



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

**JUL 30 2014**

Dear Transmission Customers and Other Interested Parties:

On September 13, 2013, Western Area Power Administration (Western) sent out the Integrated System (IS) Transmission and Ancillary Services Rate Calculation to be effective January 1, 2014. Since then, Western has received revised revenue requirement data and has updated and changed the IS annual revenue requirement and transmission rates. The revised IS revenue requirement and transmission rates will be applied to the bills calculated on or after August 1, 2014, including the applicable adjustments for service since January 1, 2014. The revised rates, which are effective January 1, 2014, 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 \$195,517,977
Firm Point-to-Point Transmission	UGP-FPT1	Maximum of \$2.96/kWmonth
Non-Firm Point-to-Point Transmission	UGP-NFPT1	Maximum of 4.05 mills/kWh
Scheduling, System Control and Dispatch	UGP-AS1	\$42.43/tag/day
Reactive Supply and Voltage Control from Generation Sources	UGP-AS2	\$0.03/kWmonth
Regulation and Frequency Response	UGP-AS3	\$0.06/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.

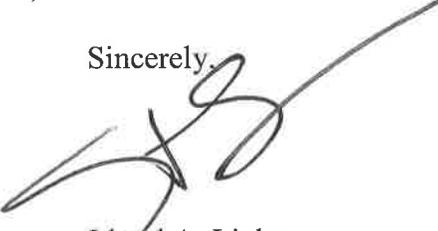
The data used in recalculating these rates can be found at either of the following web sites <http://www.wapa.gov/ugp/rates/default.htm> or <http://www.oatioasis.com/wapa/index.html>.

The IS Transmission Loss Factor effective January 1, 2014, is 4 percent and unchanged from the previous 4-year period.

The revised rates shall be used for the transmission bills calculated on or after February 1, 2014, and the rate adjustments were completed in accordance with Western's business practice for adjustment criteria for Open Access Transmission Tariff Charges. Please refer to the IS OASIS page (<http://www.oatioasis.com/wapa/index.html>) for this business practice or for information regarding the implementation status for Western charging Transmission Customers under the Energy Imbalance and Generator Imbalance rates.

If you have any questions concerning the revised IS Transmission and Ancillary Services Rate Calculation, please telephone me at (605) 882-7500 or Steve Sanders at (406) 255-2840.

Sincerely,



Lloyd A. Linke  
Operations Manager