



September 1, 2016

PNGC Power appreciates this opportunity to submit comments to BPA on its Rate Design Alternatives for Dispatchable Energy Resource Balancing Service (DERBS). PNGC Power is a generation and transmission cooperative serving fourteen¹ member rural electric cooperatives' net requirements for power and transmission.

BPA presented its analysis on Incremental Standard Deviation Methodology and Rate Design Alternatives for Dispatchable Energy Resource Balancing Service (DERBS) on August 24, 2016. As part of this presentation, BPA shared that the amount of revenue collected from DERBS customers has not covered the costs associated with DERBS service. Pacific Northwest Generating Cooperative (PNGC) is supportive of BPA's recommendation to recover the cost of DERBS service from DERBS customers, but would like BPA to take into consideration the scheduling limitations of small renewable thermal generators such as PNGC's Coffin Butte.

BPA's current DERBS service has a 3 MW dead-band. This dead-band alleviates the burden for all generators that generate in less than whole megawatt increments. This is particularly meaningful for small generators. For example, according to BPA's analysis, certain small generators purchasing DERBS service from BPA could see a DERBS rate increase of up to 4,000% under Alternative #2 and up to 1,200% under Alternative #3. In the workshop, BPA clarified that these large rate increases to the small generators under Alternatives #2 and #3 were largely due to fractional megawatts being penalized.

While PNGC agrees with BPA that a "pro" of rate design alternatives #2 and #3 incents DERBS customers to schedule in a way that minimizes the overall cost of DERBS service, the absence of a dead-band penalizes small generation facilities at a level that significantly impacts their overall economics. Further, these small facilities are not a significant contributor to the use of reserves on an absolute basis. If BPA does decide to propose one of the alternative DERBS methodologies, PNGC asks BPA to consider the impact to small generators and retain a dead-band not less than the current of 3 MW.

Thank-you again for the opportunity to comment.

Sincerely,

A handwritten signature in blue ink that reads 'Scott Russell'.

Scott Russell
VP of Transmission

¹ PNGC Power will have 15 members beginning October 1, 2017.