

From: Geoff Carr [mailto:ghcarr@nru-nw.com]
Sent: Friday, August 31, 2012 12:03 PM
To: Tech Forum
Subject: "P14 Transmission Rate Case - Redispatch, Rate Design"

Joint Comments of NRU, PNGC, WPAG, EWEB, Cowlitz PUD and Clark Public Utilities on Recovery of Redispatch Costs

NRU, PNGC, WPAG, EWEB, Cowlitz PUD and Clark Public Utilities provide the following comments on the topic of the collection of costs for redispatch. We have participated in the various forums where BPA and the customers have discussed this topic and have reviewed the alternatives BPA has presented for redispatch cost allocation. We especially appreciate the Redispatch 101 session that was held on August 22, which provided us with a deeper understanding of this issue. We also reserve the right to comment upon the necessity and legality of instituting NT redispatch of non-federal NT resources.

BPA has asked for comment on three alternatives for rate recovery of redispatch costs for the BP-14 Transmission Rate Case. Under all three alternatives proposed by BPA, the cost of NT Redispatch would be allocated to NT Customers only.

- Alternative 1: Recover all Redispatch costs in the network revenue requirement.
- Alternative 2: Recover all Redispatch costs through a Formula Rate.
- Alternative 3: Recover NT Redispatch costs through a Formula Rate and Discretionary and Emergency Redispatch costs in the network revenue requirement.

BPA specifically noted in its August 8th workshop slides that “[u]nder all three alternatives, the cost of NT redispatch would be allocated to NT customers only.” After a review of these options, we support the adoption of a fourth alternative for use in the BP-14 Rate Case, which would allocate all forecasted redispatch costs to all network segment transmission customers. Forecast Discretionary, NT, and Emergency Redispatch costs should all be allocated to the network revenue requirement and recovered from all customers that are allocated network segment costs.

BPA’s use of discretionary redispatch is a deviation from the *pro forma* tariff. Discretionary redispatch benefits both PTP and NT customers, although it is unclear how one customer group benefits compared to another. However, given the high penetration of non-firm PTP requests, it is reasonable to assume that PTP customers benefit more from BPA’s practice of discretionary redispatch than do NT customers, and it is also highly likely that discretionary redispatch costs do not fully capture the benefit received by customers. This supports allocation of all redispatch costs to all customers because it is unclear whether customers are paying commensurate with the level of benefits received. Since discretionary redispatch is not *pro forma*, there is no guidance to determine how costs should be allocated.

Furthermore, the costs of redispatch are insignificant and could be easily accommodated within the network segment revenue requirement. Over the past four years Discretionary, NT and Emergency Redispatch costs have varied from \$97,000 to \$563,000 per year on a segmented

Network revenue requirement of \$660,000,000. These redispatch costs represent less than a tenth of a percent of the network revenue requirement.

Lastly, using a formula rate to recover actual redispatch costs will add complexity for BPA and its customers with regard to BPA's transmission rates and billing. It will also make the transmission bills more uncertain from month to month. Using a forecast value instead of relying on an adjustment clause will also provide more incentive for cost control. We propose that a mean value of actual historical redispatch costs be used for the forecast of redispatch costs for the FY 2014/2015 rate period. In preparation for the FY 2016/2017 rate case BPA and the customers can review whether there was a significant over or under collection of costs and whether rate schedule changes are needed.

Geoff Carr
Assistant Director
Northwest Requirements Utilities
825 NE Multnomah, Suite 1135
Portland, OR 97232
Phone: (503) 233-5823
Cell: (503) 819-6713
E mail: ghcarr@nru-nw.com