

MULTI SYSTEM TRANSMISSION RATE

Fifth Informal Customer Meeting

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Meeting Agenda

- Discuss reasons for MSTR
- Review of model Pros and Cons
- Presentation of MSTR w/ latest financial data and assumptions
- Update on losses/CRSP transmission
- Next steps

MSTR Background

- Why are we here?
 - Customers requested DSW look at single system rate
 - Mitigate need to reduce Firm Transmission capacity at conversion of FTS contracts to OATT agreements
 - Align rate structure with integrated operation of control area resources.

Background-cont'd

- Advantages of switching to a MSTR
 - Additional Contract Capacity
 - Focused Upgrades
 - Eliminate Pancaked Rates
 - Facilitates Customer Financing

MSTR Background

- Initial look—MSTR only
- MSTR w/convergence to a target rate
 - Converge w/ MSTR available in 5th Year
 - Converge w/ MSTR available in 1st Year
- Customer choice model – “circular” issues
- “OATT 1st” – customer choice model until contract terminates

Pros & Cons-MSTR Only

- Pros:
 - Additional ATC (78 MW) available immediately
 - Pancaking eliminated effective with rate implementation
 - Reduce administrative processes
 - Simplify West Wide OASIS posting

Pros & Cons MSTR Only-Cont'd

- Cons:
 - Largest immediate cost shift to single system customers
 - Immediate rate fluctuations
 - Higher rate in 5th year than convergence methods

Pros & Cons-Convergence Model

- Pros:
 - Allows for full implementation & benefits of MSTR in five years
 - Minimizes yearly cost shifts to Single System customers

Pros & Cons-Convergence Model (cont'd)

- Cons:
 - Increased costs for some non-pancaked FTR Customers
 - Increased administrative processes during 5 year implementation period

Pros & Cons-Convergence Model

- Differences between 1st Yr and 5th Yr
 - 5th Year
 - Additional capacity not available until 5th year
 - Pancaking continues until 5th year
 - 1st Year
 - Additional capacity available in 1st year
 - Pancaking eliminated 1st year
 - MSTR rate higher in 1st 4 years

Pros & Cons Customer Choice (Western Model)

- Pros:
 - Customer Choice
- Cons:
- Customer choice negated by circular problem.
 - “Circular” problem
 - Start point determines MSTR Only or
 - SSTR Only

Pros & Cons- OATT 1st

- Pros:
 - Allows customer choice for some
 - Minimizes cost shift for some
- Cons:
 - Disparate treatment issues
 - Initial MSTR rate significantly higher than other methods.
 - Delays full implementation of MSTR for more than 10 years

MSTR Rates Using Current Data

Table 1: MSTR Only

Proposed Rates (kW/Mo)					
	P-DP	CAP	IP 230/345	IP 500	MSTR Only
FY05	\$1.11	\$0.82	\$1.00	\$1.44	\$1.20
FY06	\$1.11	\$0.82	\$1.00	\$1.44	\$1.20
FY07	\$1.11	\$0.82	\$1.00	\$1.44	\$1.20
FY07	\$1.11	\$0.82	\$1.00	\$1.44	\$1.20
FY08	\$1.11	\$0.82	\$1.00	\$1.44	\$1.23

**Table 2: MSTR w/Convergence
Apply MSTR 5th Year**

Proposed Rates (kW/Mo)					
	P-DP	CAP	IP 230/345	IP 500	MSTR
FY05	\$1.11	\$0.82	\$1.00	\$1.44	n/a
FY06	\$1.12	\$0.90	\$1.04	\$1.37	n/a
FY07	\$1.13	\$0.99	\$1.08	\$1.30	n/a
FY08	\$1.14	\$1.07	\$1.11	\$1.22	n/a
FY09	\$1.15	\$1.15	\$1.15	\$1.15	\$1.15

**Table 3: MSTR w/Convergence
Apply MSTR 1st Year**

Proposed Rates (kW/Mo)					
	P-DP	CAP	IP 230/345	IP 500	MSTR
FY05	\$1.11	\$0.82	\$1.00	\$1.44	\$1.65
FY06	\$1.12	\$0.90	\$1.04	\$1.37	\$1.51
FY07	\$1.13	\$0.99	\$1.08	\$1.30	\$1.38
FY08	\$1.14	\$1.07	\$1.11	\$1.22	\$1.26
FY09	\$1.15	\$1.15	\$1.15	\$1.15	\$1.15

Table 4: OATT 1st

Proposed Rates (kW/Mo)					
	P-DP	CAP	IP 230/345	IP 500	MSTR
FY05	\$1.11	\$0.82	\$1.00	\$1.44	\$1.69
FY06	\$1.11	\$0.82	\$1.00	\$1.44	\$1.69
FY07	\$1.11	\$0.82	\$1.00	\$1.44	\$1.65
FY08	\$1.11	\$0.82	\$1.00	\$1.44	\$1.50
FY09	\$1.11	\$0.82	\$1.00	\$1.44	\$1.40

Rate Assumptions

- “Single System Use Credit”
 - Applies to FES and Priority Use Customers
 - If power taken ONLY on P-DP, payment for TX component reduced by difference between MSTR and P-DP only rate.
 - MSTR required for FES who choose to use multiple systems

Rate Assumptions, cont'd

Assume no loss of transmission reservations-

EITHER

- Existing contracts would be extended beyond their expiration dates through the end of the rate evaluation period.

OR

- Western would market that reservation to another customer through the end of the rate period.

ASSUMPTIONS (Continued)

- New Firm Transmission Service Sales for the AC Intertie 500-kV; 10 year phase-in process as part of rate implementation (FRN 3 April 1998).
- Western currently on track for projections.

ASSUMPTIONS (Continued)

- Additional Firm Transmission Service Sales resulting from implementing a Multi-System Transmission Service Rate.
 - Capacity that would become available from South of Mead path

10/04 to 9/09 - 78,000 kW

Assumption Used in Rate

- How are rates effected by the assumptions?
- (Ask Tony if willing to be in meeting and discuss sales outlooks?)

Losses Issues

- New DSW loss rate: 3% - all systems except Mead Phoenix (calculated via contract)
- No pan-caking of losses within DSW
- Effective June 1, 2004 – official notification 30 days prior
- CRSP system loss rates remain separate and distinct.
- Continue to probe alternatives to “unpancake” CRSP losses.

CRSP Transmission

- CRSP FES deliveries on PDP
 - Continue to pay both systems
- PDP FES deliveries on CRSP
 - Continue to pay both systems

Next Steps

- Western proposal: Convergence in Year 5
- Draft Federal Register Notice announcing rate process
- Public Information Forums and Comment Forums summer of 04
- MSTR effective fall '04/winter 05