CRSP/DSW Combined Transmission Service Rate

Customer Q&A

Questions received through December 16, 2020. Please send questions, comments or corrections to onerate@wapa.gov.

1. Will a consolidated rate also affect OASIS access, queues, and grid administration?

   If WAPA proceeds with a consolidated rate, there will be necessary changes to various operational and administrative aspects. WAPA has focused on the mechanics of the rate to this point and the other aspects are part of the ongoing discussion.

2. Is WAPA also considering combining network transmission service or only point-to-point service?

   WAPA's rate proposal would apply to both network transmission service and point-to-point service.

3. Will the combined rate eliminate pancaking between CRSP and DSW?

   Yes. One of the purposes of the combined rate is to eliminate the impact of rate pancaking.

4. Will the proposed rate provide increased efficiency to WAPA, preference customers, or in SPP's WEIS?

   The proposed rate is intended to improve internal efficiency and processes, as well as benefiting customers with stable transmission rates and improved market access, among other benefits. This proposed effort is not favoring any particular energy imbalance market.

5. What new service, value, or benefit will be created for existing customers?

   The proposed rate is being examined to help remove barriers, improve the efficiency of transmission use and eliminate the impacts of pancaking. WAPA believes that improved efficiencies will also help improve access to various markets, which should benefit preference customers both directly and indirectly in terms of options to access market power.

6. How would combining the projects impact the cost of FES deliveries? Would energy and transmission in FES be bifurcated?

   WAPA believes that increased efficiencies will help improve access to various markets and eliminate pancaking, which should benefit preference customers both directly and indirectly in terms of improving options to access power on the market. Bifurcating transmission and energy would depend on the provisions of the individual marketing plans and the associated firm electric service contracts.

7. Are there grandfathered transmission agreements that would not be subject to the combined rate?

   Grandfathered agreements with specific stated rates would not be subject to the combined rate.

8. Would existing transmission service agreements need to be re-negotiated, converted upon date of termination, or automatically be subject to the combined rate?

   It is likely some type of consideration will be given for contracts to be re-negotiated or converted.

9. Will Southern Division CRSP power customers still need to pay for Parker-Davis Project transmission service?

   Southern Division CRSP customers will likely not pay for Parker-Davis Project transmission service. This delivery arrangement is unique, and WAPA considers it pancaked transmission service. WAPA intends to work closely with those customers on this aspect.

10. What is the long-term impact of a combined rate when a project is fully repaid?

    The long-term impact is no different than current operations. Principal and interest are not the only components of the transmission revenue requirement; operation and maintenance as well as repayment of replacement and additions will continue to be collected by the transmission rate.

11. Would it be beneficial to build upon the exisiting WestConnect framework for the combined rate?

    The WestConnect framework can be viewed as an early attempt at providing for a combined rate for improved access. WAPA would like to explore options for rate consolidation that are more complex, and more advantageous for customers, than what is currently provided by the WestConnect framework.

12. Will projects operating from different funds cause complications?

    WAPA will be able to accommodate projects that use different funds without significant administrative burden.

13. Will customers be invited to participate in the workgroups to develop the combined rate?

    WAPA encourages customers to participate in workgroups. WAPA is interested in customer ideas and encourages feedback and suggested alternatives.

14. Will WAPA analyze the impact of eliminating transmission pancaking?

    WAPA has considered the impact of eliminating pancaking. There are some 200 MW of pancaking that would be eliminated. However, without the barriers of pancaking, there may be additional transmission sales. It is difficult to determine what interest there may be in a combined system, other than informed guesses and speculation, but we believe there will be interest to improved access across a broad geographic area.

15. 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?

    A combined rate is not required for market participation.

16. 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?

    The combined rate would have an impact to the Transmission Service Provider (TSP) role. A region's participation in an energy imbalance market such as WEIS or EIM will have a greater impact on the Balancing Authority (BA) function.

17. 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?

WAPA has provided customer information on its participation in WEIS including anticipated costs. The combined rate is focused on transmission use rather than energy imbalance markets.

18. 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?

    No additional costs are included in the budgeted O&M estimates for energy imbalance market participation.

19. 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?

    Having a combined rate for the Federal transmission projects will not prevent customers from having market-related transmission costs from other TSPs.

20. What is the existing Total Transfer Capability rating on each line that was displayed on slide 8 in the Sept 24 presentation?

    WAPA will post Total Transfer Capability (TTC) path data on the CRSP-DSW Combined Rate webpage. This data is a snapshot in time. Future TTC values area highly speculative and will not be provided due to potential changes if WAPA were to adopt a MOD-30 flow base analysis.

21. How much of the existing TTC on each line is committed to grandfathered contracts? What are the expiration dates of each of those contracts?

    WAPA will post a summation of commitments, grandfathered, and other agreements, on the CRSP-DSW Combined Rate webpage. Since grandfathered agreements are not publicly available, we do not release specifics about those agreements such as termination date or special provisions.

22. 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?

    WAPA will post a summation of commitments on the CRSP-DSW Combined Rate webpage. FES agreement termination dates coincide with the associated marketing plan which is 2024 for CRSP and 2028 for PDP.

23. 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?

    WAPA will post a summation of commitments on the CRSP/DSW Combined Rate webpage. Yes, OATT agreements have specific termination dates. Those details are posted on OASIS and are available today.

24. 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?

    An incumbent is more than welcome to extend their transmission service agreement per the terms provided in their specific agreements. For any OATT agreement, a new request will need to be submitted on OASIS and we will follow our business practices and tariff when evaluating the request. Additionally, for OATT agreements the exercise of renewal must be for the same quantity on the same path. If a different amount is submitted, the request is considered new and will be placed in our queue.

25. 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							
…								

WAPA will post a summation of TTC, commitments, and ATC on the CRSP-DSW Combined Rate webpage.

26. 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?

    At this time, we are unable to accurately forecast a change in TTC since it will require a lengthy system-wide study.

27. Can the technical questions included in this topical area be addressed within the current proposed schedule?

    Yes, we believe so.

28. What is the specific legal authority that WAPA is relying on the support the combined rate proposal?

    WAPA has several combined system rates already. Under power marketing law, the Secretary has the authority to perform "any and all acts" for the purpose of putting his/her statutory responsibilities into full force and effect (42 USC 7152 and 7251). This includes the ability to integrate rates and charge a uniform rate. As legislated repayment obligations will not be changed, WAPA does not believe that any legislation exists that would prohibit a combined rate.

29. Are marketing plan changes required for any of the projects proposed to be combined?

    WAPA is not aware of any changes needed in the marketing plans.

30. 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?

    Currently, WAPA is not considering CRSP or DSW participating in either CAISO or SPP's full market. The impacts to the administration of transmission, including a combined rate, would need to be considered when evaluating market participation and are unknown at this time.

31. 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?

    WAPA has reserved sufficient transmission capacity to serve its native load obligations and has set forth these requirements in Attachment K to its OATT. Those native load obligations will not be changed by this combined rate effort. WRP and CDP are part of the SLCA/IP firm electric service contracts and those provisions do not become inferred to the other Projects.

32. 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?

    We are not unbundling firm electric service via the combined transmission rate. We will honor all current agreements and continue to provide sufficient transmission capacity to meet firm electric service obligations.

33. 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?

    WAPA agrees that changes in the generation resources are occurring across the West. WAPA will continue to maintain sufficient transmission capacity to meet its firm electric service obligations and will continue to market available transmission consistent with FERC Order 890. WAPA welcomes discussions with customers to ensure that its firm electric service obligations continue to be satisfied.

34. In the combined transmission rate proposal, how will preference customer interests be distinguished and protected relative to non-preference entity interests?

    All current commitments will be honored regardless of the type of agreement.

35. 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?

    The five projects are different in history and purpose; however, they do have commonalities that allow for a combined rate. WAPA has discussed these commonalities in proposing this combined rate and believes the reduction of barriers, such as pancaking, likely will advantage all customers especially considering the changes occurring in the West.

36. 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.

Existing planning groups and workplan discussions will continue. To provide for equity, participation in the workplan and planning and funding groups will need to be expanded for representation across the combined rate projects.

37. 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?

A 10-year forecast of individual system and combined system rates is available on WAPA's CRSP-DSW Combined Rate webpage which include assumptions, components of the rates, and calculations.

38. 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.

WAPA has an agreement with the Colorado River Commission of Nevada for the use of certain facilities on PDP which would not be subject to the combined rate; however, revenues from that agreement are included in the combined rate calculation as a beneficial offsetting revenue.

WAPA also has an agreement with Central Arizona Water Conservation District (CAWCD), the beneficiary of CAP, for its pumping load on the CAP transmission system. CAWCD's pumping load is charged what is akin to a project use rate and would not be subject to the combined rate; however, CAWCD and WAPA are exploring options for this arrangement and inclusion of the CAP transmission system in the combined rate.

39. 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?

Yes, a combined rate may be greater than an individual system rate in any given year. Conversely, the combined rate may be lower than an individual system rate in that same year. WAPA believes cost impacts would be more than offset by the benefits of the combined rate but needs customer input to determine that, especially given the long-term nature of some of the benefits of a combined rate.

40. 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?

    Yes, a combined rate will result in the sharing of costs in a particular year but should result in overall rate stability for all the projects. All projects will benefit in the long-term, rather than the sharing of costs supporting one particular project.

41. 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?

    The $24.7 million was offsetting revenue and represented a variety of revenue other than long-term transmission sales (e.g., short-term sales and facility use charges). These charges will continue to be received and revenue applied to the combined rate. The reduction in pancake charges are shown as a reduction to the denominator on Slide 19 of the September 24 presentation.

42. 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?

    Yes, all customers would share the burden of any lost revenue; any excess revenues would also be shared.

43. 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?

A combined rate would not be feasible if a region were to join a full market since a full market includes TSP services and charges. Currently, WAPA is not considering CRSP or DSW participating in either CAISO or SPP's full market.

44. How will losses be accounted for in the proposed combined rate?

It is likely a new combined system loss rate study will be needed across the five systems to determine a loss rate for the CRSP-DSW combined transmission system.

45. How do HQ costs and allocations factor into the proposed combined rate?

Appropriate HQ costs and allocations will be included in the combined rate as they currently are in individual system rates.

46. What if customers change from point-to-point service to network (NITS) service, will that affect prepayment funding?

Yes, that has occurred and has put downward pressure on available cash, but not prohibitively.

47. Is it possible to combine the rates if CRSP and DSW are in separate energy imbalance markets? Will that cause seams issues?

Energy imbalance markets will not affect the combined transmission rate. A combined rate is not possible if CRSP and DSW are in separate full/Day-2 markets.

48. Will the combined rate be a formula rate?

Yes, each system will continue to determine costs based its own rate methodology. Those costs will be included in a single formula that will determine the combined rate.

49. How is the combined rate not subsidizing repayment of other systems?

Combining rates means systems inherently share strengths and weaknesses. For the combined rate, the revenue requirement of each system will be included in the overall revenue requirement and will be recovered via rate. Each system will then receive the amount of revenue for its costs.

50. Will WAPA consider performing scenario analysis with different amounts of firm and short-term revenues?

Yes, WAPA will perform any analyses requested by meeting participants and post those for review.

51. How will the combined rate benefit Colorado River Energy Distributors Association members?

    The costs and benefits of the combined rate are highly individualized for each customer, so it is difficult to describe them in aggregate. Some customers will benefit from unpancaking, while others may benefit from access to a larger transmission system.

52. Will WAPA determine the impact of the combined rate for each customer, to show the "winners" and "losers"? Why is WAPA hesitant to provide that information and interested instead in one-on-one discussions?

    WAPA is interested in one-on-one discussions so that we may help customers understand how the combined rate may affect them. At these discussions, we expect customers will share sensitive information including their future use of transmission and we will want to keep that information confidential.

    Before the next work group meeting, WAPA will provide a cost impact analysis showing the results for all customers based on their current use of the transmission systems.

53. How would the combined rate be affected if Congress were to reduce appropriations or other funding sources? Do you anticipate needing to aggregate funding authorities?

    Rates are forward-looking, so reduced appropriations will reduce cost projections and the rates will be adjusted downward. The combined rate should not affect funding, but WAPA will consider possible impacts to funding.

54. Will changes be needed to the IRSA agreement executed among WAPA and several SLCA/IP customers?

    In WAPA's review of the contract, some changes may be needed to this agreement; we will work closely with the agreement participants to make any changes necessary.