

# DSW One Transmission Rate

## Frequently Asked Questions

What is this initiative?

WAPA is exploring the development of a single transmission rate for the Central Arizona Project, ED5-Palo Verde Hub Project, Intertie Project, and Parker-Davis Project (P-DP). Currently, each project has separate rates for transmission service. This single transmission rate will be named One Transmission Rate (OTR).

Why develop the OTR?

There are many benefits to having a single transmission rate, including more efficient scheduling and use of DSW's transmission systems, eliminating pancaking, rate stability, preparing for organized markets, and reducing the administrative costs of managing four different transmission rates.

Why develop the OTR now?

With encouragement from DSW customers, WAPA was asked to explore creating a single rate for DSW transmission projects. In addition, the transmission rates of the projects have converged and are now closely aligned.

What opportunities are there for customers to be involved? (Updated 2-8-2023)

WAPA will collaboratively explore this concept with customers. We anticipate several workgroup style meetings to analyze and evaluate the OTR. If the OTR is beneficial, the tentative plan is to commence a rate adjustment process in the *Spring of 2023*. This process typically includes notices in the *Federal Register*, public forums, and a comment period.

How will WAPA keep its customers apprised of this initiative?

In addition to dedicated OTR meetings, WAPA will provide periodic updates on progress through emails. We have also created a [website](#) for information including meeting notes, presentations, data, and correspondence.



Has WAPA already decided to develop and pursue the OTR?

No. WAPA is exploring the concept of the OTR and wants to do so collaboratively with customers.

How will WAPA decide whether to move forward with the OTR?

WAPA will use its Decision Framework to systematically work through the details that feed into a decision. Information about the Decision Framework is available on page 16 of WAPA's [2019 Annual Report](#).

Who can I contact if I have questions?

Please reach out to any of your usual contacts or [dswpwrmtk@wapa.gov](mailto:dswpwrmtk@wapa.gov).

Where can I learn more about the rates of the individual transmission projects involved in the OTR?

Information about individual project rates is available on the [DSW](#) website or contact [dswpwrmtk@wapa.gov](mailto:dswpwrmtk@wapa.gov).

Does WAPA have an overview of the OTR or material that will help me communicate key information to my organization?

Yes. A one-page overview of the OTR initiative is available on WAPA's [website](#).

Did WAPA attempt to combine its transmission rates previously?

Yes. In 2003, DSW and its customers attempted to combine the transmission rates of Central Arizona Project, Intertie Project, and P-DP. Although that effort was ultimately unsuccessful due to disparate rates, it demonstrated the value of combining transmission rates. Information on DSW's previous attempt to combine rates is available on its [website](#).



Will the OTR make customers of one project responsible for the repayment of another project?

No. Repayment will continue at the individual project level and the projects will remain financially independent.

Will WAPA need to revise its tariff for this initiative?

No, WAPA does not believe any tariff revisions will be necessary for this effort. WAPA anticipates implementing the OTR through new rate schedules that will be proposed during a public rate adjustment process.

Will the OTR be compatible with California Independent System Operator (CAISO) Energy Imbalance Market (EIM) that is currently being implemented?

The OTR is not expected to impact CAISO EIM in an adverse way and should generate more interest in transmission service from CAISO EIM participants. More information on WAPA EIM activities is available on WAPA's [website](#).

How will future planning be done assuming this initiative moves forward? For example, will construction planning be integrated to prevent overbuilding?

If the OTR is adopted and implemented by WAPA, construction planning could be performed at the regional level rather than for each individual transmission system.

How will network service customers be charged?

Charges for network service under the OTR will be determined using the combined transmission revenue requirements of the projects. Network service customers will also prepay for service like long-term point-to-point transmission customers.

Do loss rates apply to OTR?

Yes, the loss rates assessed by the WALC balancing authority will apply and remain unchanged due to this effort. The loss rate is currently 3%.



How will the OTR be impacted by the proposed expansion at Mead Substation? Will that expansion increase the OTR?

The impact to the OTR will depend on the expansion, how the expansion is funded, and the flexibilities that funding provides. Historically, the repayment period for capitalized construction costs is 40-50 years, which makes construction costs generally affordable. If the proposed expansion results in additional sales, those sales will likely offset any costs of expansion and there would be a minimal impact to the OTR.

Would the current process for redirects change with the OTR?

This needs further investigation and discussion within WAPA, but the OTR could potentially lead to smaller curtailments and less cuts since transmission path congestion will be lessened.

How would a shift to the Flowgate Methodology (MOD-030) impact this initiative?

It is unknown how the MOD-030 would impact the OTR. WAPA is in the early stages of looking at MOD-030 and plans to discuss the impacts with customers as more information becomes available.

The Joint Planning Agreement (JPA) and Prepayment Memorandum of Understanding (MOU) currently applies to PD-P and Intertie transmission customers and includes prepayment for long-term firm point-to-point transmission service. Will prepayment still apply under the OTR?

Yes, prepayment would apply to long-term firm point-to-point and network transmission service.

Is Network Integration Transmission Service (NITS) included in total reservations (denominator) of the proposed OTR formula rate that was provided in the November 3, 2022, meeting?

Yes. We calculate an equivalent point-to-point transmission service amount for each NITS customer and those amounts are included in the total reservations.

Would the OTR requirement to prepay impact how resales are managed?

WAPA requires the original transmission customer to collect from the party who the transmission has been resold, so resales will not be affected by the requirement to prepay.

Are there phase-in prepayment options?

Yes. WAPA is working on options to provide flexibility to phase in the prepay requirement for those that need added flexibility. We request your feedback on how to structure the phase-in to be most beneficial.

How will an over/under of revenue collected be handled?

In the event of revenue collected above the revenue requirement, WAPA will distribute to each power system. In the event of an under-collection, WAPA will ensure those projects with limited repayment flexibility are kept whole while utilizing the flexibilities of the other power systems that can take a deficit. This will not adversely affect any power systems since deficits will be included in subsequent OTR collections. As with any shortfall, WAPA will report on the deficit and discuss options with customers.

Can you walk through why there would be two months of prepayment?

As illustrated in the November 3, 2022 meeting presentation slides, there would be two months of prepayments since in October you will be paying September's transmission service and prepaying for November's transmission services. Then in November you will be paying October's transmission services and prepaying December's transmission service. Finally, in November you will be charged November's Transmission service and receive credit for your prepayment of November's transmission service you paid in October. In short, it takes two months because prepayments are billed one-month in advance and service bills are one-month in arrears.

Has WAPA estimated the OTR rate process and how it may affect DSW costs, running one DSW rate process rather than several?

Great point! There will be a cost savings in eliminating individual power systems rate adjustment processes.

Will WAPA continue to file a rate adjustment every five years and update the OTR formula rate, so there is some regulatory/FERC approval every five years?

Yes, WAPA will continue to conduct the rate adjustment process every five years.

When studying WAPA's ability to deliver customer's network resources to customer's network loads, will all four projects be used to determine if delivery can be accommodated?

Yes, with the OTR it will allow us to obligate every Federal project. This will open up the door for us to use the system more efficiently.

When will you post the final OTR that goes into effect?

Once approved and implemented, the OTR will be calculated annually. The calculation is currently projected to take place during the summer and posted by September 1st.

Will WAPA provide FY24 transmission service rate information for each project before the OTR becomes effective?

Yes, WAPA plans to update the calculations in the June/July 2023 timeframe prior to the proposed OTR effective date.