

United States Government

Department of Energy

memorandum

Western Area Power Administration

DATE: February 8, 2023

REPLY TO
ATTN OF: T. Ramsey, G6100

SUBJECT: Approval to initiate a public process for Desert Southwest Region's One Transmission Rate

TO: J. Murray, G0000

ISSUE: Desert Southwest Region's (DSW) Power Marketing has completed its evaluation of a combined transmission rate named One Transmission Rate (OTR). Based on analysis and stakeholder feedback, Power Marketing recommends initiating a public process to propose placing the OTR into effect. Your approval is requested to initiate a public process.

BACKGROUND: In April 2020, Colorado River Storage Project Management Center (CRSP) and DSW began customer meetings to explore combining the rates of each individual transmission system into a single rate. Although that effort was ultimately unsuccessful and concluded in September 2021, several customers urged DSW to consider combining its transmission service rates.

In March 2022, Power Marketing initiated meetings with DSW customers to evaluate combining the transmission service rates of Central Arizona Project (CAP), Electrical District No. 5 to Palo Verde Hub Project (ED5-PVH), the southern portion of the Pacific Northwest-Pacific Southwest Intertie Project (Intertie), and the Parker-Davis Project (PDP). The combined rate, applicable to these systems, would be named the OTR. Although the rates would be combined under the OTR, the projects would remain separate for financial accounting and repayment purposes.

Power Marketing, supported by other departments, conducted two large stakeholder meetings and met with smaller groups or one-on-one with customers numerous times to explore the OTR. Many issues were discussed including transmission scheduling, pancaking, prepayment, billing, funding, tariff alignment, rate design, and rate calculations. Power Marketing provided customers with 10-year forecasts of the OTR and individual transmission system rates along with an analysis showing the cost and benefits for each customer.

The rate analysis presented to customers in November 2022, indicated that if placed into effect immediately, the OTR would be \$21.00/kW-Year. That equates to 8.7% higher than the lowest rate (Intertie) and 14.8% lower than the highest rate (PDP). Although not without difference, the individual system rates and the OTR have one of the highest levels of convergence in DSW's history. For reference, a rate comparison is shown in the following table.

OTR	CAP	ED5-PVH	Intertie	PDP
\$21.00/kW-Year	\$21.00/kW-Year	\$21.36/kW-Year	\$19.32/kW-Year	\$22.68/kW-Year

In addition to the extensive outreach with customers, internal stakeholders from every affected department have met dozens of times to discuss OTR implementation, should it be supported in the public process and placed into effect. Internal stakeholders are prepared for the OTR and have not found any significant complications with its implementation to date.

Consensus from both customers and internal stakeholders is the OTR provides multiple benefits and worth proposing in a public process. Benefits among many include:

1. Allowing more efficient scheduling and use of DSW's transmission systems, especially to accommodate new firming resources
2. Eliminating rate pancaking among DSW's transmission systems
3. Providing rate and financial stability by having a larger and more diverse revenue requirement

SENSITIVITY: None. No adverse customer reaction is expected from placing the OTR into effect. Power Marketing has met with customers and internal stakeholders numerous times to discuss the OTR and it is well-supported. DSW held an informal comment period late in 2022 and only received supportive comments.

POLICY IMPACT: None. WAPA's other regions have previously combined power system rates such as the Colorado River Storage Project Management Center's Salt Lake City Area Integrated Projects Rate and Upper Great Plain Region's Integrated System Rate.

URGENCY: In order for Power Marketing to conduct a public process and if supported, place the OTR into effect for fiscal year 2024, approval to proceed must be given by February 10, 2023.

RECOMMENDATION: With full consideration of analysis performed, internal stakeholder input, and customer input, Power Marketing recommends initiating a public process to propose placing OTR into effect for fiscal year 2024. Power Marketing requests you sign where indicated below and return this memorandum.

Jimmy K.
Kendrick

Digitally signed by Jimmy K.
Kendrick
Date: 2023.02.08 17:31:02 -0700'

Jimmy K. Kendrick
Vice President of Power Marketing
for Desert Southwest Region

APPROVE: Jack D. Murray Digitally signed by Jack D. Murray Date: 2023.02.14 08:16:39 -0700'

DISAPPROVE: _____ DATE: _____