



Department of Energy
Western Area Power Administration
Watertown Operations Office
P.O. Box 790
1330 41st Street SE
Watertown, South Dakota 57201-0790

September 3, 2010

Dear Transmission Customers and Other Interested Parties:

Summarized below are the Integrated System (IS) Transmission and Ancillary Services Rates which will be effective January 1, 2011. Western will host a meeting to provide customers an opportunity to discuss and comment on these recalculated rates on September 21, 2010, at 8:00 a.m. CDT at the Holiday Inn City Center, 100 W 8th Street, Sioux Falls, South Dakota. This meeting provides an opportunity to discuss the proper application of data in the formula rate, not the rate formula itself. The data used in calculating these rates can be found at either of the following web sites <http://www.wapa.gov/ugp/rates/default.htm> or <http://www.oatioasis.com/wapa/index.html>. The recalculated rates are as follows:

<u>Service</u>	<u>Rate Schedule</u>	<u>Rate</u>
Network Transmission	UGP-NT1	Load-ratio share of 1/12 of the Annual Revenue Requirement for IS Transmission Service of \$157,866,363.
Firm Point-to-Point Transmission	UGP-FPT1	Maximum of \$2.83/kWmonth
Non-Firm Point-to-Point Transmission	UGP-NFPT1	Maximum of 3.88 mills/kWh
Scheduling, System Control and Dispatch	UGP-AS1	\$43.11/tag/day
Reactive Supply and Voltage Control from Generation Sources	UGP-AS2	\$0.05/kWmonth
Regulation and Frequency Response	UGP-AS3	\$0.04/kWmonth
Energy Imbalance	UGP-AS4	i) For deviations within +/- 1.5% (minimum of 2 MW) of the scheduled transaction, 100% of average incremental cost;

ii) For deviations greater than +/- 1.5% up to 7.5% (or greater than 2 MW up to 10 MW) of the scheduled transaction, 110% of incremental cost when energy taken is greater than energy scheduled and 90% of incremental cost when energy taken is less than scheduled;

iii) For deviations greater than +/- 7.5% (or 10 MW) of the scheduled transaction, 125% of incremental cost when energy taken is greater than energy scheduled and 75% of incremental cost when energy taken is less than scheduled.

Spinning/Supplemental Reserves

UGP-AS5 and 6

\$0.20/kWmonth of customer load

Generator Imbalance

UGP-AS7

i) For deviations within +/- 1.5% (minimum of 2 MW) of the scheduled transaction, 100% of the average incremental cost;

ii) For deviations greater than +/- 1.5% up to 7.5% (or greater than 2 MW up to 10 MW) of the scheduled transaction, 110% of incremental cost when energy delivered is less than generation scheduled and 90% of incremental cost when energy delivered is greater than scheduled;

iii) For deviations greater than +/- 7.5% (or 10 MW) of the scheduled transaction, 125% of incremental cost when energy delivered is less than energy scheduled and 75% of incremental cost when energy delivered is greater than scheduled.

As an exception, an intermittent resource will be exempt from this deviation band and will pay the deviation band charges for all deviations greater than the larger of 1.5% or 2 MW.

Penalty Rate for
Unreserved Use of
Transmission Service

UGP-TSP1

200% of the transmission service rate for point-to-point service assessed as follows: the penalty for a single hour will be based upon the rate for daily firm point-to-point service; the penalty for more than one assessment of a given duration (e.g. daily) will increase to the next longest duration (e.g. weekly); the penalty charge for multiple instances of unreserved use within a day will be based on the rate for daily firm point-to-point service; the penalty charge for multiple instances of unreserved use isolated to 1 calendar week would result in a penalty based on the charge for weekly firm point-to-point service; and the penalty charge for multiple instances of unreserved use during more than 1 week during a calendar month is based on the charge for monthly firm point-to-point service.

The IS Transmission Loss Factor effective January 1, 2011, is 4 percent and unchanged from the previous 4-year period.

These new rates shall be used in transmission bills calculated on or after February 1, 2011.

If you have any questions concerning the IS Transmission and Ancillary Services Rate Calculation, please telephone Lloyd Linke at (605) 882-7500.

Sincerely,



Lloyd A. Linke
Operations Manager

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