an opportunity to discuss your problems with you or to assist you in future negotiations where we might be helpful.
In closing, I would like to say again, it is always a pleasure to meet with you, and I hope that what I have said and the questions I have raised here today will have activated your thought processes sufficiently to generate some questions and answers of your own that you may be willing to share with us during the upcoming two panel sessions.

Thank you.
Travel -
Superman 6
JFO -
APRA
MBSA
ERMA
NREA
NERA
By Eot PA
By 2 Burgesta
Delta Water Agency
Water Res Corp

1 trip/mo
200 gal - 350 Haul
600/mo