CRSP/DSW RATE CONSOLIDATION PROPOSAL

CREDA COMMENTS/QUESTIONS 10/16/2020

CREDA appreciates the opportunity to provide input on WAPA's "One Rate" process throughout development and consideration of this proposal. The following observations and questions are offered in response to WAPA's request for feedback on the September 24, 2020 webinar and discussions. This information should be considered supplementary to any outstanding questions from the April 20, 2020 submittal. As WAPA has sought input on topics in which work groups could be convened for future discussion, we are offering four categories for discussion, and organized our latest questions and comments around those categories. In addition, we are providing some background/commentary to explain the basis for some of the questions.

<u>TOPIC: Centralized Markets Considerations</u>

BACKGROUND: The DSW market participation study has been going on for more than a year, and it is reasonable to expect that some results will be forthcoming within the next six months. Many of WAPA's customers believe that a resulting decision may be to participate in either EIM or WEIS. Further, that a combined transmission rate initiative would have an inextricable link to that decision. From a timing standpoint, then, it appears prudent to postpone a decision on the combined rate proposal until that related process is complete.

1. One of the questions and answers currently posted on the WAPA website reads:

   Is WAPA considering combining the transmission rates to support the expansion of a particular organized market?
   No. A combined rate better positions WAPA to participate in any organized market, not a particular market. Further, possible market participation is only one of many benefits of a combined rate.

   Does the last sentence indicate that WAPA believes that market participation is "not possible" unless the CRSP and DSW project transmission rates are combined?

2. Since CRSP has already been placed in WEIS, how would a combined rate proposal that includes CRSP *not* bias a market participation decision for the DSW projects?
3. Referring to the CRSP revenue requirements that were presented during the Sept 24 meeting, what are the additional annual revenue requirements associated with WAPA's decision to place CRSP in WEIS?
4. Referring to the DSW transmission project revenue requirements that were presented during the Sept 24 meeting, what are the additional annual revenue requirements associated with WAPA's decision to place DSW transmission projects in either EIM or WEIS?
5. For some CRSP customers, the entirety of their retail loads resides in BAs (APS, SRP, TEP) that have already joined EIM. Is WAPA willing to pseudo-tie the CRSP generation share of

these entities to non-WEIS BAs, or take other steps that serve to insulate such customers from dual market administration and operating costs?

TOPIC: Available Transmission Capacity Considerations

BACKGROUND: The elimination of pancaked rates has been cited as a primary purpose and objective of the combined rate proposal. As noted by several on the September 24 webinar, rate pancaking is a laudable objective, but the actual operational ability of WAPA's customers to use WAPA's system to deliver generation to meet retail load, or to make purchases or sales of electricity, is entirely dependent upon whether or not there is any transmission capability available for customer use.

1. What is the existing Total Transfer Capability rating on each line that was displayed on slide 8 in the Sept 24 presentation?
2. How much of the existing TTC on each line is committed to grandfathered contracts? What are the expiration dates of each of those contracts?
3. How much of the existing TTC on each line is committed to firm electric service deliveries? Are there any expiration dates associated with the firm electric service deliveries?
4. How much of the existing TTC on each line is committed to point to point transmission service reservations? Are there any expiration dates associated with the point to point deliveries?
5. To the extent that there are expiration dates associated with any of the transmission capability associated with grandfathered contracts, firm electric service deliveries or point to point transmission service deliveries, do any of the incumbent transmission users have a right to renew or extend existing transmission use arrangements? If yes, on what paths, for what quantities of transmission rights, and for what time periods?
6. WAPA indicated at the September 24 webinar that a benefit of the proposed combined rate is customer access from the farthest east point on the CRSP system to the farthest southern point on the DSW system. Following up on a question from the September 24 webinar, and accounting for existing firm electric service obligations and existing point to point obligations, can WAPA identify the amount of transfer capability that will be available to customers under the existing contract path paradigm for each of the paths listed below in each of the following years: 2022, 2024, 2026, 2028 and 2030?

		2022		2024		2026		…
	Path	TTC (MW)	ATC (MW)	TTC (MW)	ATC (MW)	TTC (MW)	ATC (MW)	…
1	PV 500 – Duke 500							
2	PV 500 - ED5 230							
3	PV 500 - Pinnacle Peak 230							
4	PV 500 - Eagle Eye 230							
5	PV 500 – Kayenta 230							
6	Mead 500 – Duke 500							

7	Mead 500 - ED5 500							
8	Mead 500 - Pinnacle Peak 230							
9	Mead 500 - Eagle Eye 230							
10	Mead 500 – Kayenta 230							
11	Duke 500 – PV 500							
12	ED5 230 – PV 500							
13	Pinnacle Peak 230 – PV 500							
14	Eagle Eye 230 – PV 500							
15	Kayenta 230 – PV 500							

		2022		2024		2026		…
	Path	TTC (MW)	ATC (MW)	TTC (MW)	ATC (MW)	TTC (MW)	ATC (MW)	…
16	Duke 500 – Mead 500							
17	ED5 230 – Mead 500							
18	Pinnacle Peak 230 – Mead 500							
19	Eagle Eye 230 – Mead 500							
20	Kayenta 230 – Mead 500							
21	WW 500 – WW 230							
22	WW 230 – WW 500							
23	Mead 500 – Mead 230							
24	Mead 230 – Mead 500							
…								

[need WAPA customers to identify other paths of interest]

7. Recognizing that TTC and ATC concepts may not be the way to understand transmission availability in the flow based paradigm utilized by CAISO and SPP, for each of the above-listed paths and years, can WAPA offer a forecast or explain what transfer capability will be available to customers in a flow based market paradigm? If this information is not available, then how can the primary purpose of pancaked rate elimination benefit WAPA's load serving preference customers in a centralized market environment?
8. Can the technical questions included in this topical area be addressed within the current proposed schedule?

<u>TOPIC: Authority and Contract/Obligation Considerations</u>

BACKGROUND: On the basis of the information provided on slide 14 during the September 24 webinar, CRSP and Parker-Davis appear to be the by far largest projects that are being included in the combined rate proposal. Many CRSP and Parker-Davis customers (and their contracts) predate the existence of WAPA. Many of these customers elected to secure generation and associated transmission to meet retail loads in their service areas and have been making capital investment repayments as well as paying for needed capital improvements, maintenance, and operating costs for decades. This history should not surprise

WAPA that some of these customers feel a strong sense of "ownership" with respect to these capital assets. These customers had the vision and took the risk of federal project investment by inextricably linking federal hydropower generation with complementary transmission capability. The proposed combined rate effectively unbundles CRSP and Parke-Davis generation from CRSP and Parker-Davis transmission by creating a perception, or characterization, that all this transmission is "merchant" (available to all comers). Exactly how will WAPA respect and protect long-standing preference customer interests if the combined transmission rate proposal is adopted?

1. What is the specific legal authority that WAPA is relying on the support the combined rate proposal?
2. Are marketing plan changes required for any of the projects proposed to be combined?
3. In considering some scenario planning: if all of the WAPA transmission that is included within the combined transmission rate proposal is in WEIS, and/or the full SPP market, and/or EIM and/or the full CAISO market, how does WAPA propose to make commitments that allow WAPA customers to use "non-pancaked" WAPA transmission capability, assuming WAPA will not be operating or administering the transmission that is within each of those markets?
4. To deal with hydrologic variability, CRSP customers secured the additional right to use originally secured transmission so that if something like the current prevailing drought occurred, these customers could use the transmission to deliver electricity purchased from other sources. WAPA subsequently enhanced this concept by establishing the WRP and CDP concepts. How will WAPA protect CRSP customer rights associated with originally secured transmission if the combined rate proposal moves forward? Conversely or additionally, will WAPA offer WRP and CDP concepts to Parker-Davis, Intertie, CAP and/or PV-ED5 project customers?
5. CRSP and Parker-Davis firm electric service customers are unique among customers of the considered projects in that firm electric service customers receive "firm", delivered power allocations. If, for a particular time period, a firm electric service customer has a 10 MW allocation totaling 1,000 MWh delivered at Location XYZ, it doesn't matter what the associated hydro resource is actually generating. WAPA is committed to deliver a 10 MW allocation totaling 1,000 MWh delivered at Location XYZ. How will WAPA continue to respect firm electric service obligations if CRSP and Parker-Davis transmission are unbundled via the combined transmission rate proposal?
6. In another scenario planning example: In the wake of the August and September 2020 western states power shortages, in response to Arizona Corporation Commission questions, APS recently stated that they would need an additional 6,300 MW of solar generation and 1,000 MW of wind generation to meet their own self-imposed goal of 50% renewables by 2030. WAPA customers believe this example is representative of the situations of other large retail load serving utilities in the region, and that competition for the use of existing transmission capability is going to significantly intensify during the next 10 years. How will WAPA engage with its existing customers to ensure their contract rights are protected and enhanced? Does the combined transmission rate proposal strengthen or weaken the interests of WAPA's customers in this view of the future? How or why?

7. In the combined transmission rate proposal, how will preference customer interests be distinguished and protected relative to non-preference entity interests?
8. Many WAPA customers believe that the fundamental purposes and operational constraints of the five projects being considered are dissimilar. CAP, CRSP and Parke-Davis were established and oriented to serve WAPA customer retail loads (retail load serving). Intertie and PV-ED5 were established to provide access to other generation sources or markets (merchant). Customers involved with only retail load serving projects may not have ever wanted, and still may not want, merchant project risks and costs. Similarly, customers involved with only merchant projects may not have ever wanted, and still may not want, retail load serving project obligations (risks and costs from their perspective). If the combined rate proposal is adopted, how will WAPA respect and maintain the fundamentally differing purposes of these projects?
9. How does WAPA plan to incorporate the existing 10-year planning/transmission planning/work planning arrangements and agreements into the decision-making process for the proposed combined rate? Some DSW projects, and the CRSP projects have existing arrangements that involve customer review and comment, and in some cases, voting, on projects and plans that have transmission/rate and power repayment study implications. Each of these arrangements are unique to the underlying project/customer base.

<u>TOPIC: Economic / Financial / Rates Issues</u>

1. What are the projected economic costs and economic benefits associated with WAPA's proposal to combine the transmission rates of these projects? Can WAPA provide cost and benefit estimates for 10- and 20-year futures that include assumptions about WAPA project market participation?
2. During the Sept 24 meeting, WAPA stated that grandfathered contracts would be excluded from the combined rate. Which specific grandfathered contracts would be excluded from the combined rate? See related question #2 under Available Transmission Capacity Considerations.
3. During the Sept 24 meeting, WAPA stated that there would be winners and losers resulting from the combined transmission rate proposal, and that customers of the project(s) with the lowest (or lower than average) rates would see a rate increase. Slide 6 and others reveal that Intertie Project customers would be the "biggest losers", as their transmission rate would go from $19.32/kw-yr (slide 11) to $20.14/kw-yr (slide 20). This represents $82,000/year for each 100 MW of Intertie Project transmission capability. Is this a correct understanding of the proposal based on the currently provided numbers?
4. To the extent that future capital investments or RRADs are required only for Project "A" and not Projects "B, C, D or E", do the proposed rate design and revenue allocation methods insulate customers of Projects B, C, D and E, or will such costs associated with Project A be effectively subsidized by customers of the other projects under the combined rate proposal? If not subsidized, can WAPA provide examples that demonstrate exactly how customers of other projects would remain unaffected?
5. Is the revenue that would be lost that is associated with currently pancaked rates represented by the $24.7 million that is labeled "offsetting revenue" on slide 18? If not,

where/how has WAPA accounted for the revenue that would be lost that is associated with currently pancaked rates in the proposed rate design?

6. Under the current rate design, if revenue was lost from a discontinued transmission use, then it seems that the customers of that project would be responsible for "making up" that lost revenue. Further, if the discontinued transmission use included pancaked rates, then it seems that customers of the associated projects would be responsible for "making up" that lost revenue. From slide 23, under the proposed rate design, when revenue is "lost" (for whatever reason) then, effectively, WAPA customers of all projects are assuming a cost share responsibility on a pro rata basis for all lost revenue. Is this a correct understanding of how lost revenue would be managed under the proposed rate design? Further, doesn't this represent a shift in cost exposure and risk relative to the current state?
7. In WEIS, and/or the full SPP market, and/or EIM and/or the full CAISO market, how will WAPA's proposed rate design and revenue allocation be impacted by costs and revenues associated with managing congestion?
8. How will losses be accounted for in the proposed combined rate?
9. How do HQ costs and allocations factor into the proposed combined rate?