

**UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
DESERT SOUTHWEST CUSTOMER SERVICE REGION**

ENERGY IMBALANCE SERVICE

Effective:

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

Available:

In the area served by the Western Area Lower Colorado (WALC) Balancing Authority (BA).

Applicable:

To all customers receiving Energy Imbalance Service from the Desert Southwest Customer Service Region (DSWR) for the WALC.

Character of Service:

Provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within the WALC BA. The transmission customer (Federal transmission customers and customers on non-Western transmission systems within WALC BA) must either obtain this service from WALC, or make alternative comparable arrangements to satisfy its Energy Imbalance Service obligation. Western may charge a transmission customer a penalty for either hourly energy imbalances under this Schedule DSW-EI3 or hourly generator imbalances under Rate Schedule DSW-GI1 for imbalances occurring during the same hour, but not both, unless the imbalances aggravate rather than offset each other.

Formula Rate:

WALC has established a multi-tiered deviation bandwidth, based on the size of deviation and whether the deviation occurs in the on-peak or off-peak hours. For on-peak hours the deviation bands are as follows:

1. Deviations of plus or minus 1.5 percent of metered load, with a minimum of 0 to 4 MW, either over or under-delivery.
2. Deviations of plus or minus 1.5 to 7.5 percent of a customer's metered load, with a minimum of 4 to 10 MW, either over or under-delivery.
3. Deviations of greater than plus or minus 7.5 percent of metered load, with a minimum of greater than 10 MW, either over or under-delivery.

For off-peak deviations the deviation band is 7.5 percent to a negative 3 percent of metered load, with a minimum of 5 MW for under-deliveries and 2 MW for over-deliveries.

Normally, there are four scenarios for Energy Imbalance Service. They are: (1) over-delivery within the bandwidth; (2) under-delivery within the bandwidth; (3) over-delivery outside the bandwidth; and (4) under-delivery outside the bandwidth. There are different penalties and bandwidths imbalances that occur during on-peak and off-peak hours. During periods of BA operating constraints, Western reserves the right to eliminate credits for over-deliveries.

Within the bandwidth:

For Energy Imbalance within the bandwidth for both on-peak and off-peak, settlement between the existing customer and Western will be 100 percent of the energy imbalance. In lieu of financial settlement, equal to 100 percent of a weighted index price (described below), Western, at its discretion, may accept settlement in energy.

Outside the bandwidth:

For that portion of the customer's energy imbalance that is outside the bandwidth during on-peak hours, the settlement will be as follows:

1. For deviations of plus or minus 0 to 7.5 percent of metered load, with a 0 to 10 MW minimum, the settlement is 110 percent of the energy imbalance for under-deliveries and 90 percent of the energy imbalance for over-deliveries.
2. For deviations of greater than plus or minus 7.5 percent of metered load, with a minimum exceeding 10 MW, settlement is 125 percent of the energy imbalance for under-deliveries and 75 percent for over-deliveries.

In lieu of financial settlement, Western may, at its discretion accept settlement in energy.

Financial settlement will be equal to a weighted index price (described below). For on-peak deviations described above, settlement will be 110 percent of the weighted index price for under-deliveries, and 90 percent in the first tier. For on-peak deviations in the second tier, financial settlement will be equal to 125 percent of the weighted index price for under-deliveries and 75 percent of the weighted index price for over-deliveries. For deviations in the off-peak,

Rate Schedule DSW-EI3
Schedule 4 to Tariff
(Supersedes Rate Schedule DSW-EI2)

settlements will be 110 percent of the weighted index price for under-deliveries, and 60 percent of the weighted index price for over-deliveries. For financial settlement of transactions, the index used to calculate the settlement will be the Dow Jones Palo Verde average monthly index or an index identified on Western's Open Access Same-time Information System at the beginning of each fiscal year. Settlement for the hourly deviations will occur on a monthly basis. The Energy Imbalance Service compensation may be modified upon written notice to the customer. Any change to the customer compensation for Energy Imbalance Service shall be included in a revision to this schedule promulgated pursuant to applicable Federal laws, regulations, and policies and made part of the applicable service agreement. The DSWR shall charge the customer in accordance with the rate then in effect.