

United States Government

Department of Energy

Western Area Power Administration

# memorandum

DATE FEB 02 2011

REPLY TO  
ATTN OF: G6100, J. Murray  
J6100, S. Cook  
L6100, R. Bailey

SUBJECT: Rates for the Short-Term Sale of Western Area Power Administration Transmission to Facilitate Participation in the WestConnect Pricing Experiment

TO: T. Meeks, A0000, Lakewood, CO

THROUGH: Acting, A0200, Lakewood, CO

We request approval of the revised on- and off-peak hourly non-firm transmission rates for three Western Area Power Administration (Western) Transmission Providers [LAPT (Loveland Area Projects), CRCM (Colorado River Storage Project), WALC (Intertie, Central Arizona Project, and Parker-Davis)] for participation in the WestConnect Pricing Experiment (Experiment), which was implemented on July 1, 2009.

## Background:

On March 25, 2009, the Administrator approved the creation of on-and off-peak hourly non-firm transmission rates for the above stated Transmission Providers (attached). As specified in that approval, the rates are being converted for the 2-year period of the Experiment, but they may change on an annual basis as Western's approved, formula-based, non-firm transmission rates are updated (October and January annually).

Western's existing FERC-approved OATT transmission rate designs (for all Regions) yield an "all-hours" transmission rate; e.g., Western's transmission rates do not make any rate distinction between on- and off-peak, but rather socialize the revenue requirement over all hours of the year.

The other WestConnect participants, however, have on- and off-peak rates, creating an issue with regard to revenue distribution, which is to be accomplished on a pro-rata basis. To avoid a negative impact in terms of revenue collection it was necessary for Western to convert its "all-hours" transmission rates into on- and off-peak rates for participation in the Experiment. For all Regional Transactions in which Western participates, its share of the revenues is capped at its applicable FERC-approved "all-hours" non-firm transmission rate.

Below is a table of the Western's current "all-hours" rates converted to on- and off-peak rates:

NERC Registered Transmission Provider	Hourly Non-Firm All-Hrs Rate (mills/kWh)	On-Peak Hourly Non-Firm Rate (mills/kWh)	Off-Peak Hourly Non-Firm Rate (mills/kWh)
LAPT	4.17	8.78	7.94
CRCM	2.02	4.25	3.85
WALC-PD	1.48	3.12	2.82
WALC-INT	1.74	3.66	3.31
WALC-CAP	1.12	2.36	2.13

Although the rates are being converted for the 2-year period of the Experiment, they can change on an annual basis as Western's formula-based non-firm rates are updated (October and January of each year). This approval is required due to a change in the CAP transmission service rate, effective January 1, 2011.

Recommendation:

As the Administrator is granted the authority in Delegation Order No. 00-037.00, Section 1.5, to develop and place into effect on a final basis, rates for short-term sales of capacity, energy, or transmission service, we recommend that you approve these rates for Western's continued participation in the WestConnect Pricing Experiment. The rates will become effective on January 1, 2011.



Darrick Moe, Regional Manager  
Desert Southwest Region  
Phoenix, AZ




Bradley Warren, Regional Manager  
Rocky Mountain Region  
Loveland, CO



Laverne Kyriss, CRSP Manager  
CRSP Management Center  
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APPROVED AS TO LEGAL SUFFICIENCY BY:

  
Office of General Counsel *Acting GC*

APPROVED: 

DISAPPROVED: \_\_\_\_\_

DATE: 2/2/11