CON-012

Larson,Cheryl A - PS-6

From: Burbank,Nita M - PFP-6
Sent: Friday, May 09, 2008 3:40 PM
To: Larson,Cheryl A - PS-6
Subject: FW: BPUD Comments on Exhibits 5-9-08.doc

Attachments: BPUD Comments on Exhibits 5-9-08.doc

BPUD Comments on Exhibits 5-9-...

-----Original Message-----
From: Randy Gregg [mailto:GREGGR@bentonpud.org]
Sent: Friday, May 09, 2008 3:38 PM
To: Felton,Larry E - PSE-RICHLAND; Burbank,Nita M - PFP-6
Cc: Jim Sanders
Subject: BPUD Comments on Exhibits 5-9-08.doc

Nita/Larry, attached are comments on the Exhibits A-D of the Regional Dialogue contracts.

Thanks again for the opportunity to comment.

Randy Gregg
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Benton PUD
Comments on Regional Dialogue Contract Exhibits
5/9/2008

Exhibit A

1(a) - Forecast of Total Retail Load

- **Issue:** BPA makes the sole determination on the validity of the customer's load forecast and has the unilateral right to change it without justification.
- **Comment:** We support the comments of the joint slice customers.
- **Issue:** The specified September 30 annual date for completion of the upcoming Fiscal Year's load forecast table is problematic.
- **Comment:** September 30 is too late to be workable given that new exhibits will need to go to management and boards for approval before Fiscal Years begin. Contracts for other non-BPA resources may be affected as well. This table needs to be completed and agreed upon at least by August 31, if not earlier.
- **Issue:** The public process for Slice customers' net requirements.
- **Comment:** Although this is actually covered in Section 14(c) of the body of the Slice contract, it is related to Exhibit A. We wish to reiterate our support of the joint Slice Customers comments expressing concern over the level of detail required to be made public and our desire to maintain the current method of working with BPA Account Executives on Net Requirements determinations.

1(c) - Forecast of Peak Net Requirement:

- **Issue:** BPA may impose a peak monthly demand limitation on the amount of capacity that a customer can take under the Slice product prior to May 31, 2017. BPA has not presently established a methodology to do this.
- **Comment:** We support the comments of the joint slice customers.

8 – List of Resource not dedicated to Total Retail Load

- **Issue:** This section does not belong to the Slice/Block contract and should be removed.
- **Comment:** The reasons to remove section 8 are as follows:
    - Any generation resources that are in WECC's footprint would have registered with WECC per NERC's February 2008 Version 4 Registry requirement. The customers who own those resources are directly responsible for WECC compliance.
    - For generating resources that are in BPA's control area, they would be required to sign an interconnection agreement with BPA TS and the physical characteristics of these generating resources would have been fully disclosed to TS, which is the Balancing Authority.

- Resources that are not dedicated to total retail load have no material impact to the customer's right to purchase requirements power from BPA and they shouldn't be included in this contract.
- For Canadian Treaty reporting purposes, the data is available from TS. For generating resources outside BPA's footprint, BPA can request that information from the customer. This is a secondary need of BPA that has nothing to do with the power sales contract.

Exhibit C

2(a) – Block Power at Tier 1 Rates

- **Issue:** FY 2012 Block amount should be estimated and entered into subsection (2) table prior to contract signing, and later updated.
- **Comment:** Although the Block amount (the "shock absorber") is subject to revision when FY 2010 actual load is known, the estimated amount should be included in Section 2(a)(2) prior to contract signing in 2008.

2(b) – Determination of Monthly Distribution Factors

- **Issue:** The methodology as described in the exhibit locks the customer's monthly distribution factors to its 2010 net requirement load shape.
- **Comment:** The customer's net requirement load shape will likely change over the years and this methodology will produce artifacts of monthly surpluses and deficits in the customer's net requirement computation in the future years.
  - It places undue burden on the customers to go through an exercise of adding small odd amount of unspecified resource to serve deficits in some months and then partially remove declared resource to get rid of surplus in other months.
  - There is no clear solution to deal with the situation when a customer doesn't have enough resources to remove in order to get rid of the artificially created surplus in any given month.

2(c) – Monthly Amounts of Block Power at Tier 1 Rates

- **Issue:** Similar to the comment regarding Section 2(a), FY 2012 monthly Block amounts should be estimated and entered into subsection (2) table prior to contract signing, and later updated.
- **Comment:** Although the Block amount (the "shock absorber") is subject to revision when the customer's FY 2010 actual load is known, the estimated monthly amounts should be included in Section 2(c) prior to contract signing in 2008.
- **Issue:** October 1 is too late of a deadline to find out the amount of block.
- **Comment:** It needs to be Sept 1. (Similar to other comments on the timing of the annual NR process)

5 – Revisions

- **Issue:** Language in this section should be consistent with dispute resolution language currently being negotiated between public customers and BPA.
- **Comment:** Anticipating that changes will be made affecting dispute resolution on matters in this Exhibit, this section will need to be modified accordingly.

Exhibit D

2(a) – Irrigation Rate Mitigation

- **Issue:** We support the contract language in Exhibit D, but it is inconsistent with the May TRM Initial Proposal language on this subject.
- **Comment:** The 4/14/08 Draft Slice/Block Template states the Irrigation Rate Mitigation (IRM) discount will be applied to the lesser of Tier 1 PF monthly purchases or the kWh amounts in the corresponding table as described in Subsection 2(a) of Exhibit D. The May 2008 TRM Initial Proposal, however, limits the IRM discount to the lower of monthly Block purchases or the kWh amounts specified in the CHWM contract. We will continue to work on this TRM issue with BPA, and provide additional comments in the TRM process.