

**October 29, 2009**  
**Informal Rates Customer Meeting**  
**Ancillary Service Rate Design Overview**  
**10:00 AM - 3:00 PM**

## **Agenda**

1. Welcome
  - Introductions and Agenda
2. October 14<sup>th</sup> Customer Meeting Items
  - Plant Update Discussion
  - Future Project Repayment Chart
3. Ancillary Services
  - Introduction
  - Regulation and Frequency Response (CV-RFS3)
  - Energy Imbalance Service (CV-EID3)
  - Spinning (CV-SPR3) and Non-Spinning Reserves (CV-SUR3)
4. Follow-Up Items from prior meetings
  - Scheduling Coordinator/Portfolio Management Charges
  - Sub Balancing Authority
  - Labor cost allocation percentage on TSS desk
    - i. Allocation of each project-CVP, COTP and PACI
5. Conclusion of meeting
  - Next meeting continue

### **Introduction & Overview**

This is the 10<sup>th</sup> Informal Rates Process meeting.

### **Grid Management Charge (GMC)**

- Charles Faust, Rates Manager, discussed the status of the Western Area Power Administration's (Western) GMC case with the Pacific Gas & Electric Company (PG&E). A settlement was reached on October 14, 2009 between PG&E and Western, and the courts made a ruling on the \$13.8 million in GMC invoices from 2001 to 2004. Western will not pay the outstanding balance of \$5.5 million, and PG&E will keep the \$8.3 million already paid by Western. PG&E and Western are responsible for covering their own attorney's fees. Due to this ruling, a crediting and/or payout could be applied to some customers who made payments to the GMC. The \$8.3 million payment will be reflected in the fiscal year (FY) 2009 Power Repayment Study.

### **Plant Update**

- Charles Faust, Rates Manager, discussed the Central Valley Project (CVP) plant update project. Western performed a multi-year plant update for the CVP system which was

completed this year. The Rates Group hired a contractor in 2008 to perform this process. That update is now complete and the resulting updated plant and rate effects due to the plant update for the period 1997-2008 were discussed. The plant update included \$32 million in investment increase for the period 1997 to 2007, and \$44.4 million for 2008; with the related interest associated with those periods to be \$12.8 million and \$2.1 million respectively. The updates to plant and interest were incorporated into the 2008 PRS.

- This completes the plant update process for 1997 to 2008.

### **Future Project Repayment**

- Steve Richardson, Public Utilities Specialist, presented the requested graphical depiction of Western's repayment schedule. He presented a graph with the projected repayment of the Central Valley Project (CVP) Investment. The graph showed current and future additions, aid to irrigation, replacements, New Melones, original investment, and amortized power rights starting in FY 11 to FY 60. The balloon payments are paid by making payments each year to prevent rate shock and will be paid by the due dates. The chart includes \$32 million of historical investment and \$44 million in investment for FY08, and \$125 million in currently funded, future plant.
  - There are no outstanding issues related to this chart.
  - **Completed:** This closes out this issue.

### **Western reviewed three ancillary service rates**

- Regulation and Frequency Response Service,
- Energy Imbalance Service and
- Spinning and Non-Spinning Reserves.

### **Rate Schedule (CV-RFS3) for Regulation and Frequency Response Service**

- Regina Rieger, Public Utilities Specialist, Western explained components of rate and provided an example of the rate calculation. Western proposed the following rate language change to be consistent with rate calculation: "The annual regulating capacity is *one-half* of the total regulating capacity bandwidths..." No objections to proposed language change or issues regarding the rate were raised by the customers.
  - Western will move the proposed language change forward to the formal rate process.
  - **Completed:** This closes out Regulation and Frequency Response Service for the Informal Rate Process.

### **Rate Schedule (CV-EID3) for Western's Energy Imbalance Service**

- Padmini Palwe, Public Utilities Specialist, Western discussed the conditions of service and the rate formula. Conditions of service include Energy Imbalance (EI) service that is provided when there are integrated hourly deviations between the scheduled and actual delivery of energy to a load or from a generation resource. EI service uses the regulating capacity bandwidth that is established in the Interconnected Operations Agreement. The rate formula has 3 components; (1) An hourly average negative deviation (under-

delivery) outside the regulating capacity bandwidth will be charged the greater of 150 percent of market price or Western's actual cost, (2) Any FERC or other Regulatory body charges/credits are directly passed through to customers receiving this service, and (3) Any HBA charges/credits applied to Western for providing this service are directly passed through to customers receiving service.

Additional questions/requests:

1. Energy Imbalance (EI): Does Western use LMP which includes congestion & losses?
  - a) Confirm if LMP is appropriate, and
  - b) Should Western only use LMP energy component?
    - These issues were presented at the November 19, 2009 conference call meeting by Padmini Palwe, and will be published in the respective meeting notes to follow
  
2. Show formula of determining "Actual Cost File" for EI.
  - a) Explain formula for determining EI "Western Actual System Cost."
  - b) Provide Actual Cost File explanation prior to next meeting.
    - These issues were presented at the November 19, 2009 conference call meeting by Padmini Palwe, and will be published in the respective meeting notes to follow.

**CV-SPR3 for Spinning Reserve CV-SUR3 for Non-Spinning Reserve Service**

- Steve Richardson, Public Utilities Specialist, discussed the conditions of service and the formula. Conditions of service are spinning reserve service supplies capacity that is available immediately to take load and is synchronized with the power system, non-spinning reserve service supplies capacity that is available within the first 10 minutes to take load, and the interconnected operations agreement is the contractual mechanism which obligates the entity to the spinning and non-spinning requirements. The formula rate for spinning and non-spinning reserve service is the price consistent with the California Independent System Operator market plus all costs incurred as a result of the sale of the spinning and non-spinning reserves.
  - There are no outstanding issues with this rate schedule and this closes out the Spinning and Non-spinning reserve service topic.

**Follow up from prior meetings:**

Western responded to customer questions related to scheduling coordinator/portfolio management charges, sub-balancing authority and labor cost allocation percentage on the TSS desk.

**Scheduling Coordinator (SC) and Portfolio Management (PM) Cost Analysis:**

- Sonja Anderson, Power Marketing Manager, presented the analysis for the cost and allocation methodology for determining the SC & PM contract charge. While this contract charge is not part of the rate process, Western's Management decided that this

forum would be appropriate venue to discuss the development and determination of this charge.

- Western explained the analysis and methodology used to develop the contract charges for SC & PM; which included labor costs for power marketing and information technology, and IT system maintenance and capital costs. SC charge will increase from based \$3,777 monthly charge to \$4,926 and PM variable customer charge will increase approximately 22.60%.
- It was determined that this contract charge will remain a contract charge.
- SNR will notify the affected Customers when rate changes take effect.
- Western committed to reviewing this charge annually.
- There was one request for additional information associated to the allocation percentages to be provided to a participant; that data was provided.
- **Completed:** This closed out the customer's request to review the SC & PM cost development and allocation methodology. No other issues are outstanding pertaining to this category.

#### **Sub-Balancing Authority:**

- Presented by Pete Garris, Power Operations Manager and Charles Faust, Rates Manager. Pete provided an explanation as to the operation of the SBA, and highlighted that this decision was reviewed prior to making the transition to the new marketing plan. Currently and going forward the primary operational functions remain regardless of the structure. Pete Garris explained costs are imbedded with its other cost of doing business. Charles Faust explained how the power and transmission models function, and that they are working properly allocating costs. To highlight this he provided an example of how the projected increase in transmission investment will affect the transmission revenue requirements and rates, while the power revenue requirements will remain relatively unaffected; therefore, costs are being properly assigned to the benefitting function. There was a bit of discussion as to the method used to display this; however, the change would not have adjusted the final outcome.
- Also during this discussing there was a request to provide a regular report of the estimated rate effect from future system additions. Charles Faust stated that while this was not the practice in the past, we are evaluating the possibility of creating and providing this information in the future. The request was noted in the action items with no deliverable due.
  - **Completed:** This completes the customer's request for an explanation of the cost/benefit and allocation associated with the SBA. There were no additional issues or action items associated with this request.

#### **Labor cost allocation percentage on TSS desk:**

- Phil Sanchez, Operations, Lead Electrical Engineer, provided the total number of tags processed on TSS desk for the Calendar Year 2008 period, (a total of 60,139 tags) as follows:
  - CVP- 44.68 %
  - PACI- 10.26 %

- COTP- 45.06 %
  - **Completed:** This completes this customer request for information on the TSS desk. There was a request to place the data in the meeting notes which was done (see above). There were no more questions or issues associated with this topic.
- Rates Manager welcomed customers to provide any issues or concerns to him associated with any past items or input and questions for future meetings or unresolved topics.
  - All customer requests were captured in the action item list below.
- Next meeting: November 19, 2009 at 10:00 a.m. to be held telephonically.
- Please send any follow-up question or request to Charles J. Faust, Rates Manager, Sierra Nevada Region at: [faust@wapa.gov](mailto:faust@wapa.gov) or call (916) 353-4468.

**Rates Web Link:**

<http://www.wapa.gov/sn/marketing/rates/>

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**ACTION ITEMS THAT RESULTED FROM THIS MEETING:**

1. Unreserved use of Transmission charge (OATT FERC 890 Filing) – (Ed Roman. SMUD)
- 2) Energy Imbalance (EI): Does Western use LMP which includes congestion & losses – (James Takehara, Roseville)
  - a) Confirm if LMP is appropriate, and
  - b) Should Western only use LMP energy component?
- 3) Show formula of determining "Actual Cost File" for EI – (David Cohen, TANC)
  - a) Explain formula for determining EI "Western Actual System Cost." (Nannette, NCPA)
  - b) Provide Actual Cost File explanation prior to next meeting – (Western offered to Provide)
- 4) Can Western show the price used (source) for EI on Western Bill? - James Takehara (Roseville)
- 5) Present determination of Spinning / Non-Spinning obligations (requestor?)
  - a) This presentation closes out all issues related to Spinning/Non-Spinning reserve service. There are no outstanding issues.
- 6) Provide SC/PM "Time" breakout to determine [customers] annual costs – (Nanette, NCPA)
  - a) **Completed:** Information provided to the customer whom requested it.

- 7) Provide update on non-binding Transmission rate impacts of new plant [from what was provided at the previous meeting] - Ed Roman (SMUD)
  - a) This is an ongoing review of new Transmission projects; will Western provide an estimate on an ongoing basis – this is something that were reviewing internally.
- 8) Put TSS TAG Percentages in meeting notes.
  - a) The information was included in this document. Please refer to the earlier section related to the TSS Tag presentation.
  - b) **Completed:** This response completes and closes out the request.
- 9) Breakout on BOR O&M (as seen on FY10 PRR), i.e., Expenses V. Capital - Nanette (NCPA)
  - a) This information was provided at the November 19, 2009 meeting.
  - b) **Completed:** This item is complete and closed out as of the Nov 19<sup>th</sup> presentation.

### Attendees

Name	Company
James Takehara	City of Roseville
David Cohon	Transmission Association of Northern California
Nannette Engelbrite	Northern California Power Agency
Lowell Watros	City of Redding
Lynn Richardson	DT Payton & Associates, LLC
Ed Roman	Sacramento Municipal Utility District
Paul Landry	United States Bureau of Reclamation
Ken Sims	SVP
Larry Riegle	NCI/SVP
Jerry Toenyas	Northern California Power Agency
Nicole Hines	Western Area Power Administration
Sonja Anderson	Western Area Power Administration
Russell Knight	Western Area Power Administration
Jeanne Haas	Western Area Power Administration
Deb Dietz	Western Area Power Administration
Pete Garris	Western Area Power Administration
Phil Sanchez	Western Area Power Administration
Carl Dobbs	Western Area Power Administration

Attended Via Phone	
Dan Payton	DT Payton & Associates, LLC
Bob Riehl	DT Payton & Associates, LLC
Brad Engel	UC San Francisco