



PARKER-DAVIS PROJECT,  
INTERTIE PROJECT AND  
CENTRAL ARIZONA PROJECT

MULTI-SYSTEM  
TRANSMISSION RATE

JUNE 2004  
DESERT SOUTHWEST CUSTOMER  
SERVICE REGION

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## INTRODUCTION

The Western Area Power Administration's (Western) Desert Southwest Customer Service Region (DSW) is proposing rates (Proposed Rates) for long-term sales of transmission under a Multi-System Transmission Rate (MSTR) for cost recovery purposes for the Parker-Davis Project (P-DP), the Pacific Northwest-Pacific Southwest Inter-tie Project (Intertie) and the Central Arizona Project (CAP), collectively referred to as Projects. The MSTR will supercede each Project's Single System Transmission Rates (SSTR). Revenue derived from the MSTR will be allocated to the Projects based on each individual Project's percentage of the total revenue requirement. The Proposed Rates will be applied under existing contracts and Western's Open Access Transmission Service Tariff (OATT) and conforms with the spirit and intent of the Federal Energy Regulatory Commission (Commission) Orders 888 and 888A. Western is a non-jurisdictional entity under FERC and as such, is filing under Secretarial Delegation Order No. 0204-108 only.

A convergent rate will be applied during the first five years to mitigate the cost shift to those customers who do not have concurrent service over two or more Projects (termed pancaked service). The convergent rate will be determined as follows: DSW will calculate a target rate to be achieved in the fifth year following the effective date of the MSTR. The rate for each Project in the first four years will be the prior year rate increased/decreased each year by an amount equal to twenty percent of the difference between the target rate and the rate in effect in the year prior to the MSTR effective date. In the fifth year, all projects will pay the target rate. The total revenue collected during the five years will be adequate to meet all expenses of each Project during the five year cost evaluation period.

DSW will offer firm point-to-point transmission service. The Proposed Rates will be applicable to existing and future transmission service. Network Integration Transmission Service (NITS) will be offered to transmission customers under Western's Open Access Transmission Tariff (OATT). The NITS will be offered over the P-DP, Intertie, and CAP Projects as stated in Rate Order WAPA-84. DSW's Firm Electric Service (FES) and Priority Use Power (PUP) customers who take service under existing marketing plans will continue to receive a bundled product which includes an appropriate transmission component charge. The FES or PUP customers that choose to take advantage of the broader MSTR transmission service will pay the MSTR transmission rate.

Ancillary Services will continue to be offered under Rate Order WAPA-84 and succeeding Rate Orders. NITS for those customers taking service over Western's CRSP transmission lines will continue to be covered by Rate Order WAPA-84.

**Comment [S1]:** We already do, does this mean we will continue or is it meant to denote that currently offer this service?

## **Project Descriptions**

DSW transmission system includes facilities of three Projects: P-DP, Intertie and CAP. A complete description of each project is available in the appropriate appendix and a brief description of each Project follows.

### *Parker-Davis Project*

The P-DP transmission system includes various high-voltage switchyards, substations, and approximately 1600 miles of high voltage transmission lines. Davis Dam is located on the Colorado River between Arizona and Nevada, about 67 miles downstream from Hoover Dam. Parker Dam is located on the Colorado River between Arizona and California, 155 miles downstream from Hoover Dam. The P-DP transmission system has served as a major transmission system for delivery of power over long distances in Arizona, with facilities extending into the southern parts of California and Nevada.

### *Pacific Northwest-Pacific Southwest Intertie Project*

DSW administers the Southwest portion of the Intertie. It consists of a 238 mile (383 km) 345 kV transmission line from Mead Substation in southern Nevada to Liberty Substation in Arizona; and a 19 mile (31 km) 230 kV transmission line from Liberty Substation to Westwing Substation in Arizona. A 22 mile (35 km) 230 kV transmission line runs from Westwing Substation to Pinnacle Peak Substation in Arizona and the 260 mile (419 km) 500 kV Mead-Phoenix Project transmission line between Perkins Switchyard in Arizona and Marketplace Substation in Nevada. The Project also includes a 202 mile (325 km) 500 kV Mead-Adelanto Project transmission line between Marketplace Substation and the existing Adelanto Switching Station in southern California.

### *Central Arizona Project*

The CAP is one of three related water development projects that make up the Colorado River Basin Project. The others are the Dixie and the Upper Basin projects. The Central Arizona Project was developed for Arizona and western New Mexico; the Dixie Project for southeastern Utah; and the Upper Basin Project for Colorado and New Mexico. The part of the CAP transmission system for which Western is responsible for O&M and marketing, includes approximately 38 circuit miles of transmission lines, (98% of which are in Arizona and the remainder in California) and six substations with a transformer capacity of 228,000 kVA.

## **Rates History**

This is the first year the MSTR will be offered; there is no history for that rate as such. A rate history for each project is detailed in the supporting data appendices.

## PROPOSED RATES FOR THE MULTI-SYSTEM TRANSMISSION SERVICE

DSW will offer point-to-point and network integration transmission service (NITS). These services include the transmission of energy to points of delivery on the Projects transmission system which includes transmission lines, substations, communication equipment, and related facilities. DSW's FES and PUP customers will continue to receive a bundled product, which contains an appropriate transmission component charge, as part of their total electric service charge.

The convergent rates described in the introduction and Appendix B will be applied during the first five year cost evaluation period in order to mitigate the cost shifts to the customers that do not have pancaked service. Table 1 shows the convergent rates for the period sorted by Project SSTR and the target MSTR.

Table 1: Power System and Multi-System Transmission Rates

	20% Annual Convergence		\$1.15 /kW-Mo Target Rate		
	P-DP	CAP	IP 230/345-kV	IP 500-kV	Multi-System
<b>FY 04</b>	\$1.08 /kW-Mo	\$0.82 /kW-Mo	\$1.00 /kW-Mo	\$1.44 /kW-Mo	n/a
<b>FY 05</b>	\$1.09 /kW-Mo	\$0.89 /kW-Mo	\$1.03 /kW-Mo	\$1.38 /kW-Mo	n/a
<b>FY 06</b>	\$1.11 /kW-Mo	\$0.95 /kW-Mo	\$1.06 /kW-Mo	\$1.32 /kW-Mo	n/a
<b>FY 07</b>	\$1.12 /kW-Mo	\$1.02 /kW-Mo	\$1.09 /kW-Mo	\$1.27 /kW-Mo	n/a
<b>FY 08</b>	\$1.14 /kW-Mo	\$1.08 /kW-Mo	\$1.12 /kW-Mo	\$1.21 /kW-Mo	n/a
<b>FY 09</b>	\$1.15 /kW-Mo	\$1.15 /kW-Mo	\$1.15 /kW-Mo	\$1.15 /kW-Mo	\$1.15 /kW-Mo

### Firm Point-to-Point Transmission Rate

The Firm Point-to-Point transmission rate will be based on the sum of the transmission revenue requirements for each of the Projects divided by the sum of the unpancaked point-to-point reservations of each Project and the estimated average monthly coincidental peak load of those customers who take NITS. Currently no customers take deliveries under the NITS. Calculations for the five year cost evaluation period assume no customers will take this service.

### Network Integration Transmission Charge

The monthly charge for network integration transmission service is the product of the transmission customer's load-ratio share times one-twelfth of the annual transmission revenue requirement. The customer's load-ratio share is the ratio of their network load to the DSW Transmission System Total Load, which will be calculated on a rolling 12-month basis (12 coincident peak average or 12-cp).

The customer's load-ratio share will be calculated as follows:

- Identify the transmission system peak hour for each month
- Calculate the total delivery to each individual network transmission customer for the 12 monthly peak hours.

- Sum the 12 monthly peaks and divide by 12 months to derive the 12-cp for each network Transmission Customer.

### Firm Electric Service and Priority Use Project Power

Customers who receive P-DP federal capacity and energy allocations on the P-DP will continue to receive a bundled product which includes both their allocation and an appropriate transmission component charge. Those P-DP FES and PUP customers who continue to take deliveries on the P-DP will receive a single system use credit, to be credited in an amount equal to the difference between the amount they would pay for the transmission component at a P-DP single system rate and the amount they are billed for their transmission component at the MSTR. The FES or PUP customers that choose to take advantage of the broader MSTR service will pay the MSTR transmission rate.

### Transmission System Reservations

The DSW transmission system reservations consists of the sum of the firm transmission Contract Rates of Delivery (CROD) for each Project. Table 2 contains an estimate of the CROD for each Project based on current contracts and the assumptions of future reservations detailed in Appendix H.

Table 2: Capacity Reservations

#### Capacity Reservations with Pancaking

	Total	P-DP	CAP	IP 230/345-kV	IP 500-kV
FY05	4,554,840 kW	2,278,164 kW	275,000 kW	1,239,676 kW	762,000 kW
FY06	4,823,618 kW	2,373,858 kW	275,000 kW	1,312,760 kW	862,000 kW
FY07	4,951,405 kW	2,383,191 kW	275,000 kW	1,331,214 kW	962,000 kW
FY08	4,951,405 kW	2,383,191 kW	275,000 kW	1,331,214 kW	962,000 kW

#### Section 2B: Capacity Reservations with Pancaking Eliminated

	Total	P-DP	CAP	IP 230/345-kV	IP 500-kV	Multi-System
FY09	4,369,912 kW	1,126,086 kW	275,000 kW	690,840 kW	962,000 kW	1,315,986 kW
<b>5 Year Average</b>	4,730,236 kW	2,108,898 kW	275,000 kW	1,181,141 kW	902,000 kW	263,197 kW

### Annual Transmission Revenue Requirement

The annual transmission revenue requirements for each project will be determined by its applicable laws, regulations, and procedures. Detailed information on calculation of the total revenue requirement for each Project is contained in the appendices. The revenue requirement which must be collected from firm transmission sales is the total revenue requirement minus Other Revenue. Historically, Other Revenue has included sources such as non-firm and short term transmission sales, facility use charges, penalties and transfers from other projects. Table 3 shows the net revenue requirements to be recovered from firm transmission sales for each Project.

Table 3: Revenue Requirements

	<b>Total</b>	<b>P-DP</b>	<b>CAP</b>	<b>Intertie</b>
FY 2005	\$60,687,906	\$29,525,005	\$3,735,900	\$27,427,001
FY 2006	\$63,703,902	\$30,765,200	\$3,561,902	\$29,376,800
FY 2007	\$65,422,542	\$30,886,155	\$3,727,532	\$30,808,855
FY 2008	\$65,501,455	\$30,886,155	\$3,817,093	\$30,798,197
FY 2009	\$66,236,885	\$30,367,755	\$3,680,806	\$32,188,324
<b>5 Year Average</b>	\$64,310,536	\$30,486,054	\$3,704,647	\$30,119,835

### Allocation of Revenue to Single Projects

Historically, firm transmission revenues (the sum of CROD times the applicable firm transmission rate) were applied to each Project. Under the MSTR, revenue from all transmission sales will be applied to each project based on the percent its revenue requirement is to the multi-system revenue requirement. At the end of the year, a true-up will be performed to verify each project has collected the correct amount to satisfy its revenue requirement. Table 4 shows the allocation percentage for each Project for the Cost Evaluation Period

Table 4: Transmission Revenue Allocation

	<b>P-DP</b>	<b>CAP</b>	<b>IP</b>	<b>Total</b>
FY 2005	48.65%	6.16%	45.19%	100.00%
FY 2006	48.30%	5.59%	46.11%	100.00%
FY 2007	47.21%	5.70%	47.09%	100.00%
FY 2008	47.15%	5.83%	47.02%	100.00%
FY 2009	45.84%	5.56%	48.60%	100.00%

## **RATE ADJUSTMENT PROCEDURE**

### **Announcement of Proposed Rates and Consultation and Comment Period**

A public information forum and a public comment forum will be held during the consultation and comment period. At these forums, Western will discuss information contained in this document and receive comments from interested parties. After the consultation and comment period and a review of oral and written comments, Western's Administrator may develop a provisional firm power rate, firm and non-firm point-to-point and network transmission rates, and ancillary service rates. With the concurrence of the Deputy Secretary of the Department of Energy (DOE), the provisional rates may be confirmed, approved, and placed into effect on an interim basis. The provisional rates will be announced to the public along with an explanation of the principal factors leading to the decision. The provisional rates will then be submitted to FERC for final approval.

### **Public Process**

Procedures adopted by DOE give interested parties an opportunity to participate in the development of power and transmission rates. The published procedures for rate adjustments are available upon request from the Desert Southwest Customer Service Region.

A FRN announcing the proposed rates and the consultation and comment period was published on June 22, 2004. The FRN signed by the Administrator is enclosed in the appendices of this brochure.

The formal public consultation and comment period will begin with the publication of the FRN and will end 90 days after the publication of the FRN. During this time, interested parties may consult with and obtain information from Western representatives about the rate proposals.

### **Public Information & Comment Forums**

The Public Information Forum will be held:

July 14, 2004 at 10 a.m. MST  
Desert Southwest Customer Service Region Office  
Western Area Power Administration  
615 South 43<sup>rd</sup> Avenue  
Phoenix, AZ 85009-5313  
Telephone: (602)352-2525

During the Public Information Forum, Western representatives will explain the need for the proposed rate adjustment and answer questions. Questions not

answered at the Public Information Forum will be answered in writing at least 15 days before the end of the consultation and comment period. The Public Information Forum will be recorded and transcribed. Copies of the transcript will be available for purchase from the company providing the transcription service.

**The Public Comment Forum will be held:**

August 11, 2004 at 10 a.m. MST  
Desert Southwest Customer Service Region Office  
Western Area Power Administration  
615 South 43<sup>rd</sup> Avenue  
Phoenix, AZ 85009-5313  
Telephone: (602)352-2525

Interested persons may submit written or oral comments at the public comment forum. As with the public information forum, the public comment forum will be recorded and transcribed. Copies of the transcript will be available for purchase from the company providing the transcription service.

**Written Comments**

All interested parties may submit written comments to Western any time during the consultation and comment period. All comments must be received by Western by the end of the comment period to ensure their consideration. Comments should be sent to Tyler Carlson at the address above or by e-mail to [carlson@wapa.gov](mailto:carlson@wapa.gov).

**Revision of Proposed Rate(s)**

During and after the consultation and comment period and the review of oral and written comments, Western may revise the proposed rate(s). If Western's Administrator decides that further public comment on the revised proposed rate(s) should be invited, a second consultation and comment period may be initiated. In that event, one or more additional public meeting(s) may be convened.

**Decision on Proposed Rates**

Following the end of the consultation and comment period(s), Western's Administrator will develop proposed rates. The Deputy Secretary may confirm, approve, and place this rate in effect on an interim basis. The decision and an explanation of the principal factors leading to the decision will be announced in a

Federal Register notice. Western proposes to place the rates in effect on January 1, 2005.

### Final Decision on the Rate Adjustment

The Deputy Secretary will submit all information concerning the provisional rates to the Commission and request approval of the MSTR and NITS for the period January 1, 2005, through December 30, 2009. The Commission may then confirm and approve the rate permanently, remand it to Western, or disapprove it.

### Rate Adjustment Schedule

Table 5 displays DSW's anticipated schedule for processing the proposed MSTR rate adjustments and proposals.

**TABLE 5: DSW's Anticipated Rate Adjustment Schedule**

Action	Date
Federal Register Notice of Proposed Rates	6/22/04
Public Information Forum	7/14/04
Public Comment Forum	8/11/04
End of Comment Period	9/20/04
Publication of Interim Rate	12/20/04
Rate Effective	1/1/05

**Comment [S2]:** This is 9/20/04 in the FRN

## **ENVIRONMENTAL EVALUATION**

In compliance with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.); Council on Environmental Quality Regulations (40 CFR parts 1500-1508), and DOE NEPA Regulations (10 CFR part 1021), Western has determined that this action is categorically excluded from the preparation of an environmental assessment or an environmental impact statement.

## **REGULATORY FLEXIBILITY ACT OF 1980**

The Regulatory Flexibility Act of 1980 (5 U.S.C. 601 et seq.) requires Federal agencies to perform a regulatory flexibility analysis if a final rule is likely to have a significant economic impact on a substantial number of small entities and there is a legal requirement to issue a general notice of proposed rulemaking. This action does not require a regulatory flexibility analysis since it is a rulemaking of particular applicability involving rates or services applicable to public property.





