

**DEPARTMENT OF ENERGY**

**Western Area Power Administration**

**Proposed Rate Formulas for Desert Southwest Customer Service Region  
Transmission and Ancillary Services**

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

**ACTION:** Notice of Proposed Rate Adjustments.

**SUMMARY:** The Western Area Power Administration's (Western) Desert Southwest Region (DSW) is initiating a rate adjustment process for network integration transmission service for both the Parker-Davis Project (P-DP) and the Pacific Northwest-Pacific Southwest Intertie Project (Intertie) and for ancillary services from the P-DP, Boulder Canyon Project (BCP), and part of the Colorado River Storage Project (CRSP) located in DSW's Control Area. This action is necessary to bring DSW into compliance with the intent of Federal Energy Regulatory Commission (FERC) Order Nos. 888 and 888-A. To date, DSW has not developed charges for the long term sales of the six ancillary services defined by FERC, or for network integration transmission service.

The proposed rate and its impact are explained in greater detail in a rate brochure which will be made available to all interested parties.

The proposed rate is scheduled to go into effect on October 1, 1998. This Federal Register notice initiates the formal process for the proposed rate.

**DATES:** Submit comments on or before [Insert date 90 days after date of publication in the FEDERAL REGISTER].

The forum dates are:

1. Public Information Forum, June 30, 1998, 10 a.m. MST, Phoenix, Arizona.
2. Public Comment Forum, July 30, 1998, 10 a.m. MST, Phoenix, Arizona.

**ADDRESSES:** Written comments should be sent to Mr. J. Tyler Carlson, Regional Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457. Western should receive written comments by the end of the consultation and comment period to be assured consideration. The public forums will be held at the Desert Southwest Regional Office, 615 South 43rd Avenue, Phoenix, Arizona.

**FOR FURTHER INFORMATION CONTACT:** Mr. Maher A. Nasir, Rates Team Lead, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457; telephone (602) 352-2768.

**SUPPLEMENTARY INFORMATION:**

**Proposed Rate for Network Integration Transmission Service**

The DSW will offer, subject to provisions in its Open Access Transmission Service Tariff (OAT), Network Integration Transmission Service (NTS) to eligible transmission customers. The customer must obtain ancillary services for NTS pursuant to Western's OAT. The NTS charge for Intertie and P-DP will be calculated independently. The monthly charge for NTS is the product of the network transmission customer's load-ratio share times one-twelfth of the annual revenue requirement allocated to transmission. The customer's load-ratio share is calculated on a rolling 12-month basis (12 CP). It is equal to the network transmission customer's hourly load coincident with DSW's

monthly transmission system peak divided by the resultant value of DSW's monthly transmission system peak minus the coincident peak (CP) for all firm point-to-point transmission service plus firm point-to-point reservations. Service for point-to-point transmission service can be obtained through rate schedules PD-FT6 and INT-FT2.

The projected annual revenue requirement allocated to transmission for Fiscal Year (FY) 1999 for P-DP is \$23,001,589, and for Intertie the projected annual revenue requirement is \$21,943,150. The annual power repayment study derives the revenue requirement to be recovered from network and firm point-to-point transmission service. The annual transmission costs included in the revenue requirement are operation and maintenance expenses, administrative and general expenses, interest expense, and principal expenses associated with transmission.

### **Proposed Rates For Ancillary Services**

Western will provide ancillary services subject to provisions in the OAT. The proposed rates are designed to recover only the costs incurred for the service(s). The annual generation costs included in the revenue requirement for Reactive Supply and Voltage Control, Regulation and Frequency Response, and Spinning and Supplemental Reserves are operation and maintenance expenses, administrative and general expenses, interest expense, and principal expense associated with providing ancillary services.

On April 1, 1998, the Western Area Upper Colorado Control Area, which includes the Salt Lake City Area Integrated Projects (SLCA/IP) generation and most of the CRSP transmission system, was merged with two other Control Areas: The Western Area Colorado Missouri, operated by Western's Rocky Mountain Region, and the Western

Area Lower Colorado (WALC) Control Area, operated by DSW. As a result, regulation and frequency response and reactive supply and voltage control ancillary services will include certain SLCA/IP generation costs as well as DSW generation costs.

*Proposed Rate for Scheduling, System Control, and Dispatch Service*

Scheduling, System Control and Dispatch ancillary service is required to schedule the movement of power through, out of, within, or into a Control Area. This ancillary service can be provided only by the Control Area operator or transmission provider.

Scheduling, System Control and Dispatch ancillary service costs are calculated as an annual cost of all personnel, capital costs (such as the dispatch center building), and other related costs involved in providing the service. The cost is divided by the number of schedules per year to derive a rate per schedule per day. Up to five schedule changes per transaction, per day will be allowed at no additional charge.

The rates charged for the Scheduling, System Control and Dispatch ancillary service are contingent on the type of service required. The range of the service on a cost per schedule per day is up to \$34.10 for an existing schedule, which requires no Supervisory Control and Data Acquisition (SCADA) programming or intra-bus transfer, and up to \$56.20 for a new schedule which requires both SCADA programming and intra-bus transfer. Intermediate rates are available for schedules requiring combinations of the two. This ancillary service is included in the transmission customer's rate.

*Proposed Rate for Reactive Supply and Voltage Control from Generation Sources*

In order to maintain transmission voltages on the transmission provider's transmission facilities within acceptable limits, generation facilities under the control of the Control Area operator are operated to produce or absorb reactive power. Thus,

Reactive Supply and Voltage Control from generation sources service must be provided for each transaction on the transmission provider's transmission facilities. This ancillary service is required to be offered to the transmission customer by the transmission provider in order to maintain transmission voltages on the transmission provider's transmission facilities within acceptable limits.

The rate for Reactive Supply and Voltage Control ancillary service is calculated by combining the revenue requirements of P-DP, BCP, and SLCA/IP. This total revenue requirement is then divided by the sum of the long-term firm transmission reservations, yielding a rate of \$0.08/kilowattmonth (kWmo). The transmission customer is required to maintain a power factor between 95 percent leading and 95 percent lagging. The rate of \$0.08/kWmo will be applied to all transmission customers taking service under Western's OAT.

*Proposed Rate for Regulation and Frequency Response Service*

Regulation and Frequency Response service is necessary to provide for the continuous balancing of resources, generation and interchange, with load and for maintaining scheduled interconnection frequency at 60 cycles per second (60 Hz). The transmission provider must offer this service when the transmission service is used to serve load within its Control Area. The transmission customer must either purchase this service from the transmission provider or make alternative comparable arrangements to satisfy its regulation and frequency response service obligation.

DSW will offer regulation from its own resources, if available. The charge for this service from DSW resources is calculated based on P-DP, BCP, and SLCA/IP data. The total annual revenue requirement of P-DP, BCP, and SLCA/IP is divided by the

nameplate plant capacities to derive an average revenue requirement per kilowatt (kW) result. The resultant average revenue requirement per kW is multiplied by the capacity used to provide regulation service and then divided by the CP of the Control Area load. This result is divided by 12 to derive a monthly rate of \$0.20/kWmo. If DSW cannot supply this service from its resources, it will purchase the service on the market adding a 10 percent administrative charge.

#### *Proposed Rate for Energy Imbalance Service*

Energy Imbalance service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within a Control Area over a single hour. The transmission provider must offer this service when the transmission service is used to serve load within its Control Area. The transmission customer must either purchase this service from the transmission provider or make alternative comparable arrangements to satisfy its Energy Imbalance service obligation.

The Energy Imbalance Service rate will be a penalty-type rate which DSW reserves the right to apply against deviations outside a 3 percent bandwidth ( $\pm$  1.5 percent deviations), with a 2 MW deviation minimum. Negative excursions (under deliveries) greater than 1.5 percent and occurring more than five times per month will be assessed a penalty charge of 100 mills/kilowatthour (kWh); e.g., the sixth time an under delivery occurs within a month, the 100 mills/kWh charge will be applied to the difference between the total excursion and 1.5 percent.

Any positive excursion (over delivery) will be credited to the customer within thirty days for 50 percent of the market value of the over delivery, provided the over deliveries do not impinge upon WALC Control Area operations. For example, during times of high

water or operating constraints, DSW reserves the right to eliminate credits for over deliveries. The market value determinant will be the average monthly non-firm price from Western merchants operating within the WALC Control Area.

*Proposed Rate for Operating Reserves: Spinning Reserve Service*

Spinning Reserve service is needed to serve load immediately in the event of a system contingency. Spinning Reserve service may be provided by generating units that are on-line and loaded at less than maximum output. The transmission provider must offer this service when the transmission service is used to serve load within its Control Area. The transmission customer must purchase this ancillary service either from DSW or make alternative comparable arrangements to satisfy its Spinning Reserve service obligation. The transmission customer will be responsible for the transmission service to get these reserves to their destination.

These reserves will not be available from DSW resources on a long-term basis. If Spinning Reserves are unavailable from WALC resources, Western may obtain the reserves on the open market for the customer and pass through the cost, with an added 10 percent administrative charge.

*Proposed Rate for Operating Reserves: Supplemental Reserve Service*

Supplemental Reserve service is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load, but rather within a short period of time. Supplemental Reserve service may be provided by generating units that are on-line and unloaded, by quick-start generation or by interruptible load. The transmission provider must offer this service when the transmission service is used to serve load within its Control Area. The transmission customer must purchase this

ancillary service either from DSW or make alternative comparable arrangements to satisfy its Supplemental Reserve service obligation. The transmission customer will be responsible for the transmission service to get these reserves to their destination.

These reserves will not be available from DSW resources on a long-term basis. If Supplemental Reserves are unavailable from WALC resources, Western may obtain the reserves on the open market for the customer and pass through the cost, with an added 10 percent administrative charge.

### **Authorities**

Since the proposed rates constitute a major rate adjustment as defined in 10 CFR § 903.2, both a public information forum and a public comment forum will be held. After review of public comments, Western will recommend the proposed rates or revised proposed rates for approval on an interim basis by the Deputy Secretary of Department of Energy (DOE).

The proposed Project transmission and ancillary service rates are being established pursuant to the Department of Energy Organization Act (42 U.S.C. §§ 7101, et seq.) and the Reclamation Act of 1902 (43 U.S.C. §§ 371, et seq.), as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. § 485h(c)) and section 8 of the Act of August 31, 1964, (16 U.S.C. § 837g).

By Amendment No. 3 to Delegation Order No. 0204-108, published November 10, 1993 (58 FR 59716), the Secretary of Energy delegated: (1) the authority to develop long-term power and transmission rates on a nonexclusive basis to the Administrator of Western; (2) the authority to confirm, approve, and place such rates in effect on an



interim basis to the Deputy Secretary; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the FERC.

Existing DOE procedures for public participation in power rate adjustments (10 CFR Part 903) became effective on September 18, 1985 (50 FR 37835).

## **Regulatory Procedure Requirements**

### *Regulatory Flexibility Analysis*

The Regulatory Flexibility Act of 1980, 5 U.S.C. §§ 601-612, requires Federal agencies to perform a regulatory flexibility analysis if a proposed rule is likely to have a significant economic impact on a substantial number of small entities. Western has determined that this action relates to rates or services offered by Western, and therefore is not a rule within the purview of the act.

### *Environmental Compliance*

In compliance with the National Environmental Policy Act of 1969 (NEPA),

42 U.S.C. §§ 4321, et seq.; Council On Environmental Quality Regulations, 40 CFR Parts 1500-1508; and DOE NEPA Regulations, 10 CFR Part 1021, Western conducts environmental evaluations of the proposed rates and develops the appropriate level of documentation.

*Determination Under Executive Order 12866*

Western 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.

**Availability of Information**

All brochures, studies, comments, letters, memorandums, and other documents made or kept by Western for the purpose of developing the proposed rates will be made available for inspection and copying at Western's Desert Southwest Regional Office at 615 South 43rd Avenue in Phoenix, Arizona.

Dated: June 8, 1998

Michael S. HacsKaylo  
Administrator

