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IN THE UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
PHOENIX, ARIZONA

ANCILLARY SERVICES MEETING  
PUBLIC INFORMATION FORUM

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona  
March 10, 2011  
1:01 p.m.

REPORTED BY: CHRISTINE JOHNSON, RPR  
Certified Reporter #50383

PREPARED FOR: WESTERN AREA POWER ADMINISTRATION  
BRUSH & TERRELL  
Court Reporters  
26712 N. 90th Lane  
Peoria, Arizona 85383  
(623) 506-8046

CHRISTINE JOHNSON, RPR  
Brush & Terrell Court Reporters  
(623) 561-8046

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Be it remembered that heretofore on March 10,  
2011, commencing at 1:01 p.m., at the offices of the Western  
Area Power Administration, Phoenix, Arizona, the following  
proceedings were had, to wit:

OPENING REMARKS	Page
BY MS. DEBORAH EMLER	3

APPEARANCES:

MR. JACK MURRAY	5
Rates Manager	

COMMENTS BY:

GAZDA, Mike	22
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1 MS. EMLER: Okay. I guess we'll go ahead and get  
2 started. Good morning. I'd like to welcome you to today's  
3 Public Information Forum. My name is Debbie Emler, and I'm  
4 the Power Marketing Manager from the Western Area Power  
5 Administration office and the DSW office here, and I'm going  
6 to be your moderator today for this Forum.

7 This Public Information Forum is being held so we  
8 may give you a full explanation of the proposed rates for  
9 the Western Area Lower Colorado Balancing Authority  
10 Ancillary Services and for the Network Integration  
11 Transmission Service rates on the Parker-Davis and Intertie  
12 projects.

13 These proposed formula based rates will, if  
14 adopted, will go into effect on October 1st, 2011 and remain  
15 in effect through September 30th, 2016. This Forum also  
16 gives you the opportunity to ask any questions you might  
17 have regarding the proposed rates.

18 Please keep in mind that all issues raised today  
19 should be relevant to the process. We want to keep it on  
20 target. Please wait to ask any questions until after our  
21 formal presentation has been completed.

22 The Public Comment Forum for these proposed rates  
23 is scheduled to be held on April 6th, 2011 at 1:00 p.m. in  
24 this same location. Written comments for the proposed rates  
25 may be submitted at any time during the comment period.

1 These comments should be sent to Mr. Darrick Moe, Regional  
2 Manager, Desert Southwest Customer Service Region, 615 South  
3 43rd Avenue, Phoenix, Arizona 85009. E-mail is  
4 moe@wapa.gov.

5 Written comments may also be faxed to  
6 (602) 605-2490. All comments should be submitted so that  
7 they can be received by May 16th, 2011, which is the end of  
8 the comment period.

9 A verbatim transcript of today's Forum is being  
10 prepared by our court reporter. Everything said while we  
11 are in session today, together with all the exhibits, will  
12 be a part of the official record. Copies of today's  
13 transcripts will be available upon payment of the required  
14 fee to the court reporter.

15 The court reporter's name, address and telephone  
16 number may be obtained at any time during or after today's  
17 Forum. Copies of the transcript and the complete record of  
18 the public process will also be available for review here at  
19 DSW and at Western's Corporate Services Office in Lakewood,  
20 Colorado.

21 Any questions we are not able to answer this  
22 morning or this afternoon will be answered for you in  
23 writing before the end of the comment period. Unless anyone  
24 has any questions about our procedures, I'm going to turn  
25 the -- this over to Jack Murray, so he can provide you with

1 today's presentation.

2 MR. MURRAY: All right. Thank you, Debbie. For  
3 those of you that don't know me, I'm Jack Murray. I'm the  
4 Rates Manager here in the Desert Southwest Region. We'll go  
5 over today's presentation of the agenda.

6 Basically, we'll talk a little bit about  
7 background information. We'll go over each one of the  
8 proposals for Network Service and 7 Ancillary Services,  
9 which will include a new Schedule 9, generator imbalance.  
10 We'll talk a little bit about the process and timelines,  
11 discuss next steps, and I'll give you some contact  
12 information.

13 Just real briefly, FERC also -- 890 also speaks to  
14 a Schedule 10 for unreserved use penalties. We'll talk  
15 about that a little bit later, but that won't actually be  
16 one of our Ancillary Service rates schedules.

17 Okay. So by way of background, Western's OATT,  
18 you know, we originally filed that in January of 1998, and  
19 it was revised in 2005, and that was originally filed to  
20 comply with FERC Order 888.

21 In September of 2009, and it was effective then in  
22 December of '09, we revised our OATT to comply with FERC  
23 Order 890 and with Western's statutory and regulatory  
24 requirements. As a result of that, we, Desert Southwest,  
25 have been working with the other regions, Rocky Mountain and

1 CRSP specifically to move toward a more common  
2 interpretation and implementation of those tariff  
3 provisions. So that's one of the driving factors behind  
4 this rate process.

5           And the current DSW Network Integration  
6 Transmission Ancillary Services Formula rates that are under  
7 WAPA Rate Order 127 expire June 30th, 2011. So in order to  
8 provide time for this public process to take place to revise  
9 the existing rate formulas and put new formula rates in  
10 place by October of '11, we will be extending those rates  
11 through -- officially through September 30th of 2013 to  
12 allow this process to take place.

13           Basically, the process that we followed so far,  
14 those of you that were here in September, we held an  
15 informal meeting with customers here in Phoenix to talk  
16 about proposed Ancillary Service and Network Service Formula  
17 rates.

18           We have we published the Federal Register Notice  
19 for these under WAPA-151 on February 15th of 2011. Now, one  
20 of the things that we still have to do is publish the rate  
21 extension. We have that package submitted. It is currently  
22 on hold in Lakewood pending a memo that we have to send to  
23 the Deputy Secretary of Energy.

24           However, those rates, again, they don't expire  
25 until June 30th of '11, so they're -- you know, we have time

1 to get them extended to allow this process to take place.

2 As Debbie mentioned earlier, this -- today is the  
3 Public Information Forum, and then the Comment Forum will be  
4 held on April 6th with May 17th being the end of the  
5 consultation and comment period.

6 With that, we plan to publish the final FRN with  
7 the final rate proposal by August of this year with the goal  
8 being the new rates in effect by October of 2011.

9 Okay. Now, I just want to move into our  
10 discussion of the Rate Formulas that we are going to be  
11 reviewing today. The first is for Network Transmission  
12 Service. Essentially, the Network Service and Desert  
13 Southwest is going to remain project specific. Service on  
14 Parker-Davis, Intertie are going to be offered under this  
15 rate order, which, as I mentioned, is Rate Order No. 151.

16 The Network Service under Central Arizona Project  
17 will continue to be offered under a separate rate order  
18 that's WAPA-124.

19 Okay. We are proposing no changes to the existing  
20 formula rates for Network Service. It will still continue  
21 to be -- the monthly charge will be equal to load ratio  
22 share times 1/12th of the Annual Transmission Revenue  
23 Requirement and basically load ratio share is just the  
24 network customer's hourly load coincident with the  
25 transmission system peak and it's calculated on a 12-month

1 basis or 12 CP, as it's often referred to.

2 Ancillary Services that are provided are supplied  
3 from generation resources except for scheduling service, and  
4 they're simply necessary to provide transmission service and  
5 to correct the effects of the transmission service  
6 transactions. They will apply within the entire WALC  
7 balancing area, and all of these services are defined in  
8 Western's OATT.

9 As I mentioned, we are going to be publishing  
10 rates for 7 Ancillary Services for: Scheduling, system  
11 control and dispatch, reactive supply and voltage control or  
12 VAR support, our regulation service, energy imbalance,  
13 generator imbalance under Schedule 9 in the revised OATT and  
14 operating reserves both for spinning and supplemental  
15 reserve.

16 For those rates that we will be discussing an  
17 actual rate today. I want to point out that they are very  
18 preliminary based on preliminary information and are likely  
19 to change prior to publication of the final Federal Register  
20 Notice. So just wanted to mention that.

21 The first one I want to talk about is Scheduling  
22 Service, and that's needed essentially to schedule a  
23 movement of power throughout the balancing authority within  
24 it, into or out of it. It has to be purchased from the  
25 Transmission Provider, and our existing Rate Schedule

1 Formula spells it out just this way. It says, "Annual  
2 capital costs per tag, plus the hourly labor rate times the  
3 average time spent acting on a tag."

4 Essentially what that is is the revenue  
5 requirement for scheduling divided by the tags, number of  
6 tags per year to get to the cost per tag. So that's  
7 essentially what it is today.

8 We have some proposed changes to that rate that  
9 reflect some variations from the existing formula. The  
10 first one has to do with data collection. Under the  
11 proposed Rate Order 151, the proposals to count only tags  
12 that ultimately result in a schedule. We felt this was a  
13 more appropriate measure of the cost of actually providing  
14 scheduling service.

15 And we are also proposing a minor change to the  
16 implementation. We're proposing that the charge will be  
17 divided equally among all the Transmission Providers on the  
18 schedule that are actually inside the WALC balancing  
19 authority and will remain -- the federal transmission will  
20 remain exempt from the billing. It's felt that those rates  
21 -- those costs are captured in other rates.

22 So as I mentioned, the proposed Rate Formula for  
23 scheduling is the total annual revenue requirement for  
24 scheduling divided by the total number of schedules per  
25 year. You'll note in our Federal Register Notice, it says

1 that the enumerator is called out as the annual cost of  
2 scheduling personnel and related costs.

3 Well, the revenue requirement for scheduling is  
4 actually is what that is. The annual cost for scheduling  
5 personnel and related costs. The related costs are the  
6 appropriate tag involved for scheduling, data system and  
7 separate costs, those kinds of things. So it's more  
8 appropriate to say the annual revenue required for  
9 scheduling divided by the number of schedules per year will  
10 give you the cost per schedule.

11 And as I mentioned, based on preliminary  
12 information and as is published in the Federal Register  
13 Notice, that cost per schedule will be \$26.32 per schedule.

14 Okay. Reactive Supply and Voltage Control or VAR  
15 support, we're proposing no change to that, as well. The  
16 proposed formula will simply be the total annual revenue  
17 requirement for regeneration times the percentage of a  
18 resource used for the service, and then that's divided by  
19 the load required VAR support.

20 Now, that percentage of resources is calculated by  
21 using 1-power factor. So if your power factor is listed at  
22 98 percent, the 1-power factor is 2 percent.

23 And the load requiring VAR support, the  
24 denominator is -- basically what we do is we take our  
25 transmission reservation capacity and we subtract out any

1 capacity used by those entities that are providing VAR to  
2 the control area or to the balancing authority.

3 So based on those calculations and, again, as  
4 published in the Notice, the rate for VAR support would be  
5 .058 per kW per month or 5.8 cents per kW per month.

6 Regulation Service, which is Schedule 3 of our  
7 OATT, this is the Ancillary that probably has the most  
8 changes to it for this adjustment process. Regulation  
9 Service, it's necessary so that we can provide the  
10 continuous balancing of resources with load and those  
11 frequent changes in output result in increased operations  
12 and maintenance costs and increased wear and tear on the  
13 generating units.

14 Our Regulation Service, we're proposing four  
15 components. They'll be a load-based assessment. Our  
16 existing charge, it's important to note here is energy based  
17 under the new proposal that load-based assessment will be  
18 capacity based. And under that load-based assessment, we're  
19 also proposing that we retain requirement for non-conforming  
20 loads.

21 We are also adding exporting intermittent resource  
22 requirement, adding a self-provision assessment for those  
23 entities that use AGC, primarily a subbalancing authority,  
24 generally, and we're also adding a third-party or other  
25 self-regulation language to the rate schedules. I will talk

1 about each one of those here briefly.

2           The load-based assessment is essentially the total  
3 annual revenue requirement for regulation, plus the  
4 installed nameplate capacity of any intermittent resources  
5 serving load in the balancing authority. Now, that formula  
6 essentially uses the same data input as the existing -- as  
7 the existing formula with the exception that we've added the  
8 intermittent resource requirement.

9           And the load-based assessment now based on  
10 preliminary data is 16 1/2 cents, basically 16.46 cents per  
11 kW per month and, again, that's -- that's preliminary data  
12 subject to change, but that's what it comes out to now and  
13 what we've published in the Federal Register Notice.

14           Okay. I'll go into a little bit about what that  
15 revenue requirement includes. The capacity for the service  
16 is multiplied times the capacity rate of the providing  
17 project. So in this case, Boulder Canyon, and it includes  
18 all of the capital and plant costs, O&M costs of those  
19 providing units.

20           We are also going to be including purchases of  
21 regulation, which we -- which our existing rate schedule  
22 already does, but we're also adding a provision to be able  
23 to add power purchases that are necessary in support of the  
24 unit's ability to regulate. So if we have purchases needed  
25 in support of regulation, we'll be able to add those to the

1 regulation rate.

2           And as well as purchases of transmission, if  
3 they're necessary due to any load following issues or if we  
4 have any issue with regulating units that are trapped  
5 geographically in and out of BA. So we'll be able to add  
6 those things into the regulation charge, if necessary.

7           The denominator will just include the BA load plus  
8 the nameplate capacity of all the intermittent resources  
9 serving load in the BA. Now, what that denominator means,  
10 is that the intermittent resources serving load in the BA  
11 will be charged the regulation rate load-based assessment  
12 based on the installed nameplate capacity.

13           And then that load based rate would apply to the  
14 auxiliary load, basically total load, less their FES  
15 entitlements plus the nameplate capacity of intermittent  
16 resources that are serving load in the balance.

17           Okay. Probably take a minute just to define the  
18 intermittent resource that we talked about a little bit here  
19 and essentially it's a generator that's not able to be  
20 dispatched and cannot store its fuel source, therefore,  
21 cannot respond to changes in the system -- in system demand.

22           And while Western fully supports the installation  
23 of renewable resources, we also recognize the unique  
24 requirements that they present to the operation since  
25 Western essentially markets its capacity, it leaves us a

1 little flexibility to offer additional BA resources.

2           So consequently, Western will not regulate, for  
3 example, an intermittent generator serving a load in another  
4 BA. Instead an entity exporting the output from an  
5 intermittent generator to another balancing authority will  
6 be required to dynamically schedule or dynamically meter  
7 that output out of the balancing authority.

8           Another addition to the regulation rate is that  
9 we're adding a self-provision assessment. Customers are  
10 currently allowed to self-provide, but there is no  
11 assessment associated with that. Self-provision, as I  
12 touched on briefly, generally requires a well-defined  
13 boundary with WALC-approved revenue quality metering and  
14 that metering should be accurate as defined by NERC.

15           Typically, we have automatic generation control or  
16 AGC capability and have a demonstrated ability or capability  
17 to self-provide regulation.

18           The proposal, as I mentioned, is to add an  
19 assessment if the self-provision falls below a certain  
20 threshold, and that assessment would be based on entities  
21 1-minute Area Control Error or ACE and then be calculated  
22 hourly.

23           I just wanted to take a minute to talk a little  
24 bit about how that would be calculated. As I mentioned, it  
25 would be based on the value of the ACE. And essentially if

1 the average ACE is greater or equal to 1.5 percent of their  
2 hourly average load, WALC would assess a regulation service  
3 charge of the load-based rate to the entire load.

4           If the rate -- if the ACE is greater than  
5 .5 percent, but less than less than 1.5 percent of their  
6 hourly average load, we would assess a regulation charge  
7 based on an interpellation of somewhere between zero and the  
8 full charge, depending on how big the variance is.

9           And if they're greater than or equal to .5 percent  
10 of their hourly average load, there would be no charge, be  
11 no regulation charge for that entity.

12           Okay. And the other provision that will be added  
13 to the Rate Schedule will be a provision for third-party  
14 self-supply or other self-supply, if you will. Upon request  
15 and evaluation by WALC, we may allow self-supply even  
16 without the well-defined boundary metering, and we may allow  
17 contracting with a third-party.

18           It'll be based on a case-by-case evaluation of the  
19 individual entity's metering, telecommunication and  
20 regulating resource availability. And we will review  
21 required level of regulation and determine whether the  
22 requirements do actually self-supply or supply that  
23 regulation on a third-party basis that meet requirements.

24           As I mentioned earlier, we also are proposing that  
25 WALC retain the non-conforming load language that currently

1 exists in our regulation rate schedules. It provides for  
2 additional charge for loads that have large swings in their  
3 needs to compensate for the additional burden. And the  
4 non-conforming or non-standard regulation will be provided  
5 for in a separate agreement.

6 The rate schedule definition of a non-conforming  
7 load is that of a single site or a plant with a regulation  
8 capacity of 5 MW or greater on a reoccurring basis, and that  
9 that capacity requirement is equal to 10 percent or more of  
10 its average load. So our proposal is to retain that  
11 language.

12 Okay. The next service that we'll talk about is  
13 Energy Imbalance, and that's under Schedule 4 of the tariff.  
14 EI, energy imbalance, is the difference, essentially,  
15 between the scheduled and actual delivery of energy to load  
16 with a BA on an hourly basis. Transmission provider must  
17 offer service when transmission is used to serve load within  
18 the BA.

19 Now, under existing -- under our existing rates  
20 schedule, it's DSW EI2 is our existing energy imbalance  
21 schedule, the settlement is done via energy return or at  
22 Western's discretion. We settle it financially based on  
23 Palo Verde or other index of Western's choosing that's at  
24 Western's discretion. That's our existing rate schedule.

25 FERC Order 890, the model, the pro forma model,

1 had very specific EI requirements. The FERC concern was  
2 that excessive EI rates of "discriminatory" behavior. So  
3 890 lays out a tiered structure nearly identical to the one  
4 used by Bonneville Power Administration.

5 Order 890 was specific in that energy imbalances  
6 are settled financially and when Western set its tariff,  
7 realized its tariff revision leaves development of energy  
8 imbalance rate to Public Rate Adjustment process, what we're  
9 doing today.

10 Okay. FERC 890 structure, and that's what we're  
11 showing here, this is the pro forma structure has three  
12 specific bandwidths, and it's calculated as a percentage of  
13 that scheduled energy.

14 Basically, the reason the bandwidth is built is  
15 they recognize the ability to be 100 percent accurate in  
16 moving energy 100 percent of the time. So in order to  
17 recognize that there's going to be some deviations that are  
18 allowable, anything plus or minus 0 percent to 1.5 percent  
19 with a 0 to 2 MW minimum, there is no penalty. And then  
20 FERC's 890 model lays out the penalties as structured on  
21 that table.

22 If you have plus or minus 1.5 percent to 7.5  
23 percent with a 2 to 10 MW minimum, there's basically a  
24 10 percent penalty. Anything over 7.5 percent greater than  
25 10 MW minimum, the penalty is 25 percent. That's -- that's

1 the FERC model that's illustrated here.

2 This slide shows the WALC's existing energy  
3 imbalance structure. It differs pretty significantly from  
4 890. It treats peak and non-peak hours differently, and  
5 it's based on a percentage of metered load, not scheduled.  
6 It has a tiered structure, different tiers, but -- and it  
7 has settlement and energy returns with financial settlement  
8 at Western's option.

9 Right now, Western or WALC's existing penalty  
10 structure if in the on-peak hours, plus or minus 0 to 1.5  
11 percent with the 0 to 5 MW minimum results in a 10 percent  
12 penalty.

13 In the off-peak hours, anything from plus 1.5  
14 percent to minus 3 percent with a 2 MW minimum for  
15 over-delivery at a 5 MW delivery for under-delivery, there's  
16 a 10 percent penalty for under-delivery, 60 percent penalty  
17 -- excuse me, 40 percent penalty for over-delivery.

18 Now, this slide is WALC's proposal as spelled out  
19 in the Federal Register Notice. The proposal is similar to  
20 the 890, but we've adjusted for operating realities that  
21 WALC experiences.

22 We do propose retaining the peak and off-peak  
23 treatment and the peak hour treatment is similar to -- very  
24 consistent with the 890 model, and we propose continuing to  
25 make the calculation of the imbalance a percentage of the

1 metered load, not the percentage of the scheduled load.

2           Okay. So let's go through that. For peak hours,  
3 we're proposing bandwidths of 0 -- plus or minus 0 to 1.5  
4 percent with a 0 to 4 MW minimum with no penalty there. The  
5 4 MW in the minimum -- the 4 MW minimum in the lower tier is  
6 a slight change from the pro forma, as well as a slight  
7 change from WALC.

8           It's consistent with -- with RMR structure.  
9 That's one of the things we talked about in moving toward  
10 more efficient development of common tools. That's one of  
11 the -- one of the thoughts in moving to that penalty  
12 structure.

13           For the second band, anything plus or minus 1.5  
14 percent to 7.5 percent with a 4 to 10 MW minimum, 10 percent  
15 penalty. And then the third tier, 7.5 -- greater than 7.5  
16 percent to greater than 10 MW or 10 MW minimum, you have a  
17 25 percent penalty. That's very consistent with the 890  
18 model.

19           As I mentioned, we intend to keep the off-peak  
20 hour treatment that's consistent with our existing  
21 structure. The off-peak treatment under WALC's proposed  
22 provision will stay the same and that is anything minus  
23 3 percent to greater than equal to 7.5 percent with a 2 MW  
24 minimum for over-delivery, 5 MW minimum for under-delivery.  
25 There is a 10 percent penalty for under-delivery in those

1 hours, and I think I have that typed incorrectly there.  
2 There's a -- it's a 60 percent return for over-delivery and  
3 that's a 40 percent penalty.

4 One of the operating thing -- one of the reasons  
5 for this is the situation with Hoover. Our most limited  
6 regulation scenario typically occurs during the off-peak  
7 times when Hoover's at 0 MW. And from divisional energy  
8 with a BA during those times presents significant  
9 difficulties. This off-peak hour treatment has proven to  
10 mitigate that concern over the years, so we intend to --  
11 we're proposing to retain that.

12 The next -- the next services are Operating  
13 Reserves. Those are Schedules 5 and 6. We're planning  
14 no -- no change to the rate schedules for spinning reserve,  
15 which is Schedule 5 and the supplemental reserve, which are  
16 Schedule 6.

17 WALC has no long-term reserves available beyond  
18 the initial -- or the internal WALC requirements. At a  
19 customer's request, however, we may purchase the reserves  
20 and pass the costs through, plus any costs to acquire.

21 If we do have them available on a short-term  
22 basis, they may be provided, but they will be provided at  
23 market rates. So there's no change. The only other  
24 addition there is the customer would be responsible for  
25 providing any transmission needed for those reserves.

1           Generator Imbalance, Schedule 9. It's a new rate  
2 schedule for WALC. Previously the service has been provided  
3 individually when appropriate under our Control Area  
4 Services Agreement. The imbalance essentially just occurs  
5 when there's a difference between scheduled and actual  
6 output of a generator and the balancing authority.

7           We -- for implementation purposes, we are  
8 proposing the same bandwidth and penalty structure as our  
9 energy imbalance calculations. It would be calculated on  
10 metered generation versus load, and there wouldn't be 7.5  
11 percent bandwidth for intermittent resources. It would  
12 apply to intermittent generators that serve load within the  
13 WALC BA or non-intermittent generators that export their  
14 entire output.

15           FERC 890, there's a stipulation that also says  
16 that a BA cannot assess penalties for EI, energy imbalance,  
17 and generator imbalance in the same hour, unless those  
18 imbalances aggravate rather than offset each other. So we  
19 will be including that provision in our rate schedules and  
20 our proposals.

21           And as I mentioned early on, 890 also talks about  
22 an unreserved use penalty, Schedule 10, which occurs when  
23 use of transmission system exceed amount reserved.

24           DSW's Rate Schedules for Firm Transmission Service  
25 already include a provision that's called overrun of

1 capacity reserved. The Ancillary Service rate schedules  
2 will not address the Schedule 10 because it -- officially,  
3 it's not a FERC-defined Ancillary Service.

4 And additionally, what we've chosen to do is that  
5 when adjustments are made to the existing power system  
6 rates, which will be happening here in the next year to two  
7 years for both Parker-Davis, Intertie and Central Arizona,  
8 as well, the unreserved use will be addressed to modify it  
9 as appropriate in each one of those rate schedules.

10 And Schedule 10 of the OATT points to the  
11 "appropriate rate schedules" for unreserved use. So in our  
12 case, the appropriate rate schedule will be the Firm  
13 Transmission Rate schedule for each transmission system.

14 That ends my presentation, so I'll turn it back  
15 over to Debbie.

16 MS. EMLER: I'd like to open this Forum for  
17 questions and comments. After you've been recognized,  
18 please give your name and the name of any organization that  
19 you represent, and for the convenience of the court  
20 reporter, please spell your last name.

21 So are there any questions?

22 MIKE GAZDA: Mike Gazda, Arizona Power Authority,  
23 G-A-Z-D-A, Mazda with a G. Just wondered when you -- in all  
24 these rates, you're assuming there may be some requirement  
25 for Ancillary Services from Western or DSW WALC. Where do

1 you get those Ancillary Services from when there's a need  
2 for them, let's say, maybe giving somebody a penalty for not  
3 providing their schedules, and you need some Ancillaries to  
4 make that up. Where do you get your Ancillaries from?  
5 Other projects?

6 I mean, now, what do you do if you have a need for  
7 Ancillary Services over and above, you know, the projects?  
8 How do you make up deficiencies in your error, in your ACE?

9 MR. MURRAY: How does Western make up the  
10 deficiencies?

11 MIKE GAZDA: Yeah. You have a schedule that  
12 you're scheduling to and one of your members is lacking in  
13 their schedule, and they're not -- let's say you have a  
14 renewable or something and it's off 50 MW in a given minute  
15 or so, how do you make that up? Do you have a resource --

16 PENNY CASEY: Penny Casey. All the resources  
17 within the BA, Mike, are utilized to make up those  
18 shortfalls. If there are not resources within the BA, then  
19 operations instructs the merchant to go out and purchase --

20 MIKE GAZDA: Who would you purchase that from?

21 PENNY CASEY: We can purchase energy or capacity,  
22 depending on what the need is, we would purchase it from an  
23 adjacent control area, SRP, LADWP.

24 MIKE GAZDA: But it wouldn't be a -- it wouldn't  
25 be an Ancillary Service, would it?

1           PENNY CASEY: Well, you can -- what you can do is  
2 you can purchase potentially energy, which then would free  
3 up capacity in one of our units. I mean, there's different  
4 ways of doing it, and that's why you look at all of the  
5 resources that you have within the BA to fulfill your need.

6           MIKE GAZDA: Right. I'm thinking of the  
7 middle-of-the-night scenario at Hoover and maybe possibly  
8 the other dams, if there's a need for something -- if  
9 there's no generation available, then you would have to go  
10 purchase capacity and energy, maybe both, from the  
11 neighbors.

12           PENNY CASEY: That's correct.

13           MIKE GAZDA: Okay.

14           MS. EMLER: Any other questions? No other  
15 questions, okay. I'd like to thank you all for coming today  
16 to attend this Forum. I would like to ask that if you have  
17 not already done so, register on our sign-up sheets at the  
18 table outside the room so that we can have an accurate  
19 record of the attendance. We'll stay around for a few  
20 minutes afterwards to answer any informal questions that you  
21 might have. This Forum is now closed and we'll go off the  
22 record.

23                   (Whereupon, the proceedings terminated at  
24 1:40 p.m.)

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I, CHRISTINE JOHNSON, having been first duly sworn and appointed as Official Court Reporter herein, do hereby certify that the foregoing pages numbered from 2 to 24, inclusive, constitute a full, true and accurate transcript of all the proceedings had in the above matter, all done to the best of my skill and ability.

DATED this 16th day of March, 2011.

A handwritten signature in black ink, appearing to be 'C. Johnson', written over a horizontal line.

Christine Johnson, RPR  
Certified Court Reporter No. 50383



**WESTERN AREA POWER ADMINISTRATION  
PUBLIC INFORMATION FORUM FOR  
ANCILLARY SERVICES MEETING  
MARCH 10, 2011**

Name	Company	Phone	E-mail
Raymond Dugan	WAPA	470-461-7379	adugan@wapa.gov
Kirsten McCluskey	KLSA	480-410-8741	kmc@krsaline.com
Evelyn Kacubasov	APA	602-368-4265	evelyn@powerauthority.org
Brian Young	WAPA	602-605-2594	byoung@wapa.gov
John Paulsen	WAPA	x2557	Paulsen@wapa.gov
Sabrida Erwin	WAPA	602-605-2558	erwin@wapa.gov
Michael Curtis	AWAPA	602-370-1900	mcurtis401@awapa.com
Christina Vides	WAPA	602-605-4478	Vides@wapa.gov
Jennifer Hultsch	WAPA	x2867	hultsch@wapa.gov

**WESTERN AREA POWER ADMINISTRATION**  
**PUBLIC INFORMATION FORUM FOR**  
**ANCILLARY SERVICES MEETING**  
**MARCH 10, 2011**

Name	Company	Phone	E-mail
AL AUSTIN	WAPA - Enumo	602-605-2747	AUSTIN@WAPA.GOV
Mike Gribble	WAPA	(602) 368-4265	mike@powerauthority.org