DEPARTMENT OF ENERGY

Western Area Power Administration

Desert Southwest Customer Service Region-Rate Order No. WAPA–151

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed rates.

SUMMARY: The Western Area Power Administration (Western) is proposing to update its formula rates for the WALC Balancing Authority Ancillary Services as well as the formula rates for NITS on the P–DP and Intertie projects. Current formula rates, under Rate Schedules DSW–SD2, DSW–RS2, DSW–FR2, DSW–SPR2, DSW–SUR2, DSW–EI2 and PD–NTS2, and INT–NTS2 are set to expire June 30, 2011. Western is also proposing to add a new rate schedule, Rate Schedule DSW–GI1, for Generator Imbalance (GI) Service. Western is proposing these rates to meet evolving and expanding transmission system and ancillary services requirements. Western has prepared a brochure that provides detailed information on the proposed rates to all interested parties. The proposed rates, under Rate Schedules DSW–SD3, DSW–RS3, DSW–FR3, DSW–SPR3, DSW–SUR3, DSW–EI3, DSW–GI1, PD–NTS3, and INT–NTS3 would go into effect on October 1, 2011, and would remain in effect through September 30, 2016, or until superseded.[1] The new rate schedule for GI Service, under Rate Schedule DSW–GI1, would go into effect and coincide with the other ancillary service rates in this rate order. Publication of this Federal Register notice begins the formal process for the proposed formula rates.

DATES: The consultation and comment period begins today and will end May 16, 2011. Western will present a detailed explanation of the proposed formula rates at a public information forum. The public information forum date is March 10, 2011, 1 p.m. to 3 p.m. MST, Phoenix, Arizona. Western will accept oral and written comments at a public comment forum. The public comment forum date is April 6, 2011, 1 p.m. to 3 p.m. MST, Phoenix, Arizona. Western will accept written comments any time during the consultation and comment period.

ADDRESSES: Written comments should be sent to Mr. Darrick Moe, Regional Manager, Desert Southwest Customer Service Region, Western Area Power Administration, 615 South 43rd Avenue, Phoenix, AZ 85009, e-mail *MOE@wapa.gov*. Western will post information, including written comments and the rate brochure to its Web site at *http://www.wapa.gov/dsw/pwrmkt/ANCSRV/ANCSRV.htm*. Western must receive written comments by the end of the consultation and comment period to ensure they are considered in Western's decision process. The public information forum and public comment forum location is the Desert Southwest Customer Service Regional Office, 615 South 43rd Avenue, Phoenix, Arizona.

FOR FURTHER INFORMATION CONTACT: Mr. Jack Murray, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, 615 South 43rd Avenue, Phoenix, AZ 85009, telephone (602) 605–2442, e-mail *jmurray@wapa.gov*.

SUPPLEMENTARY INFORMATION: The Deputy Secretary of Energy approved the current Rate Schedules under Rate Order WAPA–No. 127 for ancillary services rates through June 30, 2011.[2] The current rate schedules contain formula-based rates that are recalculated annually. The proposed rates continue the formula-based approach and will be recalculated annually using updated financial and load information. The proposed formula-based rates would, if adopted, go into effect October 1, 2011, and remain in effect through September 30, 2016. Rates effective October 1, 2011, are preliminary and are subject to change upon publication of final formula rates. NITS would remain project-specific as provided under Rate Order No. WAPA–127 with no changes proposed to the existing formula rates.

Proposed Formula Rate for Scheduling, System Control and Dispatch Service

The proposed formula for Scheduling, System Control and Dispatch (SSCD) Service, Rate Schedule DSW–SD3, is as follows:

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

[1] Since the current rates will expire prior to the anticipated completion of this ratemaking process, those rates are being extended for a two year period in WAPA Order 152.

[2] FERC confirmed and approved Rate Order No. WAPA–127 on November 21, 2006, in Docket No. EF06–5191–000 *See United States Department of Energy, Western Area Power Administration*, 117 FERC ¶ 62,172.

The numerator (revenue requirement) would primarily capture costs for scheduling and will not include costs for system control and dispatch. Those costs would be captured in other rates. This proposal would not change the current methodology. The denominator would be the total for the year of daily tags which result in a schedule. This is a proposed change from the current methodology in that WALC currently counts tags at the time of creation and any subsequent modifications where WALC is listed as a transmission provider and as a balancing authority. Western is proposing the change because it believes that counting tags that result in a schedule, rather than all tags, is a more appropriate measure of the cost of providing the service and will result in minimal change to the rate.

Western is also proposing a change in the implementation of this rate. As the SSCD Service is one that the transmission providers must obtain from the balancing authority, Western would allocate the cost of each tag equally among all transmission providers listed on the tag that are inside the WALC Balancing Authority. Western would charge all non-Federal transmission providers for their allocated costs. Any Federal transmission segment would be exempt from billing, as costs for these schedules are included in the transmission service. Currently, the last transmission provider inside WALC is charged for the entire cost of the tag unless one of the transmission segments is Federal transmission. In that case, no charge is assessed. See the following table for the comparison of rates:

Class of service	Existing rate schedule DSW–SD2 Effective date 07/01/2006	Proposed rate schedule DSW–SD3I Effective date 10/01/2011
Scheduling, System Control and Dispatch Service	$26.85 Maximum cost per Tag	$26.32. Maximum cost per Schedule.

Proposed Formula Rate for Reactive Supply and Voltage Control From Generation Sources (VAR) Service

No changes are proposed for the proposed formula for calculating the revenue requirement for Reactive Supply and Voltage Control from Generation Sources (VAR) service, Rate Schedule DSW–RS3:

$$\text{VAR Support Rate} = \frac{\text{TARRG} \times \% \text{ of Resource}}{\text{Load Requiring VAR Support}}, \text{ where}$$

TARRG = Total Annual Revenue Requirement for Generation

% of Resource = Percentage of Resource Capacity Used for VAR Support

The numerator would continue to capture the percentage of annual generation costs which are used for this service. That percentage is based on the nameplate power factor for the generating units. The annual generation costs would continue to be multiplied by the complement of the power factor. For example, if the power factor is 98 percent, the numerator would include 2 percent of the annual plant costs. This proposal would not change the current methodology. The denominator would continue to be a measure of the loads requiring this service. Western uses long-term firm transmission reservation data for both Colorado River Storage Project (CRSP) and P–DP, and subtracts for those customers that provide VAR to the balancing authority. This process represents no change for WALC. See the following table for the comparison of rates:

Class of service	Existing rate schedule DSW–RS2 Effective date 07/01/2006	Proposed rate schedule DSW–RS3 Effective date 10/01/2011
Reactive Supply and Voltage Control Service	$0.058/kW-month	$0.058/kW-month.

Proposed Formula Rate for Regulation and Frequency Response Service

The proposed formula for Regulation and Frequency Response Service would have four (4) components:

(1) Load-based Assessment.

$$\text{Regulation Rate} = \frac{\text{Total Annual Revenue Requirement for Regulation}}{\text{Load in the Balancing Authority Requiring Regulation Plus the Installed Nameplate Capacity of Intermittent Resources Serving Load in the BA}}$$

The existing rate for regulation service is an energy-based rate. Under DSW–RS3, Western is proposing a minor change in that the regulation charge will be capacity (load) based. The resulting change would better reflect the service being provided. The rate would apply to all entities' auxiliary load (total less Federal entitlements) plus the nameplate capacity of intermittent resources serving load in the WALC Balancing Authority. Restricting regulation service to intermittent resources serving load inside WALC would be a change from the current methodology. Western intends to retain the existing requirement for providing regulation service for non-conforming loads. A non-conforming load is defined as a single plant or site with a regulation capacity requirement of 5 megawatts (MW) or greater on a recurring basis and whose capacity requirement is equal to 10 percent or greater of its average load. Regulation service for non-conforming loads, as determined by Western, would continue to be delineated in a service agreement and charged an amount which includes the cost to procure the service and the additional amount required to monitor and supply the service.

The revenue requirement would include the following components: Plant, operation and maintenance costs, purchases of a regulation product, purchases of power in support of the units' ability to regulate, purchases of transmission for regulating units that are trapped geographically inside another balancing authority, and purchases of transmission required to relocate energy due to regulation/load following.

Annual costs for regulation in WALC would be determined by multiplying the forecast capacity rate of the Boulder Canyon Project by the amount of capacity required for regulation in WALC. The revenue requirement for regulation would also include the cost of regulating capacity set aside for WALC by the CRSP. The capacity required for regulation would be subject to re-evaluation every year.

(2) *Exporting Intermittent Resource Requirement.* An entity that exports the output from an intermittent resource to another balancing authority would be required under this proposal to dynamically meter or dynamically schedule that resource out of WALC to another balancing authority. An intermittent resource is a generator that is not able to dispatch and cannot store its fuel source, and therefore, cannot respond to changes in system demand or to transmission security constraints.

(3) *Self-Provision Assessment.* WALC's existing Rate Schedule for regulation service does not contain a self-provision assessment. Western allows entities with automatic or manual generation control to self-provide regulation service for all or a portion of their loads. Typically, entities with generation control are known as Sub-Balancing Authorities (SBA) and should meet all of the following criteria: (a) Have a well-defined boundary, with WALC-approved revenue-quality metering, accurate as defined by NERC, to include MW flow data availability at 6-second or smaller intervals; (b) have Automatic Generation Control (AGC) capability; and (c) demonstrate Regulation Service capability. Western proposes that self-provision be measured by use of the entity's 1-minute average Area Control Error (ACE). The assessment would be calculated every hour and the value of ACE would be used to calculate the Regulation Service charges as follows:

a. If the entity's 1-minute average ACE is ≤ 0.5 percent of the entity's hourly average load, no Regulation Service charges would be assessed by WALC.

b. If the entity's 1-minute average ACE is ≥ 1.5 percent of the entity's hourly average load, WALC would assess Regulation Service charges to the entity's entire load, using the Load-based rate.

c. If the entity's 1-minute average ACE is > 0.5 percent of the entity's hourly average load, but < 1.5 percent of the entity's hourly average load, WALC would assess Regulation Service charges based on linear interpolation of zero charge and full charge, using the Load-based rate.

(4) *Other Self- or Third-party Supply.* Western may allow an entity to supply some or all of its required regulation or contract with a third party to do so, even without well-defined boundary metering. WALC will evaluate the entity's metering, telecommunications and regulating resource, as well as the required level of regulation, and determine whether the entity qualifies to Self-supply under this provision. This is a new provision under the proposed formula rate.

See the following table for the comparison of rates:

Class of service	Existing rate schedule DSW–FR2 Effective date 07/01/2006	Proposed rate schedule DSW–FR3 Effective date 10/01/2011
Regulation and Frequency Response Service	0.2481 mills/kWh	$0.2255/mWh.

Proposed Rate for Energy Imbalance Service

Western proposes to implement a penalty and bandwidth structure with 3 deviation bands very similar to FERC Order 890 guidelines with adjustments for WALC operating conditions. WALC would continue to treat peak-hour and non-peak hour imbalances differently. The peak-hour structure would be very similar to the FERC model. For off-peak hour imbalances, WALC is proposing to keep the existing imbalance and penalty structure.

(1) On-Peak Hours ± 0 percent to 1.5 percent of metered load (0 to 4 MW minimum) with no penalty within bandwidth;

(2) On-Peak Hours ± 1.5 percent to 7.5 percent of metered load (4 to 10 MW minimum) with 110 percent return for under-deliveries and 90 percent return for over-deliveries.

(3) On-Peak Hours > 7.5 percent of metered load (> 10 MW minimum) with

125 percent return for under-deliveries and 75 percent for over-deliveries.

Because of WALC Balancing Authority operating constraints in the Off-peak hours, WALC proposes to continue using a 2-bandwidth structure in those hours but with an expanded bandwidth for over-delivery.

(1) Off-Peak Hours −3 percent to ≥7.5 percent of metered load (2 MW Minimum for over-deliveries; 5 MW minimum for under-deliveries) with 110 percent return for under-delivery, 60 percent return for over-delivery.

Financial settlements for imbalances will be calculated using the Dow Jones Palo Verde average monthly index or an index identified on the OASIS at the beginning of each fiscal year. While the pro-forma model states a preference for financial settlement of imbalances, settlement in energy is a practice that is long-accepted and preferred by many entities throughout WALC. At Western's discretion, settlement in energy may be accepted in lieu of financial settlement.

See the following table comparing the existing with the proposed Energy Imbalance structure:

Energy imbalance service Class of service	Existing rate schedule DSW–EI2 Effective date 07/01/2006	Proposed rate schedule DSW–EI3 ffective date 10/01/2011
On-Peak Hours	± 0 to 1.5%; Min: 0 to 5 MW	± 0% to 1.5%; Min: 0 to 4 MW.
Energy within Bandwidth	100% return	100% return.
On-Peak Hours	N/A	± 1.5% to 7.5%; Min: 4 to 10 MW.
Under Deliveries		110% return.
Over Deliveries		90% return.
On-Peak Hours	N/A	>7.5% Min: >10 MW.
Under Deliveries		125% return.
Over Deliveries		75% return.
Off-Peak Hours	−3% to +1.5%	−3% to ≥ 7.5%.
	Min: 2 MW Over Deliveries	Min: 2 MW Over Deliveries.
	Min: 5 MW Unver Deliveries	Min: 5 MW Unver Deliveries.
Energy within Bandwidth	100% return	100% return.
Energy outside Bandwidth		
Under Deliveries	110% return	110% return.
Over Deliveries	60% return	60% return.

Proposed Rate for Generator Imbalance Service

Western is proposing a new Generator Imbalance Service Formula Rate, Rate Schedule DSW–GI1. This service will be provided to the following customers:

(1) Multi-party generators whose output is shared by several entities. If the operator of the generator prefers, the generator's output will be allocated among the unit participants and included in the Energy Imbalance calculations for those participants.

(2) Intermittent resources serving load within WALC.

A solely-owned non-intermittent resource will be included in the entity's Energy Imbalance calculation.

Western has marketed the maximum amount of capacity from its projects, leaving little flexibility for additional balancing authority services. Consequently, Western will not regulate for the difference between the output of an intermittent generator located within WALC and a delivery schedule from that generator serving load located outside WALC. Intermittent generators serving load outside WALC will be required to dynamically meter or dynamically schedule their generation to another Balancing Authority. An intermittent resource is a generator that is not dispatchable and cannot store its fuel source and, therefore, cannot respond to changes in system demand or to transmission security constraints.

The formula rate for Generator Imbalance Service will be identical to that for Energy Imbalance Service, with the following exceptions:

(1) Bandwidths will be calculated as a percentage of metered generation, since there is no load.

(2) Intermittent resources are exempt from the outer bandwidth. All deviations greater than 1.5 percent of metered generation in the on-peak hours will be subject only to a 10 percent penalty.

In any hour, Western may charge a customer a penalty for either Generator Imbalance under Rate Schedule DSW–GI1 or Energy Imbalance under Rate Schedule DSW–EI3, but not both, unless the imbalances aggravate rather than offset each other.

See the following table for the proposed Generator Imbalance structure:

Generator imbalance service Class of service	Proposed rate schedule DSW–GI1 Effective date 10/01/2011
On-Peak Hours	± 0% to 1.5%; Min: 0 to 4 MW.
Energy within Bandwidth	100% return.
On-Peak Hours	± 1.5% to 7.5%; Min: 4 to 10 MW.
Under Deliveries	110% return.
Over Deliveries	90% return.
On-Peak Hours	>7.5%, Min: >10 MW.
Under Deliveries	125% return.
Over Deliveries	75% return.
Off-Peak Hours	−3% to ≥ 7.5%.
	Min: 2 MW Over Deliveries.

Generator imbalance service Class of service	Proposed rate schedule DSW–GI1 Effective date 10/01/2011
Energy within Bandwidth	Min: 5 MW Under Deliveries.
Energy outside Bandwidth	100% return.
Under Deliveries	100% return.
Over Deliveries	60% return.

Proposed Formula Rates for Operating Reserves Service—Spinning and Supplemental

Western's WALC Balancing Authority would continue to offer these services only on a pass-through basis. This proposal would not change the current methodology for the WALC Balancing Authority. See the following table comparing the existing with the proposed Operating Reserves structure:

Class of service	Existing rate schedule DSW–SPR2 DSW–SUR2 Effective date 07/01/2006	Proposed rate schedules DSW–SPR3 DSW–SUR3 Effective date 10/01/2011
Operating Reserve—Spinning Reserve Service	None available on long-term basis; market price, if available, on short term basis, or on request. Western will procure at cost plus 10% administrative charge.	No change.
Operating Reserve—Supplemental Reserve Service	None available on long-term basis; market price, if available, on short term basis, or on request. Western will procure at cost plus 10% administrative charge.	No change.

Legal Authority

Because the proposed rates constitute a major rate adjustment as defined by 10 CFR part 903, Western will hold both a public information forum and a public comment forum. After review of public comments, Western will take further action on the Proposed Rates consistent with 10 CFR part 903.

Western is proposing ancillary service rates for the Desert Southwest Customer Service Region in accordance with section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This section transferred to and vested in the Secretary of Energy, the power marketing functions of the Secretary of the Department of 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 section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts that specifically apply to the projects involved.

By Delegation Order No. 00–037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) The authority to develop power and transmission rates to Western's Administrator; (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 FERC. Existing DOE procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985 (50 FR 37835).

After review of public comments, and possible amendments or adjustments, Western will recommend the Deputy Secretary of Energy approve the proposed rates on an interim basis.

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents that Western initiates or uses to develop the proposed rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, located at 615 South 43rd Avenue, Phoenix, Arizona. Many of these documents and supporting information are also available on its Web site located at *http://www.wapa.gov/dsw/pwrmkt/ANCSRV/ANCSRV.htm.*

Ratemaking Procedure Requirements

Environmental Compliance

In compliance with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321–4347), Council on Environmental Quality Regulations (40 CFR parts 1500–1508), and DOE NEPA Regulations (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

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.

Dated: February 3, 2011.

Timothy J. Meeks,

Administrator.

[FR Doc. 2011–3361 Filed 2–14–11; 8:45 am]

BILLING CODE 6450–01–P