

AGREEMENT NO. 16-DSR-12714

BETWEEN

**UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
DESERT SOUTHWEST CUSTOMER SERVICE REGION
Boulder Canyon Project
Pacific Northwest-Pacific Southwest Intertie Project
Parker-Davis Project**

AND

CITY OF MESA

FOR

BALANCING AUTHORITY AND ANCILLARY SERVICES

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BALANCING AUTHORITY AND ANCILLARY SERVICES

1. **PREAMBLE:** This Balancing Authority and Ancillary Services Agreement, hereinafter called Agreement, is made this _____ day of _____, 2016, pursuant to the Acts of Congress approved June 17, 1902 (32 Stat. 388, 43 U.S.C. 391); December 21, 1928 (45 Stat. 1057); January 21, 1927 (44 Stat. 1010); August 4, 1939 (53 Stat. 1187); July 19, 1940 (54 Stat. 774); May 28, 1954 (68 Stat. 143); August 4, 1977 (91 Stat. 565); August 17, 1984 (98 Stat. 1333); June 24, 1974 (88 Stat. 266); and Acts amendatory or supplementary to the foregoing Acts; between the United States of America, Department of Energy, acting by and through the Administrator, WESTERN AREA POWER ADMINISTRATION, represented by the officer executing this Agreement or a duly appointed successor, hereinafter called WAPA; and CITY OF MESA, a municipality organized, incorporated, and existing under and by virtue of the laws of the State of Arizona, its successors and assigns, hereinafter called Contractor, its successors and assigns; sometimes each individually called Party and collectively called the Parties.

2. **EXPLANATORY RECITALS:**

- 2.1 WAPA is engaged in the marketing and transmission of electric power and operates the Western Area Lower Colorado (WALC) Balancing Authority (BA) in the Desert Southwest Region (DSW), which includes Boulder Canyon Project (BCP), Central Arizona Project (CAP), Pacific Northwest-Pacific Southwest Intertie Project (Intertie), Parker-Davis Project (P-DP), Colorado River Front Work and Levee System and Colorado River Basin Salinity Control Program (Salinity).
- 2.2 The Contractor is engaged in the purchase, consumption and distribution of electric power in the Southwestern United States, and has allocations of Federal Hydro Resources.
- 2.3 The Contractor owns and operates a Metered Subsystem with boundaries and metering as set forth in Exhibit A. Contractor's Metered Subsystem is interconnected with WAPA's Parker-Davis System and WAPA's Pacific Northwest/Pacific Southwest Intertie Project System. The Contractor's Metered Subsystem segregates the Contractor's electric system from WALC's electric system to account for energy transfers between the two systems, including the variations of actual energy deliveries from the scheduled energy deliveries. The Parties desire to set forth their understanding regarding the operations at the Metered Subsystem connection.
- 2.4 Contractor entered into Contract No. 97-DSR-10820, as revised and restated as a member of the resource management services group with WAPA as Contractor's Scheduling Representative.
- 2.5 The Contractor's Metered Subsystem is currently located and serves loads within the WALC Balancing Authority Area (BAA).

- 2.6 WAPA has offered to provide BA Services and Ancillary Services for the Contractor's requirements, as described in this Agreement and Exhibit B, attached hereto.
- 2.7 The Parties now desire to enter into this Agreement to clearly define the responsibilities of the Parties with respect to the WALC BA, the Metered Subsystem, Balancing Authority Services, and certain Ancillary Services.
3. **AGREEMENT:** The Parties hereby agree to the terms and conditions set forth herein.
4. **TERM OF AGREEMENT:**
- 4.1 This Agreement shall become effective on October 31, 2016.
- 4.2 This Agreement shall remain in effect until October 31, 2036, unless terminated upon one hundred eighty (180) days advance written notice given by either Party to the other Party; provided that, termination shall not become effective until the Parties have implemented the changes necessary to remove the Contractor's Metered Subsystem from the WALC BAA.
- 4.3 All obligations incurred under this Agreement, prior to termination shall be preserved until satisfied.
5. **DEFINITIONS:** For purposes of this Agreement, capitalized terms defined in this Section shall have the meaning set forth below whether used in the singular or plural.
- 5.1 **Ancillary Services:** Ancillary Services as defined in FERC Order 888 and subsequent orders, as may be amended or revised from time to time, consist of seven (7) services which make up the basic components needed of open access operation of electric power transmission systems; Scheduling, System Control and Dispatch Service (Scheduling Service); Reactive Supply and Voltage Control Service from Generation Sources

(Reactive Service); Regulation and Frequency Response Service (Regulation Service); Energy Imbalance Service; Operating Reserve Services – Spinning Reserve; Operating Reserves Service – Supplemental; and Generator Imbalance Service.

- 5.2 **Automatic Generation Control (AGC)**: Equipment which automatically adjusts generation in a BAA from a central location to maintain the BA's interchange schedule plus frequency bias.
- 5.3 **Balancing Authority (BA)**: The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
- 5.4 **Balancing Authority Services (BA Services)**: Those services defined in Section 8
- 5.5 **Balancing Authority Area (BAA)**: The collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.
- 5.6 **Contractor's Scheduling Representative**: Currently, MESA has chosen DSW EMMO as its scheduling and purchasing representative. If MESA chooses another entity to fill this role, MESA shall notify WAPA in writing within ten (10) business days in accordance with Section 13, herein.
- 5.7 **DSW Energy Management and Marketing Office (DSW EMMO)**: The DSW Energy Management and Marketing Office (EMMO) is a North American Electric Reliability Corporation (NERC) Registered Merchant entity.
- 5.8 **Federal Energy Regulatory Commission (FERC)**: The Federal Energy Regulatory Commission, or successor(s).

- 5.9 **Metered Subsystem**: A subsystem within a BAA that balances its resources and loads through generation, capacity, and energy schedules and is defined by meters that measure net energy transfers between its electric system and that of others. The Contractor's Metered Subsystem is as set forth in Exhibit A hereto.
- 5.10 **Metered Subsystem Load**: The Contractor's net load within the Metered Subsystem.
- 5.11 **North American Electric Reliability Corporation (NERC)**: The North American Electric Reliability Corporation, or successor(s).
- 5.12 **Off-Nominal Frequency Load Shedding Plan**: Policies and procedures to arrest potential system collapses due to large frequency deviations, minimize associated adverse impacts caused by cascading outages, and aid in quickly restoring the system to normal operations.
- 5.13 **Peak**: Peak Reliability Coordinator Area or Peak RC Area, or successor(s).
- 5.14 **Supervisory Control and Data Acquisition (SCADA)**: Is a centralized remote control system which includes the transmission of numerical quantities and alarms to and from generation stations, substations, and other electrical facilities to a control center.
- 5.15 **SMSG**: The Southwest Reserve Sharing Group, or successor(s).
- 5.16 **Transmission Provider**: An entity which owns, controls, or operates the facilities used for the transmission of electric energy in interstate commerce and provides transmission service.

5.17 **Western Area Lower Colorado (WALC):** The Western Area Lower Colorado BA, is the BA, operated in WAPA's Desert Southwest Region. WALC includes portions of Arizona, California, and Nevada.

5.18 **Western Electricity Coordinating Council (WECC):** The Western Electricity Coordinating Council, or successor(s).

6. **OPERATIONS OF METERED SUBSYSTEM CONNECTIONS:**

6.1 Capacity and associated energy available to the Parties at the point(s) of connections with the Contractor's Metered Subsystem shall be limited to the capability of each Party's electric system to deliver and receive such capacity and energy. Each Party, shall be the sole judge as to such capability of its electric system and as to the availability of capacity in its electric system. If the delivery of power to either Party exceeds such capability, WALC, Contractor, or Contractor Scheduling Representative, as applicable, will take appropriate action to reduce the deliveries on that circuit by any one or more actions including, but not limited to, increasing or decreasing internal generation, curtailing imported and exported power, or shedding load within WALC.

6.2 The limit for transfers of power across each point of connection to the Metered Subsystem may be revised in accordance with procedures established and mutually agreed to by the Parties consistent with NERC and WECC Standards.

6.3 The electric systems of the Parties shall, unless otherwise specified, remain interconnected continuously except for:

- 6.3.1 Interruptions or reductions due to uncontrollable forces, as defined in Provision 34 of the General Power Contract Provisions (GPCP), attached hereto.
- 6.3.2 Interruptions or reductions due to operation of devices installed for electric system protection.
- 6.3.3 Interruptions or reductions which, in the opinion of either Party, are necessary or desirable to maintain, repair, replace, install equipment, or to investigate and inspect the facilities or prevent adverse impacts to the interconnection. The Parties or their representatives shall notify each other in accordance with NERC and WECC Standards, and as specified in Section 13, Standard Operating Procedures, between the Parties, prior to any scheduled work that will open any point(s) of connection of the Contractor's Metered Subsystem. Unplanned interruptions related to Emergency System Response or Restoration may originate from Reliability Coordinator (RC) directives for the immediate preservation or restoration of normal interconnected power systems operations. Such RC directives will be communicated to WALC and depending on the nature and urgency of the emergency may be executed without prior notification to the Contractor or Contractor's Representative.
- 6.4 The Contractor's Metered Subsystem Connections (as detailed in Exhibit A) shall measure Metered Subsystem Load with meters of revenue quality as defined by WAPA's Meter Policy.
- 6.5 It is the Contractor's responsibility to effectuate agreement(s) with any third party or parties, which may be necessary to enable the Contractor to utilize the Metered

Subsystem Connections hereunder. WAPA will join in and become a signatory to any such agreement or agreements as necessary to effectuate such agreement(s).

- 6.6 If the Contractor's Metered Subsystem requires changes that (i) include the addition or removal of a meter or (ii) modify or alter electrical loading outside of the existing capabilities of the metering equipment detailed in Exhibit A, then, the Contractor shall notify WAPA in advance of the required changes to the Metered Subsystem and provide any additional metering required in accordance with Subsections 6.4 and 7.2 herein.
- 6.7 This Agreement does not entitle either Party to any capacity in the other Party's electric transmission system or distribution system except as specifically provided herein and does not alter transmission or distribution capacity obligations either Party has under other agreements.

7. **COMMUNICATION REQUIREMENTS:**

- 7.1 The Contractor shall provide dedicated communication links or other communications facilities to Contractor's Metered Subsystem to those facilities listed in Exhibit A of this Agreement, which may be reasonably requested by WALC from time to time to facilitate automatic data transfers and allow the WALC BA to be operated in accordance with NERC and WECC Standards.
- 7.2 Telemetered data from connection(s) shall be made available to the Party requesting the interconnection at the Party's sole expense. WALC, as BA, shall be the sole judge in determining what telemetered data is required to meet its operational requirements. Communication channels for telemetered data may be exchanged between the Parties; however, the party requesting the connection(s) shall be

obligated to furnish communication channels for data required by either Party from the connection(s).

8. **OTHER OPERATIONS:** WAPA, as operator of WALC BA, and Contractor will coordinate efforts as needed to satisfy the applicable operating standards and requirements of NERC, SRSR, FERC and WECC, in addition to the standards of WAPA.
- 8.1 In the event that modifications to the control and/or accounting equipment of WAPA are required as a sole result of Contractor's use of Services under this Agreement, WAPA may provide Contractor with a cost estimate and documentation evidencing the need and nature of such modifications. Thereafter, Contractor shall have a reasonable period in which to provide payment for such modifications, or notice of its intent to terminate and discontinue receipt of the services which necessitate the modifications or this Agreement, as applicable.
- 8.2 The Contractor or Contractor's Scheduling Representative shall utilize voltage control equipment to maintain optimum transmission voltage levels and support reactive power flows at levels required to maintain system stability and within the operating range of their electric equipment. The Contractor or Contractor's Scheduling Representative will provide nominally rated voltage at its Metered Subsystem points of connection with WALC and will coordinate voltage support and Megavolt-Ampere (MVA) flow control with WALC. WALC will coordinate voltage support to the Contractor for the extent such support is available locally on the transmission system.
- 8.3 Underfrequency Load Shedding (UFLS) will be in accordance with WAPA's UFLS Standard Operating Procedure (SOP).

- 8.4 The net scheduled interchange between the WALC BA and the Contractor shall be compared hourly with the net actual integrated interchange as determined by the metering of the Contractor's Metered Subsystem (as described in Exhibit A) to determine the variation from schedule, or energy imbalance. It is the intent of the Parties that net energy imbalance accumulated on an hour by hour basis will be maintained as near to zero as possible except as otherwise agreed to by the Parties. Energy Imbalance Service shall be provided in accordance with Exhibit B, attached hereto.
- 8.5 WAPA is not responsible for providing, maintaining, and monitoring the operating reserve capacity for Contractor under this Agreement WAPA may be responsible for such obligations as set forth pursuant to a separate written agreement between the Parties.
- 8.6 Each Party shall be responsible for providing its appropriate share of the capacity and energy losses within its portion of WALC. Revenue metering at the Contractor's Metered Subsystem points, provided in accordance with subsections 6.4 and 7.2 herein, shall be used to determine the Metered Subsystem Load.
- 8.7 Each Party shall advise its personnel of the extent of their responsibility and authority under this Agreement.
- 8.8 The Contractor shall be responsible for WECC and Peak, or any successor organizations, assessments based on its proportionate share of the total load in the WALC Balancing Authority. If Peak services are not assessed directly by the regulatory entities, WAPA will invoice the Contractor annually for its proportional share of Peak reliability coordinator services.

- 8.9 WAPA shall provide BA coordination and dispatching services.
- 8.9.1 Interchange scheduling and associated dispatching of transactions that source, sink, or are transmitted through WALC will be approved by WALC upon submission of proper interchange transaction tags. WALC, in complying with NERC and WECC and interchange transaction tag requirements shall apply its posted business practices to all the Contractor transactions.
- 8.9.2 WALC shall provide and accept schedules in the unit measure of Megawatt/Megawatt hours in real time, for load estimates, delivery, and accounting of all resource schedules, inter-utility transactions, and energy exchanges. Standard utility account practices and units of measure will apply to historical or monthly power accounting between the Parties.
- 8.9.3 WALC shall provide coordination with the Contractor or Contractor's Scheduling Representative and the Reliability Coordinator (RC) for system emergencies and restoration condition. WALC reports for the Contractor conditions which qualify as reportable to the RC, NERC, WECC, or Department of Energy.
- 8.9.4 WALC will implement RC directives which may require directing the Contractor's Scheduling Representative to take resource or load impacting actions during emergency conditions such as generation re-dispatching, interchange curtailment, provisions of emergency assistance, or other actions which may temporarily affect certain ancillary services provided to the Contractor.

- 8.9.5 WALC will communicate with and direct the Contractor or Contractor's Scheduling Representative to take remedial action during operating practices that have violated NERC and WECC requirements.
- 8.10 The Parties shall agree to the Contractor's Metered Subsystem boundaries and metering as set forth in Exhibit A and required by this subsection.
- 8.10.1 The purpose for maintaining the Contractor's Metered Subsystem is to segregate the Contractor's electric system from WALC's electric system to account for energy transfers between the two systems, including the variations of actual energy deliveries from the scheduled energy deliveries.
- 8.10.2 The net scheduled interchange between the WALC BA and the Contractor shall be compared hourly with the net actual integrated interchange as determined by perimeter telemetering of the Contractor's Metered Subsystem to determine the variation from schedule, or energy imbalance. It is the intent of the Parties that net energy imbalance accumulated on an hour by hour basis will be maintained as near to zero as possible through employment of standard utility operating practices except as otherwise agreed to by the Parties. Energy Imbalance Service shall be provided in accordance with Exhibit B, attached hereto.
- 8.11 Each Party or its representative shall be responsible for providing, maintaining, and monitoring its operating reserve capacity in accordance with applicable NERC, WECC, and SRSR requirements.
- 8.12 Each Party shall be responsible for providing its appropriate share of the capacity and energy losses within its portion of WALC. Revenue metering at the Contractor's

Metered Subsystem points, provided in accordance with subsections 6.4 and 7.2 herein, shall be used to determine the Metered Subsystem Load.

- 8.13 Each Party shall advise its personnel of the extent of their responsibility and authority under this Agreement.
- 8.14 The Contractor shall be responsible for WECC and Peak, or any successor organizations, assessments based on its proportionate share of the total load in the WALC Balancing Authority. If Peak services are not assessed directly by the regulatory entities, WAPA will invoice the Contractor annually for its proportional share of Peak reliability coordinator services.

9. **ANCILLARY SERVICES:**

- 9.1 Subject to the provisions of DSW's Ancillary Service Rate Schedules, the Contractor may obtain the required Ancillary Services as identified in Exhibit B by:
- (i) self-providing; (ii) purchasing through WAPA; or (iii) purchasing from a third party verified by WAPA as capable of providing the Ancillary Services.
- 9.2 As of the effective date of this Agreement, Contractor will purchase, and WAPA will provide, those Ancillary Services identified in Exhibit B. Contractor may terminate with WAPA each year on the anniversary of the effective date those BA Services that Contractor desires to self-provide or purchase from a third party by providing WAPA with sixty (60) days' written notice of an amended Exhibit B as described in Subsection 10.1.
- 9.3 It is the intention of the Parties that Contractor will pay under this Agreement only for those services and resources received under this Agreement and that WAPA will be compensated under this Agreement only for providing those services and resources.

If it is found that this is not occurring, the Parties will develop and implement a method for preventing any over or underpayments.

10. **SCHEDULE OF RATES:** Ancillary Services, as set forth in Exhibit B, that are obtained by the Contractor from WAPA, shall be paid for monthly in accordance with rates, charges, and conditions set forth in DSW's Ancillary Services Rate Schedules (Rate Schedule) under Western's Open Access Transmission Tariff (OATT), attached hereto, as may be superseded from time to time.

11. **METERING AND SCHEDULING INSTRUCTIONS (MSI):**

- 11.1 **Establishment of MSI:** Within six (6) months after the effective date of this Agreement, the Parties shall complete and mutually agree upon the MSI consistent with this Agreement and in accordance with accepted electric utility scheduling and dispatching practices, for transactions to be conducted pursuant to this Agreement. The MSI is intended to implement the terms of this Agreement but not to modify or amend it. It is therefore, subordinate to this Agreement and in the event of any conflict between this Agreement and the MSI, this Agreement shall govern.
- 11.2 **Submission of Schedules:** The Contractor or Contractor's Scheduling Representative shall submit, or make arrangements to submit, hourly schedules and any schedule changes to the WALC BA schedulers and/or dispatchers in accordance with the MSI established pursuant to Subsection 11.1 herein. Notwithstanding the notice requirements of Section 13 herein, if Contractor or Contractor's Scheduling Representative does not comply with the established MSI, the WALC BA shall inform Contractor and Contractor's Representative of such noncompliance, and shall

not be obligated to accept Contractor's schedule(s) until the MSI has been complied with and all requirements have been met.

11.3 **Failure to Execute MSI:** In the event the Contractor fails or refuses to execute the initial MSI or any revised procedures which WAPA determines to be necessary due to changes in this Agreement or the electric system of either Party, WAPA will temporarily follow standard procedures in accordance with good utility practice, as determined by WAPA, until a mutually acceptable MSI has been developed and executed by the Parties.

11.4 **Election of Schedules by the Contractor:** The Contractor or Contractor's Scheduling Representative shall apply standard NERC interchange schedules (static or dynamic) to its metered points.

12. **STANDARD OPERATING PROCEDURES:** WAPA, the Contactor, or the Contractor's Scheduling Representative will review and confirm the application of each Party's procedures to be followed in the performance of routine transmission and emergency power system operations. The SOP is intended to implement the terms of this Agreement, but not to modify or amend it. It is therefore, subordinate to this Agreement and in the event of any conflict between this Agreement and the SOP, this Agreement shall govern. In the absence of Contractor's SOP, standard utility practice shall be utilized

13. **NOTICES:** Either Party, by written notice to the other Party, shall designate their authorized representative(s) for this Contract, and/or advise of any changes, in accordance with Provisions 31 and 40 of the General Power Contract Provisions.

14. **EXISTING AGREEMENTS PRESERVED:** Nothing in this Agreement shall be interpreted to supersede the requirements of any existing agreement unless otherwise expressly stated herein.
15. **NO THIRD PARTY RIGHTS:** Except as otherwise specifically provided in this Agreement, the Parties do not intend to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, covenant, obligation, or undertaking established herein.
16. **AUTHORIZED REPRESENTATIVES:** Each Party shall, by written notice to the other Party, designate the representative(s) who is authorized to act on its behalf with respect to those matters contained herein which are the functions and responsibilities of its authorized representative(s). Either Party may change the designation of its authorized representative(s) upon notice to the other Party.
17. **COMPLIANCE RESPONSIBILITY:** Any alleged violation of operational or reliability standards shall be the responsibility of the Party whose action or lack of action is being questioned for the alleged violation. Should such alleged violation be determined to be a violation, the Party causing the violation shall bear the financial responsibility.
18. **EXHIBITS:** The initial exhibits to this Agreement, as they may be amended or revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth. New exhibits may be added in the future, as required, and shall be made part of this Agreement by mutual written agreement of the Parties.
19. **AMENDMENTS AND MODIFICATIONS:** This Agreement may be amended or modified by mutual written agreement or amendment duly executed by the Parties.

20. **GENERAL POWER CONTRACT PROVISIONS:** The General Power Contract Provisions (GPCP), effective September 1, 2007, attached hereto, are hereby made a part of this Agreement the same as if they had been expressly set forth herein; provided, that if the provisions in the GPCP are in conflict with this Agreement, the terms of this Agreement shall control.
21. **AUTHORITY TO EXECUTE:** Each individual signing this Agreement certifies that the Party represented has duly authorized such individual to execute this Agreement that binds and obligates the Party.

The Parties named below have caused this Agreement No. 16-DSR-12714 to become effective on October 31, 2016.

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
ROCKY MOUNTAIN REGION

By _____

Title _____ Darren Buck
Vice President of Operations for
CRSP Management Center,
DSW Region, and Rocky
Mountain Region

Address _____

_____ P.O. Box 3700

_____ Loveland, CO 80539-3003

CITY OF MESA

By _____

Title _____

Address _____

ATTEST:

By _____

Title _____

METERED SUBSYSTEM

1. This Exhibit A, effective under and as a part of Agreement No. 16-DSR-12714 (Agreement), shall become effective October 31, 2016, and shall remain in effect until superseded by another Exhibit A; provided, this Exhibit A, or any superseding Exhibit A, shall terminate by the expiration of the Agreement.
2. The point(s) of connection of the Contractor's Metered Subsystem and WALC are defined by the following boundaries:

<u>SUBSTATION</u>	<u>METER</u>	<u>VOLTAGE</u> <u>(KV)</u>	<u>BOUNDARY</u> <u>WITH</u>
Rogers	RGS090	69	WAPA\SRP
Rogers	RGS092	69	WAPA\SRP
Rogers	RGS094	69	WAPA\SRP

3. This Exhibit A to Agreement No. 16-DSR-12714 may be modified in accordance with Section 18 of this Agreement.

ANCILLARY SERVICES

1. This Exhibit B, effective under and as a part of Agreement No. 16-DSR-12714 (Agreement) shall become effective October 31, 2016, and shall remain in effect until superseded by another Exhibit B; provided, this Exhibit B, or any superseding Exhibit B, shall terminate by the expiration of the Agreement and shall refer to DSW's Ancillary Services Rate Schedules under Western's Open Access Transmission Tariff (Rate Schedule).

2. **ANCILLARY SERVICES:**

Definitions for the seven (7) services listed in this Ancillary Services section shall be as defined by WAPA's Open Access Transmission Tariff.

2.1 Subject to the provisions of DSW's Ancillary Service Rate Schedules, the Contractor must comply with NERC and WECC requirements for transactions requiring Ancillary Services. The Contractor may obtain the required Ancillary Services by self-providing, purchasing through WAPA, or purchasing from a third party verified by WAPA as capable of providing the Ancillary Services.

2.2 In lieu of Contractor operating its own BA and continuously adjusting its generation to maintain schedules to its purchaser(s), the Contractor shall operate its generation and electric system within WALC. Ancillary Services purchased from WALC through WAPA are identified herein.

2.3 **Scheduling, System Control, and Dispatch Service (Scheduling Service)** is the primary method of communicating interchange scheduling information between scheduling entities through interchange transaction tags, as required by NERC and WECC. Scheduling Service provides for the movement of energy through,

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out of, within, or into WALC. It can be purchased from the Transmission Provider.

The Rate Schedule for Scheduling Service states the rate applicable only to interchange transaction tags on schedules for which WALC is not the Transmission Provider. It is anticipated that WAPA will be the transmission provider for all internal schedules. With WAPA as the Transmission Provider, the cost of the service is included in charges for services currently being supplied to the Contractor.

As of the date of this Exhibit B, the Contractor's applicable Scheduling Service fees are collected pursuant to Contract No 97-DSR-10820, as revised and restated for use of the Parker-Davis Project.

2.4 **Reactive Supply and Voltage Control Service (Reactive Service)**

maintains the voltage level on the transmission system and can be purchased from the Transmission Provider. Contractor may self-supply, if they have transmission service directly from their generation source. Equipment used to provide voltage support could be static var support and generating units. Contractor provides volt-amperes reactive (VAR) support system in accordance with Contract No. 97-DSR-10820, as revised and restated for WAPA's P-DP transmission system.

The Rate Schedule for Reactive Service is applicable to transmission contracts with provisions that allow for such charges and to Open Access Same-Time Information System (OASIS) transactions. As of the date of this

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Exhibit B, only the Contractor reservations under OASIS transactions are subject to the Rate Schedule. It is anticipated that the Contractor will purchase this service at such time as they take transmission service from WAPA.

- 2.5 **Regulation and Frequency Response Service (Regulation Service)** is the raising or lowering of on-line generation units that are equipped with AGC and that can change output quickly (MW/minute) to track moment-to-moment fluctuations in load. In doing so, regulation helps to: (i) maintain interconnection frequency; (ii) minimize differences between actual and scheduled power flows between balancing authorities; and (iii) match generation to load within the WALC BA. This service utilizes a portion of generation resources that are spinning as well as AGC and SCADA equipment. As of the date of this Exhibit B, the Contractor will purchase this service from WAPA. WAPA's Rate Schedule for Regulation Service is applicable to all Contractor loads in the WALC BAA.
- 2.6 **Energy Imbalance Service** is the difference between the Contractor's scheduled and actual delivery of energy located within the Metered Subsystem. The hourly difference between the actual energy deliveries and the scheduled energy deliveries shall serve to determine the hourly energy imbalance for the Contractor's Metered Subsystem. The settlement of Energy Imbalance Service will be as set forth in the Rate Schedule. For imbalance energy within the established bandwidths for both on-peak and off-peak, as set forth in the Rate Schedule, the settlement between the Contractor and WAPA will be for one

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hundred percent (100%) of the energy imbalance. For the portion of energy imbalance that is outside the bandwidth, the settlement will be as set forth in the Rate Schedule. As of the date of this Exhibit B, the Contractor will purchase this service from WAPA.

2.6.1 WAPA has a mechanism in place to allow each member of an aggregate group to retain the full individual Energy Imbalance bandwidth.

2.7 **Operating Reserves Services** are used for contingencies for generation and/or transmission outages. WAPA's Rate Schedule for Operating Reserves Service is applicable to all Contractor loads in the WALC BAA.

2.8 **Generator Imbalance Service** is the difference between the Contractor's scheduled and actual generation located within the Metered Subsystem. The hourly difference between the actual generation and the scheduled generation shall serve to determine the hourly generation imbalance for the Contractor's Metered Subsystem. The settlement of Generation Imbalance Service will be as set forth in the Rate Schedule. The Contractor is currently not using this service and can purchase this service at such time as they take generation service from WAPA.

3. This Exhibit B to Agreement No. 16-DSR-12714 may be modified in accordance with Section 18 of this Agreement.