



**INTEGRATED SYSTEM
CUSTOMER RATE BROCHURE**

**PROPOSED
TRANSMISSION SERVICE PENALTY
RATE FOR UNRESERVED USE**

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I. INTRODUCTION

This brochure provides information on Western Area Power Administration (Western) Upper Great Plains Region's (UGPR) proposed Integrated System (IS) transmission service penalty rate for Unreserved Use (Proposed Rate). The proposed penalty rate will provide penalties for uses of transmission service that has not been reserved or for uses of transmission service in excess of a Transmission Customer's reserved capacity.

The schedule to establish the penalty rate is outlined in Appendix A to this brochure. This action was first announced in a *Federal Register* notice (FRN) published on June 26, 2009. (See Appendix C for the FRN.)

History of IS Transmission

Prior to 1959, the Bureau of Reclamation (Reclamation) provided the total power supply needs to preference customers in the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED) Marketing Area. A project description can be found in Appendix B. Reclamation constructed a Federal transmission system to supply power to those preference customers. In 1959, Reclamation notified the preference customers that it could no longer meet the total projected power needs past the year 1964 and urged these entities to make their own arrangements for supplemental power supply. Reclamation and certain supplement power suppliers agreed to construct future transmission facilities within the region using a single system, joint planning concept.

In 1963, the Joint Transmission System (JTS) was created when Reclamation and Basin Electric Power Cooperative (Basin Electric) entered into the Missouri Basin Systems Group (MBSG) Pooling Agreement (Agreement). In 1977, Western was established and assumed the responsibility for the Reclamation-owned federal transmission system and existing contracts. Since then, the supplemental power suppliers have augmented the existing federal transmission system, using a single system, joint-planning concept, rather than build separate transmission systems themselves.

Later, through bilateral contracts, Western, Basin Electric, and Heartland Consumers Power District (Heartland) combined their transmission facilities to form the IS and used a FERC recognized rate design. Western was designated as the operator of the IS by Basin Electric and Heartland and, as such, contracts for service, bills for service, collects payments and distributes revenues to each participant of the IS.

The IS offers Network Integration Transmission, Firm and Non-firm Point-to-Point Transmission, Scheduling, System Control and Dispatch Service, Reactive Supply and Voltage Control Service, Regulation and Frequency Response Service, Energy Imbalance Service, and Reserve Services. The rate schedules for the IS were initially placed into effect by Rate Order No. WAPA-79 on August 1, 1998, and were effective through July 31, 2003. The FERC order to confirm these rate schedules was issued on November 25, 1998. These rate schedules were then extended by Rate Order No. WAPA 100 through September 30, 2005. Rate Order No. WAPA 122 removed the GSUs from transmission and placed them in generation in the formula rate calculations. The rate schedules placed

into effect by Rate Order No. WAPA 122 were effective on October 1, 2005, and will remain in effect until September 30, 2010, or until superseded.

The IS is currently in the process of adjusting its Transmission and Ancillary Services rates as announced in a *Federal Register* notice published June 3, 2009. The proposed rates are scheduled for implementation on January 1, 2010. Additional information concerning the proposed rate adjustment is available on Western's Web site at <http://www.wapa.gov/ugp/rates/2009FirmRateAdjust/TASRateProcess.htm>.

II. Proposed Penalty Rate for Unreserved Use of Transmission Service

The UGPR has initiated a public rate process which proposes to add a new penalty rate for Unreserved Use of Transmission Service. However, Western has not concluded development of modifications to its Open Access Transmission Tariff (OATT) required as a result of FERC Order 890. Consequently, charges for Unreserved Use Penalties will not be implemented until such time as Western has finished development of and placed into effect its revised OATT containing provisions for charging penalties for Unreserved Use of Transmission Service. Western intends to conduct portions of the public process for this rate in conjunction with the currently in-progress public process to adjust transmission and ancillary services. Therefore, by establishing its penalty rate for Unreserved Use of Transmission Service in this process, Western will avoid the need and cost for a totally separate public process to develop this rate at a later date. Western will provide written notification to its Transmission Customers prior to implementing the penalty rate for Unreserved Use of Transmission Service and will also post a notification on its Open Access Same-Time Information System (OASIS) Web site indicating the implementation of the penalty rate.

The proposed rate is scheduled to go into effect the later of January 1, 2010, or the date that a revised OATT is approved and to remain in effect until December 31, 2014 or until superseded.

Western proposes to add the penalty rate for Unreserved Use of Transmission Service in a new rate schedule, Rate Schedule UGP-TSP1. However, if Western does not also implement a provision for a penalty rate for Unreserved Use of Transmission Service in a revised OATT, this rate will not be utilized.

Unreserved Use of Transmission Service is provided when a Transmission Customer uses transmission service that it has not reserved or uses transmission service in excess of its reserved capacity. A Transmission Customer that has not secured reserved capacity or exceeds its firm or non-firm reserved capacity at any point of receipt or any point of delivery will be assessed Unreserved Use Penalties.

The penalty charge for Transmission Customer that engages in Unreserved Use is 200 percent of Western's approved transmission service rate for point-to-point transmission service assessed as follows:

(i) The Unreserved Use Penalty for a single hour of unreserved use will be based upon the rate for daily firm point-to-point service.

(ii) The Unreserved Use Penalty for more than one assessment for a given duration (e.g. daily), will increase to the next longest duration (e.g. weekly).

(iii) The Unreserved Use Penalty charge for multiple instances of unreserved use (for example, more than one hour) 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 one calendar week would result in a penalty based on the charge for weekly firm point-to-point service. The penalty charge for multiple instances of unreserved use during more than one week during a calendar month will be based on the charge for monthly firm point-to-point service.

A Transmission Customer that exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery or an Eligible Customer that uses Transmission Service at a Point of Receipt or Point of Delivery that is not reserved is required to pay for all Ancillary Services identified in Western's OATT that were provided by Western and associated with the unreserved service on the IS system. The Transmission Customer or Eligible Customer will pay for Ancillary Services based on the amount of transmission service it used, but did not reserve.

Unreserved Use Penalties collected over and above the base point-to-point service charge will be credited against the IS Annual Transmission Revenue Requirement (ATRR). For example, if a Transmission Customer has unreserved use that results in a penalty equal to twice the rate for firm weekly point-to-point service, Western will retain an amount equal to the then current rate for firm weekly point-to-point service with the balance credited against the ATRR at a future rate recalculation.

Proposed Annual Rate Recalculation

In its current rate adjustment public process, Western has proposed to conduct its annual rate recalculation prior to September 1 of each year, provide customers the opportunity to discuss and/or comment on the rate recalculation prior to October 31 of each year, and place the recalculated rate into effect on January 1 of each year. Penalty amounts to be credited against a future ATRR will be determined during an annual rate recalculation and true-up process. The credit amount will then be applied against a future ATRR.

III. Rate Adjustment Procedure

Western's rate adjustment procedures are governed by the "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions" (10 CFR Part 903). These procedures give interested parties an opportunity to participate in the development of power rates.

A. Notice of Proposed Rate and Consultation and Comment Period

A notice of the proposed rate and official time for public participation was published in the *Federal Register*. The title of this notice is Proposed Transmission Service

Penalty Rate for Unreserved Use for Pick-Sloan Missouri Basin Program--Eastern Division, and established a consultation and comment period. This period began on the publication date of the FRN (June 26, 2009) and closes 90 days later (September 24, 2009). During this period, interested parties may consult with and obtain information from Western's representatives. Specific details for providing comments are included in the FRN. As this rate action is considered a major rate adjustment, public information and comment forums are planned.

Public Information Forum: The public information forum date is July 28, 2009, 8 a.m. to 8:45 a.m. CDT, Sioux Falls, South Dakota and will be held at the Holiday Inn, 100 West 8th Street, Sioux Falls, SD.

Public Comment Forum: The public comment forum date is July 28, 2009, and will be held in conjunction with the public comment forum for the adjustment of Western's transmission and ancillary services rates (as announced in 74 FR 26682 on June 3, 2009) from 9 a.m. to 12 p.m. CDT, Sioux Falls, South Dakota and will be held at the Holiday Inn, 100 West 8th Street, Sioux Falls, SD.

1. Written Comments

Interested parties may submit written comments and inquiries to Western during the consultation and comment period.

2. Revision of Proposed Rate

After the close of the consultation and comment period, Western will review and consider comments. If appropriate, the Proposed Rate will be revised. If the Administrator determines that further public comment should be invited or is necessary, interested parties will be given a period of at least 30 days to submit additional comments concerning the revised Proposed Rate.

B. Preliminary Decision on Interim Rate

Following the end of the consultation and comment period, the Administrator will develop provisional rates. The Deputy Secretary of Energy for the Department of Energy has the authority to confirm, approve, and place this rate into effect on an interim basis. The decision, together with an explanation of the principal factors leading to the decision, will be published in the *Federal Register*.

C. Final Approval of Interim Rate

The Deputy Secretary will submit information concerning the interim rate to the FERC and request final approval. The response of FERC will be to:

1. give final confirmation and approval to the interim rate,
2. disapprove the interim rate, or
3. remand the matter to Western for further study.

The interim rate does not become final until it is approved by FERC.

APPENDIX A
PROPOSED RATE PROCESS SCHEDULE

- Public Process
 - FRN for Proposed Rate published June 26, 2009.
 - 90 day comment period began June 26, 2009, and ends September 24, 2009
 - Information Forum will be held July 28, 2009
 - Comment Forum will be held July 28, 2009
 - Publication of Interim Rate November 2009
 - Implement Interim Rate January 1, 2010

APPENDIX B
PROJECT DESCRIPTION

The Pick-Sloan Missouri Basin Program (P-SMBP) was authorized by Congress in Section 9 of the Flood Control Act of December 22, 1944, commonly referred to as the Flood Control Act of 1944. The multipurpose program provides flood control, irrigation, navigation, recreation, preservation and enhancement of fish and wildlife, and power generation. Multipurpose projects have been developed on the Missouri River and its tributaries in Colorado, Montana, Nebraska, North Dakota, South Dakota and Wyoming.

In addition to the multipurpose water projects authorized by Section 9 of the Flood Control Act of 1944, certain other existing projects have been integrated with the P-SMBP for power marketing, operation and repayment purposes. The Colorado-Big Thompson, Kendrick, and Shoshone Projects were combined with the P-SMBP in 1954, followed by the North Platte Project in 1959. These projects are referred to as the “Integrated Projects” of P-SMBP.

The Flood Control act of 1944 also authorized the inclusion of the Fort Peck Project with the P-SMBP for operation and repayment purposes. The Riverton Project was integrated with the P-SMBP in 1954, and in 1970 was reauthorized as a unit of P-SMBP.

The P-SMBP is administered by two regions. The Upper Great Plains Region with a regional office in Billings, Montana, markets the Eastern Division of P-SMBP and the Rocky Mountain Region with a regional office in Loveland, Colorado, markets the Western Division of P-SMBP. The Upper Great Plains Region markets power in western Iowa, Montana east of the Continental Divide, North Dakota, South Dakota, and the eastern two-thirds of Nebraska. The Rocky Mountain Region markets P-SMBP power in northeastern Colorado, east of the Continental Divide in Wyoming, west of the 101st meridian in Nebraska and northern Kansas. The P-SMBP power is marketed to approximately 300 firm power customers by the Upper Great Plains Region and approximately 40 firm power customers by the Rocky Mountain Region.

APPENDIX C
PROPOSED RATE FEDERAL REGISTER NOTICE