Combined Transmission Service Rate

Colorado River Storage Project Management Center and
Desert Southwest Region

December 16, 2020
Webex Housekeeping

• All participants are muted on entry to ensure a smooth remote meeting

• For questions, please choose one of the following options:
  • Send questions to the host in the Webex chat
  • Use the “Raise Hand” icon next to your name in participant list. The host will unmute and call on you. Click same icon to lower your hand.
  • Unmute yourself on Webex or press *6 if you are only participating by phone

• Make sure you are not “double-muted” when attempting to talk (i.e. muted on your device in addition to the Webex client)
Agenda

• Welcome and Introductions
• Website Information/Resources
• Transmission System Funding
• Contract Changes
• Rate Review Processes
• Customer Information Sharing Agreements
• Status of Initiative
• Action Items and Meeting Close
Website Information/Resources

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

https://www.wapa.gov/regions/DSW/Rates/Pages/CombinedTransRate.aspx
Transmission System Funds

- Lower Colorado River Basin Development Fund
  - Central Arizona Project (CAP)
  - Revolving fund
  - Administered by Bureau of Reclamation

- Upper Colorado River Basin Fund
  - Colorado River Storage Project (CRSP)
  - Revolving fund
  - Power portion administered by WAPA
Transmission System Funds

- Transmission Infrastructure Program (TIP)
  - Electrical District No. 5 – Palo Verde Hub (ED5-PVH)
  - Revolving fund
  - Administered by WAPA

- Reclamation Fund
  - Intertie Project (Intertie)
  - Parker-Davis Project (P-DP)
  - Receipts only fund
  - Power portion administered by WAPA
Sources of Funding

**Multiple sources of funding:**

<table>
<thead>
<tr>
<th></th>
<th>CAP</th>
<th>CRSP</th>
<th>ED5-PVH</th>
<th>Intertie</th>
<th>P-DP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction</strong></td>
<td>Reimbursable - Reclamation</td>
<td>Appropriations</td>
<td>N/A</td>
<td>Transmission Prepayments</td>
<td>Transmission Prepayments</td>
</tr>
<tr>
<td><strong>RRADs</strong></td>
<td>Reimbursable - Reclamation</td>
<td>Receipts - Basin Fund</td>
<td>Receipts - TIP Fund</td>
<td>Appropriations</td>
<td>Appropriations</td>
</tr>
<tr>
<td><em>(Replacements, Retirements, Additions and Deletions)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>O&amp;M</strong></td>
<td>Reimbursable - Reclamation</td>
<td>Receipts - Basin Fund</td>
<td>Receipts - TIP Fund</td>
<td>Transmission Prepayments</td>
<td>Transmission Prepayments</td>
</tr>
<tr>
<td><strong>Purchase Power</strong></td>
<td>Reimbursable - Reclamation</td>
<td>N/A</td>
<td>N/A</td>
<td>Access to Receipts</td>
<td>Access to Receipts</td>
</tr>
<tr>
<td><em>(WALC Balancing Authority)</em></td>
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</tbody>
</table>
Transmission Prepayments

- Intertie and P-DP point-to-point customers prepay for service one month in advance of service
- Requirement of rate schedules since 2007/2008
- “Prepayments” are used as the primary funding source for construction and O&M

<table>
<thead>
<tr>
<th></th>
<th>February</th>
<th>March</th>
<th>April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Prepayments</td>
<td></td>
<td>Service</td>
<td>Bill: Tran + Ancillaries</td>
</tr>
<tr>
<td>With Prepayments</td>
<td>Bill: Tran Prepayment</td>
<td>Service</td>
<td>Bill: Tran + Ancillaries - Credit for Prepayment</td>
</tr>
</tbody>
</table>
Transmission Prepayments

• Recommendation – to ensure funding for these systems continue, customers under combined rate will prepay
  • Only point-to-point customers
  • No change for firm electric service and NITS customers
  • Prepay only the amount of transmission service, not based on funding needs

• Prepayments not needed as funding source for CAP, CRSP, and ED5-PVH, will be an early collection of receipts
Transmission Prepayments

• Intertie and P-DP will only have access to their share of the prepayments
• Not a new funding source or an expansion of existing prepayments
Billing

• Combined rate will require minor system and/or internal process changes
• Changes will be seamless to customers (e.g. will not receive additional bills)
• Each transmission system and fund will continue to receive its share of receipts timely
• Currently determining most efficient and appropriate path forward for billing:
  1. Allocate receipts upon collection
  2. Collect to one account and then transfer
Contract Changes – Pancakes

• Confirmed pancakes identified so far and potential changes needed:

• 14 - CRSP FES/PD-P Delivery
  Pre-OATT arrangements in FES Contract. Amend select provisions in Section 8 of FES contract to eliminate P-DP billing provisions.

• 1 - Intertie Pre-OATT/PDP Pre-OATT
  Exhibit revision need to eliminate transmission pancake charge

• 1 - CRSP Pre-OATT/Intertie Pre-OATT
  No change needed; bill would be eliminated to CRSP

• 1 - P-DP FES/CRSP OATT
  Revisions needed to account for P-DP allocation delivery
Contract Changes – Other

• ED5-PVH agreements currently based in part on the P-DP rate – will need to modify

• Investigating possible pancake issues for AEPCO on P-DP/Intertie

• Considering CAWCD’s use of CAP/Intertie/P-DP

• Although not a contract change, we anticipate including language in the combined rate schedule and/or a transmission business practice that will prevent pancaked charges
## Rate Review Processes

<table>
<thead>
<tr>
<th>Process</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAP</td>
<td>Annual coordination with Reclamation and project use customer (CAWCD)</td>
</tr>
<tr>
<td>CRSP</td>
<td>Follows the 1992 agreement process</td>
</tr>
<tr>
<td>ED5-PVH</td>
<td>Updated annually with contract exhibit change after review period</td>
</tr>
<tr>
<td>Intertie</td>
<td>Formal process only</td>
</tr>
<tr>
<td>P-DP</td>
<td>Annual meeting, typically May/June</td>
</tr>
<tr>
<td>Combined Rate</td>
<td>Annual meeting, date to be determined</td>
</tr>
</tbody>
</table>
Information Sharing Agreements

- CRSP 1992 Agreement
  - Prior to the adoption of any rate change – Work Program Information utilized to develop such rates shall have been provided to the Customers
  - Information Reviewed by SLCA/IP Customers
    - O&M
    - RRADs
    - 10-Year Plan
    - Power Marketing (includes generation, load, and purchases)
  - Timing of Reviews
    - WAPA March 1
    - Reclamation April 15
    - 45 Day Review – 15 Days to submit questions – 30 Days WAPA Response and BOR Response
Information Sharing Agreements

• DSW Joint Planning Agreement
  • Intertie and P-DP
  • Processes open to all customers
  • 2018 agreement that superseded 1995 principles agreement
• Information and collaboration:
  • 10-Year Plan
  • RRADs
  • Budget formulation/execution
  • Transmission planning
  • Rate impacts for certain activities
Information Sharing Agreements

- DSW Prepayment MOU
  - Intertie and P-DP
  - Open to customers with a service agreements five years or longer in duration
  - 2010 agreement
  - Information and collaboration for 10-Year Plan
  - Formalize the approval process for the use of transmission prepayments for construction funding
Information Sharing Agreements

Ensure an open process to review the combined rate annually:

• Existing agreements and processes are sufficient with the addition of an annual meeting
• No conflict with existing agreements
• Minimize administrative/customer burden
Project Schedule

May – August 2020
- Preparations
  - CRSP/DSW Education
  - Create meeting materials
  - Develop ratemaking tools
  - Explore initial issues

September – January 2020/2021
- Work Group Meetings
  - Educate
  - Explore
  - Formulate

January – March 2021
- Proposal
  - Document Costs and Benefits
  - Identify Options
  - Seek Input
  - Decide

March – October 2021
- Formal Public Process
  - Federal Register Notices
  - Comment Period
  - Public Forums

We Are Here
Project Status

- Discussed many elements of the combined rate such as rate design, long-term projections, transmission capacity, and pancaking
- Additional work group meeting in January to discuss ancillary services, losses, and NITS
- Additional areas to explore?
- In addition to the work group meetings, we are available to meet individually to discuss, assess, and analyze the combined rate
Open Discussion
Action Items and Close

• Action items
• Meeting notes and materials will be posted to our website
• Next meeting
• Thank you for attending!

https://www.wapa.gov/regions/DSW/Rates/Pages/CombinedTransRate.aspx
Contact Information

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