

## PERFORMANCE-BASED RATES

# Legislative Initiative Expected in Approaching Session

**A** legislative initiative that will be discussed in the upcoming legislative session in Oklahoma is performance-based rates, which is a lot simpler than it sounds.

For Western Farmers Electric Cooperative's (WFEC) income statement, there are only a handful of categories, but within these groupings there are literally hundreds of accounts that make up those categories. To develop a performance-based rate, each individual account would be analyzed and assigned a rate category.

Simplistically, accounts would all go to categories like demand (generation charges, transmission charges, or distribution charges), energy (operations & maintenance at the power plants, transmission or distribution) or fuel (coal, wind, solar, power purchase agreements, hydro and other actual fuel costs).

Performance-based rates require some type of resolution to each account within a utility and where that account would reside within rates.

For investor-owned utilities (IOU) or regulated utilities, the Oklahoma Corporation Commission and the IOU would go through each account and agree on where the account should be charged. Once this has been completed and approved, instead of going through the long process each year, the accounts will be cleared to the agreed upon categories, and a new rate will be automatically calculated from the previously agreed on process.

This is not something WFEC intends to do, as its process is done through an annual budget procedure with the board of trustees. IOU's rate changes involve a lengthy process, are time consuming and costly. So, using something like performance-based rates is attractive to them, even though it takes quite a bit of time initially, the process for the following years is quicker and simpler.

The agreed upon process is periodically reviewed to make sure changes have not occurred.



# NERC WINTER ASSESSMENT

## Parts of U.S. May See Reliability Issues During Winter Months

**M**ore than half of the United States is at risk of electricity shortages this winter due to regional generation shortfalls, increased demand for power and potential fuel delivery challenges during sustained cold weather events, according to the North American Electric Reliability Corp. (NERC) Winter Reliability Assessment (WRA). NERC is the regulatory authority focused on assuring grid reliability.

NERC's Assessment, released Nov. 8, shows that the U.S. could be facing reliability challenges while demand for electricity continues to soar.

This WRA covers the upcoming three-month (December–February) winter period, providing an evaluation of the generation resource and transmission system adequacy necessary to meet projected winter peak demands and operating reserves. This assessment identifies potential reliability issues of interest and regional risks.

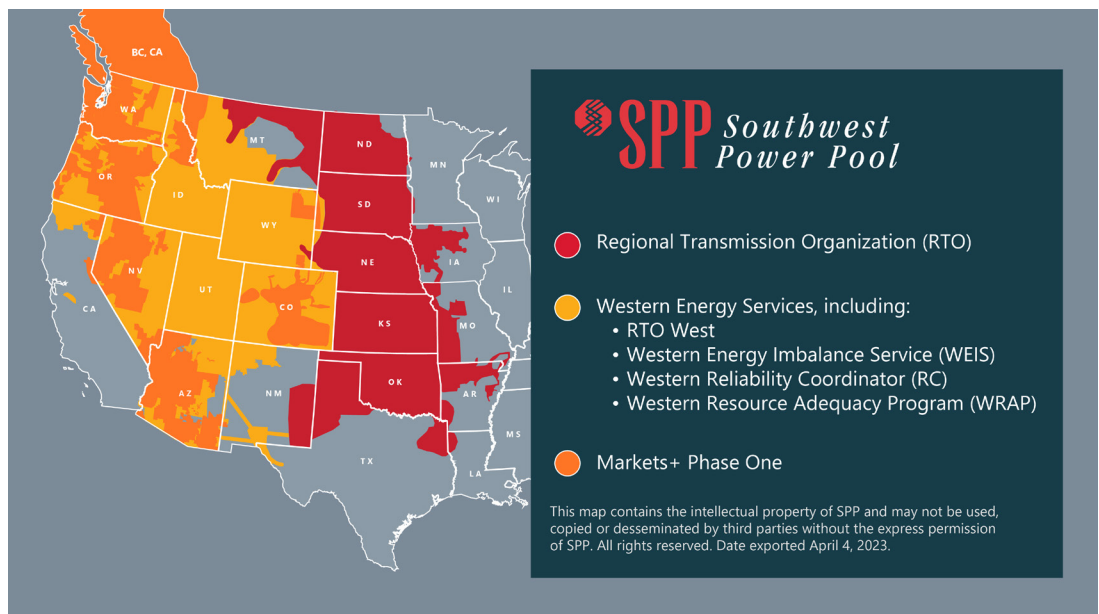
Prolonged, wide-area cold snaps could threaten the reliable performance of the North American bulk power system (BPS) generation and the availability of fuel supplies for natural-gas-fired generation, according to this assessment. As observed in recent winter reliability events, over 20% of generating capacity has been forced off-line when freezing temperatures extend over parts of North America that are not typically exposed to such conditions.

When electricity supplies become constrained, BPS system operators can face a simultaneous sharp increase in demand as electric heating systems consume more power in cold temperatures.

John Moura, NERC's director of reliability assessment and performance analysis, cited uncertain performance of renewable generation and increased seasonal demand for natural gas as factors raising concern over the grid's vulnerability during winter weather.

"There is not enough gas pipeline to serve all the generation in certain areas," Moura said.

NERC analysts cited several potential performance weaknesses impacting grid operators and transmission associations including the Tennessee Valley Authority, PJM and the Electric Reliability Council of Texas.



“Areas at elevated risks extend over two-thirds of the continent,” said Mark Olson, NERC’s manager of reliability assessments. He cautioned that natural gas generation could be threatened by fuel supply issues during prolonged cold snaps and coal-based generation can also face operational issues and unscheduled outages during winter peaks.

“About one-third of the natural gas outages that occurred during Winter Storm Elliott were due to fuel shortages,” said Moura. “In Texas, during Winter Storm Uri, there were production shortages caused by frozen wellheads.”

When renewable generation declines, other resources must be available to balance load, Olson said. “Short-term load forecasting is becoming more challenging as generation options become more complex,” he said.

The North American BPS is made up of six regional entities that are broken down into nine Regional Transmission Organizations and Independent System Operators (ISO).

### ***Southwest Power Pool***

Western Farmers Electric Cooperative (WFEC) is a member of the Southwest Power Pool (SPP), one of these nine organizations.

SPP’s footprint covers 546,000 square miles and encompasses all or parts of Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska,

New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming. The SPP long-term assessment is reported based on the PC footprint, which touches parts of the Midwest Reliability Organization Regional Entity and the WECC Regional Entity. The SPP assessment area footprint has approximately 61,000 miles of transmission lines, 756 generating plants, and 4,811 transmission-class substations, and serves a population of more than 18 million.

A breakdown for SPP included within the assessment has indicated that the Anticipated Reserve Margin (ARM) of 38.8% is over 30 percentage points lower than last winter, which is driven by higher forecasted peak demand and less resource capacity. While the reserve margin is adequate for normal forecasted

peak demand and expected generator outages, higher demand levels and outages that have occurred during extreme cold weather result in shortfalls that can trigger energy emergencies.

The vast wind resources in the area can alleviate firm capacity shortages under the right conditions; however, energy risks emerge during periods of low wind or forecast uncertainty and high electricity demand.

Reliable electricity is an issue that impacts all Americans – and is one that needs to be addressed. As the U.S. looks to a future that depends on electricity to power more of the economy, it is vital that entities work together to avoid harming the electric grid that will be foundational for the future.

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# 2024 Operating & Capital Budgets Approved at Monthly Board Meeting

WFEC's 2023 Load Forecast Study and the 2024 budgets were among the topics discussed during this past week's Board of Trustee meeting in Moore.

The Board approved the Load Forecast Study that is required in conjunction with new loan applications. This is a requirement of the Rural Utilities Service (RUS) Code of Federal Regulations (CFR) 1710.

Load data is also provided to external entities, including the Southwest Power Pool (SPP) and the Oklahoma Corporation Commission (OCC), for regulatory requirements.

WFEC also utilizes this Load Forecast Study for internal planning purposes, such as financial forecasts, resource/capacity planning and transmission planning.

Also during this week's meetings, the Board of Trustees approved the 2024 Operating Budget and the 2024 Capital Budget.

The Board also voted to extend the natural gas storage contract by three years, which will be through the middle of 2027.

Numerous work orders for various projects were also discussed and approved during the monthly meeting.

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## *Looking for Ideas...*



What would you like to see published in *The Link*? We are looking for ideas that will help expand the topics included. Has your cooperative been working on a project or providing safety demonstrations to students in the service territory, manning booths at job fairs or meetings ... or simply providing any other community services.

If you have this kind of information or have any ideas for articles in this publication that is sent to several audiences, including WFEC employees, cooperative management and communicators, along with WFEC and Cooperative board members, please send them.

Also, if you know of someone who would like to be added to the email list to receive *The Link* at your respective cooperative, please send that information to [s\\_boykin@wfec.com](mailto:s_boykin@wfec.com) or call 405-760-7659.