

## **ICNU Comments on BP-18 Rate Case Topics**

The Industrial Customers of Northwest Utilities (“ICNU”) appreciates the opportunity to submit comments on power and transmission rate topics to be discussed during BP-18 Rate Case workshops. ICNU looks forward to collaborating with the Bonneville Power Administration (“BPA”) and other regional stakeholders in discussing key issues that will impact BPA rates in the near term, as well as identifying and integrating long-term strategies into the formulation of the BP-18 Rate Case, pursuant to the Focus 2028 initiative.

The topics which ICNU submits for discussion are as follows, explained subsequently in brief detail:

- Modifying Dispatchable Energy Resource Balancing Service (“DERBS”) to classify cogeneration associated with a Tier 1 industrial load as a load in the incremental standard deviation methodology;
- Considering the New Resource rate, as well as the various shaping and flattening services available to New Large Single Loads (“NLSL”);
- Reviewing the repayment study methodologies;
- Allocating reserves between power and transmission rates; and
- Reworking BPA’s Energy Efficiency (“EE”) program, including revised EE target determinations and an increased self-funding percentage.

### **A. DERBS**

As a topic for discussion in a Generation Inputs workshop, ICNU recommends that Tier 1 industrial facilities with cogeneration plant be allowed to use the federal generation capacity acquired for load service to self-supply balancing reserves for onsite cogeneration facilities. This recommendation is founded on the same rationale which allows federal thermal generation to be classified as a load in the incremental standard deviation methodology (i.e., *not* subject to a separate charge for DERBS).<sup>1/</sup>

Similar to the electrical load of an industrial facility, the output from cogeneration plant is intrinsically tied to an underlying industrial process. Accordingly, the variability in output from a cogeneration facility is, similar to load, typically driven by changes to the underlying industrial process. An industrial facility that purchases Tier 1 power typically pays for the federal capacity necessary to balance the variability of its total *gross* load, irrespective of how variable that load may be. Yet, to the extent that the industrial process contains cogeneration plant, the facility is also required to purchase additional balancing capacity for the cogeneration plant, even though the *net* load associated with the industrial process is not necessarily any more or less variable than any

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<sup>1/</sup> See BP-12-A-02 at 414-16.

other Tier 1 load. Consequently, ICNU believes that an industrial facility with a cogeneration plant is effectively paying twice for the same balancing capacity—once through its load service, and once more through the application of a DERBS charge.

This double payment dynamic is caused by the fact that the cogeneration output and the underlying industrial loads are classified separately in the incremental standard deviation methodology, even though they are intrinsically tied to the same underlying industrial process. Classifying the load and the cogeneration output separately means that the diversity benefits between load and cogeneration output become socialized and distributed among all classes in the study. ICNU submits that, just as the diversity benefits associated with the variable and offsetting nature of all load is retained within the load class of the incremental standard deviation study, the diversity benefits between load and cogeneration output should also be retained in the load class. This has the effect of allowing an industrial facility to self-supply balancing services to its cogeneration plant using the federal capacity acquired for load service.

#### B. New Resource Rates

ICNU is interested in exploring some of the changes that were made to the New Resource rates in BP-16 and requests workshop discussion on this topic. For instance, ICNU seeks to explore potential options that may allow NLSL facilities to improve means of power procurement, so as to minimize the cost implications on BPA's system. In addition, ICNU would like to better understand how the changes made in BP-16 may have impacted NLSL customers, and whether there are any additional changes that should be made, based on recent experience with the new rate structures.

#### C. Repayment Study Methodology

ICNU is interested in workshop discussion regarding BPA's repayment study methodology. In BP-16, ICNU contributed to the rebuttal testimony of Joint Party ("JP") 07, which shared the concerns of JP 04 over the lack of transparency associated with repayment study methodologies. More specifically, because BPA has been unable to provide interested parties with access to the repayment model, underlying modeling methodologies and algorithms remain unclear, and do not lend themselves to sufficient analysis by stakeholders. In response to these concerns, however, BPA has agreed to "explore ways to make the repayment model available to the parties."<sup>2/</sup>

To avoid controversy in the BP-18 Rate Case, ICNU believes that a workshop, or a series of workshops, on the repayment study is warranted. In addition, BPA should continue efforts to make modeling available for stakeholder review.

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<sup>2/</sup> BP-16-A-02 at 85.

D. Power vs. Transmission Risk and Reserves

ICNU is interested in workshop discussion evaluating how risk and reserves are being shared between the power and transmission business lines. Various aspects of the two business lines indicate a different risk profile for power than for transmission, and these sorts of issues often become the subject of debate in a rate case. Accordingly, workshop discussion as to BPA's current view on how risk and reserves should be viewed between the two business lines would be useful in advance of the BP-18 Rate Case.

E. EE Program

BPA has proactively elected to reconsider various elements of its EE program to identify possible improvements and program efficiencies. ICNU commends these efforts and, as may already be anticipated, recommends workshop discussion of at least two EE program modifications that will be crucial in effecting regional benefits.

First, while affording due consideration to EE targets established in the Northwest Power and Conservation Council's (the "Council") 7<sup>th</sup> Power plan, BPA should exercise its discretion and authority to determine its own EE target. Rather than adopt a conservation target range, which would properly account for various scenarios studied, the Council has adopted a single-point EE acquisition target of 1,400 aMW by 2021. ICNU recommends that BPA incorporate needed flexibility in adopting an EE target range—allowing utilities to respond to actual conditions that ultimately transpire, fostering the prioritization of cost-effective EE acquisition in the region. For example, if actual loads are lower than expected, it may make sense to achieve a level of EE that is on the lower side of the range. Likewise, if actual loads are higher than expected, it may make sense to achieve a level of EE that is on the high end of the range.

Second, the current 25% self-funding percentage in BPA's EE program should be increased. BPA's current EE program collects a considerable amount of conservation dollars in Tier 1 rates and then cycles them back to public utilities for EE implementation, forcing customers to pay unnecessary overhead charges. Increasing the self-funding percentage would incentivize more EE acquisition by eliminating such costly inefficiency. In fact, such action would agree with the rationale BPA affirmed when adopting a 25% self-funding percentage originally: "If additional self-funded conservation occurs because the credit [given to BPA-funded conservation] is 75 percent rather than 100 percent, BPA is benefited because the conservation is accomplished at a lower cost to all ratepayers."<sup>3/</sup>

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<sup>3/</sup> Long-Term Regional Dialogue Record of Decision at 31 (2007).

### **Conclusion**

ICNU looks forward to the discussion of these and other topics at the kick-off workshop scheduled on April 20, 2016. BPA has shown promising indications of the strong and responsible leadership that will be necessary to meet the considerable challenges ahead, regarding market competitiveness. Principally, these encouraging signs have been exhibited through the Focus 2028 initiative, but also via a number of important and distinct workshop processes ongoing since the conclusion of the BP-16 Rate Case. As BPA and stakeholders begin the BP-18 process, continued cooperation and a unified determination to convert promise into results through tangible action will be imperative. ICNU is hopeful and confident that the BP-18 Rate Case will be the first step in delivering those results.