

Combined Transmission Service Rate

Colorado River Storage Project Management Center
and
Desert Southwest Region

April 27, 2020

Agenda

- Overview
- History of Combined Rates
- Transmission Systems
- Approach and Process
- Open Discussion
- Resources / Next Steps

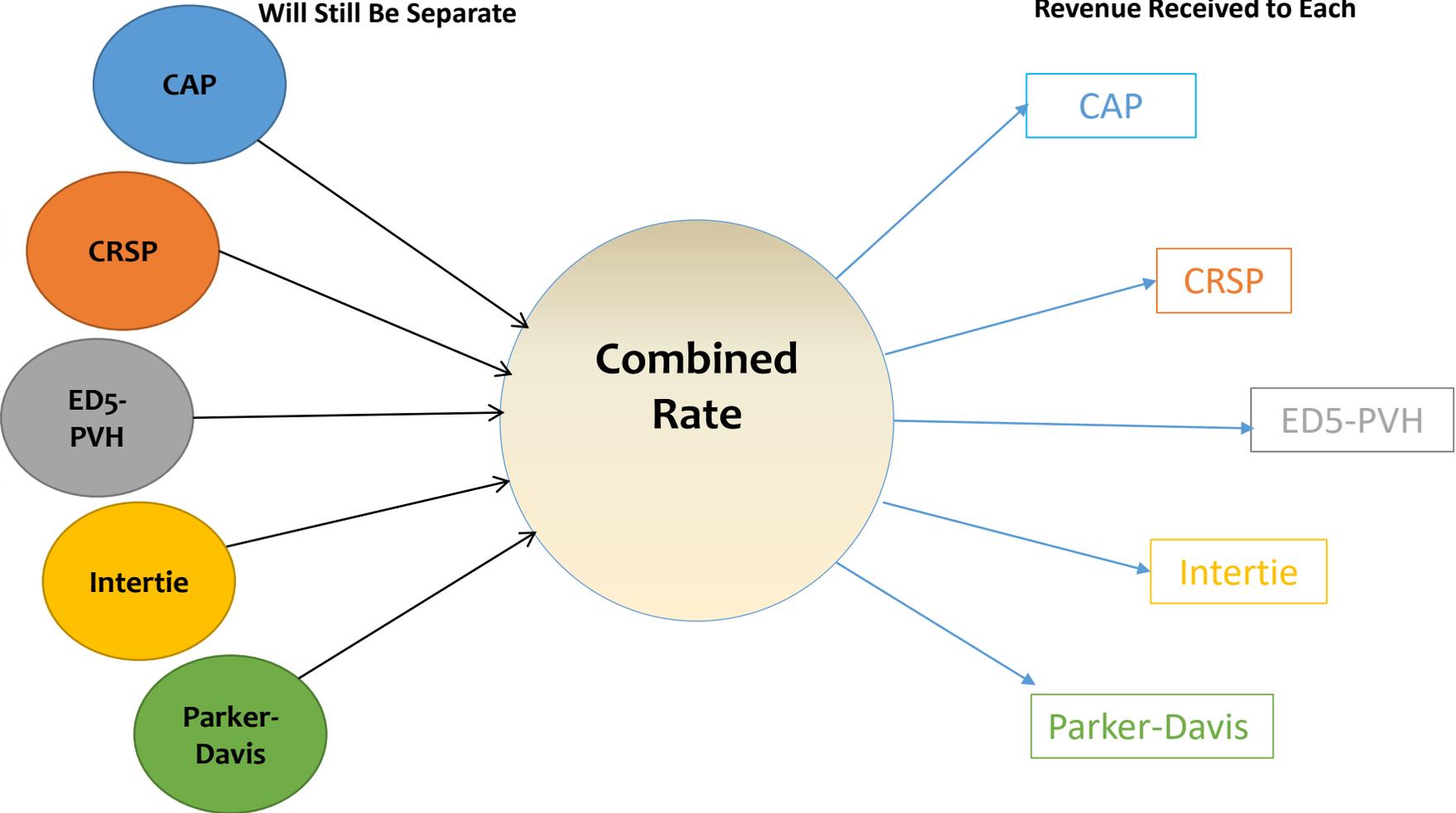
Overview

- WAPA is investigating combining the transmission rates of the DSW and CRSP transmission systems
- This is a scoping effort – we need your feedback and questions
- DSW has been working on this effort recently and also in the past. Involvement of CRSP is new.
- This effort began with discussions at the staff level
- There are multiple aspects to this issue. We are beginning with understanding how rates would be impacted.

Overview

Revenue Requirements
Will Still Be Separate

Revenue Received to Each



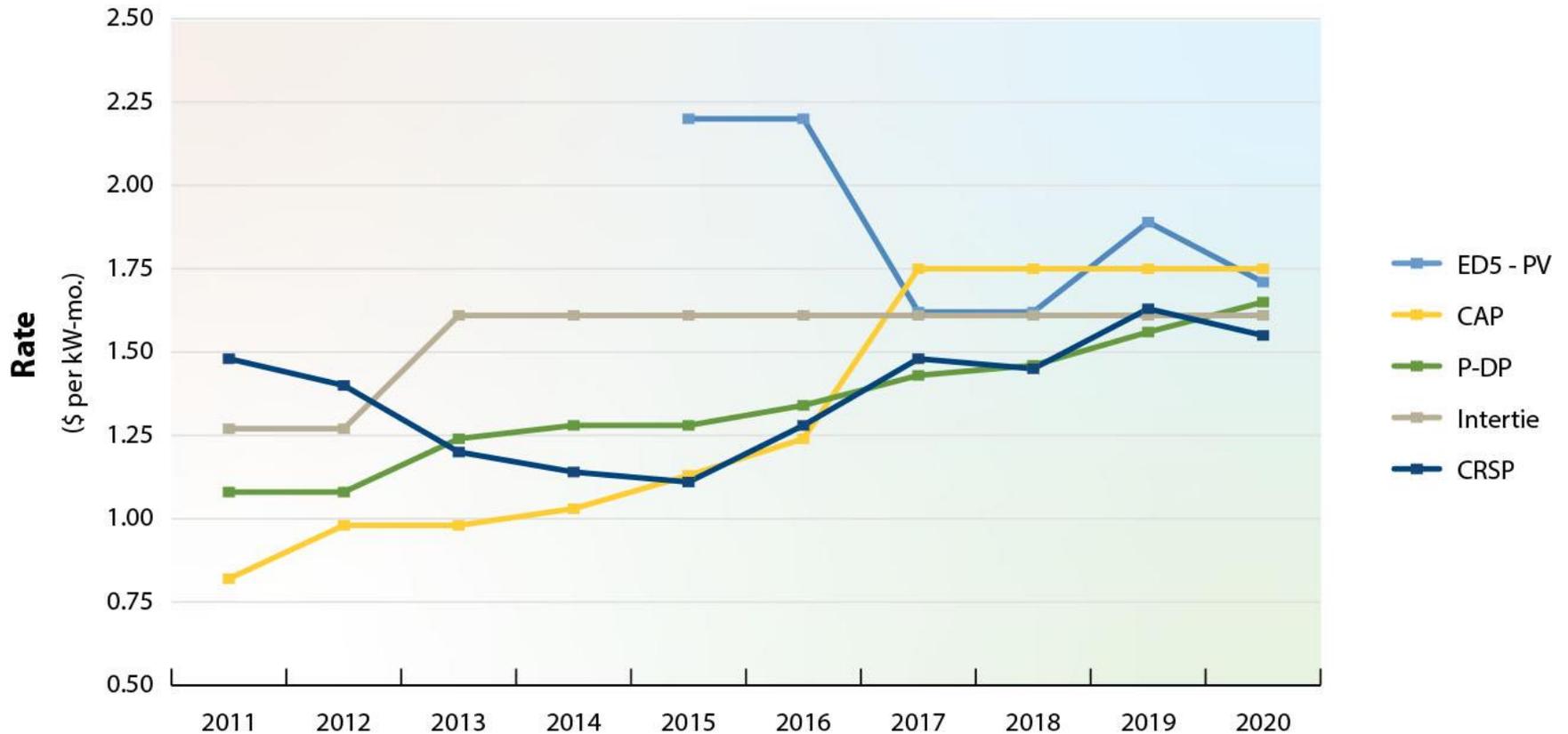
Overview

Customer Collaboration

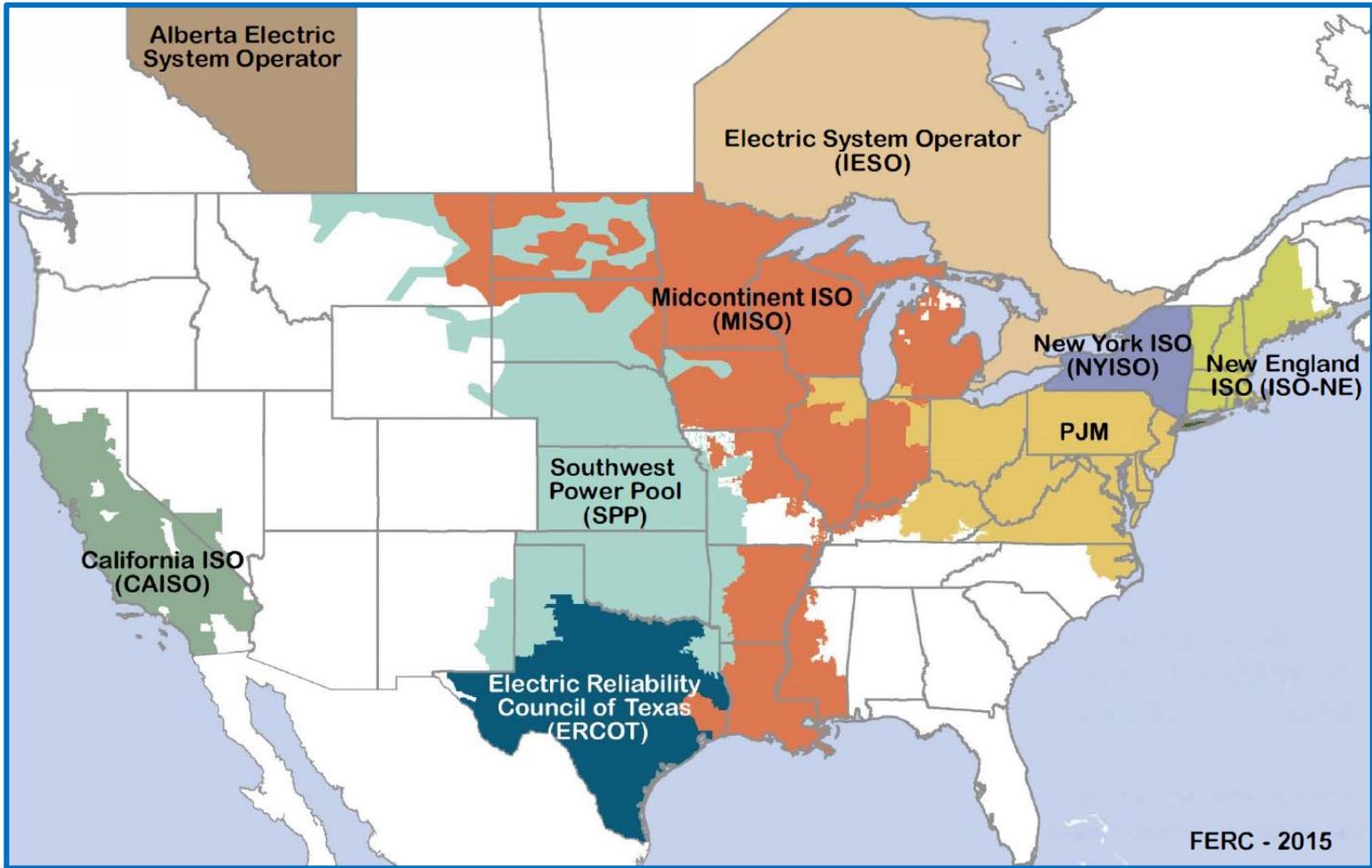
- We are just starting this process
- Scoping effort at this point
- Multiple meetings and outreach
- Customers have been thinking about this idea
- Please share your opinions and experiences, especially if you have seen these efforts in other areas
- **QUESTIONS ARE WANTED**

Overview

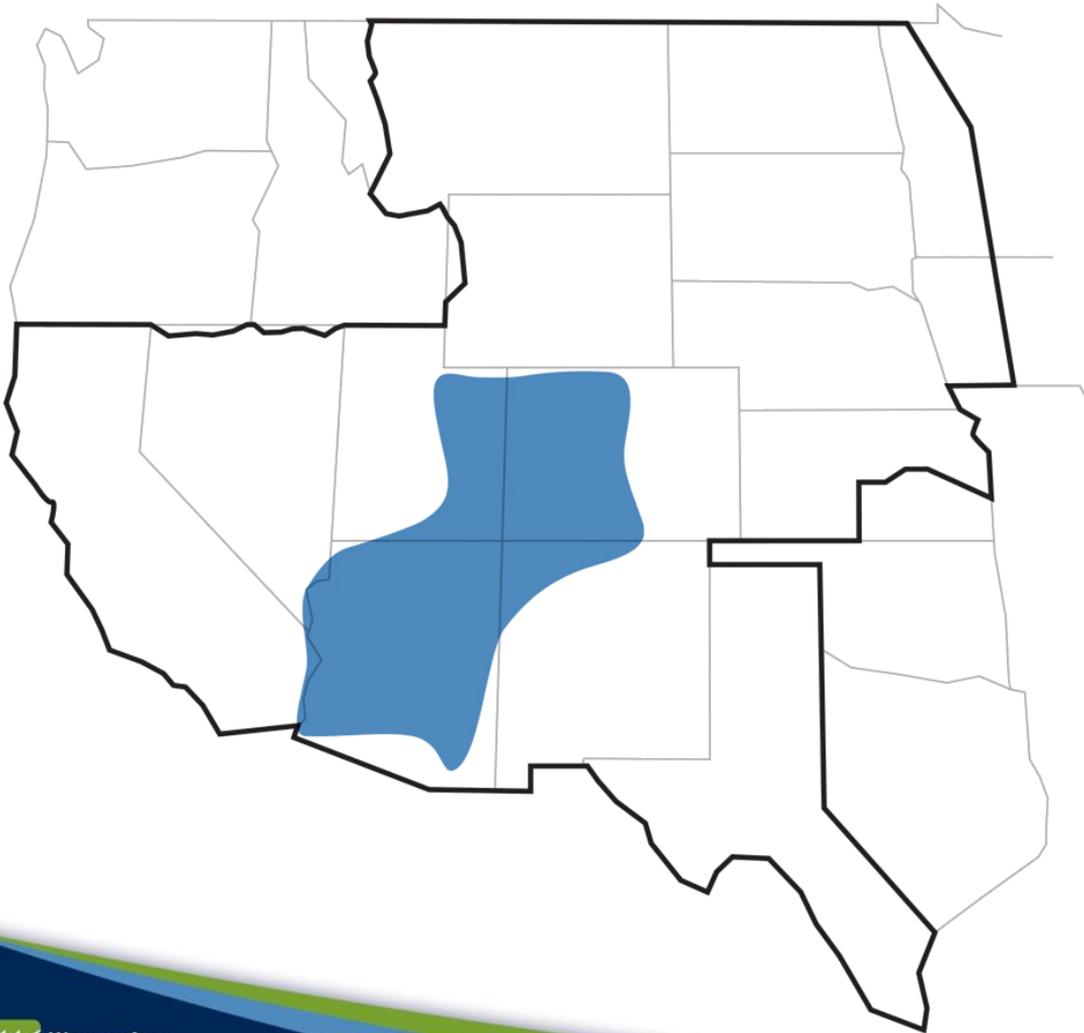
Rate Convergence 2011-2020



Overview



Overview



- Large service territory
- Eliminates pancaking
- Overlapping customers of CRSP and DSW
- Overlapping customers across DSW systems

History of Combined Rates

- WAPA and its customers have a history of combining transmission rates
- Most notable is the Integrated System rate of Upper Great Plains Region, Basin Electric, and Heartland Consumers Public Power District
- DSW has also considered combining rates three times: 1980's, 1990's, and in 2003 with the Multi-System Transmission Rate (MSTR)

2003 – MSTR

- Combination of Central Arizona Project, Intertie, and Parker-Davis Project
- Considered a range of ideas from phasing-in the combined rate to a non-firm rate
- Exhaustive but educational:
 - Impact of pancaking
 - Knowledge of transmission systems
 - Closer working relationships
 - Technical/ratemaking abilities

2003 – MSTR

- Despite its merits, it ultimately failed due to differences between the rates at the time

CAP	Intertie	PDP	Difference
\$0.82/kW-Month	\$1.00/kW-Month \$1.44/kW-Month	\$1.08/kW-Month	\$0.62/kW-Month

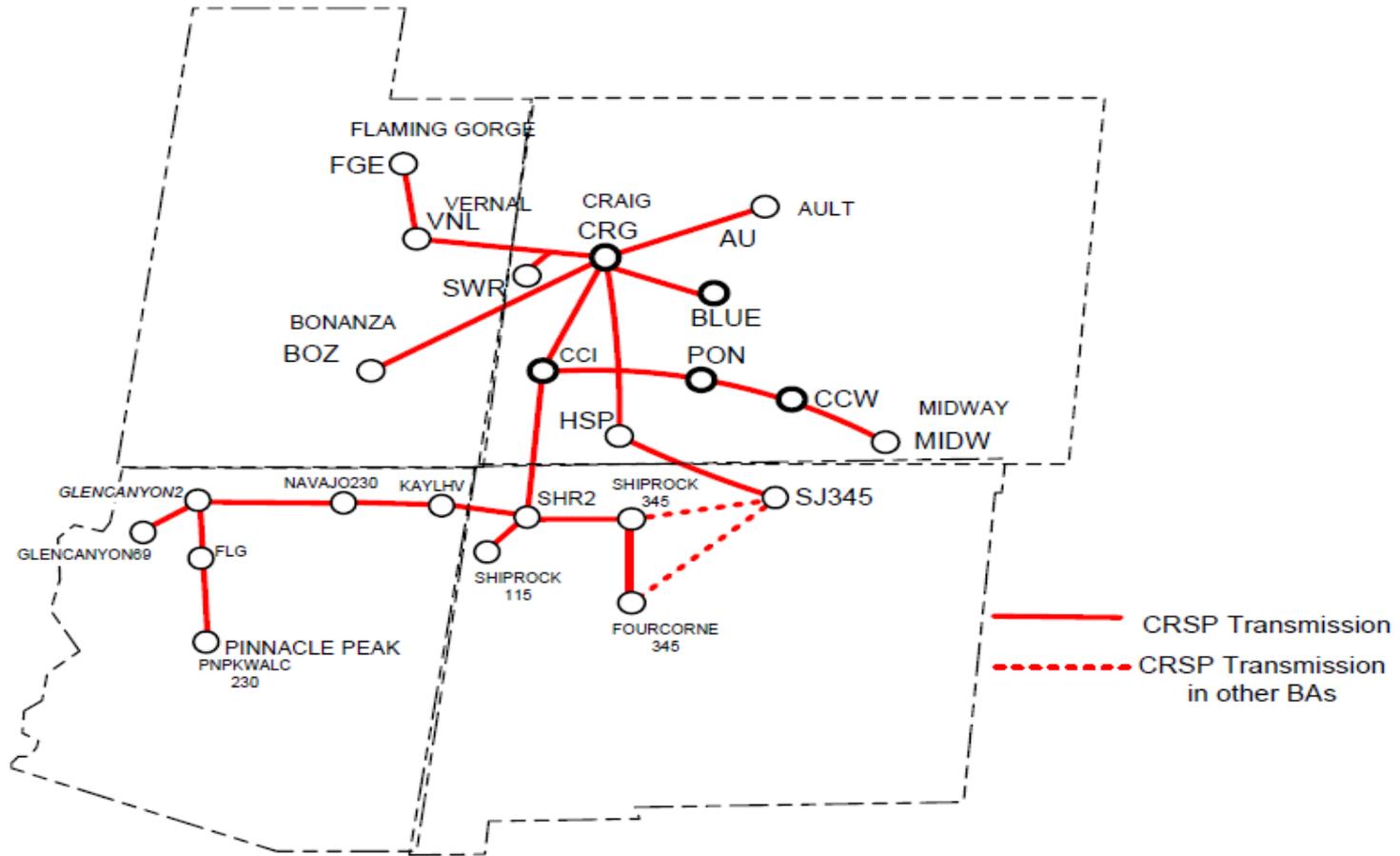
- Information about the MSTR:

<https://www.wapa.gov/regions/DSW/Rates/Pages/multiple-system-rates.aspx>

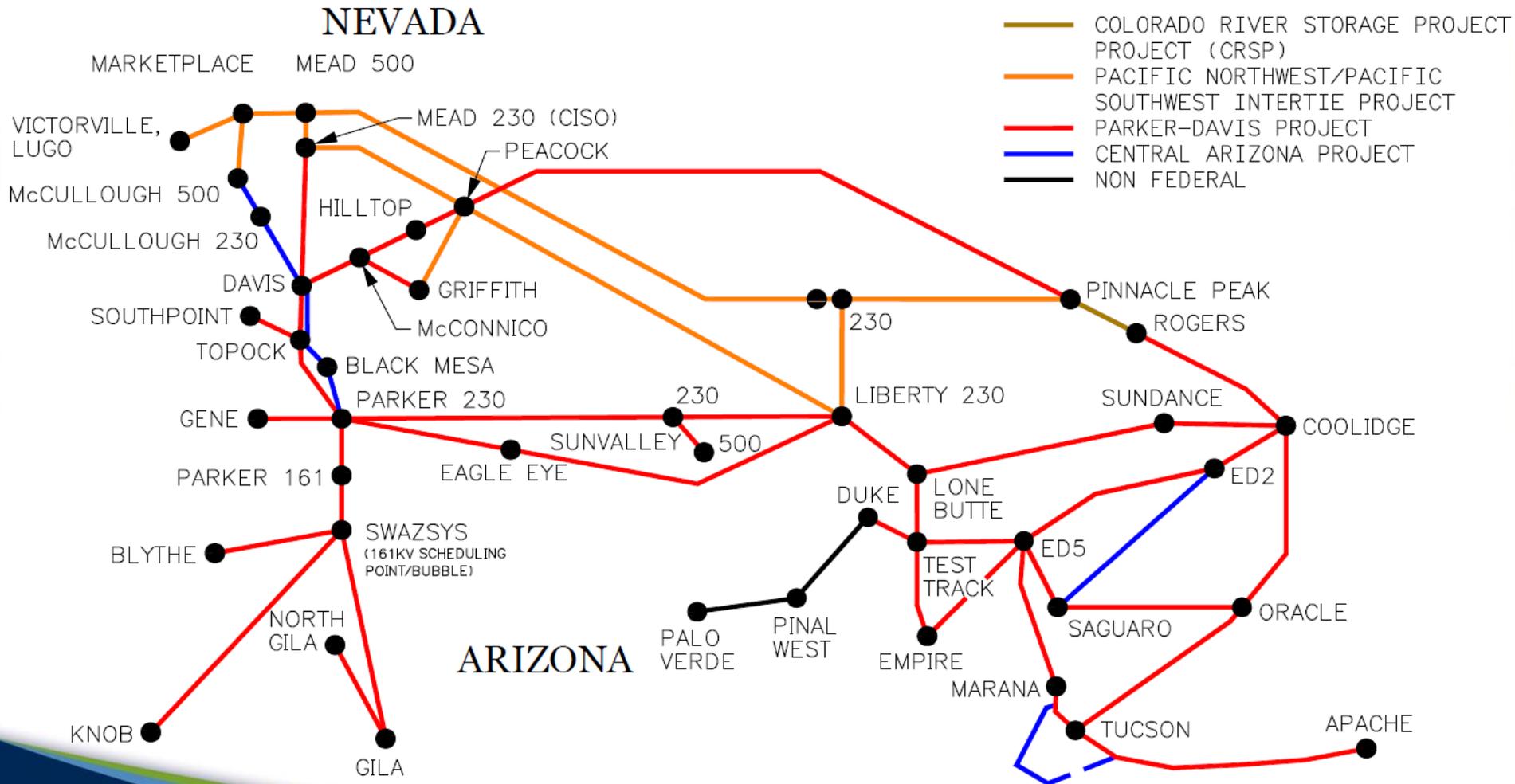
2018 – Renewed Interest

- Much had changed at DSW by 2018: rates had converged, rise of markets, usage of the systems changed
- Customer Technical Committee requested DSW investigate a combined rate – sidelined due to forging the Joint Planning Agreement
- In 2019, as a result of jointly prioritizing various initiatives with DSW customers, a combined rate was one of the top three initiatives

CRSP Transmission System



DSW Transmission Systems



Approach and Process

Three-phased approach for CRSP, DSW, and our customers:

1. Educate

- Learn about the systems involved
- Understand our collective needs/use

2. Explore

- Identify issues, both positive and negative

3. Formulate

- Develop, analyze, and assess combined rate designs

Education Phase

Currently capturing similarities/differences:

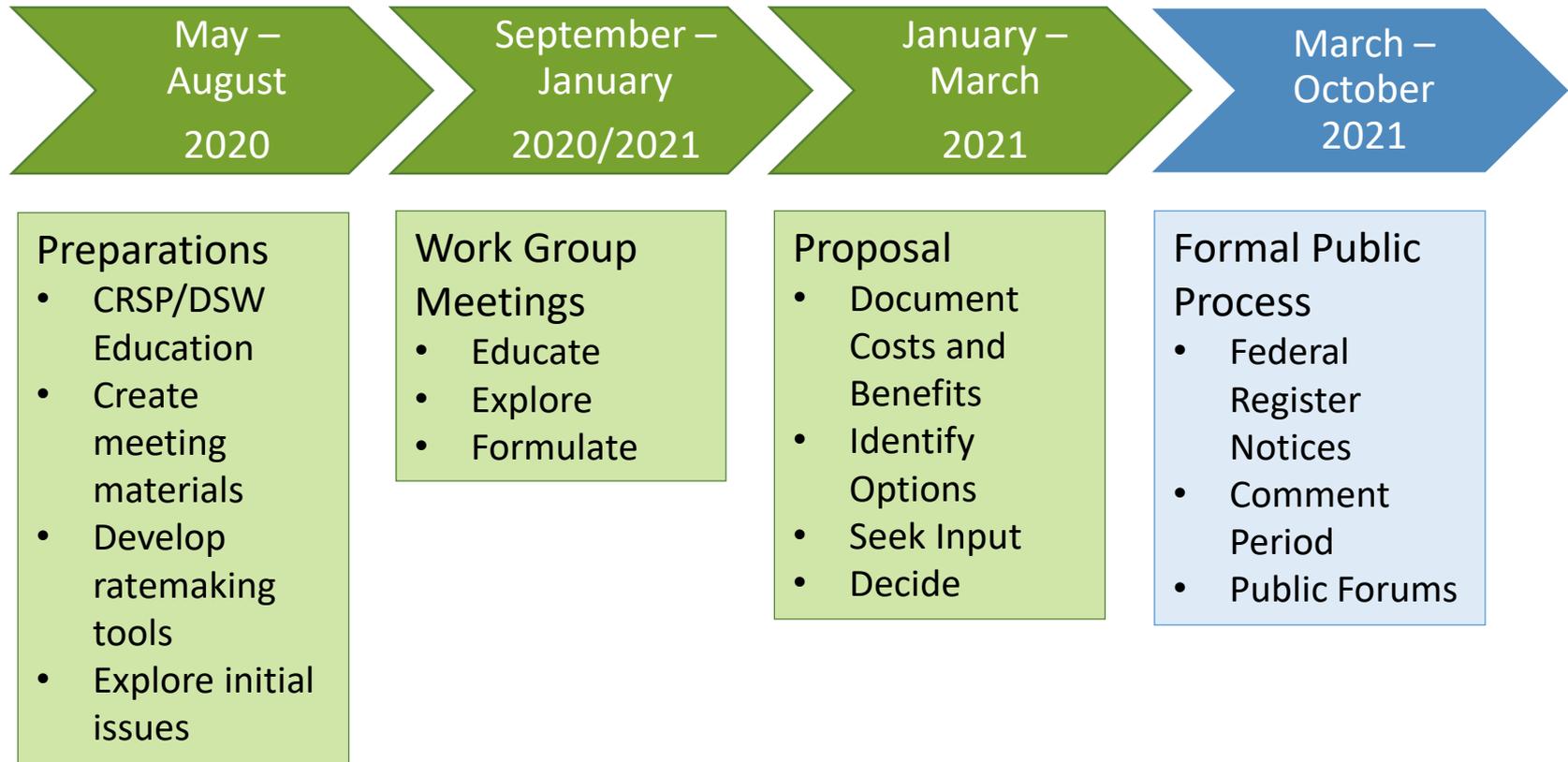
- Treatment of Firm Electric Service
- Rate Setting Methodologies
 - Five Year Averaging vs. Single Year
 - Compound Interest Amortization
 - Balloon Payment
 - Fixed-Charge

Education Phase

Currently capturing similarities/differences:

- Stated vs. Formula Rates
- Treatment of Depreciation
- Fiscal Year/Calendar Year
- Financial Data Sources
- Forward-Looking

Tentative Timeline



Throughout the Process

- Assess
 - Processes and unify where practical
 - Benefits of eliminating pancaked transmission
- Optimize
 - Use of differing rate methodologies to yield a lower combined rate
 - Value of transmission systems through more efficient use
 - Long-term financial and rate stability

Combined Rate Principles

- Equitable/Fair pricing and treatment for all transmission users
- Recognize and preserve the value of Firm Electric Service
- Transparency in our processes, methods, and materials
- Minimize administrative burden
- Produce measurable results

Open Discussion



Resources / Next Steps

- Briefings, FAQ, notes, presentations, and other information is available at:

<https://www.wapa.gov/regions/DSW/Rates/Pages/CombinedTransRate.aspx>

- FAQ will be updated throughout the process and we will keep you appraised of progress through periodic emails/contact
- Continue preparations for work group meetings later this year

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