COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP ON DERBS RATE ALTERNATIVES

Submitted: September 1, 2016

The utilities that comprise the Western Public Agencies Group ("WPAG") appreciate the opportunity to submit these comments regarding the rate design alternatives for the Bonneville Power Administration's ("BPA") Dispatchable Energy Resource Balancing Service ("DERBS") rate presented at the August 24, 2016 Generation Inputs Workshop. WPAG's membership includes Clark Public Utilities, which owns and operates a 248 MW natural gas plant that is subject to the DERBS rate.

BPA has recently floated the possibility of settling the Generation Inputs component of the BP-18 Rate Case. At this time, the WPAG utilities make no representation as to whether they would be willing to enter into such a settlement. Nonetheless, in the context of a global Generation Inputs settlement, we do see certain advantages of also settling the DERBS rate based on the status quo rate design.

In the context of BPA's overall revenue requirement, the revenue to be recovered under the DERBS rate is small and likely does not merit the cost to BPA and its DERBS customers to litigate the issue, particularly where the rest of the Generation Inputs case may be settled. Given the demands of BPA's customers, including WPAG, that BPA make every effort to cut and control its costs, and BPA's commitment to do so, settling for the status quo methodology for the BP-18 rate period makes sense. If for no other reason than it would ease BPA's administrative burden in the rate case and allow BPA staff to focus on the more important issue of reducing the agency's overall costs so that it can improve its long-term competiveness.

That being said, we also see advantages in using a monthly charge based on nameplate, so long as it is not applied in months where plants are not operating. A nameplate based charged is appealing in that it is much easier for BPA to administer and for customers to review BPA's DERBS billings. Not charging the rate in months where a plant is not operating makes sense from a cost causation standpoint. This is because the months where a plant is down are taken into account in the incremental standard deviation methodology BPA uses to determine the reserve requirements for each of the various balancing services, including DERBS. Our understanding is that this has the effect of reducing the overall reserve requirement and cost of DERBS for all DERBS customers. A no charge during non-operating months would acknowledge this shared benefit where a straight nameplate rate design would not. For these reasons, we recommend that BPA continue to work with DERBS customers to evaluate an eventual move towards a rate design based on nameplate during operating months.