DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

Desert Southwest Region—Rate Order No. WAPA-209

COMMENTS OF GRIFFITH ENERGY LLC

Griffith Energy LLC ("Griffith") submits the following comments on the Desert Southwest Region ("DSW") of the Western Area Power Administration's ("WAPA") June 30, 2023 Federal Register notice ("Notice") proposing to combine into a single rate—the One Transmission Rate ("OTR")—the existing transmission service rates of four separate Projects: 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").[1]

Griffith owns and operates a natural gas-fired combined cycle electric generating facility ("Griffith Facility") with an installed capacity of 570 MW (summer) located in Mohave County, Arizona. The Griffith Facility resides in its own, generation-only balancing authority area ("BAA"), which is interconnected with the Western Area Power Administration – Lower Colorado ("WALC") BAA. Griffith is a transmission service customer of WAPA. It takes firm point-to-point ("PTP") transmission service only on the Intertie and does not take firm PTP service on any of the other Projects.

The proposed OTR arbitrarily shifts to Intertie customers some of the costs previously incurred to develop the other Projects. As an Intertie-only customer, Griffith will be significantly and negatively affected by the proposed OTR, and will not receive any additional benefit or

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[1] *See* 88 Fed. Reg. 42,355 (June 30, 2023).

service in return. Therefore, Griffith respectfully requests that the existing Intertie PTP rate structure be grandfathered for customers like Griffith that take PTP service only on the Intertie and do not otherwise have firm reservations on the other Projects covered by the OTR.

Griffith's current transmission rate for PTP service on the Intertie is \$1.61/kW-Mo. For fiscal year 2024, this rate is scheduled to go down to \$1.41/kW-Mo. If the OTR proposal is implemented using the formula described in the Notice, Griffith's rate for PTP service on the Intertie will go up to \$1.75 kW-Mo. The OTR will increase Griffith's average annual cost for transmission service on the Intertie by 24.37%, but Griffith will receive no additional service or benefits in return. This is a material amount of cost burden for a single power plant, representing approximately \$2.5 million per year of additional cost with no additional source of revenue, unlike newbuild power projects that will have the opportunity to incorporate known costs into their contracting decisions before their final investment decision. WAPA points out in the Notice that the OTR would provide benefits to DSW's customers by "allowing more efficient scheduling and use of each project's transmission facilities, eliminating multiple charges (rate pancaking) among transmission systems, and providing rate and financial stability by having a larger revenue requirement and more diverse customer base."[2] However, none of these benefits will materialize for Griffith, because Griffith uses the Intertie only to transport power to the border of the WALC BAA and does not take service on the other Projects subject to the OTR.

The dramatic increase in Griffith's transmission costs occurs because the proposed OTR shifts to Intertie customers some of the costs already incurred to develop the other three Projects and meet the needs of those Projects' customers. The four Projects covered by the OTR are existing transmission projects with individual annual revenue requirements ("ARRs"). Each

[2] *Id.* at 42,356.

ARR reflects the costs incurred to develop a particular Project and meet the needs of customers taking service on that Project. The individual ARRs translate into different transmission rates for each Project. The current Intertie transmission service rate—$1.61/kW-Mo—is lower than the rates for each of the other three Projects—respectively, $1.75/kW-Mo for CAP, $1.78/kW-Mo for ED5-PVH, and $1.89/kW-Mo for Parker-Davis.

The proposed OTR PTP rate is equal to the sum of the four Projects' ARRs divided by the combined anticipated transmission reservations on the Projects.[3] Because the current Intertie rate is lower than each of the other rates, averaging the four existing rates into the OTR would arbitrarily shift to Intertie customers costs already incurred to meet the needs of customers taking service on the other Projects. Specifically, the proposed OTR of $1.75/kW-Mo would be lower than, or equal to, the current rates for CAP, ED5-PVH, and Parker-Davis. Customers on those Projects would benefit from rate reductions, or experience no rate change, under the proposed OTR. However, Intertie customers would be the only class of customers experiencing a rate increase, which for Griffith would be a 24% increase in its average annual Intertie transmission costs. The rate increase would not be due to additional service or benefits becoming available to Intertie customers. Instead, it would simply be the result of Intertie customers paying for the cost of the other Projects and meeting the needs of those Projects' customers.

Therefore, the proposed OTR methodology disproportionately and arbitrarily shifts costs by raising the transmission rate for service on the Intertie and allowing customers on the other Projects to take service at a lower, or unchanged, rate. Thus, if the OTR proposal is finalized, Griffith (and any other Intertie-only customer) will unfairly subsidize those DSW customers who take service on the remaining three Projects.

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[3] *Id.* at 42,357.

Griffith cannot support WAPA's proposed OTR, which employs an arbitrary methodology that adversely impacts Griffith and any other Intertie-only customer, without providing any additional benefit to Intertie-only customers. Griffith believes that a better methodology for an OTR that is fair and non-discriminatory would be to grandfather Griffith and other Intertie-only customers under the existing Intertie rate structure. In this way, Griffith and other Intertie-only customers will not be required to subsidize customers that take service on those Projects, whose needs are the reason for the higher costs and corresponding rates. Customers on the other Projects currently pay higher rates to account for their individual transmission needs. Griffith, which uses the Intertie only to transport power to the border of the WALC BAA should not have to subsidize those costs.

We appreciate the time that WAPA has taken to discuss and review their proposal with its customers via the public information and public comment forum. However, Griffith cannot support WAPA's proposal to implement the OTR unless WAPA revises its proposal so that Griffith is not subject to a disproportionate and unjust rate increase.

Respectfully submitted,

/s/ Vincenzo Franco

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September 28, 2023