

Comments of Invenergy LLC and Grays Harbor Energy Center Regarding Bonneville Power Administration's Dispatchable Energy Resources Balancing Service Rate

Invenergy LLC ("Invenergy") and Grays Harbor Energy Center ("Grays Harbor") appreciate the opportunity to provide comments to the Bonneville Power Administration ("BPA") regarding its proposed re-design of rates for Dispatchable Energy Resources Balancing Services ("DERBS"). The Grays Harbor Energy Center is located in Elma, Washington and is able to produce 620 megawatts ("MW") of power. The project is owned by Invenergy, an independent power producer ("IPP") that develops, owns, and operates power generation and energy storage facilities in North America and Europe. As an IPP, Invenergy, and Grays Harbor by extension, does not operate under the regulated and vertically integrated utility business model, meaning that there are no captive ratepayers in place to recover costs. Instead, both entities rely on the market and contractual agreements to cover all expenses, including the DERBS rates at issue.

Invenergy and Grays Harbor understand that BPA has experienced an under recovery of DERBS costs compared to its forecast over the past 4 years and that BPA is exploring revisions to the DERBS rate design to address this under recovery. We agree that in order for BPA to adequately recover DERBS costs a change is needed but that change should be consistent with long-held rate making principles. Not only must BPA have an opportunity to recover its prudently incurred costs, but these costs must be recovered in ways that provide efficient price signals to the cost causer. In addition, BPA's rate design should be done in such a way as to prevent rate shock.

In reviewing BPA's proposed nameplate rate design it appears that the charges are based (or highly weighted) on the nameplate rating of the facility, capacity factor and their direct correlation with the charge; i.e. the higher the nameplate rating and capacity factor the higher the charge. Facilities with high capacity factors typically demonstrate high efficiency operation and productivity but these units would be unfairly impacted by the nameplate rate design despite this efficiency. Increases in the DERBS charge for more efficient units is also counterproductive because it will remove the incentive for facilities to minimize their deviation from the schedule and to stay within DEC/INC dead band. This will eventually lead to another cost increase for BPA. In this case, BPA's rate should be based on the deviation from the schedule and staying within DEC/INC dead band. This method correctly incentivize facilities to follow the schedule and minimize their deviations – the result that DERBS charges are intended to drive.

Under BPA's proposed nameplate rate design, Grays Harbor would see an 82% increase in its annual DERBS charges as opposed to a much more modest 33% increase under the status quo rate design. Other BPA customers would see even larger increases of 128%, 187% and 103%. This type of increase almost certainly could be described as "rate shock." Conversely, under the status quo rate design, rate increases are much more reasonable and no customer will see an increase more than 48%.

In Invenergy and Grays Harbor's opinion, a change to BPA's DERBS rate design is not needed at this time and there are other less disruptive options to address the issue of under recovery. It is our understanding, based on conversations with BPA representatives, that the problem really has nothing to do with the status quo rate design but instead is attributable to inaccurate meters installed at the generating facilities of some BPA transmission customers. Because these meters are not accurate enough, BPA cannot accurately bill for DERBS from these customers, resulting in an under recovery of costs. We are sympathetic to the fact that installing new meters would be expensive for these relatively small customers and that they want to protect their customers from rate increases but this fact does not mean that the

solution is to implement a rate design inconsistent with rate-making principles which unfairly penalizes efficient customers simply due to their size and not the cost being incurred by BPA on their behalf.

Inverenergy and Grays Harbor are open to an alteration of the current rate design and plan to participate fully in the stakeholder meetings that remain before BPA's rate case is filed but as discussed above, that design must be consistent with long held rate-making principles and drive the desired result, which is a decrease in DERBS costs to BPA. At the very least, those customers causing an increase in DERBS costs should be the ones who see an increase in cost.