

# Chelan Transmission Rates

June 15, 2020



*No Action Required*

# Why we're here:

## Transmission Rates

- The purpose of developing these rates is to identify wholesale transmission rates that are consistent with FERC methodologies, that we would consistently apply to ourselves as well as others who wish to utilize the District's transmission system.

# Transmission Rates

- The District is generally exempt from FERC's rate jurisdiction; however, following FERC methodologies aligns with industry standards.
- This approach is also consistent with Federal Power Act Section 211A, which gives FERC some authority over the District's transmission rates.

# Existing Transmission Customers

- Customers with existing transmission contracts are grandfathered, and these new rates do not apply.
- Grandfathered customers include:
  - Puget Sound Energy expires 2031
  - Alcoa expires 2028
  - Douglas County PUD expires 2061<sup>1</sup>
  - Lake Chelan Reclamation District expires 2026
  - Greater Wenatchee Irrigation District expires 2023

Note 1: Initial Contract term was 1976-2011 with option for five 10 year extensions. The expiration of 2061 is assuming DCPUD exercises all 5 options to extend the Power Sales Contract

# Grandfathered Contracts

- Grandfathered contracts mostly utilize the existing Chelan Transmission System Revenue Requirement (CTSRR).
- The CTSRR and the FERC methodology transmission rates<sup>1</sup> are analogous.
- The FERC methodology produces a Gross Revenue Requirement ~8.4%<sup>2</sup> higher.

Note 1: Schedules 1 & 7

Note 2: This is comparing the gross revenue requirement of schedules 1 & 7 to the CTSRR and is based off of 2019 financial data for the billing period July 1, 2020 – June 30, 2021

# Transmission Rate Development

- The proposed Transmission rate methodology is consistent with FERC cost-of-service study methods.
- Rates are derived from actual transmission costs from the previous year, based on FERC accounting methods.
- Rates will be refreshed annually.

# Demand-Based vs. Energy-Based Rates

- Transmission rates are demand-based (MW of reserved transmission capacity) instead of energy-based (MWhr).
- Transmission system designed and built to support expected maximum need.
- Demand-based rates ensure investment is fully recovered and are industry standard for transmission.

Transmission Provider		\$/MW-Year <sup>1</sup>
PSE	\$	24,600
Avista	\$	24,000
BPA	\$	22,260
Chelan	\$	13,540
PGE	\$	6,430

Note 1: Transmission schedules 1 & 7

# Transmission Rate Requirements

- Annual Transmission Revenue Requirement
  - Gross Revenue Requirement minus Revenue Credits

*Divided by*

- Transmission System Use (Denominator)
  - Chelan Distribution Load<sup>1</sup> + Chelan Merchant reserved capacity<sup>2</sup>

*Equals*

- \$/MW Transmission Rate

Note 1: Chelan Distribution Load is the average of the monthly hourly peak load

Note 2: Chelan Merchant is a combination of the transmission capacity reserved for the Slice contracts + real time sales



# Transmission Revenue Requirement

Transmission Revenue Requirement equals:

- Gross Revenue Requirement
  - Transmission O&M
  - Administrative & General O&M Expenses
  - Depreciation
  - Taxes
  - Investment Return (Rate Base x ROR)

*Minus*

- Revenue Credits
  - Grandfathered Transmission Contracts

# Transmission Rate Example

<b>Schedules 1 &amp; 7 - 2019</b>	<i>(\$000's)</i>	
Transmission O&M w A&G Allocation	\$	13,651
Depreciation Expense	\$	1,853
Taxes	\$	817
Investment Return	\$	7,971
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Gross Revenue Requirement	\$	24,293
Revenue Credits (PSE, Alcoa, Others)	\$	(10,548)
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Net Revenue Requirement	\$	13,745
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Transmission System Use (Denominator)		1,015 MW
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<b>Transmission Rate (\$/MW – Year)</b>	<b>\$</b>	<b>13,540</b>

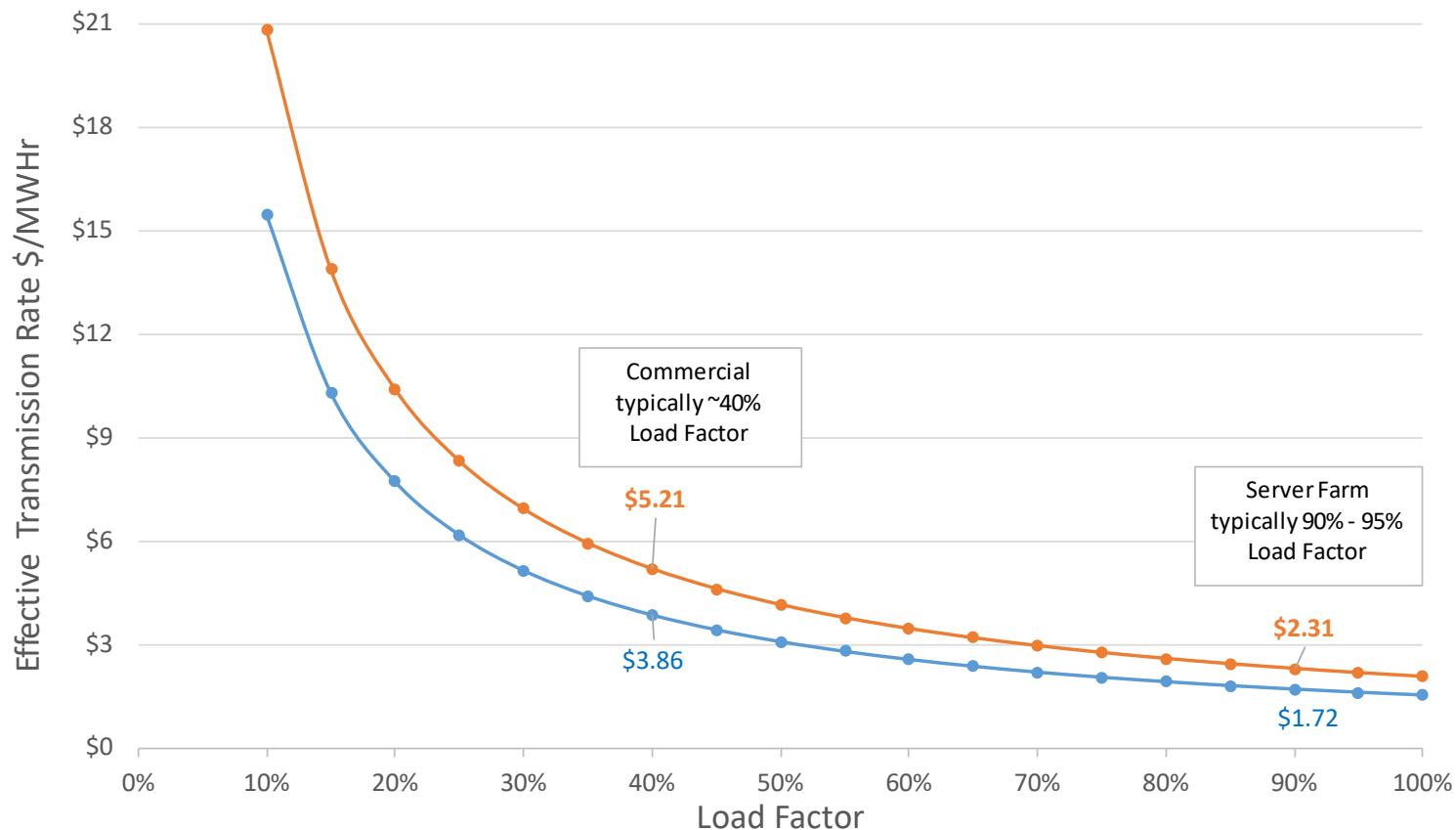
# Next Steps

- These rates are proposed to be effective 8/1/2020.
- We will be back at the next Commission meeting with a resolution looking for adoption of these transmission rates.

Questions?

# Appendix

# Effective Transmission Rate \$/MWhr as Load Factor Varies



● Trans Rate (\$/MWhr; All)	\$20.83	\$10.41	\$6.94	\$5.21	\$4.17	\$3.47	\$2.98	\$2.60	\$2.31	\$2.08
● Trans Rate (\$/MWhr; 1&7)	\$15.46	\$7.73	\$5.15	\$3.86	\$3.09	\$2.58	\$2.21	\$1.93	\$1.72	\$1.55
Energy Cost - Annual <sup>1</sup>	\$26,280	\$52,560	\$78,840	\$105,120	\$131,400	\$157,680	\$183,960	\$210,240	\$236,520	\$262,800
Trans Cost - Annual (All)	18,243	18,243	18,243	18,243	18,243	18,243	18,243	18,243	18,243	18,243
Trans Cost - Annual (1&7)	13,540	13,540	13,540	13,540	13,540	13,540	13,540	13,540	13,540	13,540

Note 1: Assuming Energy Cost (\$/MWhr) = \$30. All data is for 1 MW reservation **13**

