

In The Matter Of:

*Proposed Formula Rates for Network Transmission and
Ancillary Services - Rate Order No. WAPA-175*

*Public Information Forum
March 30, 2016*

*Griffin & Associates Court Reporters, LLC
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PUBLIC INFORMATION FORUM

**Proposed Formula Rates for
Network Transmission and
Ancillary Services**

Rate Order No. WAPA-175

March 30, 2016

1 MR. SCOTT LUND: Good morning.

2 Welcome to our public information forum.

3 My name is Scott Lund, and I'm the rates manager here at
4 Desert Southwest Region. And I'll be the moderator as
5 well as a presenter this morning.

6 At this forum, we will explain the proposed
7 rates for Network Integration Transmission Service and
8 Ancillary Services under Rate Order No. WAPA-175. These
9 proposed formula rates will be effective October 1, 2016,
10 through September 30, 2021.

11 This forum also provides you with the
12 opportunity to ask questions about the proposed formula
13 rates. Keep in mind that questions should be relevant to
14 the rate process, and please wait until the presentation
15 is finished to ask any questions.

16 The Public Comment Forum for the proposed
17 formula rates is scheduled for this afternoon at 1 p.m.
18 Mountain Standard Time at this location. Written
19 comments on the proposed formula rates must be received
20 by the close of the consultation and comment period on
21 May 3, 2016. Comments should be sent to Mr. Ronald E.
22 Moulton, Senior Vice President and Regional Vice
23 President of Western's Desert Southwest Customer Service
24 Region by mail to P.O. Box 6457, Phoenix, Arizona, 85005,
25 or by e-mail to moulton@wapa.gov. That's m-o-u-l-t-o-n

1 at w-a-p-a.gov. And we'll have that address in the
2 presentation, and I can provide you with it after the
3 forum as well.

4 A verbatim transcript of this forum will be
5 prepared by our court reporter. Everything said while
6 we're in session, together with the presentation, will be
7 a part of the official record. Copies of the transcript
8 and the complete record of the public process will be
9 available for review here at the Desert Southwest
10 Regional Office.

11 Any questions that we're not able to answer
12 this morning will be answered for you at either the
13 public comment forum or in writing. Unless anyone has
14 any questions about the procedures for this forum, I'll
15 go ahead and start the presentation.

16 So on our second slide, I'll walk you
17 through a little bit of the background on this rate
18 process. I'll also tell you about the rate adjustment
19 schedule. Then Todd Statler, a rate analyst here at DSW,
20 will show you the transmission service rate proposals and
21 the ancillary service rate proposals and also summarize
22 them. Then I'll come back with next steps, contact
23 information, and we'll open the forum to any questions
24 you might have.

25 For background information, the existing

1 formula rates for the Network Service applicable to
2 Parker-Davis and the Intertie Projects expire
3 September 30, 2016. The existing formula rates for
4 Ancillary Services applicable to the Western Area Lower
5 Colorado, or WALC, Balancing Authority, or BA, expire on
6 September 30, 2016, as well.

7 DSW is proposing to change some of the
8 formula rates, make minor edits to the rate schedules,
9 and implement two new rate schedules. Now, we are
10 required to conduct a formal public rate adjustment
11 process to accomplish that and place the formula rates
12 into effect for a new five-year period.

13 So on slide number four, we have our rate
14 adjustment schedule. Back in August of 2015, we held an
15 informal meeting to show you the proposed formula rates.
16 On February 3, 2016, we published a notice in the Federal
17 Register announcing the 90-day consultation and comment
18 period for the proposed rates.

19 Today, we are having our public information
20 forum as well as the public comment forum.

21 On May 3, the consultation and comment
22 period ends. Around September 1 of 2016, we'll publish
23 the provisional formula rates in the Federal Register,
24 and those rates will be effective in October of 2016.

25 Then sometime thereafter, most likely

1 fiscal year 2017, FERC will confirm and approve the rates
2 on a final basis.

3 I'll hand it off to Todd.

4 MR. TODD STATLER: Good morning.

5 As Scott mentioned, my name is Todd
6 Statler. I'm a rates analyst here at Western's Desert
7 Southwest Region, and I'll be presenting the rate
8 proposals for Transmission Service and Ancillary
9 Services.

10 We're going to start off with Network
11 Integration Transmission Service. And here, the monthly
12 charge is a product of the Network customer's load-ratio
13 share times 1/12 of the annual transmission revenue
14 requirement for the applicable transmission system.
15 Therefore, the existing formula rate is the monthly
16 charge equals Network customer's load-ratio share times
17 the applicable transmission revenue requirement divided
18 by 12. Under this rate process, we are not proposing any
19 changes to this formula rate for Network service.

20 Transmission losses:

21 Currently losses are addressed in the
22 individual rate schedule for each project, the
23 Parker-Davis Project, Interie Project, and Central
24 Arizona Project. In 2004, WALC developed a single loss
25 rate and applied it uniformly across all the transmission

1 systems. So what we're proposing here is to consolidate
2 all the provisions for losses in individual project rate
3 schedules to a single rate schedule for WALC, and that
4 would be schedule 10 under Western's tariff. No changes
5 are being proposed to the existing loss percentage or
6 application. And by doing this, establishing the WALC
7 formula rate schedule for losses will ensure consistent
8 treatment across all of the projects.

9 Unreserved use:

10 Currently, the penalties for unreserved use
11 are included, again, in each of the individual projects'
12 transmission service rate schedules. However, the
13 calculation of penalties and the language describing the
14 penalties varies within each rate schedule. So the DSW
15 proposes to unify all the penalty provisions and
16 consolidate them into a single rate schedule for WALC.
17 Again, this will ensure consistency across the projects
18 and with Western's tariff.

19 In continuing with unreserved use, the
20 proposed charge will be two times the maximum allowable
21 rate for the service at issue assessed as follows. The
22 penalty for a single hour is based on the daily
23 short-term rate. And the penalty for more than one
24 instance of a given duration, for example, daily,
25 increases to the next longest duration, example, weekly.

1 In addition to this, you'll also be required to pay for
2 any Ancillary Services that were provided by WALC and
3 associated with the unreserved use.

4 SHANE SANDERS: Is this pretty standard in
5 the industry --

6 MR. STATLER: Yes.

7 SHANE SANDERS: -- this schedule?

8 MR. STATLER: Having these penalty charges,
9 or having a standalone schedule?

10 SHANE SANDERS: No, to have them at this
11 penalty charges.

12 MR. STATLER: Yes. Actually, this is pro
13 forma.

14 SHANE SANDERS: Okay. That's what I was
15 asking.

16 MR. STATLER: Next, we'll move on to the
17 rate proposals for Ancillary Services.

18 Schedule 1 under Western's OATT offers us
19 scheduling system control and dispatch. Currently, the
20 existing formula rate for the service is the annual
21 revenue requirement for the service divided by the number
22 of schedules per year. And this is a charge per
23 schedule.

24 The numerator includes the cost of
25 transmissions scheduling personnel, facilities,

1 equipment, software, and other related costs involved in
2 providing the service. The denominator will continue to
3 be the yearly total of daily schedules which -- daily
4 tags which result in a schedule.

5 We are not proposing any changes to the
6 formula rates for this service.

7 SHANE SANDERS: And it's still included in
8 your transmission rate? Currently, we don't pay any
9 schedule 1.

10 MR. STATLER: Yes. This is a -- if you're
11 purchasing transmission service, this is included as part
12 of that.

13 SHANE SANDERS: Okay.

14 MR. STATLER: Under Schedule 2 of Western's
15 tariff, we offer reactive supply and voltage control.
16 Here, the existing formula rate for the service is the
17 annual revenue requirement for the service divided by the
18 load inside WALC requiring VAR support.

19 Here, the numerator consists of the annual
20 revenue requirement for generation multiplied by the
21 percentage of resource capacity used for providing the
22 service. The denominator is a measure of the loads in
23 WALC that require this service.

24 Again, no changes are being proposed to the
25 formula rates for this service.

1 Under Schedule 3 of Western's tariff would
2 offer regulation and frequency response. Here, the
3 existing formula rate for this service is the annual
4 revenue requirement divided by the load inside WALC
5 requiring regulation plus the installed nameplate
6 capacity of intermittent resources serving load inside
7 WALC.

8 So the numerator is the annual revenue
9 requirement will continue to include costs associated
10 with plant-in-service, operation and maintenance,
11 purchases of regulation product, purchases of power to
12 support WALC's ability to regulate, et cetera.

13 And we are not proposing any changes to the
14 numerator of this existing formula.

15 Under the existing formula rate, the cost
16 of regulation is shared by all customers taking the
17 service. Variable energy resources such as solar or wind
18 generation could result in significant increase in
19 regulation needs and costs for WALC. To mitigate this
20 risk, DSW is proposing to modify the denominator of the
21 existing formula rate by applying a variable capacity
22 multiplier to the installed capacity of variable energy
23 resources.

24 Western's operations for Desert Southwest
25 Region, Rocky Mountain Region, and Crisp Management

1 Center developed a regulation analysis tool and has
2 determined that variable energy resources currently do
3 not impact WALC's regulations needs. Although variable
4 energy resources have not yet impacted WALC, including
5 the multipliers will greatly benefit existing customers
6 should variable energy resources join the BA sometime.
7 This proposed change will allow the formula rate to more
8 accurately recover potential future costs based on cost
9 causation principles.

10 DSW proposes to leave the multipliers at
11 one, or 100 percent, until variable energy resources
12 begin to adversely impact WALC's need for regulation.

13 As such, the proposed formula rate for the
14 service is the following.

15 Again, the numerator is going to stay the
16 same.

17 And the denominator, the load inside WALC
18 requiring regulation remains the same. And then we add
19 to that the installed nameplate capacity of solar
20 generators serving load inside WALC multiplied by a solar
21 capacity multiplier. In addition, we would add also the
22 installed nameplate capacity of wind generation serving
23 load inside WALC multiplied by the wind capacity
24 multiplier.

25 These proposed changes in the denominator

1 results in increasing the number of units of capacity
2 that will be included, which will cause the overall rate
3 to be lower. The lower rate will be charged to each unit
4 of capacity thereby lowering the costs incurred by load
5 and assigning more of the costs to those customers
6 predominantly contributing to the need.

7 Under Schedule 4 under Western's OATT, we
8 offer Energy Imbalance service. The existing formulae
9 for this service has different bandwidth and penalty
10 structures for on-peak and off-peak hours.

11 For on-peak hours, the deviation bands and
12 settlements are the following. For hourly deviations
13 less than or equal to plus or minus 1.5 percent of
14 metered load or 4 megawatts, whichever is greater,
15 settlement is 100 percent. In essence, there's no
16 penalty.

17 For hourly deviations between plus or minus
18 1.5 percent to plus or minus 7.5 percent of metered load
19 or 4 to 10 megawatts, whichever is greater, settlement is
20 90 percent for over-deliveries and 110 percent for
21 under-deliveries. So, in essence, 10 percent penalties.

22 And, third, hourly deviations greater than
23 plus or minus 7.5 percent of metered load or 10
24 megawatts, whichever is greater, settlement is 75 percent
25 for over-deliveries and 125 percent for under-deliveries.

1 So, in essence, a 25 percent penalty.

2 For off-peak hours, the deviation bands and
3 settlements are the following. Hourly deviation less
4 than or equal to 7.5 percent of metered load or 2
5 megawatts, whichever is greater, for over-delivery,
6 settlement is 60 percent. Essentially, a 40 percent
7 penalty. For hourly deviations of less than or equal to
8 3 percent of metered load or 5 megawatts, whichever is
9 greater, for under-delivery, settlement is 110 percent, a
10 10 percent penalty.

11 So DSW is proposing to change the bandwidth
12 structure for off-peak hours to be consistent with the
13 three deviation bands similar to the on-peak structure.
14 This would coincide with FERC Order 890 guidelines with
15 adjustments for WALC operating conditions.

16 So the proposed deviation bands and
17 settlements for off-peak hours are as follows.

18 Hourly deviations less than or equal to
19 plus or minus 1.5 percent of metered load or 4 megawatts,
20 whichever is greater, settlement is 100 percent. No
21 penalty.

22 Hourly deviations between plus or minus 1.5
23 half percent and plus or minus 7.5 percent of metered
24 load, or 4 to 10 megawatts, whichever is greater,
25 settlement is 75 percent for over-deliveries, which

1 results in 25 percent penalty, and 110 percent for
2 under-deliveries, which results in a 10 percent penalty.

3 And, third, hourly deviations greater than
4 plus or minus 7.5 percent of metered load or 10
5 megawatts, whichever is greater, settlement is 60 percent
6 for over-deliveries, which results in a 40 percent
7 penalty, and 125 percent for under-deliveries, which
8 results in a 25 percent penalty.

9 Under Schedule 9 of Western's OATT, we
10 offer generator imbalance service. The existing formula
11 rate for this service is identical to Energy Imbalance
12 with the following exception: Hourly deviations are
13 determined as a percentage of metered generation rather
14 than metered load.

15 So, here, DSW proposes to make the same
16 changes to the bandwidth structure for off-peak hours as
17 discussed earlier for Energy Imbalance.

18 Operating reserves are offered under
19 Schedules 5 and 6 to Western's OATT. Here, neither
20 spinning nor Supplemental Service are available from WALC
21 on a long-term basis. However, WALC may obtain the
22 services on a passthrough cost basis at a marketplace
23 plus an administrative charge that covers the cost of
24 procurement and supplying the service. The existing
25 formula rate for these services will be the cost of the

1 service equals the market price plus cost to procure. No
2 changes are being proposed for the formula rates for
3 either of these services.

4 Rate schedule edits:

5 DSW proposes to make minor edits to the
6 language in the rate schedules. These edits will make
7 the rate schedules more uniform and consistent without
8 changing the existing provisions. Some examples of those
9 minor edits are replacing "DSW" and "DSWR" with "WALC"
10 and changing the term "bandwidth" to "deviation bands."

11 So, to recap, DSW's proposing no formula
12 rate changes for Network transmission service;
13 scheduling, system control, and dispatch; reactive supply
14 and voltage control; and operating reserves, either
15 spinning or supplemental.

16 We are proposing formula rate changes to
17 regulation and frequency response, and that is applying
18 the variable capacity multiplier to the installed
19 capacity of variable energy resources in the denominator
20 of the rate formula. And with energy and generator
21 imbalance service, proposing to change the bandwidth
22 structure for off-peak hours.

23 And, lastly, the rate schedules. Two new
24 rate schedules, one for transmission losses and another
25 for unreserved use.

1 And then, finally, the minor edits to make
2 those rate schedules uniform and consistent.

3 I'll now turn it back over to Scott Lund
4 for next steps.

5 MR. LUND: Okay. So our next steps, we
6 have a public comment forum this afternoon. That's at
7 one o'clock Mountain Standard Time.

8 The consultation and comment period will
9 continue until May 3, 2016. And written comments must be
10 submitted by the close of the comment period to be
11 considered by Western in its decision-making process.

12 And we'll publish a decision on the
13 proposed rates around September of 2016, with the new
14 formula rates being effective October of 2016.

15 Here's the contact information. You can
16 submit written comments to Mr. Ronald E. Moulton at the
17 address listed on the slide. I read that address at the
18 beginning of the forum as well. You can also contact
19 myself or Todd Statler. And information about this rate
20 judgment process will be posted on Western's website.
21 That's at the DSW web page under rates and ancillary
22 service 2017.

23 So I will now open the forum for questions.
24 After you've been recognized, please give your name and
25 the name of the organization you represent. Also, for

1 the convenience of the court reporter, please spell your
2 last name. Are there any questions?

3 RON LUNT: A couple questions.

4 Ron Lunt, L-u-n-t, Central Arizona Water
5 Conservation District.

6 On slide seven, you're talking about
7 transmission lines losses applying across, I think, will
8 be a new rate schedule. Is that for FES as well for just
9 for Network?

10 MR. LUND: Well, the rate schedule's
11 applicable under the OATT, but I believe the FES
12 contracts point to that as well. So it would apply to
13 both.

14 RON LUNT: As well as the penalties then
15 will apply for any OATT services?

16 MR. STATLER: Yes.

17 MR. LUND: Yes.

18 Other questions?

19 BOB LYNCH: Bob Lynch, L-y-n-c-h. I'm an
20 attorney here representing the Irrigation and Electrical
21 Districts Association of Arizona and some other
22 transmission customers.

23 Dumb question number 49: Are these penalty
24 adjustments aimed at any particular entity or entities or
25 group of entities that are causing you a problem, or is

1 this an exercise in trying to develop a WALC-wide
2 consistency, or both?

3 MR. LUND: Are you referring to the
4 unreserved use penalties? Oh, okay. No, they're not
5 targeted toward any particular customer or type of
6 service. We have these existing provisions already, so
7 we're looking to unify them into a single schedule.

8 BOB LYNCH: Are there any --

9 MR. STATLER: It's also to -- we're also
10 proposing to implement it to make it pro forma.

11 BOB LYNCH: Are there any particular
12 entities or type of entities who create revenue through
13 these penalties for you more than others do?

14 MR. STATLER: Not that we're aware of.

15 MR. LUND: I think we have minimal revenues
16 related to this penalties, but I can check on that.

17 BOB LYNCH: You have two new rate schedules
18 and, I think, two formula -- changes to formulas. Are
19 you planning to file this as FERC?

20 MR. STATLER: Yes.

21 MR. LUND: Any other questions?

22 RON LUNT: Ron Lunt again.

23 On Page 17 under the Energy Imbalance
24 bandwidth, that'll apply Western-wide, then as well to
25 any of your schedules?

1 MR. STATLER: It will apply to the WALC BA.

2 RON LUNT: To the WALC BA.

3 MR. STATLER: Each region that has --

4 RON LUNT: BA-wide?

5 MR. STATLER: Yes.

6 RON LUNT: And then on 21, you're talking
7 about operating reserves. You don't currently provide
8 that. Is this something you think you're going to
9 provide? Is that why you're --

10 MR. STATLER: Actually, this is -- this
11 formula rate has been in existence for probably since
12 2000. I'm not aware of any situation where we've ever
13 provided the service. So we're just --

14 RON LUNT: They're available, but you're
15 not providing it?

16 MR. STATLER: Right.

17 RON LUNT: I misunderstood you, there.

18 Okay. Thank you.

19 MR. LUND: Additional questions? Last
20 call.

21 Okay. With no additional questions, thank
22 you for attending this forum. We'll stay around for a
23 few minutes after we close the forum if you'd like to ask
24 some questions on a more informal basis.

25 Again, thank you for your attendance and

1 participation. The forum is now closed, and we'll go off
2 the record.

3 (End of proceedings.)

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1 STATE OF ARIZONA)
2) ss.
3 COUNTY OF MARICOPA)

4 BE IT KNOWN that the foregoing proceedings were
5 reported by me, JENNIFER HONN, RPR, Certified Reporter,
6 Certificate No. 50885, State of Arizona; that the
7 foregoing 19 pages constitute a true and accurate
8 transcript of said proceedings, all done to the best of
9 my skill and ability.

10 I FURTHER CERTIFY that I am in no way related to
11 any of the parties hereto, nor am I in any way interested
12 in the outcome hereof.

13 DATED at Phoenix, Arizona, this 11th day of
14 April 2016.

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JENNIFER HONN, RPR
Certified Reporter
Certificate No. 50885

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