

May 3, 2016

Mr. Ronald E. Moulton
Regional Manager
Desert Southwest Customer Service Region
Western Area Power Administration
P.O. Box 6457
Phoenix, Arizona 85005-6457

Via Email

Re: Rate Order No. WAPA – 175

Dear Mr. Moulton:

Arizona Generation & Transmission (G&Ts), customers of the Western Area Power Administration (Western), Parker – Davis (P-DP) and Pacific Northwest-Pacific Southwest Intertie (Intertie), hereby submit the following comments in response to the Federal Register notice published on Wednesday, February 3, 2016.¹ Arizona G&Ts support the rates as developed, but ask Western to clarify the obligation to update service agreements pursuant to the terms and conditions of the Open Access Transmission Tariff (OATT) on file with the Federal Energy Regulatory Commission (FERC).

The rate proposed and set forth in the Federal Register notice reflects the adoption of two new rate schedules described as Transmission Losses Services (DSW-TL1) and Penalty Rate for Unreserved Use of Transmission Service (DSW-UU1). In addition, for Rate Schedule DSW-FR4, Western is proposing a change to the current load-based assessment in order to more accurately allocate costs based on cost causation principles. These new rate schedules and proposed changes reflect deviations from the underlying formula which are not limited to updates of formula inputs. As a consequence, Western should update service agreements as required by its OATT.

Arizona G&Ts most recently raised the question of OATT compliance in the context of a rate increase in Rate Order No. WAPA-169. In that circumstance, Western proposed a new rate schedule to reflect unreserved use penalties, similar to the DSW-UU1 proposed for Rate Order No. 175. In the recent approval of Rate Order No. WAPA-169, the FERC clarified that Western is

¹ Federal Register, Volume 81, No. 22, p. 5741 (Wednesday, February 3, 2016)

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obligated to update service agreements consistent with its OATT obligations.² In preparing the final rate for submission to the Deputy Secretary for approval, Arizona G&Ts ask Western to clarify that the new rates and changes to the underlying rate formulas constitute a change in the formulas. As such Western should indicate to the Deputy Secretary what changes are required to applicable service agreements and notify Western customers accordingly when the Deputy Secretary approves the rates on an interim basis.

We thank Western for the opportunity to participate in the rate forum and consideration of the comments presented above. Please contact us if you have any questions regarding these comments.

Sincerely,



Patrick F. Ledger
Executive VP & Chief Executive Officer

² Order Confirming and Approving Rates on a Final Basis, 155 FERC ¶ 61,042 (April 21, 2016)