

Comments of the M-S-R Public Power Agency Regarding Bonneville Power Administration's Gen Inputs

The M-S-R Public Power Agency is a joint powers agency formed by the Modesto Irrigation District, and the Cities of Santa Clara and Redding, California, each of which is a consumer owned utility. Beginning with a 2005 contract, M-S-R obtained contractual rights to the output from some of the first large scale wind resources developed in Washington State. M-S-R and its members currently have rights to 350 MW of wind generation in Washington and Oregon, which its members use to serve their customers and meet California's Renewable Portfolio Standards (RPS). Those customers ultimately bear the cost of the Bonneville Power Administration ("BPA") transmission rates.

M-S-R appreciates the opportunity to comment on the gen inputs issues and concepts presented during BPA's February 17 and March 29, 2016 Gen Inputs workshops. The presentations addressed improvements in generation imbalance and intentional deviation performance, continued experiences with third party supply acquisitions, DERBS under-recovery, the likelihood that over half of the wind generators on BPA's system will leave the balancing area before the end of the BP-18 rate case, and new cost allocation concepts.

Imbalance Performance. M-S-R is encouraged by the improved imbalance performance of the wind fleet. M-S-R would like to explore how much of the improvement is associated with changes in intentional deviation rules, and how much is attributed to generators opting for greater commitment levels.

Supply Acquisition. With regard to the progress made in processes for implementing the third party supply acquisition, M-S-R is interested in updates regarding actual performance and costs as the spring run-off develops.

DERBS. M-S-R is interested in the proposal to further explore the magnitude and causes of the DERBS cost under-recovery.

Departing Wind. With regard to the indications that roughly half of the wind capacity will leave the balancing area, M-S-R would like to explore how the removal of about half of the installed wind capacity would affect the quantity of reserves required to be held, and how it could affect VERBS rates. M-S-R is also interested in updates regarding the timeline for the likely departures, and exploring whether the cost of the VERS charges was a driver in the entities' decisions to remove their wind from BPA's balancing area.

Cost Allocation. M-S-R notes that there are similarities between the March 29, 2016, cost allocation concepts and brainstorming concepts presented early in the BP-16 rate case cycle. Although the March 29, 2016 concepts include some improvements over the prior concepts, M-S-R has several concerns that cause it to be opposed to the concepts. First, the change appears to be driven by, at least to a degree, the existing mechanism not taking into account costs of, and savings resulting from, debt re-financings. It is not clear to M-S-R what the costs and savings are, what is the magnitude of the costs and savings, and it is not clear that any such unallocated costs are not offset by other costs incurred, or benefits provided by transmission to power.

Furthermore, if it is necessary to allocate debt costs to Gen Inputs, it does not appear to be necessary to scrap the existing Big 10 method to address the debt issue.

Second, the proposals would allocate costs of plants and programs to Gen Inputs, even if the projects or programs do not provide ancillary services. In that sense, the concepts violate cost causation principles. Costs of the Big 10 projects have been used for Gen Inputs for good reason – the Big 10 projects are used for supplying ancillary services. Projects not providing ancillary services cannot be allocated to Gen Inputs. The same is true of programs such as residential exchange, which provide no ancillary services to Gen Inputs customers.

M-S-R submits that the costs need to be broken down and analyzed to determine which resources are able to provide which ancillary service products, and to determine the quantity of ancillary service products each category supplies. That information would provide for an informed discussion about appropriate allocation of costs to ancillary services. M-S-R suggests the following approach which is reflected in Table 1, below:

1. Determine the operational benefits and revenue requirement for each major asset class;
2. Determine the quantity of INC Reserves available for on/off peak for each of the 4 seasons;
3. Identify the quantity of reserves available to Load, DERBS, and VERBS; and
4. Use this information to develop an allocation of costs to Load, DERBS, and VERBS that is based on quantity and quality of service, Cost Causation, and Operational capability.

Table 1 - Asset Operational Benefits and Revenue Requirements

	Big 10 Hydro	Balance Hydro	CGS	Energy Eff	Res Exch	WNP #1 & 3	Total
Cap 1-hour							
Tier 1 Energy							
INC reserve							
Secondary Energy							
Potential Tier 2 Energy							
Rev. Req.							

M-S-R requests that the information described above be provided so customers can analyze the cost allocation concepts and develop a principle based, broadly supported and sustainable methodology for allocating costs to ancillary services.

M-S-R looks forward to discussion of these issues.