

### **Proposed Rate for Network Transmission Service**

The methodology for calculating the Network Transmission Service rate is unchanged from Western's previously approved filing with the Federal Energy Regulatory Commission (FERC). The current methodology derives a network customer's monthly charge by multiplying a customer's load ratio share times one-twelfth ( $\frac{1}{12}$ ) of the annual network transmission revenue requirement. The proposed revenue requirement for Fiscal Year 2004 is decreasing from \$40,570,808 to \$38,776,237 or 4.4 percent, based on FY 2002 financial data.

### **Proposed Rate for Firm Point-to-Point Transmission Service**

The proposed rate for Firm Point-to-Point Transmission Service is decreasing from \$2.88 per kilowattmonth (kW-month) to \$2.68 per kW-month, or 6.9 percent. The proposed rate for this service is the annual revenue requirement for transmission divided by the 12-month coincident monthly peak (12-cp) of the LAP transmission system, and divided again by 12 months. The 12-cp for the LAP transmission system for Fiscal Year 2004, is 1,206,771 kW, based on FY 2002 load data.

### **Proposed Rate for Non-Firm Point-to-Point Transmission Service**

Non-Firm Point-to-Point Transmission Service is available for periods ranging from 1 hour to 1 month. The proposed maximum rate is 3.75 mills/kWh.

### **Proposed Rates for Ancillary Services**

There is no change in the proposed formula-based rate methodologies for calculating revenue requirements for Scheduling, System Control, and Dispatch Service, or the Reactive Supply and Voltage Control Service from Generation Sources. The rates for Operating Reserves, both Supplemental and Spinning, are also unchanged.

The proposed rates do include changes to the formula-based rate methodologies for Regulation and Frequency Response Service and Energy Imbalance Service as outlined below. Additionally, a separate rate for Regulation and Frequency Response Service for Intermittent Renewable Resources has been added.

Two ancillary service rates, not part of the original portfolio of ancillary services filed in 1998, are also being proposed under this filing: (1) Unauthorized Use of Transmission and Control Area Resources service, and (2) Transmission Losses service.

The rates for all of these services, as proposed, are applicable to all customers within the Western Area Colorado Missouri (WACM) control area.

### **Proposed Rate for Scheduling, System Control, and Dispatch Service**

The rate methodology for calculating the revenue requirement for the Scheduling, System Control, and Dispatch Service is unchanged from Western's previously approved filing with FERC. However, the charging basis for this rate will change from per-schedule-per-day, to per-tag-per-day. The rate for this service, as proposed, is applicable to those operating within the control area with schedules/tags that do not include any segment of the Federal transmission system.

The revenue requirement for this service in Fiscal Year (FY) 2004 will decrease from \$3,970,226 to \$3,796,470, a decrease of 4 percent. This, combined with the change in the charging basis from schedule to tag, will reduce the rate from \$43.09 per schedule per day, to \$25.22 per tag per day.

Western will continue to apply this rate against the number of daily tags submitted for transmission transactions that are off the Federal system; *i.e.*, other than LAP or Colorado River Storage Project transmission, and charge the transmission provider.

### **Proposed Rate for Reactive Supply and Voltage Control Service From Generation Sources**

The rate methodology for calculating the revenue requirement for the Reactive Supply and Voltage Control Service from Generation Sources is unchanged from Western's previously approved filing with FERC. The rate is applicable to all transmission transactions within WACM. Customers agreeing to respond to WACM's request for Reactive Supply and Voltage Control Service from Generation Sources will receive a waiver from this charge.

The revenue requirement for this service in FY 2004 is proposed to increase from \$1,644,071 to \$1,682,672, or 2 percent. In addition, the percentage of LAP capacity used to provide Reactive Supply and Voltage Control Service from Generation Sources is also proposed to increase from 2.3 percent to 2.5 percent, resulting in a slight increase in the FY 2004 rate, from \$0.103/kW-month to \$0.108/kW-month, or 4.9%.

### **Proposed Rate for Regulation and Frequency Response Service**

Western proposes several changes to the rate methodology for Regulation and Frequency Response Service. The rate is

applicable to all transmission transactions with load served within WACM.

Western is proposing a revised annual operational analysis to more accurately determine the amount of capacity needed to meet WACM's regulation requirements. The current analysis determined that WACM needs 75 megawatts (MW) or regulating capacity. Due to the limited availability of hydroelectric capacity, Western has determined that purchases must become a substantial part of the revenue requirement for regulation. Therefore, Western is proposing a mix of Federal resources and non-Federal purchases to provide this capacity. The amount of regulation and cost of these purchases will be revised annually to accurately reflect the capacity needed to supplement hydroelectric resources.

The unit cost and revenue requirement for Federal facilities will continue to be calculated each year using the existing methodology's annual fixed charge rate.

Using the proposed methodology, the revenue requirement for Regulation and Frequency Response Service will increase from \$3,727,782 to \$5,031,873, an increase of 35 percent. The current rate for this service is \$0.164/kW-month, and the proposed rate will be \$0.185/kW-month, an increase of 13 percent.

### **Proposed Rate for Regulation and Frequency Response Service for Intermittent Renewable Resources**

Western supports the installation of renewable sources of energy, but recognizes certain operational constraints exist in managing the significant fluctuations that are a normal part of their operation. These fluctuations require that a rate be developed and implemented that will recover the expenses associated with such variation in capacity. Therefore, Western is also proposing a rate for the regulation requirement associated with intermittent renewable resources.

The rate would be derived from the revenue requirement established for load-based Regulation and Frequency Response Service, \$5,031,873; however, the basis would be a charge per unit of capacity. The rate is proposed to be \$5.59/kW-month, and would be applied against the amount of capacity used.

An analysis done by Western to measure the variation of intermittent renewable resources within WACM indicates that 27 percent of the nameplate capacity of those units is required for regulation.

Western plans to offer resource owners a credit for more closely matching generation schedules with