



WESTERN AREA POWER ADMINISTRATION  
An agency of the U.S. Department of Energy

# Sierra Nevada Region

## Informal Rate Process Ancillary Service Rate Design Overview Public Meeting Notes

Meeting Date: January 28, 2010, 10:00 AM - 11:30 AM  
Location: 114 Parkshore Dr., Folsom, CA. 95630

### Agenda

1. Welcome
  - Introductions and Agenda
2. OATT FERC 890 Rate Schedules Under Review
  - 2.1. Introduction
  - 2.2. Existing ancillary service: Energy Imbalance Service
  - 2.3. New ancillary service: Generator Imbalance Service
  - 2.4. New: Unreserved Use Penalties for Transmission
    - 2.4.1. Response to SMUD's comments to FERC' Order 890
3. Follow-up Items from prior meetings
4. Conclusion of meeting
  - Next meeting: February 25, 2010

### 2.1 Introduction:

- Charles Faust, Rates Manager, introduced OATT FERC 890 rate schedules under review (1) Energy Imbalance Service (2) Generator Imbalance Service and (3) Unreserved Use Penalties.



## 2.2 Existing Ancillary Service: Energy Imbalance Service

- Energy Imbalance, Padmini Palwe, Public Utilities Specialist
  - Outlined Western's interpretation of FERC Order 890.
  - Sought customer comments on current EI rate, as presented during the October 29, 2009 meeting versus implementing the language of FERC Order 890.
  - Customer comments:
    - Tim Nichols, Redding, asked (1) is there any limitation on amount and (2) differences between regions?
      - Westerns Response: SNR has a formula that it uses to calculate individual customer bandwidths, which is found in exhibit D of the Interconnected Operating Agreement.
      - All Western's regions differ, and have floating bandwidths which are applied to load.
      - With respect to FERC order 890 and whether or not there is a limitation on EI amount, then the answer to that is yes, there is a limitation. This is due to the fact that EI is calculated hourly and a penalty will apply to EI, based on the tiers described in FERC order 890. EI is a result of a mismatch between resources and operations.
    - James Takehara, Roseville, asked if we are proposing to move to FERCs rate structure.
      - Western responded that it was simply presenting the comparative information between our existing methodology and that of FERCs, and at this point we are looking for input from customers, to maintain a FERC comparable rate schedule
    - Ed Roman, SMUD, asked if IOAs are similar.
      - Western responded that the formula used is the same, but the bandwidths vary.
    - Ed Roman, SMUD, asked if we believe our rate structure is compliant with or superior to FERC Order 890?
      - Western responded that upon advice of legal counsel, Western is a non jurisdictional entity and compliance is to ensure that the rates are not arbitrary and capricious, and that our costs are fully recovered. When Western filed its rates, and FERC approved, Western met the above standards.
    - Ed Roman, SMUD, asked if it was imperative that Western adopt the three tiers v. Western's current 2-tier standard?



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- Western responded again that we are recovering our full costs and rates are not arbitrary and capricious. In addition to that, we are seeking input from the customers.
- Nannette Engelbrite, NCPA, asked how we determine actual cost.
  - Western responded that we presented the methodology to calculate the actual cost of energy during our November 19, 2009 rate meeting.
- Nannette Engelbrite, NCPA, asked how customers can compare options without a comparison of cost between the options.
  - Western responded that current data cannot be used to compare costs between options as scheduling practices and behavior would differ and be consistent with the threshold and bandwidths that would be in place.
- Ed Roman, SMUD, asked if Western plans to differentiate the tiers and bandwidths for intermittent resources in a similar manner as FERC Order 890.
  - Western will consider this comment in preparing its rate schedule during the formal process.

### **2.3 New ancillary service: Generator Imbalance Service**

- Generator Imbalance, Steve Richardson, Public Utility Specialist
  - Outlined Western's interpretation of FERC Order 890.
  - Sought customer comments on implementation in a similar manner as EI rate.
  - Currently no customers are taking this service from Western.
  - Customer comments: There were no comments/issues regarding GI at this meeting. However, customers were requested to provide input.

### **2.4 New: Unreserved Use Penalties for Transmission**

- Unreserved Use Penalties, Regina Rieger, Public Utility Specialist
  - Outlined Western's interpretation of FERC Order 890
  - SNR proposed its Unreserved Use Penalty Rate Schedule and sought customer comment
    - Penalty rate 150% based on use, plus cost of transmission
    - Ancillary services cost only
    - Emergencies and reserve sharing exempt
    - Credit penalty revenue to the Transmission Revenue Requirement
  - Customer comments:
    - Ken Sims, SVP, How do we measure reserve sharing when outside the bandwidth?



- Western's response: Carl Dobbs, operations, responded that schedules are submitted after-the-fact.
- Nannette Engelbrite, NCPA, asked if base resource customers would be harmed financially during emergencies, and if so, would they be compensated for it.
  - Western responded that customers will not be compensated.
  - Western responded that as currently proposed penalties are not assessed on unreserved use of transmission during emergencies; therefore, the potential revenue generated from penalties would not be collected nor credited to the TRR/PRR.
- Open Item: Western solicited and will consider customer comments in preparing its rate schedule.

### **3 Follow-up Items from prior meetings**

- Follow Up from prior meeting: Charles Faust, Rate Manager addressed the items that remained on the "Action Items" lists from the Power section and the Transmission/Ancillary Service section meetings. The majority of the items were addressed by the Rates Group during the informal process to date, with only a few remaining items. Charles requested comments or input on any additional items / comments/ or concerns the customers may have before we close out the informal process. Please send any follow-up questions or requests to Charles Faust at: [Faust@wapa.gov](mailto:Faust@wapa.gov), or 916-353-4468. Thank you.

### **4. Conclusion of meeting**

- Conclusion: Western covered all its current and proposed rates.
- Next Meeting:
  - February 25, 2010 at 10:00 a.m. to be held telephonically.
  - This is open to the customer's comments. This is an opportunity for the customers to bring up anything related to the rate case that they would like. No formal agenda, intent to hear customers' comments, input and questions.



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## Attendees

Name	Company
Tim Nichols	City of Redding
Dave Arthur	City of Redding
Debbie Yaworsky	Western
Ken Sims	Silicon Valley Power
Alan Hanger	Alameda Municipal Power
James Takehara	City of Roseville
Phil Sanchez	Western
Lynn Richardson	Dan Payton and Associates
Carl Dobbs	Western
Ed Roman	SMUD
Charles Faust	Western
Steve Richardson	Western
Regina Rieger	Western
Padmini Palwe	Western
Pete Garris	Western
Sonja Anderson	Western
Russell Knight	Western
Sandee Peebles	Western
Nicole Hines	Western

Attended Via Phone	
Dick Buckingham	SMUD
Wes Monier	Turlock Irrigation District
Brent Heckman	Turlock Irrigation District
Nannette Engelbrite	Northern California Power Agency