

NorthWestern Corporation, NorthWestern Corporation			
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Schedule 2, Reactive Supply/Voltage Control from Generation Sources, 0.0.0			

SCHEDULE 2

Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control Area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Provider must provide this service, and the Transmission Customer must purchase this service from the Transmission Provider. Although the Transmission Customer is required to purchase this service from the Transmission Provider, the Transmission Customer may reduce the charge for this service to the extent it can reduce its requirement for reactive supply. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the Control Area operator.

The "Monthly Rate" (R) for this service is: $R = (C \pm A) / L$, where:

"C" is Transmission Provider's total cost of procuring the service for the month from third-party suppliers;

"A" is (+) unrecovered costs or (-) revenues collected in excess of actual costs from the prior month; and

"L" is the rolling 12 CP billing determinant for Transmission Customers taking the service.

The Monthly Rate shall be used to calculate the rates for service of longer and shorter duration, that is, the "Yearly Rate" shall be the Monthly Rate times 12; the "Weekly Rate" shall be the Yearly Rate divided by 52; the "Daily Rate" shall be Weekly Rate divided by seven; and the "Hourly Rate" shall be the Daily Rate divided by 24.

The applicable rate will be multiplied by the individual customer's rolling 12 CP billing determinant. These values (components of the formula and the monthly rate) will be updated each month and posted (not less than 30 days prior to rate's effective date) on Transmission Provider's OASIS. To the extent customer-specific costs are recovered by Transmission Provider directly from such customers, such customer-specific costs shall be excluded from "C" and the associated customer-specific load will be excluded from "L". To the extent a customer makes alternative comparable arrangements and thereby satisfies in part its Reactive Supply and Voltage Control Service obligation, the portion of its load for which it has satisfied its obligation will be excluded from "L." Transmission Provider's agreement is required for any alternative comparable arrangement made by a Transmission Customer to satisfy the requirements of this Schedule 2. Transmission Provider's agreement may not be unreasonably withheld.

Transmission Provider will procure or self-provide the products necessary to provide this service. To the extent Transmission Provider does not self-provide this service, it shall (1) solicit and post on its OASIS the notice of offers for long-term products (*i.e.*, agreements with a term of one year or greater) through a Request for Proposal process, (2) file under Federal Power Act Section 205, any agreement with a term of one year or longer under which Transmission Provider purchases and also sells capacity and/or energy in the same agreement, such filing indicating that the agreement will be used by Transmission Provider to provide ancillary services under the Tariff, the costs of which, when accepted by the Commission, will be recovered through a formula rate as calculated above; and (3) post on its OASIS the long-term agreements (*i.e.*, the Federal Power Act Section 205 filing) and any agreement(s) for a term under one year, including any cover letter(s) under any master agreement(s). Transmission Provider will maintain, for a minimum period of three years, a complete and accurate record of all reactive power purchases and capacity and energy purchases and sales made to provide this ancillary service.

As of the Effective Date of this Schedule 2, the rate for Reactive Supply and Voltage Control from Generation Sources Service is \$0.00/kW-month. At this time, Transmission Provider does not incur a cost for providing Reactive Supply and Voltage Control service. There will be no separate charge for such service until such time as Transmission Provider incurs costs for providing this service, at which time the rate will be calculated using the formula stated above.