



Western
Area Power
Administration

Combined DSW Transmission Rate

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CTC-DSW Meeting

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Overview

- Intertie Options Group and Customer Technical Committee have requested analysis of a combined Intertie and Parker-Davis Project (PDP) rate
- Combined for ratemaking purposes only, projects would continue to be accounted for separately
- Last attempt at combining transmission rates was in 2003 with the Multiple System Transmission Rate (MSTR)



MSTR

- The need to combine rates was widely accepted but the MSTR failed mainly due to the disparity in rates between projects:

CAP	\$9.81 kW-Year
Intertie	\$12.00/\$17.28 kW-Year
PDP	\$12.96 kW-Year

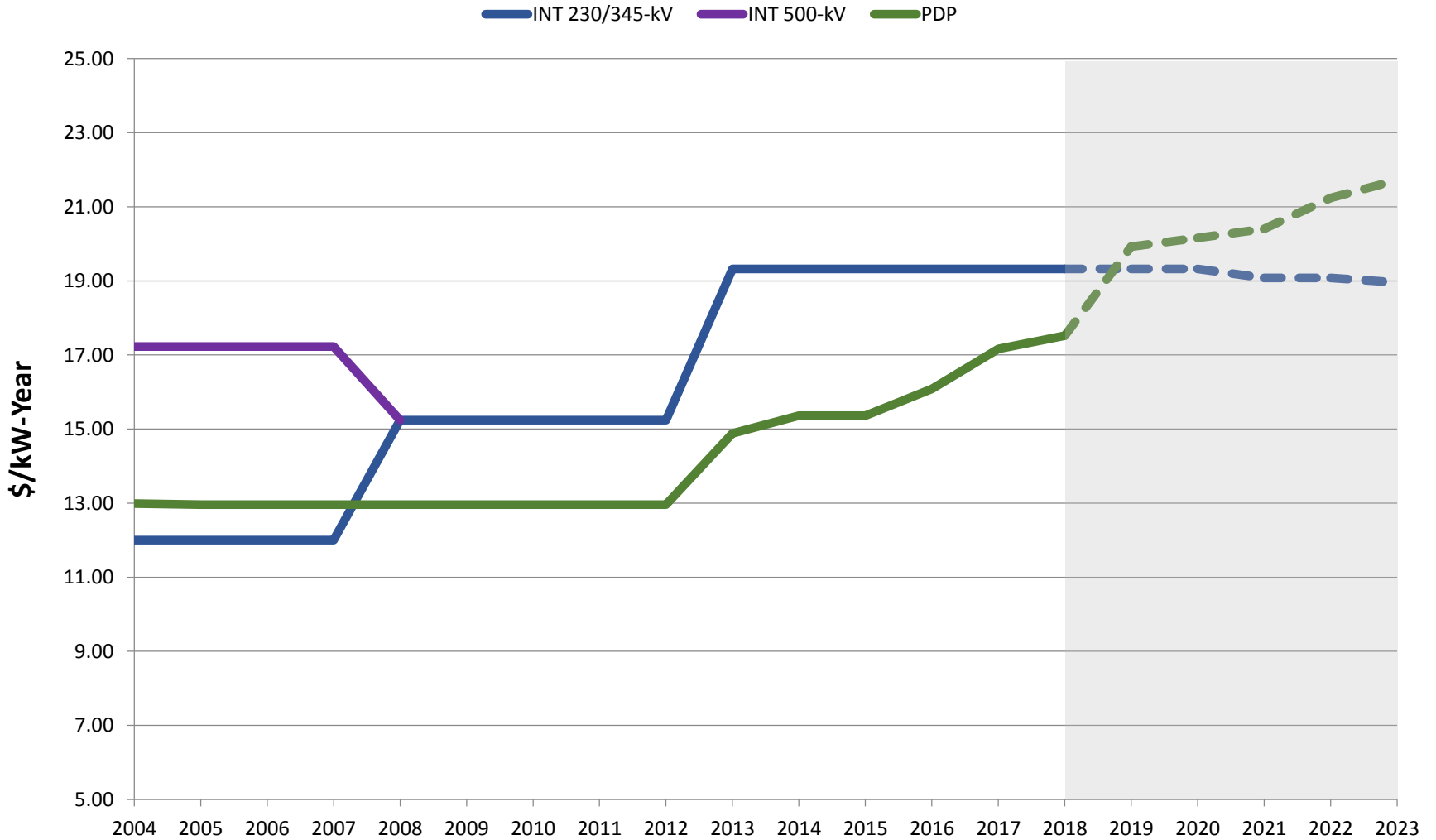
- There were additional concerns over project specific risks (financial position, sales, etc.)
- <https://www.wapa.gov/regions/DSW/Rates/Pages/multiple-system-rates.aspx>



What has changed since the MSTR?



Rate Convergence

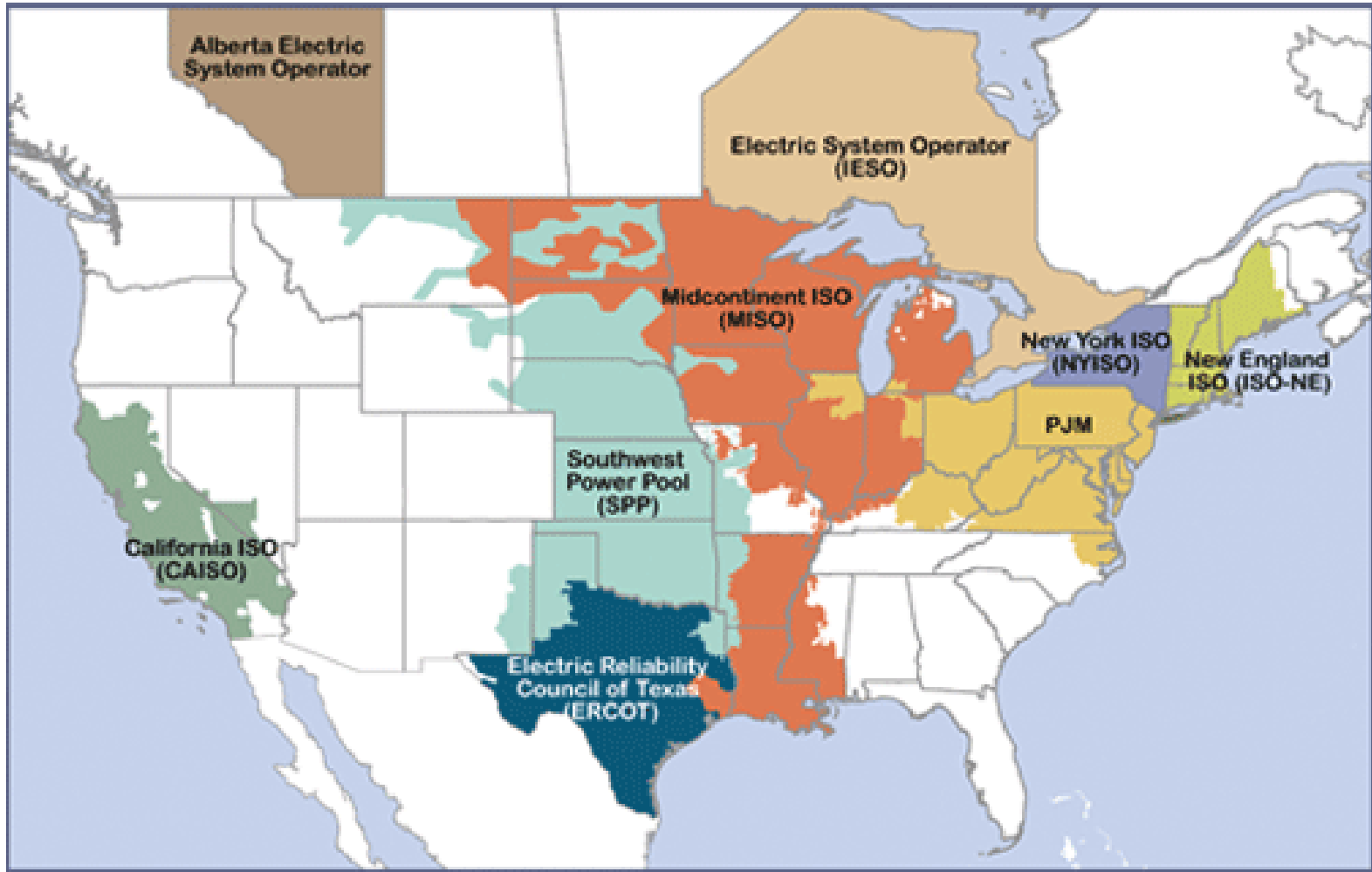


Increase in Congruency

Intertie		Parker-Davis
System Profile		System Profile
Newer System		Older System
Small footprint		Large footprint
Sales		Sales
Few customers	↔	Large and diverse customer base
Transmission only		Generation and Transmission
Financial		Financial
Minimal capital needs		Considerable capital needs
Stable/Decreased P&I forecast		Increased P&I forecast
Small O&M program		Large O&M program



Raise of Organized Markets



New Considerations

- PDP rate methodology is not as efficient for a project with increasing capital needs
- Opportunities to optimize repayment among the projects – not just a simple sum of the revenue requirements
- Treatment of PDP carryover in a combined rate



CAP and ED5-PVH

Should we expand the request to include the Central Arizona Project and ED5-PVH in the combined transmission rate?



Next Steps

- Build a combined transmission rate model
- Identify pancaked transmission
- Optimize repayment
 - Minimize interest costs across projects
 - Reduce bottlenecks/pinch-points
 - Consider deceleration of repayment
 - Explore new methodologies
- Develop options for PDP carryover
- Report back and begin follow-on analysis



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