

# One Transmission Rate

Desert Southwest Region

November 3, 2022



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# Agenda

- Review of April 12th Meeting
- OTR Design and Updated Projections
- Funding Sources and Prepayments
- Rate Schedule Changes
- Tariff/OASIS Changes
- Tentative Timeline
- Next Steps



# Review of April 12<sup>th</sup> Meeting

- Reviewed the background and principles of the One Transmission Rate (OTR) and provided a tentative schedule
- Presented an overview of the rate design and 10-year rate projections
- Discussed questions about network service, losses, tariff, pancakes, and other issues
- Discussed delaying this meeting until fiscal year 2023 rates were available so OTR calculations could be refreshed
- Materials and meeting notes available at:

<https://www.wapa.gov/regions/DSW/Rates/Pages/OTR.aspx>

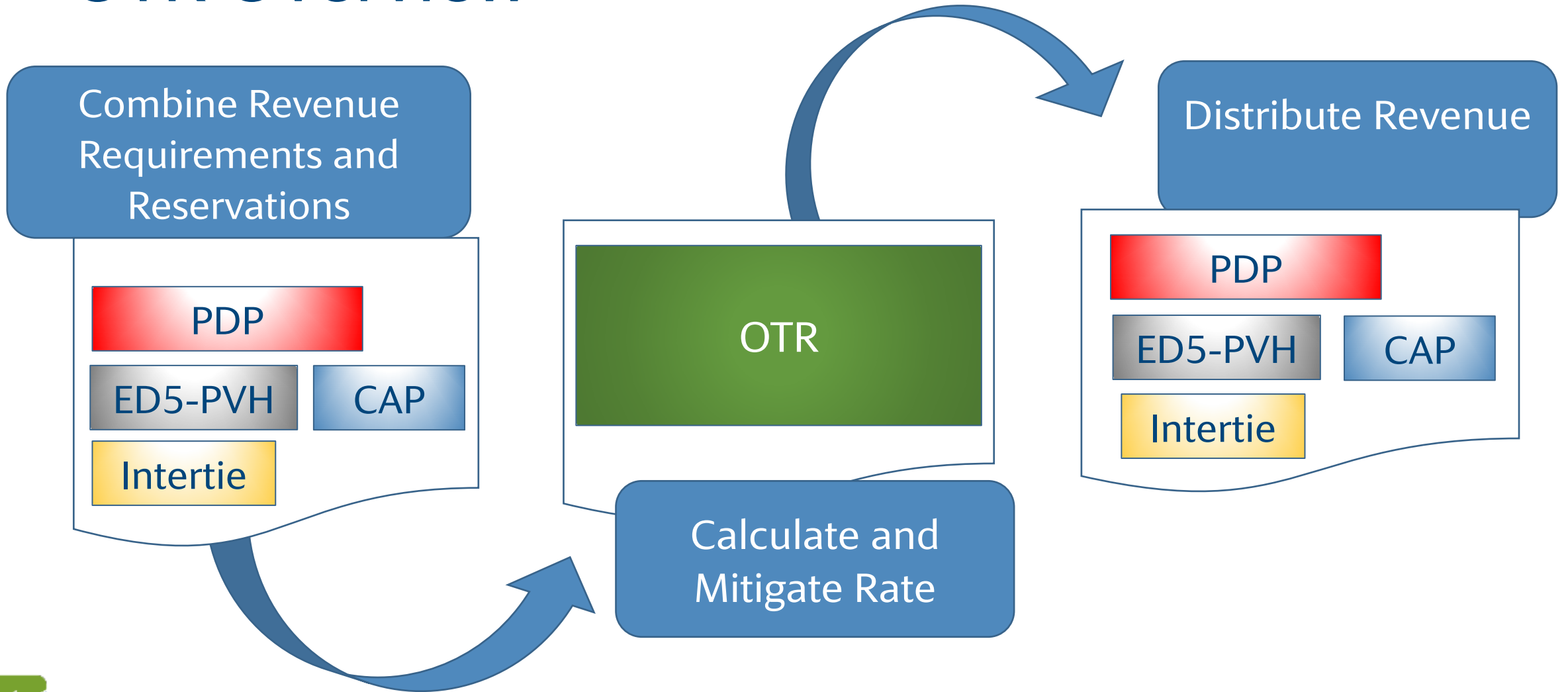


# OTR Framework

- Initial rate design has not changed
- Amounts included in the calculations will be updated annually – formula rate
- Transmission systems will continue to use their individual rate and repayment methodologies to determine costs
- Sales revenue will be distributed to each transmission system



# OTR Overview



# OTR Rate Design

- Step 1 – Combine Transmission System Revenue Requirements
  - Dollar amount needed from sales of long-term firm service – numerator
  - Used to calculate monthly charges for Network customers
- Step 2 – Combine Transmission System Reservations
  - Estimated quantity of long-term firm sales – denominator
- Step 3 – Calculate Rate
  - Applied to point-to-point sales to determine monthly charges and produce revenue for project repayment



# OTR Rate Design, Step 1: Combined Revenue Requirements (\$)

	Costs		PY True-up/ Carryover		Offsetting Revenue		Additional Revenues From Combining		Revenue Requirements
FY 2023	135,515,922	-	(373,353)	-	29,453,997	-	1,680,000	=	104,755,278
FY 2024	134,787,866	-	0	-	28,764,892	-	840,000	=	105,182,974
FY 2025	136,671,287	-	0	-	28,850,694	-	840,000	=	106,980,593
FY 2026	137,246,959	-	0	-	28,936,767	-	840,000	=	107,470,192
FY 2027	142,164,892	-	0	-	28,667,115	-	840,000	=	112,657,777
FY 2028	147,205,225	-	0	-	28,761,811	-	840,000	=	117,603,414
FY 2029	149,438,267	-	0	-	28,666,470	-	840,000	=	119,931,797
FY 2030	157,480,420	-	0	-	28,665,025	-	840,000	=	127,975,395
FY 2031	164,410,086	-	0	-	28,710,223	-	840,000	=	134,859,863
FY 2032	164,077,506	-	0	-	28,872,846	-	840,000	=	134,364,660

## Assumptions:

- O&M expenses increase 2% annually for inflation
- Increased short-term/nonfirm revenues by 80 MW in 2023 and 40 MW thereafter





# OTR Rate Design, Step 2: Combined Reservations (kW)

	Reservations		Adjustment for Pancakes		Additional Reservations From Combining		Total Reservations
FY 2023	5,068,326	+	(379,959)	+	300,000	=	4,988,367
FY 2024	5,136,660	+	(379,959)	+	300,000	=	5,056,701
FY 2025	5,136,660	+	(379,959)	+	300,000	=	5,056,701
FY 2026	5,002,660	+	(379,959)	+	600,000	=	5,222,701
FY 2027	5,002,660	+	(379,959)	+	600,000	=	5,222,701
FY 2028	5,002,660	+	(379,959)	+	600,000	=	5,222,701
FY 2029	5,002,660	+	(379,959)	+	900,000	=	5,522,701
FY 2030	5,002,660	+	(379,959)	+	900,000	=	5,522,701
FY 2031	5,002,660	+	(379,959)	+	900,000	=	5,522,701
FY 2032	5,002,660	+	(379,959)	+	1,200,000	=	5,822,701

## Assumptions:

- Increased long-term firm sales by 300 MW every three years



# Sales Estimates

## Long-term firm service

- Assumed existing reservations will continue for each transmission system unless nonrenewal is known
- Removed 380 MW of reservations to adjust for existing pancakes among the transmission systems – might increase
- Added 300 MW of new reservations the first year and every third year thereafter
  - Anticipate new service resulting from interconnection requests and forthcoming infrastructure projects
  - Specific quantity and timing unknown; developed forecasts based on available information and professional judgment
  - Periodic revisions could potentially impact OTR



# Sales Estimates (cont'd)

## Short-term firm and nonfirm service

- Assumed historical level of revenue will continue for each transmission system
- Increased sales by 80 MW the first year and 40 MW thereafter
  - Anticipate market demand for service to accelerate when pancakes are eliminated
  - Western Energy Imbalance Market participation may facilitate additional sales
  - Difficult to estimate quantity; developed forecasts based on professional judgment
- Sales increases provided additional revenue of \$1.7M the first year and \$840k the second year and thereafter
  - Periodic adjustments might impact OTR
  - Revenue based on first year OTR of \$21.00 /kW-Year



# OTR Rate Design, Step 3: Calculate Rate

	Revenue Requirements (\$)	/	Total Reservations (kW)	=	\$/kW-Year	or	\$/kW-Month
FY 2023	104,755,278	/	4,988,367	=	21.00	or	1.75
FY 2024	105,182,974	/	5,056,701	=	20.80	or	1.73
FY 2025	106,980,593	/	5,056,701	=	21.16	or	1.76
FY 2026	107,470,192	/	5,222,701	=	20.58	or	1.71
FY 2027	112,657,777	/	5,222,701	=	21.57	or	1.80
FY 2028	117,603,414	/	5,222,701	=	22.52	or	1.88
FY 2029	119,931,797	/	5,522,701	=	21.72	or	1.81
FY 2030	127,975,395	/	5,522,701	=	23.17	or	1.93
FY 2031	134,859,863	/	5,522,701	=	24.42	or	2.03
FY 2032	134,364,660	/	5,822,701	=	23.08	or	1.92



# Single System Projections

- Individual transmission system rate projections for 10 years are available on DSW's OTR webpage:

<https://www.wapa.gov/regions/DSW/Rates/Pages/OTR.aspx>



# Existing Funding Sources

	CAP	ED5-PVH	Intertie	PDP
O&M	Reclamation	Receipts	Prepayment	Prepayment
Construction	Reclamation	Receipts	Prepayment	Prepayment
Capital O&M	Reclamation	Receipts	Appropriations	Appropriations
PPW	Reclamation	N/A	Receipts	Receipts

Development Fund
TIP Fund
Reclamation Fund



# Prepayments

- Prepay for service one month in advance, credited in subsequent month
- Long-term point-to-point and network
  - Intertie and PDP point-to-point currently prepaying
  - New for CAP, ED5-PVH, and PDP network
- Prepayment for point-to-point based on capacity reserved
- Prepayment for network based on most recent service bill
- Opportunity to phase-in initial prepayments across several months to make more affordable



# Impact of Point-to-Point Prepayments

- Intertie and PDP: None, customers are already prepaying
- CAP and ED5-PVH:
  - Customers will have two payments in the initial months: one for service in arrears and one for prepayment
  - Generally, no payment is due in the final months of service since already prepaid
  - Advances provide better credit risk management
  - Since prepayments are not needed as a funding source, they will be treated as receipts to the system, just collected early



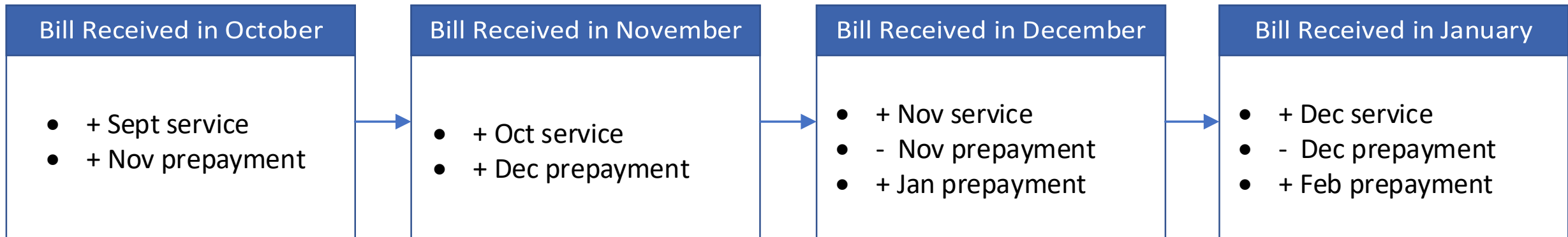


# Impact of Network Prepayments

- PDP:
  - Additional source of prepayment funding and parity with firm electric service and point-to-point customers that are required to prepay
  - Existing network service equals approximately 640 MW of sales or \$13.8M at current rates
  - Two payments in initial months (explained in previous slide)
  - Prepayment bill will be based on most recent service bill
- No impact to other systems since they do not have any network service customers



# Simplified Prepayments Diagram



2x payment in  
initial months

Single payment until  
final month of service  
when no bill will be due



# Prepayment Summary

Current State	Proposed Under OTR
PDP and Intertie customers prepay for long-term point-to-point transmission and firm electric service	No change
Network customers do not prepay for service	Prepay for service
CAP and ED5-PVH do not prepay for service	Prepay for service
Short-term and nonfirm do not prepay since quantity of service is not known in time for advance payment	No Change

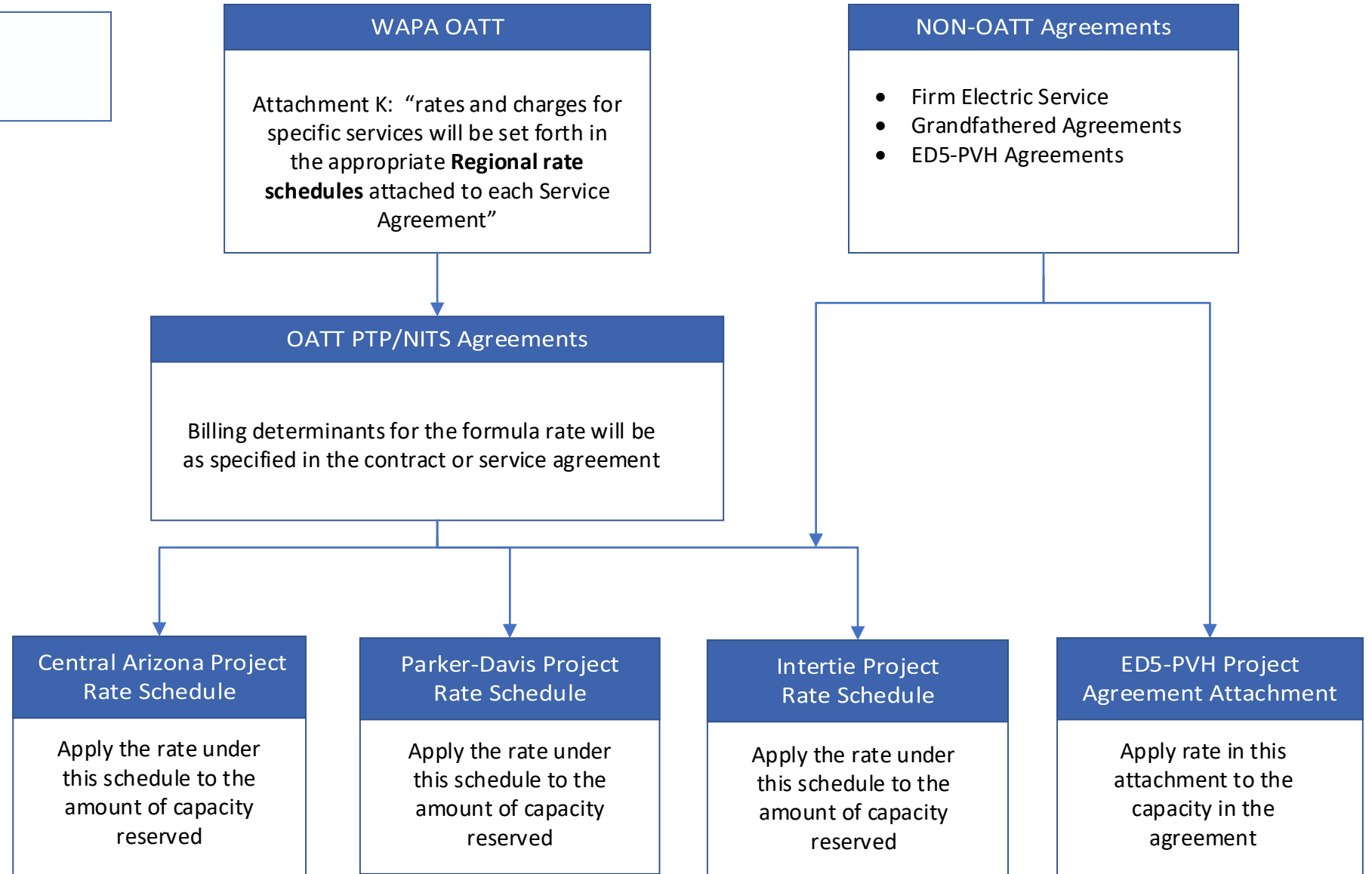


# Tariff → Contracts → Rate Schedules

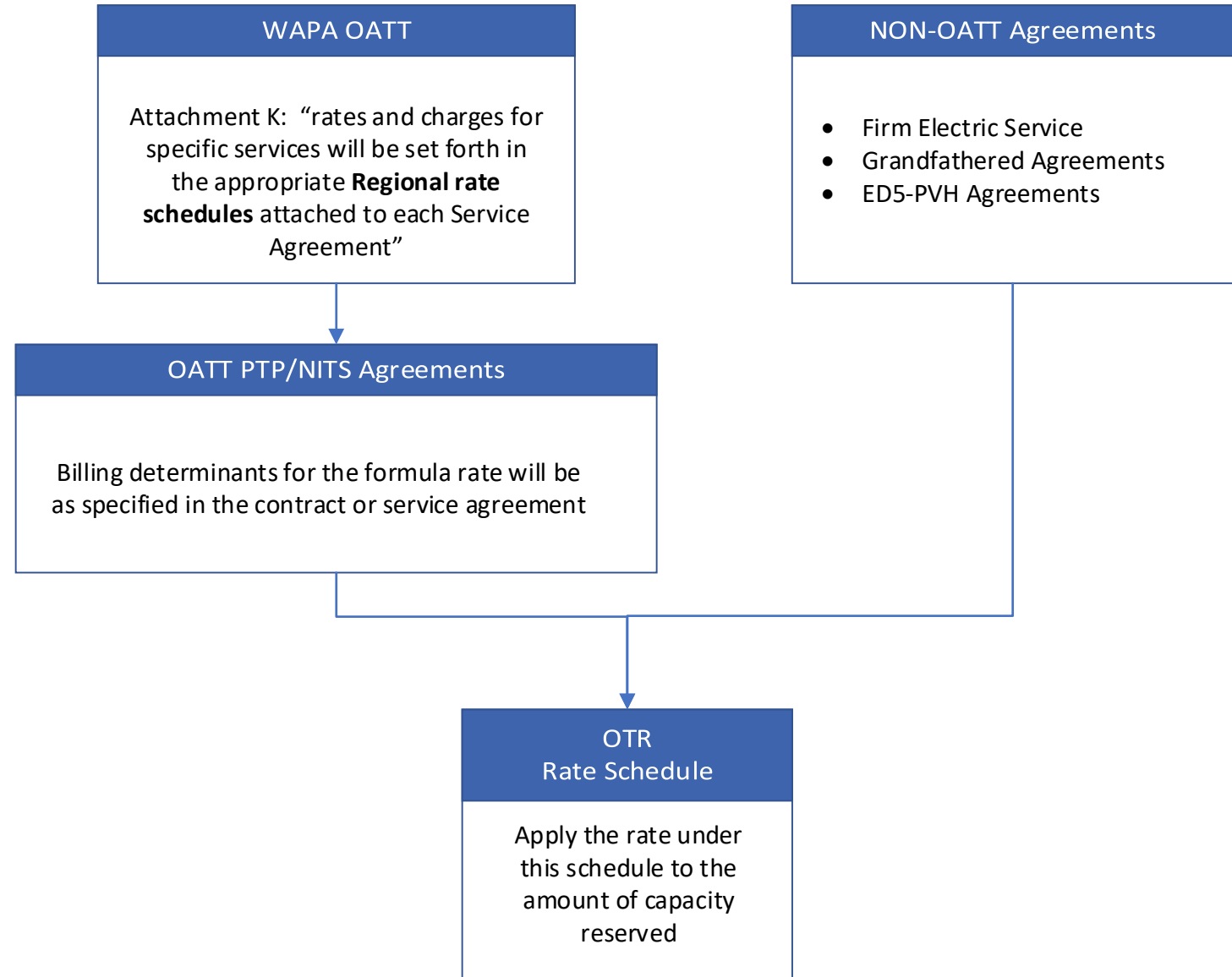
- During April 12<sup>th</sup> meeting, several customers inquired whether changes would be made to rate schedules, contracts, and WAPA's Tariff
- The following charts depict the link between rate schedules, contracts, and WAPA's Tariff
- They also illustrate changes to the rate schedules that will be necessary to implement the OTR



# EXISTING



# PROPOSED



# Grandfathered/ED5-PVH Service Agreements

- No changes will be necessary to grandfathered (pre-OATT) point-to-point service agreements
- No changes will be necessary to firm electric service agreements
- ED5-PVH service agreements will require modification to eliminate the facilities use charge – this will streamline the agreements



# OATT Service Agreements

- OTR has negligible impact; majority of agreements require no changes
- Some agreements will need revisions made to point(s) of receipt, point(s) of delivery, capacity reservation, and transmission charge sections



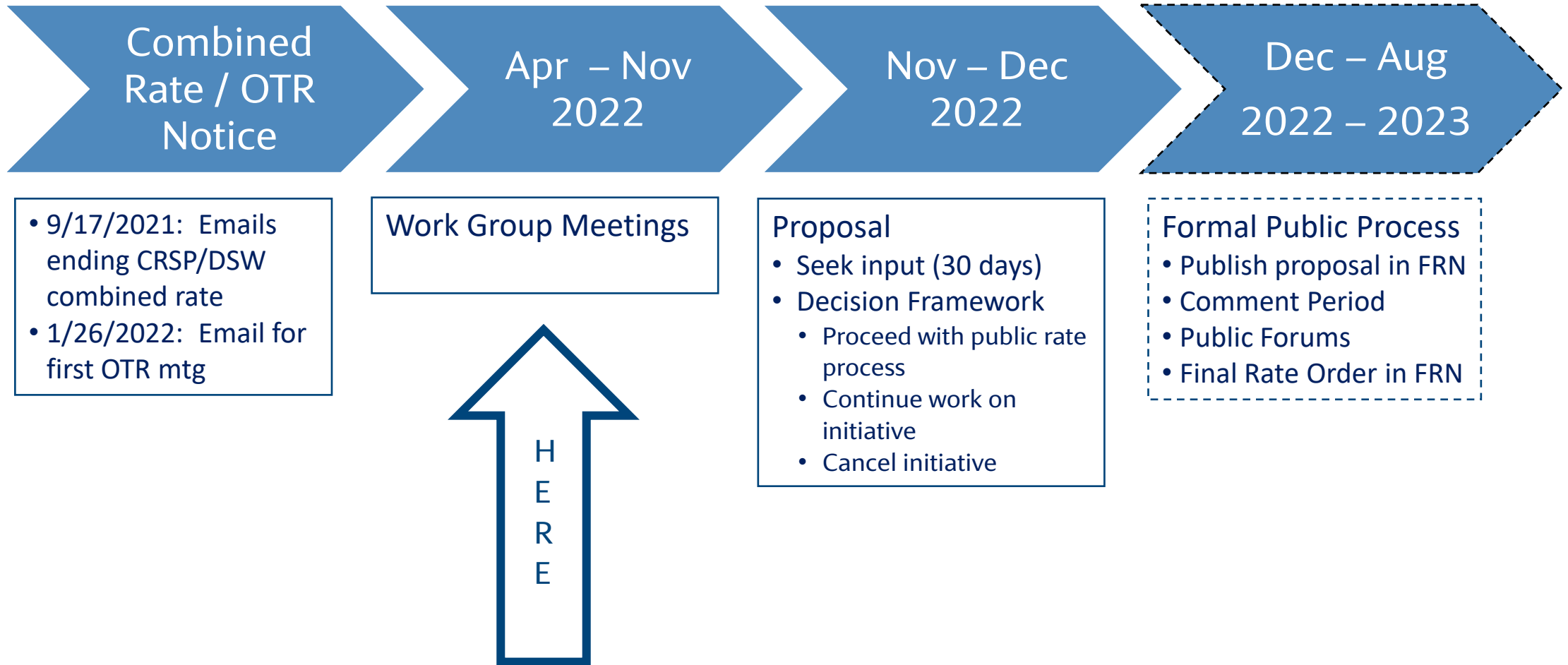


# WALC OASIS

- OTR will require a few modifications to DSW/WALC's OASIS
- Existing path names should remain the same
- Anticipating the following changes
  - Price offerings
  - A-Refs - "A to B" then "B to C" will be "A to C"
  - E-Tagging
  - ED5-PVH Facility Use Charge business practice



# Tentative Timeline



# Action Items and Next Steps

- Action item review
- Meeting notes and materials will be posted to our website

30-day informal comment period on whether to proceed with the OTR - email [dswpwrmrk@wapa.gov](mailto:dswpwrmrk@wapa.gov)

Thank you for attending!

<https://www.wapa.gov/regions/DSW/Rates/Pages/OTR.aspx>



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