

WAPA-UGP Transmission and Ancillary Services Rates

Rate Order No. WAPA-188

Customer Brochure



**Western Area
Power Administration**

September 2019

(Minor clarifying updates highlighted on Pages 10-14 – July 2020)

Introduction

The Western Area Power Administration (WAPA) Upper Great Plains Region (UGP or WAPA-UGP¹) current rate schedules for transmission and ancillary services became effective October 1, 2015, under Rate Order No. WAPA-170, and will expire September 30, 2020. These rates are used by WAPA-UGP to provide rate data to the Southwest Power Pool, Inc. (SPP), the Regional Transmission Organization of which WAPA-UGP is a member.

WAPA-UGP proposes to update its formula transmission and ancillary services rates under this rate process (Rate Order No. WAPA-188). Detailed information regarding the proposed updates is described below (*see Attachment #1*) and available on the WAPA-UGP Open Access Same-Time Information System (OASIS) page at the following direct link: <http://www.oasis.oati.com/woa/docs/WAPA/WAPAdocs/Rate-Order-No-WAPA-188.htm>.

The proposed formula rates should not result in increased overall costs to customers compared to the current formula rates because the increase to the Operating Reserves rate is expected to be offset by a similar reduction in the transmission rate. New rate schedules will be in effect from October 1, 2020, through September 30, 2025, and will be applied under the SPP Open Access Transmission Tariff (SPP Tariff).

WAPA-UGP proposes to continue to provide its Annual Transmission Revenue Requirement (ATTR) under WAUGP-ATTR; Scheduling, System Control, and Dispatch Service under WAUGP-AS1; Regulation and Frequency Response Service under WAUW-AS3; Energy Imbalance Service under WAUW-AS4; Operating Reserve – Spinning Reserve Service under WAUW-AS5; Operating Reserve – Supplemental Reserve Service under WAUW-AS6; and Generator Imbalance Service under WAUW-AS7.

WAPA-UGP proposes to continue to use the current formula rate methodologies **with only limited changes** to:

- Rate Formula Templates to increase transparency;
- Rate Formula Implementation Protocols to clarify WAPA-UGP’s rate implementation and annual update procedures;
- Operating Reserves formula rates to incorporate costs associated with WAPA-UGP’s current reserve sharing group membership; and
- Rate Schedules for Energy Imbalance and Generator Imbalance to accommodate possible participation in a Western Interconnection energy imbalance service market.

Rates History

On November 19, 2015, the Federal Energy Regulatory Commission (FERC) approved and confirmed Rate Schedules WAUGP-ATTR, WAUG-AS1, WAUW-AS3, WAUW-AS4, WAUW-AS5, WAUW-AS6 and WAUW-AS7 under Rate Order No. WAPA-170 on a final basis for a 5-year period through September 30, 2020. These existing rate schedules consist of separate formula-based rates for transmission service and ancillary services for the transmission facilities in the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED) that WAPA-UGP transferred to the functional control of SPP.

¹ WAPA-UGP is also referred to as “Western-UGP” under the Southwest Power Pool, Inc. Open Access Transmission Tariff



The proposed rates continue the formula-based methodology that includes an annual update to the financial data in the rate formulas. WAPA intends the proposed formula-based rates go into effect October 1, 2020. The charges under the rates will be updated on January 1 of each year thereafter. The proposed formula rates will remain in effect until September 30, 2025, or until WAPA changes the formula rates through another public rate process pursuant to 10 CFR part 903, whichever occurs first.

WAPA-UGP is a Transmission Owner member of SPP pursuant to negotiated provisions in its SPP Membership Agreement and the SPP Bylaws and SPP Tariff. Transmission and ancillary services are provided by SPP under the SPP Tariff for WAPA-UGP's facilities transferred to the functional control of SPP. WAPA-UGP has transmission facilities in both the Eastern and Western Interconnections separated by the Miles City direct current tie and the Fort Peck Power Plant substation. WAPA-UGP operates its Western Area Power Administration, Upper Great Plains West (WAUW) Balancing Authority Area in the Western Interconnection as the Balancing Authority (BA), and has not placed the portion of its transmission system located in the Western Interconnection into SPP's Integrated Marketplace. WAPA-UGP still provides ancillary services associated with its WAUW in the Western Interconnection as the BA.

With the expiration of Rate Order WAPA-170 on September 30, 2020, WAPA-UGP needs to adopt new formula rates for transmission and ancillary services so WAPA-UGP's costs can continue to be recovered under the SPP Tariff. WAPA-UGP's revenue requirements are added to the annual revenue requirements of other transmission owners in the multi-owner SPP pricing Zone 19, also identified as the Upper Missouri Zone (UMZ) for transmission service billed by SPP within the UMZ. WAPA-UGP's revenue requirements under these proposed rates also impact other costs for transmission service within the broader SPP footprint. The proposed formula rates provide WAPA-UGP sufficient revenue to pay all annual costs, including interest expenses, and repay investment.

Summary of Proposed Changes

- WAPA-UGP proposes to continue to use its current formula rate calculation methodology for its ATRR, currently provided under Rate Schedule WAUGP-ATRR (*see Attachment #3*). This rate schedule includes WAPA-UGP's transmission facilities in both the Eastern and Western Interconnections that are transferred to the functional control of SPP and used by SPP in order to provide transmission service in the UMZ under the SPP Tariff. Consistent with WAPA-UGP's current formula rates, WAPA-UGP proposes to continue recovering transmission system expenses and investments on a forward-looking basis by using projections to estimate transmission costs for the upcoming year, with a true-up of incurred costs in a subsequent year. Transmission-related annual costs include operation and maintenance, interest, administrative and general costs, and depreciation. Cost data is submitted to SPP in standard revenue requirement templates and classified as either "Zonal" or "Regional" costs as defined under the SPP Tariff. "Zonal" costs are recovered within the local pricing zone while "Regional" costs are recovered across the entire SPP footprint. WAPA-UGP is only proposing changes to the ATRR Formula Rate Template (*see Attachment #2*) to more clearly and transparently document the facilities and associated portion of WAPA-UGP's costs that are classified as "Zonal" versus "Regional" under the SPP Tariff.
- For transmission and ancillary services provided under the SPP Tariff, WAPA-UGP proposes to continue to provide necessary information related to WAPA-UGP's rate implementation and annual updates in Formula Rate Implementation Protocols (Protocols), which together with the Formula Rate Templates (Templates), comprise the Formula Rates that are submitted to SPP to be incorporated in the SPP Tariff. WAPA-UGP proposes changes to its current Protocols to clarify and



include additional detail regarding WAPA-UGP's rate implementation and annual update procedures (*see Attachment #4*). WAPA-UGP was one of the first transmission owners in the UMZ to develop Protocols. With the subsequent addition of more transmission owners in the UMZ, WAPA-UGP is updating its Protocols to be more consistent with the approved Protocols of other UMZ transmission owners. All relevant information regarding customer meetings will also be contained in the Protocols.

- WAPA-UGP proposes to continue to use its current formula rate calculation methodology for Scheduling, System Control, and Dispatch Service (SSCD) (*see Attachment #2*), currently provided under Rate Schedule WAUGP-AS1 for the SPP UMZ (*see Attachment #3*). This rate schedule also includes transmission facilities in the WAUW. WAPA-UGP proposes to include additional information regarding implementation and annual updates for SSCD in its revised Protocols.
- WAPA-UGP proposes to continue to use its current formula rate calculation methodology for Regulation and Frequency Response Service (Regulation) (*see Attachment #2*), currently provided under Rate Schedule WAUW-AS3 (*see Attachment #3*). This rate schedule addresses Regulation associated with WAPA-UGP's WAUW in the Western Interconnection. WAPA-UGP proposes to include additional information regarding implementation and annual updates for Regulation in its revised Protocols. Given the SPP Integrated Marketplace does not extend in to the Western Interconnection, WAPA-UGP will continue to provide Regulation in the WAUW as the BA, primarily from United States Army Corps of Engineers generation facilities.
- WAPA-UGP proposes to continue to use its current formula rate calculation methodology for Operating Reserve – Spinning Reserve Service and for Operating Reserve – Supplemental Reserve Service (collectively, Operating Reserves) (*see Attachment #2*), currently provided under Rate Schedules WAUW-AS5 and WAUW-AS6, respectively (*see Attachment #3*). These rate schedules address Operating Reserves associated with WAPA-UGP's WAUW in the Western Interconnection. WAPA-UGP proposes a change to the rate formulas to incorporate costs associated with its current reserve sharing group membership. In addition, WAPA-UGP proposes to include additional information regarding implementation and annual updates for Operating Reserves in its revised Protocols. Given the SPP Integrated Marketplace does not extend into the Western Interconnection, WAPA-UGP will continue to provide Operating Reserves in the WAUW as the BA. WAPA-UGP utilizes the reserve requirement of the reserve sharing group of which WAPA-UGP is currently a member for its transmission system in the Western Interconnection.
- WAPA-UGP proposes to continue to use its current formula rate calculation methodologies for Energy Imbalance Service (Energy Imbalance), and Generator Imbalance Service (Generator Imbalance) (*see Attachment #2*), currently provided under Rate Schedules WAUW-AS4 and WAUW-AS7, respectively. These rate schedules address Energy Imbalance and Generator Imbalance associated with WAPA-UGP's WAUW in the Western Interconnection. WAPA-UGP is proposing changes to Rate Schedules WAUW-AS4 and WAUW-AS7 to accommodate possible participation in a Western Interconnection energy imbalance service market by WAPA-UGP as the BA (*see Attachment #3*). WAPA-UGP proposes to include additional information regarding implementation and annual updates for Energy Imbalance and Generator Imbalance in its revised Protocols. Given that the SPP Integrated Marketplace does not extend into the Western Interconnection, WAPA-UGP will continue to provide Energy Imbalance and Generator Imbalance in the WUAW as the BA from its own resources or from resources available to it, including possible participation in a Western Interconnection energy imbalance service market.



Schedule

August 22, 2019 (Actual)	Publication of FRN with Proposed Formula Rates (Begins 90-day comment period)
September 24, 2019	Public Information Forum (Omaha, NE) (9 a.m. to 10:30 a.m. CDT)
September 24, 2019	Public Comment Forum (Omaha, NE) (11 a.m. to no later than 12 p.m. CDT)
September 25, 2019	Public Information Forum (Bismarck, ND) (9 a.m. to 10:30 a.m. CDT)
September 25, 2019	Public Comment Forum (Bismarck, ND) (11 a.m. to no later than 12 p.m. CDT)
November 20, 2019	End 90-day Comment Period
Spring 2020	Publication of FRN with Final Formula Rates
October 1, 2020	New Formula Rates in Effect
TBD	FERC's Final Approval of the Formula Rates
TBD	SPP Filing of WAPA-UGP's updated Attachment H to FERC
TBD	FERC's Approval of the SPP Filing

Proposed Formula Rates

WAPA-UGP will include facilities in the UMZ ATRR calculation that meet Transmission Facility criteria as identified in Attachment AI to SPP's Tariff². WAPA-UGP will identify any portion of the ATRR eligible for SPP Region-wide cost sharing pursuant to the SPP Tariff in its Rate Formula Template submitted under Attachment H of the SPP Tariff.

Included facilities:

- Non-radial power lines, substations, and associated facilities operated at 60 kV or above, plus radial lines and associated facilities operated at or above 60 kV that service two or more eligible customers.
- Facilities utilized for interconnecting various internal Zones to each other and facilities that interconnect the transmission system with surrounding entities.

² And also consistent the Zone 19 (Upper Missouri Zone) – Attachment AI Guidance Document



- Control equipment and facilities necessary to control and protect a facility that qualifies as a Transmission Facility.
- For a substation connected to the Transmission System, facilities on the high-side (60 kV or above) will be included with the exception of transformer isolation equipment.
- The portion of direct-current interconnections with areas outside the SPP Region (DC ties) owned by a Transmission Owner in the SPP Region, including the portions of DC tie that operate lower than 60 kV.
- A facility operated below 60 kV meeting the seven factor test set forth in FERC Order No. 888 or any applicable successor test.

Excluded facilities:

- Generator step-up transformers and generator leads.
- Radial lines from a generating station to a single substation or switching station on the Transmission System.
- Direct assignment facilities.

Annual True-up

WAPA-UGP will true-up the cost estimates with actual costs. Revenue collected in excess of WAPA-UGP's actual net revenue requirement will be returned to customers through a credit against revenue requirement in a subsequent year. Actual revenues that are less than the net revenue requirement would likewise be recovered in a subsequent year. The true-up procedure will ensure that WAPA-UGP will recover no more and no less than the actual transmission costs for the year.

Data used in the annual recalculation of the formula rate effective on January 1 each year will be made available for review and comment on or around September 1 each year. WAPA-UGP proposes continuing to provide customers the opportunity to discuss and comment on the recalculated rates on or before November 15, 2020, and annually by November 15 of subsequent years. This procedure will ensure that interested parties are aware of the data used to calculate the rates. This will also provide interested parties the opportunity to comment before the costs are collected through the formula rate.

WAPA-UGP intends to true-up the cost estimates it uses in the calculation of the 2018 and 2019 rates in place prior to this rate action, when calculating rates. This true-up will include WAPA-UGP's portion of the revenue requirement.

Proposed Formula Transmission Rate

As noted above, WAPA-UGP proposes to continue to use its current formula rate calculation methodology for its ATRR (*see Attachment #2*), currently provided under Rate Schedule WAUGP-ATRR (*see Attachment #3*), with the limited changes noted below.



The ATRR is derived by annualizing WAPA-UGP's transmission investment and adding transmission-related annual costs, including operation and maintenance, interest, administrative and general costs, and depreciation. WAPA-UGP cost data is submitted to SPP in standard revenue requirement templates. The annual costs are reduced by revenue credits received by WAPA-UGP under the SPP Tariff. A revenue requirement template is used to calculate the ATRR utilizing the cost estimates as data inputs.

Proposed Changes to Transmission Rate Template

Cost data is submitted to SPP in standard revenue requirement templates and classified as either "Zonal" or "Regional" costs as defined under the SPP Tariff. "Zonal" costs are recovered within the local pricing zone while "Regional" costs are recovered across the entire SPP footprint. WAPA-UGP is only proposing changes to the ATRR Formula Rate Template to more clearly and transparently document the facilities and associated portion of WAPA-UGP's costs that are classified as "Zonal" versus "Regional" under the SPP Tariff.

The ATRR Formula Rate Template changes will include breakouts of the annual revenue requirement for each individual Base Plan Upgrade, as defined under the SPP Tariff, assigned to and funded by WAPA-UGP, along with "Regional" and "Zonal" allocation of the total net annual revenue requirement for each Project.

Proposed Formula Rate for Scheduling, System Control and Dispatch Service

As noted above, WAPA-UGP proposes to continue to use its current formula rate calculation methodology for Scheduling, System Control, and Dispatch Service (SSCD) (*see Attachment #2*), currently provided under Rate Schedule WAUGP-AS1 for the SPP UMZ (*see Attachment #3*).

SSCD is required to schedule the movement of power through, out of, within, or into the SPP and/or WAUW Balancing Authority Area(s). WAPA-UGP's annual revenue requirement for SSCD is utilized by SPP to calculate the regional SPP Schedule 1 rate for SPP through and out transactions, and also to calculate the zonal SPP Schedule 1 rate for the UMZ. WAPA-UGP's annual revenue requirement for SSCD is derived by annualizing WAPA-UGP's applicable transmission-related annual costs associated with the provision of SSCD service, including operation and maintenance, interest, administrative and general costs, and depreciation. This rate and rate design only recovers WAPA-UGP's revenue requirement for SSCD service.

The formula-based rate methodology used to calculate the annual revenue requirement for SSCD is calculated on a forward-looking basis using projections to estimate transmission costs for the upcoming year, with a "true-up" in a subsequent year, to be provided to SPP for inclusion in Schedule 1 under the SPP Tariff.

WAPA-UGP will "true-up" the cost estimates with WAPA-UGP's actual costs. Revenue collected in excess of WAPA-UGP's actual net revenue requirement will be returned to customers through a credit against a revenue requirement in a subsequent year. Actual revenues that are less than the net revenue requirement would likewise be recovered in a subsequent year. The true-up procedure will ensure that WAPA-UGP will recover no more and no less than the actual costs for the year.



Proposed Formula Rates for other Ancillary Services

Regulation and Frequency Response

As noted above, WAPA-UGP proposes to continue to use its current formula rate calculation methodology for Regulation and Frequency Response Service (Regulation) (*see Attachment #2*), currently provided under Rate Schedule WAUW-AS3 (*see Attachment #3*).

WAPA-UGP provides Regulation and Frequency Response Service in the WAUW as the BA. Regulation and Frequency Response Service in the WAUW is provided primarily by the Corps facilities. The formula rate methodology Corps' generation fixed charge rate (in percent) is applied to the net plant investment of the Corps generation producing an annual Corps generation cost. This cost is divided by the capacity at the plants to derive a dollar-per-megawatt amount for Corps installed capacity (\$/MW-year). This dollar-per-megawatt amount is then applied to the capacity of Corps generation reserved for Regulation and Frequency Response Service in the WAUW producing the annual Corps generation cost to provide this service.

Regulation and Frequency Response Service (Regulation) is necessary to provide for the continuous balancing of resources, generation, and interchange with load and for maintaining scheduled interconnection frequency at 60 cycles per second (60 Hz). Regulation is accomplished by committing on-line generation whose output is raised or lowered, predominantly through the use of automatic generating control equipment, as necessary, to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the WAPA-UGP as the WAUW operator. The SPP Transmission Customer must either purchase this service from SPP or make alternative comparable arrangements pursuant to the SPP Tariff to satisfy its Regulation obligation. WAPA-UGP's annual revenue requirement for Regulation (outlined below) will be used by SPP to calculate the WAUW charges for Regulation.

WAPA-UGP supports the installation of renewable sources of energy but recognizes that certain operational constraints exist in managing the significant fluctuations that are a normal part of their operation. When WAPA-UGP purchases power resources to provide Regulation to intermittent resources serving load within WAPA-UGP's WAUW, costs for these regulation resources will become part of Western's Regulation revenue requirement, which will be billed by SPP, as the Transmission Provider, to a SPP Transmission Customer along with the associated transmission service provided by SPP under the SPP Tariff. However, WAPA-UGP will not regulate for the difference between the output of an intermittent resource located within WAPA-UGP's WAUW and a delivery schedule from that generator serving load located outside of WAPA-UGP's WAUW. Intermittent resources serving load outside WAPA-UGP's WAUW will be required to be pseudo-tied or dynamically scheduled to another Balancing Authority Area.

An intermittent resource, for the limited purpose of this Rate Schedule, is an electric generator that is not dispatchable and cannot store its fuel source and, therefore, cannot respond to changes in demand or respond to transmission security constraints.

Operating Reserves Service – Spinning and Supplemental

As noted above, WAPA-UGP proposes to continue to use its current formula rate calculation methodology for Operating Reserve – Spinning Reserve Service and for Operating Reserve – Supplemental Reserve Service (collectively, Operating Reserves) (*see Attachment #2*), currently provided under Rate Schedules WAUW-AS5 and WAUW-AS6, respectively (*see Attachment #3*), **with a proposed change** to the rate formulas to



incorporate costs associated with its current reserve sharing group membership (see yellow highlighting in Figure 1 below).

Figure 1

Western-UGP 2020 Estimate Rate for Reserves		(EXAMPLE ONLY, USING 2019 DATA)		
Line No.	DESCRIPTION (1)		RESERVES (2)	REFERENCE (3)
1	Fixed Charge Rate		14.026%	(1)
2	Corps Generation Net Plant Costs (\$)	\$	504,325,009	(2)
3	Annual Corps Generation Cost (\$)	\$	70,736,495	L1*L2
4	Plant Capacity (kW)		2,295,000	
5	Cost/kW (\$/kW-Yr)	\$	30.82	L3/L4
6	Monthly Charge (\$/kW-mo)	\$	2.57	
7	Western's Maximum Load in WAUW Control Area (kW)		168,000	(3)
8	Maximum Generation in WAUW Control Area (kW)		97,500	(4)
9	Capacity used for Reserves (kW) -- 3% Load + 3% Gen		7,965	L7*3% + L8*3%
10	Annual Reserves Revenue Requirement	\$	245,497	L9*L5
11	Over Collection - 2018 WAUW Reserve Revenue Rqmt	\$	(5,809)	
12	Annual Reserve Sharing Group Cost	\$		(5)
13	Total Regulation Reserves Rqmt with True-up	\$	239,688	L10+L11+L12
(1)	Determination of Pick-Sloan Missouri Basin Program, Eastern Division Annual Generation Revenue Requirement for 2020 Rate			
(2)	Generation Net Plant Costs include the total Corps Generation Plant-in-Service less total Corps Generation Plant depreciation			
(3)	WAUW load monthly peaks for 2018			
(4)	Northwest Power Pool Reserve Sharing System			
(5)	Annual cost associated with Western-UGP's current reserve sharing group membership			

WAPA-UGP offers Spinning Reserve Service and Supplemental Reserve Service (Reserve Services) in the WAUW. WAPA-UGP's annual cost of generation for Reserve Services is determined by multiplying the Corps generation fixed charge rate (in percent) by the net plant investment of the Corps generation producing an annual Corps generation cost. This cost is divided by the capacity at the plants to derive a dollar-per-megawatt amount for Corps installed capacity (\$/MW-year). This dollar-per-megawatt amount is then applied to the capacity of Corps generation reserved for Reserve Services in the WAUW producing the annual Corps generation cost to provide this service. WAPA-UGP's annual revenue requirement for Reserve Services is then determined by taking the annual Corps generation cost to provide this service and adding costs associated with the current reserve sharing group, if applicable. WAPA-UGP's annual revenue requirement will be recovered under the SPP Tariff. This rate design recovers only WAPA-UGP's revenue requirement associated with Reserve Services. The Reserve Services will apply to both load and generation in the WAUW (i.e. transmission service for loads in the WAUW and transmission service for generation deliveries out of the WAUW).

Spinning Reserves

Operating Reserve-Spinning Reserve Service (Spinning Reserves) is needed to serve load immediately in the event of a system contingency. Spinning Reserves may be provided by generating units that are on-line and loaded at less than maximum output. Given the SPP Integrated Marketplace does not extend into the Western Interconnection, WAPA-UGP, as the BA, will offer to provide Spinning Reserves, if available, at the request of SPP as the Transmission Provider in the WAUW. Spinning Reserves in the WAUW will be billed by SPP to the SPP Transmission Customer along with the associated transmission service provided by SPP. The SPP Transmission Customer must either purchase this service from SPP or make alternative comparable arrangements pursuant to the SPP Tariff to satisfy its Spinning Reserves obligation. WAPA-UGP's annual



revenue requirement for Spinning Reserves will be utilized by SPP to calculate the WAUW charges for Spinning Reserves.

A recalculated revenue requirement will go into effect every January 1 based on the above formula and updated financial, load/generation, and Reserve Sharing Program requirements data. WAPA-UGP will annually notify SPP and make data and information available to interested parties for review and comment related to the recalculated annual revenue requirement on or around September 1 of the preceding year. Data used and the charges resulting from using this formula will be posted on the applicable SPP Web site and WAPA-UGP's OASIS.

If resources are not available from a WAPA-UGP resource, WAPA-UGP, at the request of SPP as the Transmission Provider, will offer to purchase the Spinning Reserves and pass through the costs, plus an amount for administration, to SPP for the SPP Transmission Customer.

In the event that Spinning Reserves are called upon for emergency use, the SPP Transmission Customer will be assessed a charge for energy used at the prevailing market energy rate in the WAUW. The prevailing market energy rate will be based upon a representative hourly energy index or combination of indexes. The index to be used will be posted on the applicable SPP Web site and WAPA-UGP's OASIS at least 30 days before use for determining the prevailing market energy rate and will not be changed more often than once per year unless WAPA-UGP determines that the existing index is no longer a reliable price index. The SPP Transmission Customer would be responsible for providing transmission service to get the Spinning Reserves to its destination.

Supplemental Reserves

Operating Reserve-Supplemental Reserve Service (Supplemental Reserves) is needed to serve load in the event of a system contingency: however, it is not available immediately to serve load but rather within a short period of time.

Supplemental Reserves may be provided by generating units that are on-line but unloaded, by quick-start generation, or by interruptible load. Given the SPP Integrated Marketplace does not extend into the Western Interconnection, WAPA-UGP, as the BA, will offer to provide Supplemental Reserves, if available, at the request of SPP as the Transmission Provider, in the WAUW. Operating Reserve-Supplemental Reserve Service in the WAUW will be billed by SPP to the SPP Transmission Customer along with the associated transmission service provided by SPP. The SPP Transmission Customer must either purchase this service from SPP or make alternative comparable arrangements pursuant to the SPP Tariff to satisfy its Supplemental Reserves obligation. WAPA-UGP's annual revenue requirement for Supplemental Reserves will be utilized by SPP to calculate the WAUW charges for Supplemental Reserves.

A recalculated revenue requirement will go into effect every January 1 based on the above formula and updated financial, load/generation, and Reserve Sharing Program requirements data. WAPA-UGP will annually notify SPP and make data and information available to interested parties for review and comment related to the recalculated annual revenue requirement on or around September 1 of the preceding year. Data used and the charges resulting from using this formula will be posted on the applicable SPP Web site and WAPA-UGP's OASIS.



If resources are not available from a WAPA-UGP resource, WAPA-UGP, at the request of SPP as the Transmission Provider, will offer to purchase the Supplemental Reserves and pass through the costs, plus an amount for administration, to SPP for the SPP Transmission Customer.

In the event Supplemental Reserves are called upon for emergency use, the SPP Transmission Customer will be assessed a charge for energy used at the prevailing market energy rate in the WAUW. The prevailing market energy rate will be based upon a representative hourly energy index or combination of indexes. The index to be used will be posted on the applicable SPP Web site and WAPA-UGP's OASIS at least 30 days before use for determining the prevailing market energy rate and will not be changed more often than once per year unless WAPA-UGP determines that the existing index is no longer a reliable price index. The SPP Transmission Customer would be responsible for providing transmission service to get the Supplemental Reserves to its destination.

Energy Imbalance Service

WAPA-UGP proposes to continue to use its current formula rate calculation methodologies for Energy Imbalance Service (Energy Imbalance) (*see Attachment #2*), currently provided under Rate Schedule WAUW-AS4 (*see Attachment #3*). WAPA-UGP is proposing changes to Rate Schedule WAUW-AS4 to accommodate possible participation in a Western Interconnection energy imbalance service market by WAPA-UGP as the BA.

WAPA-UGP offers Energy Imbalance Service in the WAUW. Energy Imbalance Service is provided when a difference occurs between scheduled and actual delivery of energy to a load located within WAPA-UGP's WAUW over a single hour³. Given the SPP Integrated Marketplace does not extend into the Western Interconnection, WAPA-UGP, as the Balancing Authority, will offer to provide Energy Imbalance Service in the WAUW at the request of SPP, if it is capable of doing so, from its own resources or from resources available to it including participation in a Western Interconnection energy imbalance market. SPP is the Transmission Provider for the eligible WAPA-UGP facilities transferred to the functional control of SPP in the WAUW. Energy Imbalance Service is needed when transmission service is provided by SPP and used to serve load within the WAUW, or when a difference occurs between the expected and actual delivery of energy to/from the WAUW over a single hour³ in the event that WAPA-UGP participates in a Western Interconnection energy imbalance service market in the WAUW as the Balancing Authority. Energy Imbalance Service in the WAUW will be billed by SPP to the SPP Transmission Customer along with the associated transmission service provided by SPP. The SPP Transmission Customer must either purchase this service from SPP, or make alternative comparable arrangements pursuant to the SPP Tariff to satisfy its Energy Imbalance Service Obligation.

The SPP Transmission Customer will incur a charge for either hourly energy imbalances under this Schedule, WAUW-AS4, or hourly generator imbalances under Rate Schedule WAUW-AS7 for imbalances occurring during the same hour, but not both, unless the imbalances aggravate rather than offset each other.

WAPA-UGP proposes to base the rate on deviation bands as follows:

In the event that WAPA-UGP does not participate in a Western Interconnection energy imbalance market in the WAUW as the Balancing Authority, or such energy imbalance market is unable to provide the total energy imbalance requirements for certain loads and generation within the Balancing Authority Area:

³ Or different dispatch interval for energy imbalance service market, if applicable.



- (i) For deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the SPP Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of the average incremental cost.
- (ii) Deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the SPP Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month. When energy taken in a schedule hour is greater than the energy scheduled, the charge is 110 percent of incremental cost. When energy taken is less than the scheduled amount, the credit is 90 percent of the incremental cost.
- (iii) Deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the SPP Transmission Customer's scheduled transaction(s) will be settled at 125 percent of WAPA-UGP's incremental cost when energy taken in a schedule hour is greater than the energy scheduled or 75 percent of WAPA-UGP's incremental cost when energy taken by a SPP Transmission Customer is less than the scheduled amount.

WAPA-UGP's incremental cost will be based upon a representative hourly energy index or combination of indexes. The index to be used will be posted on the applicable SPP Web site and WAPA-UGP's OASIS at least 30 days before use for determining the WAPA-UGP incremental cost and will not be changed more often than once per year unless WAPA-UGP determines that the existing index is no longer a reliable price index.

The pricing and charge for deviations in the above deviation bandwidths is as specified above. Data used and the charges resulting from using this formula will be posted on the applicable SPP Web site and WAPA-UGP's OASIS.

In the event that WAPA-UGP participates in a Western Interconnection energy imbalance service market in the WAUW as the Balancing Authority:

Charges to the SPP Transmission Customer shall reflect only the pass-through of the applicable charges associated with the Western Interconnection energy imbalance service market assessed to WAPA-UGP as the WAUW Balancing Authority for embedded load and/or generation in the WAUW of such SPP Transmission Customer that does not make adequate alternate arrangements in such Western Interconnection energy imbalance service market or other alternative comparable arrangements pursuant to the SPP Tariff to satisfy its Energy Imbalance Service obligation. **The charges to the SPP Transmission Customer will not include any separate WAPA-UGP administrative fee beyond those assessed to WAPA-UGP as the WAUW Balancing Authority. WAPA-UGP's overhead administrative costs, if any, as the WAUW Balancing Authority related to providing ancillary services are included, if applicable, under Rate Schedule WAUGP-AS1 (Scheduling, System Control, and Dispatch Service).**

WAPA-UGP shall post notice on the applicable SPP Web site and WAPA-UGP's OASIS, and also notify existing SPP Transmission Customers, at least 30 days before WAPA-UGP participates in a Western Interconnection energy imbalance service market, as the Balancing Authority. WAPA-UGP will also post information related to the charges assessed by the market operator for Energy Imbalance Service in the WAUW under such Western Interconnection energy imbalance service market.



Data used and the charges resulting from using this formula will be posted on the applicable SPP Web site and WAPA-UGP's OASIS.

Generator Imbalance Service

WAPA-UGP proposes to continue to use its current formula rate calculation methodologies for Generator Imbalance Service (Generator Imbalance) (*see Attachment #2*), currently provided under Rate Schedule WAUW-AS7 (*see Attachment #3*). WAPA-UGP is proposing changes to Rate Schedule WAUW-AS7 to accommodate possible participation in a Western Interconnection energy imbalance service market by WAPA-UGP as the BA.

WAPA-UGP offers Generator Imbalance Service in the WAUW. Generator Imbalance Service is provided when a difference occurs between the output of a generator located within WAPA-UGP's WAUW and a delivery schedule from that generator to: (1) another Balancing Authority Area or (2) a load within WAPA-UGP's WAUW over a single hour⁴. Given the SPP Integrated Marketplace does not extend into the Western Interconnection, WAPA-UGP, as the Balancing Authority, will offer to provide this service at the request of SPP, if it is capable of doing so, from its own resources or from resources available to it including possible participation in a Western Interconnection energy imbalance service market. SPP is the Transmission Provider for the eligible WAPA-UGP facilities transferred to the functional control of SPP in the WAUW. Generator Imbalance Service is needed when transmission service is provided by SPP and used to deliver energy from a generator located within the WAUW, or when a difference occurs between the expected and actual delivery of energy to/from the WAUW over a single hour⁴ in the event that WAPA-UGP participates in a Western Interconnection energy imbalance service market in the WAUW as the Balancing Authority. Generator Imbalance Service in the WAUW will be billed by SPP to the SPP Transmission Customer along with the associated transmission service provided by SPP. The SPP Transmission Customer must either purchase this service from SPP or make alternative comparable arrangements pursuant to the SPP Tariff, to satisfy its Generator Imbalance Service obligation. The SPP Transmission Customer will incur a charge for either hourly generator imbalance under this Schedule, WAUW-AS7, or hourly energy imbalances under Rate Schedule WAW-AS4 for imbalances occurring during the same hour, but not both, unless the imbalances aggravate rather than offset each other.

WAPA-UGP supports the installation of renewable sources of energy but recognizes that certain operational constraints exist in managing the significant fluctuations that are a normal part of their operation. WAPA-UGP has marketed the maximum practical amount of power from each of its projects, leaving little or no flexibility for provision of additional power services. Consequently, WAPA-UGP will not regulate for the difference between the output of an intermittent generator located within the WAUW and a delivery schedule from that generator serving load located outside of the WAUW. Intermittent resources serving load outside WAPA-UGP's WAUW will be required to be pseudo-tied or dynamically scheduled to another Balancing Authority Area.

An intermittent resource, for the limited purpose of this Rate Schedule, is an electric generator that is not dispatchable and cannot store its fuel source and, therefore, cannot respond to changes in system demand or respond to transmission security constraints.

WAPA-UGP proposes to base the rate on deviation bands as follows:

⁴ Or different dispatch interval for energy imbalance service market, if applicable.



In the event that WAPA-UGP does not participate in a Western Interconnection energy imbalance service market in the WAUW as the Balancing Authority, or such energy imbalance market is unable to provide the total energy imbalance requirements for certain loads and generation within the Balancing Authority Area:

- (i) For deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the SPP Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of the average incremental cost;
- (ii) Deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the SPP Transmission Customer's scheduled transactions(s) will be settled at financially, at the end of each month. When energy delivered in a schedule hour from the generation resource is less than the energy scheduled, the charge is 110 percent of incremental cost. When energy delivered from the generation resource is greater than the scheduled amount, the credit is 90 percent of the incremental cost; and
- (iii) Deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the SPP Transmission Customer's scheduled transaction(s) will be settled at 125 percent of WAPA-UGP's highest incremental cost for the day when energy delivered in a schedule hour is less than the energy scheduled or 75 percent of WAPA-UGP's lowest daily incremental cost when energy delivered from the generation resource is greater than the scheduled amount. 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 percent or 2 MW.

Deviations from scheduled transactions responding to directives by the Transmission Provider, a Balancing Authority, or a reliability coordinator shall not be subject to the deviations bands identified above and, instead, shall be settled financially, at the end of the month, at 100 percent of incremental cost. Such directives may include instructions to correct frequency decay, respond to a reserve sharing event, or change output to relieve congestion.

WAPA-UGP's incremental cost will be based on a representative hourly energy index or combination of indexes. The index to be used will be posted on the applicable SPP Web site and WAPA-UGP's OASIS at least 30 days before use for determining the WAPA-UGP incremental cost and will not be changed more often than once per year unless WAPA-UGP determines that the existing index is no longer a reliable price index.

The pricing and charge for deviations in the deviation bandwidths is as specified above. Data used and the charges resulting from using this formula will be posted on the applicable SPP Web site and WAPA-UGP's OASIS.

In the event that WAPA-UGP participates in a Western Interconnection energy imbalance service market in the WAUW as the Balancing Authority:

Charges to the SPP Transmission Customer shall reflect only the pass-through of the applicable charges associated with the Western Interconnection energy imbalance service market assessed to WAPA-UGP as the WAUW Balancing Authority for embedded load and/or generation in the WAUW of such SPP Transmission Customer that does not make adequate alternate arrangements in such Western Interconnection energy imbalance service market or other alternative comparable arrangements pursuant to the SPP Tariff to satisfy



its Generator Imbalance Service obligation. **The charges to the SPP Transmission Customer will not include any separate WAPA-UGP administrative fee beyond those assessed to WAPA-UGP as the WAUW Balancing Authority. WAPA-UGP's overhead administrative costs, if any, as the WAUW Balancing Authority related to providing ancillary services are included, if applicable, under Rate Schedule WAUGP-AS1 (Scheduling, System Control, and Dispatch Service).**

WAPA-UGP shall post notice on the applicable SPP Web site and WAPA-UGP's OASIS, and also notify existing Transmission Customers, at least 30 days before WAPA-UGP participates in a Western Interconnection energy imbalance service market, as the Balancing Authority. WAPA-UGP will also post information related to the charges assessed by the market operator for Generator Imbalance Service in the WAUW under such Western Interconnection energy imbalance service market.

Data used and the charges resulting from using this formula will be posted on the applicable SPP Web site and WAPA-UGP's OASIS.

Project Description

WAPA-UGP is located in the marketing area of the Pick-Sloan Missouri Basin Program--Eastern Division. WAPA-UGP serves customers across more than 378,000 square miles in the northern rocky mountain and western plains states. Power is delivered through 129 substations and across 7,923 miles of Federal transmission lines, which connect with other regional transmission systems. WAPA-UGP's transmission system has been jointly developed and planned with its neighbors and partners for several decades and was previously known as the Joint Transmission System (JTS). In 1998, WAPA-UGP, Basin Electric Power Cooperative (Basin) and Heartland Rural Electric Cooperative (Heartland) partnered to establish the Integrated System (IS), originating from the JTS, which included 9,848 miles of transmission lines owned by Basin, Heartland and WAPA-UGP. Historically, transmission service over the IS was provided under WAPA's Open Access Transmission Tariff, with WAPA-UGP serving as the tariff administrator for the IS.

On October 1, 2015, WAPA-UGP joined SPP and transferred functional control of WAPA-UGP's Eastern Interconnection transmission facilities to SPP. This not only provided for transmission service over these facilities under the terms of the SPP Tariff, but placed the load and generation connected to these facilities in the SPP Integrated Marketplace. WAPA-UGP also transferred functional control of WAPA-UGP's Western Interconnection transmission facilities through a negotiated agreement. This allows SPP to sell transmission service over WAPA-UGP's Western Interconnection transmission facilities, while not including the generation and load connected to these facilities in the SPP Integrated Marketplace. With WAPA-UGP's and the other former IS owners' membership, SPP spans a footprint of almost 575,000 square miles of high-voltage transmission lines. WAPA-UGP's Eastern Interconnection Balancing Authority Area has been consolidated within the SPP Balancing Authority Area. WAPA-UGP's Western Interconnection Balancing Authority Area remains unchanged.

WAPA-UGP developed specific transmission and ancillary service rates to be effective when WAPA-UGP transferred functional control of its transmission facilities to SPP. These rates replaced the IS rates and allow WAPA-UGP to recover its revenue requirements through the SPP Tariff.

Rate Adjustment Procedures



The formal Public Consultation and Comment Period began with the publication of the Proposed Federal Register notice on August 22, 2019, and will end 90 days later, on November 20, 2019. A Public Information and a Public Comment Forum will be held in which interested parties may consult with and obtain information from WAPA-UGP representatives about the rate proposals.

During the Public Information Forum, WAPA-UGP representatives will explain the need for the Proposed Rate adjustment and answer questions. Questions not answered at the Public Information Forum will be answered in writing at least 15 days before the end of the Consultation and Comment Period.

The Public Information Forum and Public Comment Forum will be held at:

Public Information Forum, September 24, 2019, 9 a.m. to 10:30 a.m. CDT
Public Comment Forum, September 24, 2019, 11 a.m. to no later than 12 p.m. CDT
Holiday Inn Downtown Airport, 1420 Cuming Street, Omaha, NE 68102

Public Information Forum, September 25, 2019, 9 a.m. to 10:30 a.m. CDT
Public Comment Forum, September 25, 2019, 11 a.m. to no later than 12 p.m. CDT
Radisson Hotel Bismarck, 605 East Broadway, Bismarck, ND, 58501

At the Public Comment Forum, interested persons may submit written or oral comments.

Both the Public Information Forum and the Public Comment Forum will be recorded and transcribed. Copies of the transcript will be available for purchase from the Court Reporter.

All interested parties may submit written comments to WAPA-UGP at any time during the Consultation and Comment Period. All comments must be received by WAPA-UGP by the end of the comment period to be considered in the decision process. Written comments should be sent to:

Mr. Jody Sundsted
Upper Great Plains Regional Manager
Western Area Power Administration
2900 4th Avenue North
Billings, MT 59101-1266

Comments may also be e-mailed to ugptrates@wapa.gov

For further information, please contact:

Ms. Linda Cady-Hoffman
Rates Manager
Upper Great Plains Region
Western Area Power Administration
2900 4th Avenue North
Billings, MT 59101-1266
Telephone: (406) 255-2920
e-mail: cady@wapa.gov

Revision and/or Finalization of Proposed Formula Rates



After the Consultation and Comment Period has expired and WAPA-UGP has conducted a thorough review of oral and written comments, WAPA-UGP may revise the Proposed Formula Rate(s). If Western's Administrator decides that further public comment on the revised Proposed Formula Rate(s) should be solicited, a second consultation and comment period may be initiated. In that event, one or more additional meetings will be convened.

Assistant Secretary for Electricity's Confirmation of Provisional Formula Rates

Following the end of the Consultation and Comment Period(s), WAPA-UGP will finalize development of the Proposed Formula Rates. WAPA will request that the Assistant Secretary for Electricity confirm, approve, and place these formula rates in effect on a provisional basis. The decision and an explanation of the principal factors leading to the decision will be announced in the [Federal Register](#). WAPA-UGP proposes to place the proposed formula rates into effect on October 1, 2020.

FERC's Approval of the Formula Rates

The Assistant Secretary for Electricity will submit all information concerning the provisional rates to FERC and request approval of the methodologies used in their development. FERC may then confirm and approve the submittal, remand it to WAPA, or disapprove the submittal.

Ratemaking Procedure Requirements

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.



Attachment #1

Notifications and Posting of Detailed Information

As described in the August 22, 2019, Federal Register notice, Western Area Power Administration (WAPA) proposes new formula rates for the Pick-Sloan Missouri Basin Program—Eastern Division (P–SMBP—ED) transmission and ancillary services. Link: <http://www.oasis.oati.com/WAPA/WAPAdocs/FRN-Proposed-UGP-Trans-Anc-Service-Rates-2019-0822.pdf>.

Consistent with other SPP Zone 19 (UMZ) Transmission Owners (TOs), WAPA-UGP provided notification and posted information by email on August 23, 2019 about the proposed formula rates to the SPP “Formula Rate Posting Information Notification” Exploder List⁵: frpin@spplist.spp.org. All future notices, including Annual Update notices, will also be sent to this service Exploder List.

Notices, Detailed Information, Updates, Customer Comments, Status, and all other related postings on this rate process will be posted to or made available at the following locations:

- 1) WAPA-UGP's OASIS at <http://www.oasis.oati.com/wapa/index.html> under the “Rate Order No. WAPA-188” page in the “Rates” folder;
- 2) WAPA-UGP's Rates Web Page at: <https://www.wapa.gov/regions/UGP/rates/Pages/rates.aspx> ; and
- 3) "Western Area Power Administration UGP Information" link on SPP's Member Related Postings website at: <http://opsportal.spp.org/OASIS/Directory/Member%20Related%20Postings>.

The direct link to the “Rate Order No. WAPA-188” page, where all the information related to this rate process can be accessed is: <http://www.oasis.oati.com/woa/docs/WAPA/WAPAdocs/Rate-Order-No-WAPA-188.htm>.

The following documents will be posted, as available, at the “Rate Order No. WAPA-188” page, or will be provided upon request:

1. Rate Templates (transmission and ancillary services rates) (Excel)
2. Rate Schedules (Clean and Redline to prior versions) (PDF)
3. Formula Rate Implementation Protocols (PDF)

⁵ Information on how to subscribe to SPP’s email Exploder Lists is available at: <https://www.spp.org/stakeholder-center/exploder-lists/>.



Attachment #2
Proposed Rate Templates

Available for download, when posted, from the “Rate Order No. WAPA-188” page on the WAPA-UGP OASIS at the following link:

<http://www.oasis.oati.com/woa/docs/WAPA/WAPAdocs/Rate-Order-No-WAPA-188.htm>.



Attachment #3
Proposed Rate Schedules
(Redlines to Current Versions)

Clean and Redline versions also available for download, when posted, from the “Rate Order No. WAPA-188” page on the WAPA-UGP OASIS at the following link:

<http://www.oasis.oati.com/woa/docs/WAPA/WAPAdocs/Rate-Order-No-WAPA-188.htm>.



Attachment #4
Proposed Formula Rate Implementation Protocols

Also available for download, when posted, from the “Rate Order No. WAPA-188” page on the WAPA-UGP OASIS at the following link:

<http://www.oasis.oati.com/woa/docs/WAPA/WAPAdocs/Rate-Order-No-WAPA-188.htm>.

