



6450-01-P

## **DEPARTMENT OF ENERGY**

### **Western Area Power Administration**

#### **Desert Southwest Region Transmission, Transmission Losses, Unreserved Use Penalties, and Ancillary Services—Rate Order No. WAPA-175**

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of Final Formula Rates for Transmission and Ancillary Services.

**SUMMARY:** The Deputy Secretary of Energy has confirmed and approved Rate Order No. WAPA-175 and Rate Schedules PD-NTS4 and INT-NTS4, placing formula rates for Network Integration Transmission Service (Network) on the Parker-Davis Project (P-DP) and Pacific Northwest-Pacific Southwest Intertie Project (Intertie) of the Western Area Power Administration (WAPA) into effect on an interim basis. The Deputy Secretary also confirmed and approved Rate Schedules DSW-TL1, DSW-UU1, DSW-SD4, DSW-RS4, DSW-FR4, DSW-EI4, DSW-SPR4, DSW-SUR4, and DSW-GI2, placing formula rates for transmission losses, unreserved use penalties, and ancillary services from WAPA's Desert Southwest Region (DSW) and Western Area Lower Colorado Balancing Authority (WALC) into effect on an interim basis. The provisional formula rates will provide sufficient revenue to pay all annual costs, including interest expense, and repay applicable investments within the allowable periods.

**DATES:** Rate Schedules PD-NTS4, INT-NTS4, DSW-TL1, DSW-UU1, DSW-SD4, DSW-RS4, DSW-FR4, DSW-EI4, DSW-SPR4, DSW-SUR4, and DSW-GI2 are effective on the first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, pending approval by the Federal Energy Regulatory Commission (FERC) on a final basis or until superseded.

**FOR FURTHER INFORMATION CONTACT:** Mr. Ronald E. Moulton, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2453, or Mr. Scott Lund, Rates Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2442, email [slund@wapa.gov](mailto:slund@wapa.gov).

**SUPPLEMENTARY INFORMATION:**

WAPA's DSW published a Federal Register notice on February 3, 2016 (81 FR 5741), announcing the proposed formula rates, initiating a public consultation and comment period, and setting forth the date and location of public information and comment forums. On February 4, 2016, customers and interested parties were provided a copy of the published notice. WAPA's DSW held both forums in Phoenix, Arizona, on March 30, 2016.

The previous Rate Schedules PD-NTS3, INT-NTS3, DSW-SD3, DSW-RS3, DSW-FR3, DSW-EI3, DSW-SPR3, DSW-SUR3, and DSW-GI1 for Rate Order No. WAPA-151 were approved by FERC for a 5-year period through September 30, 2016.<sup>1</sup> Several of these rate schedules contain formula rates that were calculated each year to include the most recent financial, load, and schedule information, as applicable. The new rate schedules continue this approach.

**Transmission Services**

Rate Schedules PD-NTS4 and INT-NTS4 for Network on the P-DP and Intertie are based on a revenue requirement that recovers the costs for providing transmission service. This includes the costs for scheduling, system control, and dispatch service needed to provide the transmission service.

---

<sup>1</sup> Rate Order No. WAPA-151 was approved by FERC on a final basis on March 5, 2012, in Docket No. EF11-14-000 (138 FERC ¶ 62,198).

Rate Schedule DSW-TL1 for Transmission Losses is a new rate schedule that provides for the recovery of losses associated with transmission service. Previously, losses were addressed in the transmission service rate schedules for each project administered by WAPA's DSW.

Rate Schedule DSW-UU1 for Unreserved Use Penalties is also a new rate schedule that provides for a penalty, in addition to the usual charge for transmission service, for the use of transmission capacity that has not been reserved or has been used in excess of the amount reserved. Previously, penalty provisions for unauthorized use were included in the transmission service rate schedules for each project administered by WAPA's DSW.

### **Ancillary Services**

DSW provides seven ancillary services pursuant to WAPA's Open Access Transmission Tariff (OATT). These services include: (1) Scheduling, System Control, and Dispatch (DSW-SD4); (2) Reactive Supply and Voltage Control (DSW-RS4); (3) Regulation and Frequency Response (DSW-FR4); (4) Energy Imbalance (DSW-EI4); (5) Spinning Reserve (DSW-SPR4); (6) Supplemental Reserve (DSW-SUR4), and (7) Generator Imbalance (DSW-GI2).

Changes were made to the formula rates for Regulation and Frequency Response, Energy Imbalance, and Generator Imbalance. The formula rate for Regulation and Frequency Response now includes the application of variable capacity multipliers to the installed capacity of variable energy resources. The formula rates for Energy Imbalance and Generator Imbalance now have the same bandwidth structure for on-peak and off-peak hours. No changes were made to the formula rates for the other ancillary services. Minor editorial changes were made to rate schedule language to provide clarification and make them more uniform and consistent.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy

delegated: (1) the authority to develop power and transmission rates to the Administrator of WAPA; 2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to FERC. Federal rules (10 CFR part 903) govern Department of Energy procedures for public participation in power and transmission rate adjustments.

Under Delegation Order Nos. 00-037.00A and 00-001.00F and in compliance with 10 CFR part 903 and 18 CFR part 300, I hereby confirm, approve, and place Rate Order No. WAPA-175, which provides the formula rates for DSW transmission, transmission losses, unreserved use penalties, and ancillary services into effect on an interim basis. The new Rate Schedules PD-NTS4, INT-NTS4, DSW-TL1, DSW-UU1, DSW-SD4, DSW-RS4, DSW-FR4, DSW-EI4, DSW-SPR4, DSW-SUR4, and DSW-GI2 will be submitted promptly to FERC for confirmation and approval on a final basis.

Dated: August 18, 2016

Elizabeth Sherwood-Randall  
Deputy Secretary of Energy

**DEPARTMENT OF ENERGY  
DEPUTY SECRETARY**

In the matter of: )  
 )  
Western Area Power Administration )  
Desert Southwest Region ) Rate Order No. WAPA-175  
Rate Adjustment for Transmission Service, )  
Transmission Losses, Unreserved Use )  
Penalties, and Ancillary Services )

**ORDER CONFIRMING, APPROVING, AND PLACING FORMULA RATES FOR  
TRANSMISSION SERVICE, TRANSMISSION LOSSES, UNRESERVED USE PENALTIES,  
AND ANCILLARY SERVICES INTO EFFECT ON AN INTERIM BASIS**

The formula rates set forth in this order are established pursuant to Section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This act transferred to and vested in the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and other acts that specifically apply to the projects involved.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the Administrator of the Western Area Power Administration (WAPA); (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to the Federal Energy Regulatory Commission (FERC). Federal rules (10 CFR part 903) govern DOE procedures for public participation in power and transmission rate adjustments.

**Acronyms and Definitions**

As used in this Rate Order, the following acronyms and definitions apply:

<u>Balancing Authority (BA):</u>	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real-time.
<u>Balancing Authority (BA) Area:</u>	The collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority.
<u>DOE:</u>	United States Department of Energy.
<u>DSW:</u>	Desert Southwest Region.
<u>FERC:</u>	Federal Energy Regulatory Commission.
<u>Kilowatt (kW):</u>	Electrical unit of capacity equal to 1,000 watts.
<u>Megawatt (MW):</u>	Electrical unit of capacity equal to 1,000 kW or 1,000,000 watts.
<u>Network:</u>	Network Integration Transmission Service.
<u>OATT:</u>	WAPA's revised Open Access Transmission Tariff, effective May 13, 2013.
<u>Open Access Same-Time Information System (OASIS):</u>	An electronic posting system that a service provider maintains for transmission access data that allows users to view information simultaneously.
<u>Transmission Service Provider (TSP):</u>	Any utility that owns, operates, or controls facilities used to transmit electric energy.
<u>VAR:</u>	Volt-Ampere Reactive, a unit by which reactive power is expressed.
<u>VER:</u>	Variable energy resources.
<u>WALC:</u>	Western Area Lower Colorado Balancing Authority.
<u>WAPA:</u>	Western Area Power Administration.

## **Effective Date**

The provisional formula rates are effective on the first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, pending approval by FERC on a final basis or until superseded.

## **Public Notice and Comment**

WAPA followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR part 903, in developing these formula rates and schedules.

WAPA took the following steps to involve the public in the rate adjustment process:

1. On July 2, 2015, WAPA notified DSW customers and interested parties by email of an informal meeting and posted this notice on its public website. On August 10, 2015, WAPA held an informal meeting to discuss DSW's rate proposals for transmission and ancillary services.
2. WAPA published a Federal Register notice on February 3, 2016 (81 FR 5741), announcing the proposed formula rates, initiating the 90-day public consultation and comment period, setting forth the date and location of public information and public comment forums, and outlining the procedures for public participation.
3. On February 4, 2016, WAPA sent DSW customers and interested parties a copy of the notice.
4. On March 30, 2016, WAPA held a public information forum in Phoenix, Arizona. WAPA's DSW representatives explained the need for the formula rate adjustment and proposed changes to the formula rates, answered questions, and provided presentation handouts.
5. On March 30, 2016, following the public information forum, WAPA held a public comment forum in Phoenix, Arizona, to provide customers and interested parties an opportunity to comment for the record.

6. WAPA established a public website to post information about this rate adjustment. The website is located at <https://www.wapa.gov/regions/DSW/Rates/Pages/ancillary-rates.aspx>.

### Comments

No oral comments were made at the public comment forum. WAPA received one written comment during the consultation and comment period. A written comment was received from Arizona Generation and Transmission Cooperatives, Benson, Arizona. The comment has been considered in preparing this Rate Order

### **Project Descriptions**

WAPA's DSW provides ancillary services through WALC, which encompasses the projects within its marketing area - Boulder Canyon Project (BCP), Parker-Davis Project (P-DP), Central Arizona Project (CAP), and the Pacific Northwest-Pacific Southwest Intertie Project (Intertie). Network is offered on the P-DP, CAP, and Intertie.

### BCP

Hoover Dam, authorized by the Boulder Canyon Project Act (45 Stat. 1057, December 21, 1928), sits on the Colorado River along the Arizona-Nevada border. Hoover Dam's power plant has 19 generating units (two for plant use) and an installed capacity of 2,078,800 kW (4,800 kW for plant use). High-voltage transmission lines and substations make it possible to deliver this power to southern Nevada, Arizona, and southern California.

### P-DP

P-DP was formed by consolidating two projects, Davis Dam and Parker Dam, under terms of the Act of May 28, 1954 (68 Stat. 143). Davis Dam's power plant has five generating units and an installed capacity of 255,000 kW. Parker Dam's power plant has four generating units and an installed capacity of 120,000 kW. P-DP is operated in conjunction with the other Federal

hydroelectric generation facilities in the Colorado River Basin. The project also includes 1,535 circuit miles of transmission lines in Arizona, southern Nevada, and along the Colorado River in California.

### CAP

Congress authorized CAP in 1968 to improve water resources in the Colorado River Basin (43 U.S.C. 1501). The legislation also authorized Federal participation in the Navajo Generating Station, which has three coal-fired steam electric generating units with a combined capacity of 2,250,000 kW. The 24.3 percent Federal share (546,750 kW) of the Navajo Generating Station is used to power the pumps that move Colorado River water through the CAP canals.

### Intertie

Intertie was authorized by Section 8 of the Pacific Northwest Power Marketing Act of August 31, 1964 (16 U.S.C. 837g). WAPA's portion of the Intertie consists of two parts, a northern portion and a southern portion. The northern portion is administered by WAPA's Sierra Nevada Region. The southern portion is administered by WAPA's DSW and consists of 865 circuit miles of extra high-voltage and 108 circuit miles of high-voltage transmission lines in Arizona, southern Nevada, and southern California.

### **Existing and Provisional Formula Rates**

The existing formula rates contained in Rate Schedules PD-NTS3, INT-NTS3, DSW-SD3, DSW-RS3, DSW-FR3, DSW-EI3, DSW-SPR3, DSW-SUR3, and DSW-GI1 expire on September 30, 2016. Several of these rate schedules contain formula rates that are calculated each fiscal year to include the most recent financial, load, and schedule information, as applicable. The new rate schedules continue with this approach.

## Network

The existing formula rates for Network on the P-DP and Intertie under Rate Schedules PD-NTS3 and INT-NTS3, respectively, are the following:

$$\text{Monthly Charge} = \text{Network Customer's Load-Ratio Share} \times \frac{\text{Annual Transmission Revenue Requirement}}{12}$$

The provisional formula rates for Network on the P-DP and Intertie under Rate Schedules PD-NTS4 and INT-NTS4 remain the same without adjustment.

## Transmission Losses

Rate Schedule DSW-TL1 is a new schedule that consolidates the provisions for transmission losses. This rate schedule will supersede the existing losses provisions in the separate transmission rate schedules for each project. The current loss percentages and their application remain unchanged.

## Unreserved Use Penalties

Rate Schedule DSW-UU1 is a new schedule that unifies and consolidates the penalty provisions for unreserved use. This rate schedule will supersede the existing unauthorized or unreserved use provisions in the separate transmission rate schedules for each project.

## Scheduling, System Control, and Dispatch

The existing formula rate for this service under Rate Schedule DSW-SD3 is the following:

$$\text{Charge per Schedule} = \frac{\text{Annual Cost of Scheduling Personnel and Related Costs}}{\text{Number of Schedules per Year}}$$

The provisional formula rate for this service under Rate Schedule DSW-SD4 remains the same without adjustment.

Reactive Supply and Voltage Control

The existing formula rate for this service under Rate Schedule DSW-RS3 is the following:

$$\text{VAR Support Service Rate} = \frac{\text{Annual Revenue Requirement for VAR Support}}{\text{Transmission Transactions Requiring VAR}}$$

The provisional formula rate for this service under Rate Schedule DSW-RS4 remains the same without adjustment.

Regulation and Frequency Response

The existing formula rate for this service under Rate Schedule DSW-FR3 is the following:

$$\text{Regulation Service Rate} = \frac{\text{Annual Revenue Requirement for Regulation Service}}{\text{Load within WALC Requiring Regulation} + \text{Installed Nameplate Capacity of Intermittent Resources}}$$

The provisional formula rate for this service under Rate Schedule DSW-FR4 is the following:

$$\text{Regulation Service Rate} = \frac{\text{Annual Revenue Requirement for Regulation Service}}{\text{Load within WALC Requiring Regulation} + (\text{Installed Nameplate Capacity of Solar Generators Serving Load within WALC} \times \text{Solar Capacity Multiplier}) + (\text{Installed Nameplate Capacity of Wind Generators Serving Load within WALC} \times \text{Wind Capacity Multiplier})}$$

Energy Imbalance

The existing formula rate for this service under Rate Schedule DSW-EI3 is the following:

Deviation Bands	Settlements
On-Peak Hours:	
Deviations less than or equal to ±1.5% (with a 4 MW minimum) of metered load	100% (no penalty)
Deviations greater than ±1.5% up to 7.5% (or greater than 4 MW to 10 MW) of metered load	90% for over-deliveries and 110% for under-deliveries (10% penalty)
Deviations greater than ±7.5% (or 10 MW) of metered load	75% for over-deliveries and 125% for under-deliveries (25% penalty)

Off-Peak Hours:	
Deviations less than or equal to +7.5% (with a 2 MW minimum) of metered load	60% for over-delivery (40% penalty)
Deviations less than or equal to -3.0% (with a 5 MW minimum) of metered load	110% for under-delivery (10% penalty)

The provisional formula rate for this service under Rate Schedule DSW-EI4 is the following

Deviation Bands	Settlements
On-Peak Hours	
No Changes	No Changes
Off-Peak Hours	
Deviations less than or equal to $\pm 1.5\%$ (with a 4 MW minimum) of metered load	100% (no penalty)
Deviations greater than $\pm 1.5\%$ up to 7.5% (or greater than 4 MW to 10 MW) of metered load	75% for over-deliveries (25% penalty) 110% for under-deliveries (10% penalty)
Deviations greater than $\pm 7.5\%$ (or 10 MW) of metered load	60% for over-deliveries (40% penalty) 125% for under-deliveries (25% penalty)

#### Operating Reserves – Spinning and Supplemental

The existing formula rates for these services under Rate Schedules DSW-SPR3 and DSW-SUR3 are the following:

$$\text{Cost of Service} = \text{Market Price} + \text{Administrative Fee}$$

The provisional formula rates for these services under Rate Schedules DSW-SPR4 and DSW-SUR4 remain the same without adjustment.

#### Generator Imbalance

The existing formula rate for this service under Rate Schedule DSW-GI1 is the following:

Deviation Bands	Settlements
On-Peak Hours:	
Deviations less than or equal to $\pm 1.5\%$ (with a 4 MW minimum) of metered generation	100% (no penalty)
Deviations greater than $\pm 1.5\%$ up to 7.5% (or greater than 4 MW to 10 MW) of metered generation	90% for over-deliveries and 110% for under-deliveries (10% penalty)
Deviations greater than $\pm 7.5\%$ (or 10 MW) of metered generation	75% for over-deliveries and 125% for under-deliveries (25% penalty)

Off-Peak Hours:	
Deviations less than or equal to +7.5% (with a 2 MW minimum) of metered generation	60% for over-delivery (40% penalty)
Deviations less than or equal to -3.0% (with a 5 MW minimum) of metered generation	110% for under-delivery (10% penalty)

The provisional formula rate for this service under Rate Schedule DSW-GI2 is the following:

Deviation Bands	Settlements
On-Peak Hours:	
No Changes	No Changes
Off-Peak Hours:	
Deviations less than or equal to $\pm 1.5\%$ (with a 4 MW minimum) of metered generation	100% (no penalty)
Deviations greater than $\pm 1.5\%$ up to 7.5% (or greater than 4 MW to 10 MW) of metered generation	75% for over-deliveries (25% penalty) 110% for under-deliveries (10% penalty)
Deviations greater than $\pm 7.5\%$ (or 10 MW) of metered generation	60% for over-deliveries (40% penalty) 125% for under-deliveries (25% penalty)

### **Certification of Rates**

WAPA’s Administrator certified that the provisional formula rates for Network, transmission losses, unreserved use penalties, and ancillary services under Rate Schedules PD-NTS4, INT-NTS4, DSW-TL1, DSW-UU1, DSW-SD4, DSW-RS4, DSW-FR4, DSW-EI4, DSW-SPR4, DSW-SUR4, and DSW-GI2 result in the lowest possible rates consistent with sound business principles. The provisional formula rates were developed following administrative policies and applicable laws.

### **Transmission Services Discussion**

#### Network

DSW offers Network to eligible customers, subject to the provisions in WAPA’s OATT, from the P-DP, Intertie, and CAP transmission systems. This service includes the transmission of energy to points of delivery on the P-DP, Intertie, and CAP interconnected high-voltage systems, which includes transmission lines, substations, communication equipment and related

facilities. The provisional formula rates only apply to Network from the P-DP and Intertie transmission systems. The formula rate for Network from the CAP transmission system was approved under Rate Order No. WAPA-172 and became effective on January 1, 2016.<sup>2</sup> The formula rate for Network from CAP is identical to the provisional formula rates for P-DP and Intertie.

The monthly charge for Network is the product of the customer's load-ratio share and one-twelfth (1/12) of the annual revenue requirement for the appropriate transmission system. The load-ratio share is equal to the customer's hourly load coincident with the monthly transmission system peak hour. The monthly transmission system peak hour occurs when the metered load for all network service customers is the greatest. The metered load and the transmission system load at the peak hour are averaged on a rolling 12-month basis (12-CP). No changes were made to the formula rates for Network.

#### Transmission Losses

WALC provides transmission losses to TSPs within its BA Area. Capacity and energy losses occur when a TSP delivers electricity over its transmission facilities for a customer. Losses are assessed for transactions on transmission facilities within WALC.

A single loss percentage for WALC was developed in 2004 and applied to the P-DP, Intertie, and CAP transmission systems. The loss provisions contained in the transmission service rate schedules for each project have been consolidated into a new single rate schedule. No changes were made to the existing loss percentage or application. The transmission loss percentage currently in effect is posted on WALC's OASIS.

---

<sup>2</sup> Rate Order No. WAPA-172 was approved by the Deputy Secretary of Energy on December 21, 2015, (80 FR 81310, December 29, 2015) and filed with FERC.

## Unreserved Use Penalties

Unreserved use occurs when a customer uses transmission service it has not reserved or uses transmission service in excess of its reserved capacity. Unreserved use may also include a customer's failure to curtail transmission when requested.

The penalty provisions for unreserved use in the transmission service rate schedules for each project have been unified and consolidated into a new single rate schedule. The penalty for a customer that engages in unreserved use is two times the maximum allowable firm point-to-point transmission rate for the service at issue, assessed as follows:

- (1) The penalty for one instance in a single hour is based on the daily short-term rate;
- (2) The penalty for more than one instance for any given duration (e.g., daily) increases to the next longest duration (e.g., weekly).

A transmission customer is also required to pay for all ancillary services provided and associated with the unreserved use. The customer must pay for ancillary services based on the amount of transmission service it used and did not reserve.

### **Ancillary Services Discussion**

In accordance with WAPA's OATT, ancillary services are needed with transmission service to maintain reliability inside and among the BA Areas affected by the transmission service. WAPA's DSW currently provides seven ancillary services under the OATT: (1) Scheduling, System Control and Dispatch; (2) Reactive Supply and Voltage Control; (3) Regulation and Frequency Response; (4) Energy Imbalance; (5) Spinning Reserve; (6) Supplemental Reserve; and (7) Generator Imbalance. The provisional formula rates for these services are designed to recover the costs incurred for providing each of the services.

The first two ancillary services are defined by FERC as services that the TSP is required to provide directly, or indirectly by making arrangements with the BA, and the transmission customer is required to purchase. The remaining five ancillary services are services that the TSP (or the BA who performs the function for the TSP) must offer when transmission is used to serve load within the TSP's BA. The transmission customer must purchase these ancillary services from the TSP, acquire the services from a third party, or self-supply the services.

#### Scheduling, System Control, and Dispatch

This service is required to schedule the movement of power through, out of, within, or into a BA Area and must be provided by the BA in which the facilities used for transmission are located. WALC will provide this service for all transmission customers within its BA Area.

The charge per schedule per day is calculated by dividing the annual costs associated with scheduling (numerator) by the number of schedules per year (denominator). The numerator includes the costs of transmission scheduling personnel, facilities, equipment, software, and other related costs involved in providing the service. The denominator is the yearly total of daily tags that result in a schedule, excluding schedules that return energy in kind. No changes were made to this formula rate.

#### Reactive Supply and Voltage Control

This service is required to maintain transmission voltages on DSW's transmission facilities within acceptable limits, using generation facilities and non-generation resources capable of producing (or absorbing) reactive power. This service must be provided for each transaction on the transmission facilities within the BA by the TSP (or the BA who performs this function for the TSP). WALC will perform this service for DSW's transmission system within its BA Area.

The rate is calculated by dividing the annual revenue requirement for the service (numerator)

by the transactions requiring the service (denominator). The numerator consists of the annual revenue requirement for generation multiplied by the percentage of resource capacity used for providing the service. That percentage is based on the nameplate power factor (one minus the power factor) for the generating units supplying service within WALC. The denominator consists of the transmission capacity of customers taking this service. No changes were made to this formula rate.

### Regulation and Frequency Response

This service is necessary to provide for the continuous balancing of resources, generation and interchange with load, as well as for maintaining scheduled interconnection frequency at sixty cycles per second. The obligation to maintain this balance between resources and load lies with the TSP (or the BA who performs this function for the TSP). DSW (via WALC) must offer this service when transmission is used to serve load within its BA Area.

The rate is calculated by dividing the annual revenue requirement for the service (numerator) by the sum of the load within WALC that requires the service and the generating capacity associated with variable energy resources (denominator). The numerator includes the annual costs associated with plant-in-service, operation and maintenance, purchases of regulation products, purchases of power to support WALC's ability to regulate, and other related costs involved in providing the service. The denominator consists of the load within WALC that requires this service plus the product of the installed nameplate capacity of solar and wind generators serving load within WALC and the applicable capacity multipliers.

The denominator has been changed to include the application of capacity multipliers. Although variable energy resources have not yet impacted WALC, including the multipliers will allow the formula rate to more accurately recover potential future costs from customers by

following cost causation principles. WAPA's DSW will set the multipliers at a value of one until variable energy resources begin to adversely impact WALC's regulation needs.

#### Energy Imbalance

This service is provided when differences occur between the scheduled and the actual delivery of energy to a load located within the BA Area over a single hour. DSW (via WALC) must offer this service when transmission is used to serve load within its BA Area.

The charges for this service are based on a graduated bandwidth structure. The size of the deviation and whether the deviation occurs in on-peak or off-peak hours determines settlement. No changes were made to the deviation bands and settlements for on-peak hours. The bandwidth structure for off-peak hours was changed to consist of three deviation bands, similar to the on-peak structure. This aligns with FERC Order 890 guidelines with appropriate penalty adjustments for WALC operating conditions.

#### Spinning Reserve

This service is needed to serve load immediately in the event of a system contingency and may be provided by generating units that are on-line and loaded at less than maximum output. DSW (via WALC) must offer this service when transmission is used to serve load within its BA Area.

WALC has no resources available to provide this service. DSW may obtain the service on a pass-through cost basis at market price plus an administrative fee. No changes were made to this formula rate.

#### Supplemental Reserve

This service is needed to serve load in the event of a system contingency. It is not available immediately to serve load but is generally available within a short period of time after a system

contingency event. DSW (via WALC) must offer this service when transmission is used to serve load within its BA Area.

WALC has no resources available to provide this service. DSW may obtain the service on a pass-through cost basis at market price plus an administrative fee. No changes were made to this formula rate.

### Generator Imbalance

This service is provided when differences occur between the output of a generator located within the BA Area and a delivery schedule from that generator to another BA Area or a load within the TSP's BA Area over a single hour. DSW (via WALC) must offer this service, to the extent it is physically feasible to do so from its resources or from resources available to it, when transmission is used to deliver energy from a generator located within its BA Area.

The charges for this service are based on a graduated bandwidth structure. The size of the deviation and whether the deviation occurs in on-peak or off-peak hours determines settlement. No changes were made to the deviation bands and settlements for on-peak hours. The bandwidth structure for off-peak hours was changed to consist of three deviation bands, similar to the on-peak structure. This aligns with FERC Order 890 guidelines with appropriate penalty adjustments for WALC operating conditions.

### **Comments**

WAPA's DSW received one comment during the public consultation and comment period. The comment has been paraphrased where appropriate, without compromising the meaning of the comment.

Comment: Customer supports the rates as developed but requests that WAPA clarify the obligation to update service agreements in line with the terms of WAPA's OATT. The customer

also asks that WAPA clarify that the new rates and changes to underlying rate formulas constitute a change in formula, indicate to the Deputy Secretary what changes are required to the applicable service agreements, and notify WAPA's customers when the Deputy Secretary approves the rates on an interim basis.

Response: Although WAPA believes its process is sufficiently clear, WAPA will consider clarifying the manner in which it updates service agreements as currently set forth in WAPA's OATT. However, review of WAPA's OATT language is outside the scope of this rate adjustment process. WAPA identifies in the Federal Register notice the new rate schedules and the changes that were made to the formula rates for ancillary services. WAPA will notify DSW customers when the Deputy Secretary approves the formula rates on an interim basis.

### **Availability of Information**

All brochures, studies, comments, letters, memorandums and other documents used by WAPA's DSW to develop the provisional formula rates are available for inspection and copying at the Desert Southwest Regional Office, Western Area Power Administration, 615 South 43<sup>rd</sup> Avenue, Phoenix, Arizona. Many of these documents are available on WAPA's DSW website at: <https://www.wapa.gov/regions/DSW/Rates/Pages/ancillary-rates.aspx>.

## **RATEMAKING PROCEDURE REQUIREMENTS**

### **Environmental Compliance**

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), WAPA has determined that this action is categorically excluded from preparing an environmental assessment or an environmental impact statement.

### **Determination Under Executive Order 12866**

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

### **Submission to the FERC**

The formula rates herein confirmed, approved, and placed into effect on an interim basis, together with supporting documents, will be submitted to FERC for confirmation and final approval.

## **ORDER**

In view of the foregoing and under the authority delegated to me, I confirm and approve on an interim basis, the formula rates under Rate Schedules PD-NTS4, INT-NTS4, DSW-TL1, DSW-UU1, DSW-SD4, DSW-RS4, DSW-FR4, DSW-EI4, DSW-SPR4, DSW-SUR4, and DSW-GI2. These rate schedules are effective the first full billing period on or after October 1, 2016, and will remain in effect through September 30, 2021, pending FERC's confirmation and approval of them or substitute formula rates on a final basis.

Dated: August 18, 2016

Elizabeth Sherwood-Randall  
Deputy Secretary of Energy

**Rate Schedule PDP-NTS4  
ATTACHMENT H to Tariff  
(Supersedes Schedule PDP-NTS3)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST REGION  
Parker-Davis Project**

**NETWORK INTEGRATION TRANSMISSION SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Transmission customers will compensate the Parker-Davis Project each month for Network Integration Transmission Service (Network) under the applicable Network Agreement and the formula rate described herein.

**Formula Rate**

$$\text{Monthly Charge} = \text{Network Customer's Load-Ratio Share} \times \frac{\text{Annual Transmission Revenue Requirement}}{12}$$

Based on the formula rate, the Annual Transmission Revenue Requirement (ATRR) will be calculated for each fiscal year using updated financial data. The ATRR will be effective on October 1<sup>st</sup> of each year and posted on Western Area Lower Colorado Balancing Authority's website.

**Rate Schedule INT-NTS4  
ATTACHMENT H to Tariff  
(Supersedes Schedule INT-NTS3)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST REGION  
Pacific Northwest-Pacific Southwest Intertie Project**

**NETWORK INTEGRATION TRANSMISSION SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Transmission customers will compensate the Pacific Northwest-Pacific Southwest Intertie Project each month for Network Integration Transmission Service (Network) under the applicable Network Agreement and the formula rate described herein.

**Formula Rate**

$$\text{Monthly Charge} = \text{Network Customer's Load-Ratio Share} \times \frac{\text{Annual Transmission Revenue Requirement}}{12}$$

Based on the formula rate, the Annual Transmission Revenue Requirement (ATRR) will be calculated for each fiscal year using updated financial data. The ATRR will be effective on October 1<sup>st</sup> of each year and posted on Western Area Lower Colorado Balancing Authority's website.

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST REGION  
Western Area Lower Colorado Balancing Authority**

**TRANSMISSION LOSSES SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Capacity and energy losses occur when a Transmission Service Provider (TSP) delivers electricity over its transmission facilities for a transmission customer. The Western Area Lower Colorado Balancing Authority (WALC) provides this service to TSPs within its Balancing Authority Area. Transmission losses (losses) are assessed for transactions on transmission facilities within WALC, unless separate agreements specify the terms for losses. The losses applicable to Federal TSPs will be passed directly to transmission customers. The transmission customer must either purchase this service from WALC or make alternative comparable arrangements to satisfy their obligations for losses.

**Formula Rate**

The loss percentage currently in effect is posted on WALC's website and may be changed from time to time. Financial settlement for losses will occur on a monthly basis, unless determined by WALC. Proxy prices used to determine financial settlement will be derived from the Palo Verde electricity price indexes, or similar alternative, for on-peak and off-peak. This pricing information is posted on WALC's website.

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST REGION  
Central Arizona Project  
Pacific Northwest-Pacific Southwest Intertie Project  
Parker-Davis Project**

**UNRESERVED USE PENALTIES**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Unreserved use occurs when a customer uses transmission service it has not reserved or uses transmission service in excess of its reserved capacity. Unreserved use may also include a transmission customer's failure to curtail transmission when requested. The transmission customer shall compensate the Federal Transmission Service Providers (TSP) each month for any unreserved use of the transmission system.

**Penalty Rate**

The charge for a transmission customer that engages in unreserved use is two times the maximum allowable firm point-to-point transmission rate for the service at issue, assessed as follows:

- (1) The penalty for one instance in a single hour is based on the daily rate;
- (2) The penalty for more than one instance for any given duration (e.g., daily) increases to the next longest duration (e.g., weekly).

A transmission customer that exceeds its reserved capacity at any point of receipt or point of delivery, or a customer that uses transmission service at a point of receipt or point of delivery that it has not reserved, is required to pay for all ancillary services provided by the Federal TSP and associated with the unreserved use. The customer will pay for ancillary services based on the amount of transmission service it used and did not reserve.

**Rate Schedule DSW-SD4  
SCHEDULE 1 to OATT  
(Supersedes Schedule DSW-SD3)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**Desert Southwest Region and  
Western Area Lower Colorado Balancing Authority**

**SCHEDULING, SYSTEM CONTROL, AND DISPATCH SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Scheduling, System Control, and Dispatch Service is required to schedule the movement of power through, out of, within, or into the Balancing Authority Area (BA Area). This service can be provided only by the operator in which the transmission facilities used for transmission service are located. The Western Area Lower Colorado Balancing Authority (WALC) performs this service for all Transmission Service Providers (TSPs) within its BA Area. The transmission customer must purchase this service, unless other arrangements are made with WALC.

The charge will be applied to all schedules, except for schedules that return energy in kind to WALC. WALC will accept any number of scheduling changes during the day without additional charge. The charge will be allocated equally among all TSPs, both Federal and non-Federal, listed on schedules inside its BA Area. The Federal transmission segments of the schedule are exempt from invoicing since the costs for these segments are included in applicable transmission service rates.

## **Formula Rate**

$$\text{Charge per Schedule} = \frac{\text{Annual Cost of Scheduling Personnel and Related Costs}}{\text{Number of Schedules per Year}}$$

The charge per schedule per day is calculated by dividing the annual costs associated with scheduling (numerator) by the number of schedules per year (denominator). The numerator is the annual cost of transmission scheduling personnel, facilities, equipment, software, and other related costs involved in providing the service. The denominator is the yearly total of daily tags which result in a schedule, excluding schedules that return energy in kind.

Based on the formula rate, the charge will be calculated each fiscal year using updated financial and schedule data. The charge will be effective on October 1<sup>st</sup> of each year and posted on WALC's website.

**Rate Schedule DSW-RS4  
SCHEDULE 2 to OATT  
(Supersedes Schedule DSW-RS3)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**Desert Southwest Region and  
Western Area Lower Colorado Balancing Authority**

**REACTIVE SUPPLY AND VOLTAGE CONTROL FROM  
GENERATION SOURCES OR OTHER SOURCES SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

In order to maintain transmission voltages on the transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing Reactive Supply and Voltage Control (VAR Support Service) are operated to produce (or absorb) reactive power. This service must be provided for each transaction on the transmission facilities within the Balancing Authority (BA) by the Transmission Service Provider (TSP) or the BA who performs this function for the TSP.

VAR Support Service will be provided by the Western Area Lower Colorado Balancing Authority (WALC). Customers of a Federal TSP must purchase this service from WALC unless the transmission customer has generating resources capable of providing VARs directly to the Federal TSP and has executed a contract stipulating all the provisions of their self-supply. If WALC provides VAR Support Service on behalf of any non-Federal TSP, this service will be assessed on either the non-Federal TSP's reserved capacity or the scheduled quantity of the non-Federal TSP's customers.

**Formula Rate**

$$\text{VAR Support Service Rate} = \frac{\text{Annual Revenue Requirement for VAR Support}}{\text{Transmission Transactions Requiring VAR}}$$

The numerator consists of the annual revenue requirement for generation multiplied by the percentage of resource capacity used for providing VAR Support Service. That percentage is based on the nameplate power factor (one minus the power factor) for the generating units supplying the service within WALC. The denominator consists of the transmission transactions within WALC that require this service.

Based on the formula rate, the charge will be calculated each fiscal year using updated financial and reservation data. The charge will be effective on October 1<sup>st</sup> of each year and will be posted on WALC's website.

**Rate Schedule DSW-FR4  
SCHEDULE 3 to OATT  
(Supersedes Schedule DSW-FR3)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**Desert Southwest Region and  
Western Area Lower Colorado Balancing Authority**

**REGULATION AND FREQUENCY RESPONSE SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Regulation and Frequency Response Service (Regulation Service) is necessary to provide for the continuous balancing of resources, generation and interchange, with load, and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). The obligation to maintain this balance between resources and load lies with the Transmission Service Provider (TSP) or the Balancing Authority (BA) who performs this function for the TSP. The Western Area Lower Colorado Balancing Authority (WALC) performs this function for the Federal TSPs and must offer this service when transmission is used to serve load within its Balancing Authority Area (BA Area). Non-Federal TSPs and customers of Federal TSPs must purchase Regulation Service from WALC or make alternative comparable arrangements to satisfy their regulation obligations.

## **Formula Rate**

$$\text{Regulation Service Rate} = \frac{\text{Annual Revenue Requirement for Regulation Service}}{\text{Load within WALC Requiring Regulation} + (\text{Installed Nameplate Capacity of Solar Generators Serving Load within WALC} \times \text{Solar Capacity Multiplier}) + (\text{Installed Nameplate Capacity of Wind Generators Serving Load within WALC} \times \text{Wind Capacity Multiplier})}$$

The numerator includes the annual costs associated with plant-in-service, operation and maintenance, purchase of regulation products, purchases of power to support WALC's ability to regulate, and other related costs involved in providing the service. The denominator consists of the load within WALC that requires this service plus the product of the installed nameplate capacity of solar and wind generators serving load within WALC and the applicable capacity multipliers.

Based on the formula rate, the charge will be calculated each fiscal year using updated financial and load data. The charge will be effective on October 1<sup>st</sup> of each year and will be posted on WALC's website.

## **Types of Assessments**

There are two different applications of this formula rate:

- 1) A load-based assessment which is applicable to load within WALC (total metered load less Federal power allocation, including behind the meter generation rating, or if available, hourly data if generation is synchronized) and the installed nameplate capacity of all intermittent resources serving load within WALC.
- 2) A self-provision assessment which allows entities with Automatic Generation Control (AGC) to self-provide for all or a portion of their loads. Entities with AGC are known as Sub-Balancing Authorities (SBA) and must meet all of the following criteria: (a) have a

well-defined boundary, with WALC-approved revenue-quality metering, accurate as defined by the North American Electric Reliability Corporation (NERC), to include Megawatt (MW) flow data availability at 6-second or smaller intervals; (b) have AGC responsive unit(s); (c) demonstrate Regulation Service capability; and (d) execute a contract with WALC, provide all requested data, and meet the SBA error criteria below.

Self-provision is measured by use of the entity's 1-minute average Area Control Error (ACE) to determine the amount of self-provision. The ACE is used to calculate the Regulation Service charges every hour as follows:

- 1) If the entity's 1-minute average ACE for the hour is less than or equal to 0.5 percent of its hourly average load, no charge is assessed for that hour.
- 2) If the entity's 1-minute average ACE for the hour is greater than or equal to 1.5 percent of the entity's hourly average load, WALC assess charges using the hourly load-based assessment applied to the entity's peak load for that month.
- 3) If the entity's 1-minute average ACE for the hour is greater than 0.5 percent but less than 1.5 percent of its hourly average load, WALC assesses charges based on linear interpolation of no charge and full charge, using the hourly load-based assessment applied to the entity's peak load for that month.

WALC monitors the entity's self-provision on a regular basis. If WALC determines that the entity has not been attempting to self-regulate, WALC will, upon notification, employ the load-based assessment methodology described above.

### **Alternative Arrangements**

Exporting Intermittent Resource Requirement: An entity that exports the output from an intermittent generator to another BA Area will be required to dynamically meter or dynamically schedule that resource out of WALC to another BA unless arrangements, satisfactory to WALC, are made for that entity to acquire this service from a third-party or self-supply (as outlined below). An intermittent generator is one whose output is volatile and variable due to factors beyond direct operational control and, therefore, is not dispatchable.

Self- or Third-party Supply: WALC may allow an entity to supply some or all of its required regulation, or contract with a third party. This entity must have revenue quality metering at every load and generation point, with accuracy as defined by NERC, to include MW flow data availability at 6-second (or smaller) intervals. WALC will evaluate the entity's metering, telecommunications and regulating resource, as well as the required level of regulation, to determine whether the entity qualifies to self-supply under this provision. If approved, the entity is required to enter into a separate agreement with WALC which will specify the terms of self-supply.

### **Customer Accommodation**

For entities unwilling to take Regulation Service, self-provide as described above, or obtain the service from a third party, WALC will assist the entity in dynamically metering its loads/resources to another BA. Until such time meter configuration is accomplished, the entity will be responsible for charges assessed under this schedule.

**Rate Schedule DSW-EI4  
SCHEDULE 4 to OATT  
(Supersedes Schedule DSW-EI3)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**Desert Southwest Region and  
Western Area Lower Colorado Balancing Authority**

**ENERGY IMBALANCE SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Energy Imbalance Service is provided when there is a difference between the scheduled and actual delivery of energy to a load located within a Balancing Authority Area (BA Area) over a single hour. The Transmission Service Provider (TSP) or the Balancing Authority (BA) who performs this function for the TSP must offer this service when transmission is used to serve load within its BA Area.

The Western Area Lower Colorado Balancing Authority (WALC) performs this function for the Federal TSP. Customers of a Federal TSP must purchase this service from WALC or make alternative comparable arrangements to satisfy their Energy Imbalance obligations. Non-Federal TSPs must have separate agreements with WALC that specify the terms of Energy Imbalance Service. WALC may charge a transmission customer for either energy imbalances under this schedule or generator imbalances under Schedule 9 for imbalances occurring during the same hour, but not both unless the imbalances aggravate rather than offset each other.

## **Formula Rate**

Charges for energy imbalances are based on the deviation bands as follows:

1. For deviations within  $\pm 1.5$  percent (with a minimum of 4 MW) of the metered load, the settlement for on-peak and off-peak hours is 100 percent.
2. For deviations greater than  $\pm 1.5$  up to 7.5 percent (or greater than 4 MW up to 10 MW) of the metered load, the settlement for on-peak hours is 110 percent for under-delivery and 90 percent for over-delivery, and the settlement for off-peak hours is 110 percent for under-delivery and 75 percent for over-delivery.
3. For deviations greater than  $\pm 7.5$  percent (or 10 MW) of the metered load, the settlement for on-peak hours is 125 percent for under-delivery and 75 percent for over-delivery, and the settlement for off-peak hours is 125 percent for under-delivery and 60 percent for over-delivery.

The deviation bands will be applied hourly and any energy imbalances that occur as a result of the transmission customer's scheduled transactions will be netted on a monthly basis and settled financially at the end of the month. For purposes of this schedule, the proxy prices used to determine financial settlement will be derived from the Palo Verde electricity price indexes, or similar alternative, for on-peak and off-peak. WALC may accept settlement in energy in lieu of financial settlement.

During periods of BA operating constraints, WALC reserves the right to eliminate credits for over-delivery. The cost to WALC of any penalty assessed by a regulatory authority due to a violation of operating standards resulting from under or over-delivery of energy may be passed through to customers.

**Rate Schedule DSW-SPR4  
SCHEDULE 5 to OATT  
(Supersedes Schedule DSW-SPR3)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**Desert Southwest Region and  
Western Area Lower Colorado Balancing Authority**

**OPERATING RESERVE - SPINNING RESERVE SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Spinning Reserve Service is needed to serve load immediately in the event of a system contingency and may be provided by generating units that are on-line and loaded at less than maximum output. The Transmission Service Provider (TSP) or the Balancing Authority (BA) who performs this function for the TSP must offer this service when transmission is used to serve load within its BA Area.

The Western Area Lower Colorado Balancing Authority (WALC) performs this function for the Federal TSP. Customers of a Federal TSP must purchase this service from WALC or make alternative arrangements to satisfy their Spinning Reserve obligations.

**Formula Rate**

$$\boxed{\text{Cost of Service} = \text{Market Price} + \text{Administrative Fee}}$$

WALC has no Spinning Reserves available for sale. Upon request, WALC will purchase at market price and pass-through the cost plus an administrative fee that covers the cost of procuring and supplying Spinning Reserves. The customer will be responsible for providing the transmission needed to deliver the Spinning Reserves purchased.

**Rate Schedule DSW-SUR4  
SCHEDULE 6 to OATT  
(Supersedes Schedule DSW-SPR3)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**Desert Southwest Region and  
Western Area Lower Colorado Balancing Authority**

**OPERATING RESERVE - SUPPLEMENTAL RESERVE SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Supplemental Reserve Service is needed to serve load in the event of a system contingency. It is not available immediately to serve load but is generally available within a short period of time after a system contingency event. This service may be provided by generating units that are on-line but unloaded, by quick-start generation, or by interruptible load. The Transmission Service Provider (TSP) or the Balancing Authority (BA) who performs this function for the TSP must offer this service when transmission is used to serve load within its BA Area.

The Western Area Lower Colorado Balancing Authority (WALC) performs this function for the Federal TSP. Customers of a Federal TSP must purchase this service from WALC or make alternative arrangements to satisfy their Supplemental Reserve obligations.

**Formula Rate**

$$\boxed{\text{Cost of Service} = \text{Market Price} + \text{Administrative Fee}}$$

WALC has no Supplemental Reserves for sale. Upon request, WALC will purchase at market price and pass-through the cost plus an administrative fee that covers the cost of procuring and supplying Supplemental Reserves. The customer will be responsible for providing the transmission needed to deliver.

**Rate Schedule DSW-GI2  
SCHEDULE 9 to OATT  
(Supersedes Schedule DSW-GI1)**

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**Desert Southwest Region and  
Western Area Lower Colorado Balancing Authority**

**GENERATOR IMBALANCE SERVICE**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2016, and will remain in effect through September 30, 2021, or until superseded.

**Applicable**

Generator Imbalance Service is provided when a difference occurs between the output of a generator located in the Balancing Authority Area (BA Area) and the delivery schedule from that generator to another BA Area or a load within the Transmission Service Provider's (TSP) BA Area over a single hour. The TSP or the Balancing Authority (BA) who performs this function for the TSP must offer this service, to the extent it is physically feasible to do so from its resources or from resources available to it, when transmission is used to deliver energy from a generator located within its BA Area.

The Western Area Lower Colorado Balancing Authority (WALC) performs this function for the Federal TSP. Customers of a Federal TSP must purchase this service from WALC or make alternative comparable arrangements to satisfy their Generator Imbalance obligations. Non-Federal TSPs must have separate agreements with WALC that specify the terms of Generator Imbalance Service. An intermittent resource serving load outside WALC will be required to dynamically schedule or dynamically meter their generation to another BA Area unless

arrangements, satisfactory to WALC, are made to acquire this service from a third-party. An intermittent resource, for the limited purpose of this schedule, is an electric generator that is not dispatchable and cannot store its fuel source, and therefore cannot respond to changes in demand or respond to transmission security constraints.

WALC may charge a transmission customer for either generator imbalances under this schedule or energy imbalances under Schedule 4 for imbalances occurring during the same hour, but not both unless the imbalances aggravate rather than offset each other.

### **Formula Rate**

Charges for generator imbalances are based on the deviation bands as follows:

1. For deviations within  $\pm 1.5$  percent (with a minimum of 4 MW) of the metered generation, the settlement for on-peak and off-peak hours is 100 percent.
2. For deviations greater than  $\pm 1.5$  up to 7.5 percent (or greater than 4 MW up to 10 MW) of the metered generation, the settlement for on-peak hours is 110 percent for under-delivery and 90 percent for over-delivery, and the settlement for off-peak hours is 110 percent for under-delivery and 75 percent for over-delivery.
3. For deviations greater than  $\pm 7.5$  percent (or 10 MW) of the metered generation, the settlement for on-peak hours is 125 percent for under-delivery and 75 percent for over-delivery, and the settlement for off-peak hours is 125 percent for under-delivery and 60 percent for over-delivery. An intermittent resource will be exempt from this deviation band but will be subject to the settlement provisions in the second deviation band for all deviations greater than  $\pm 7.5$  percent (or 10 MW).

The deviation bands will be applied hourly and any generator imbalances that occur as a result of the transmission customer's scheduled transactions will be netted on a monthly basis and settled

financially at the end of the month. For purposes of this schedule, the proxy prices used to determine financial settlement will be derived from the Palo Verde electricity price indexes, or similar alternative, for on-peak and off-peak. WALC may accept settlement in energy in lieu of financial settlement.

During periods of BA operating constraints, WALC reserves the right to eliminate credits for over-delivery. The cost to WALC of any penalty assessed by a regulatory authority due to a violation of operating standards resulting from under or over-delivery of energy may be passed through to customers.

[FR Doc. 2016-20397 Filed: 8/24/2016 8:45 am; Publication Date: 8/25/2016]