

CON-015

Larson, Cheryl A - PS-6

From: Burbank, Nita M - PFP-6
Sent: Friday, May 09, 2008 3:33 PM
To: Larson, Cheryl A - PS-6
Subject: FW: NRU comments on draft load following contract
Attachments: May 9 contract Comments to BPA final.pdf

From: mesnru@gmail.com [mailto:mesnru@gmail.com] **On Behalf Of** Megan Stratman
Sent: Friday, May 09, 2008 3:29 PM
To: Burbank, Nita M - PFP-6; Wilson, Scott K - PS-6
Cc: Latham, Dale S - PSS-6; Susan K. Ackerman; Geoff Carr; John Saven
Subject: NRU comments on draft load following contract

Nita and Scott,

Attached you will find Northwest Requirements Utilities' (NRU) initial comments on the April 7 BPA Regional Dialogue Load Following contract templates. NRU also supports the joint comments of PPC, PGP, NRU, WPAG, and PNGC submitted under Scott Corwin's signature on May 9th. The attached NRU comments are high level, are targeted to aspects of the contract language that we would like to see changed and also contain additional options that contract holders should have within these contracts. Many of these contract additions have been discussed with BPA staff before and we continue to think of them as viable no cost additions that should be made to the Load Following contracts. Other ideas that we put forward here, such as the ability to have two options to sign up for the Load Growth rate, are new ideas that we would like to see embodied in the contract language. We look forward to working with you to turn these concepts into formal contract language. Please provide these to the appropriate contract drafters and give us a call if you have any questions. We reiterate the point made in the Scott Corwin letter that we reserve the right to make additional comments later as contract drafting proceeds.

Thank you.

--

Megan Stratman

Energy Policy Analyst
Northwest Requirements Utilities
Phone: (503) 233-5823
Email: mstratman@pacifier.com

Section 6: Order of Tier 2 Remarketing and Resource Removal

- Establishing the order of resource (federal Tier 2 and non-federal) removal may hinder a utility's ability to serve its above HWM load in a manner appropriate to its needs. This is particularly important with regard to resources that were selected in order to satisfy RPS or other requirements. That is, having to remove these resources in the manner required by the contract template may leave a customer in violation of an RPS standard. BPA expressed concerns that different shapes of resources have different financial values, and removal of certain shapes may negatively impact other customers. While we want to avoid negatively impacting other customers, this issue needs further work.

Section 15: Conservation and Renewables

- The reporting requirements for conservation and renewables seem overly burdensome for smaller utilities with limited staff. We need to discuss ways to waive these requirements, perhaps based on utility size.
- Section 15(b)(2) – The June 1 deadline ought to be in accord with state requirements in order to reduce utility workload. For example, Washington State HB 1010 requires submittal of a resource plan by September.
- Section 15(b)(2)(A) – There ought to be a threshold based on resource size or substantive level of aggregated resources below which no information is required. Asking for information for the “forthcoming calendar year” seems amiss and would likely result in poor data.
- Section 15(b)(2)(B) – Asking for information for the “forthcoming calendar year” seems amiss and would likely result in poor data.

Exhibit A, Section 10, Ability to Apply Non-Federal Resources is greatly limited

- *As currently proposed in contract:* Restrictions on allowable shapes of non-federal resources are overly complicated and detailed.
- *NRU Proposal:* customers need greater flexibility in how they may apply non-federal resources, while still ensuring other BPA customers are not negatively impacted.

Exhibit C – Contains too much detail about Tier 2 rate alternative designs that we have yet to finish crafting. For example:

Exhibit C, Section 3(a) Tier 2 Load Growth Rate needs more flexibility

- *As currently proposed in contract:* customers may not leave Load Growth rate during the term of the contract.
- *NRU Proposal:* the contract should be modified to allow customers to exit the Load Growth rate so long as they provide sufficient notice and leave no stranded costs.

Exhibit C, Section 3(a) Tier 2 Load Growth Rate needs additional options to notify BPA on whether customer wishes to purchase at this rate

- *As currently proposed in contract:* Customers have only one opportunity to sign on to the Load Growth Rate, November 1, 2009.
- *NRU Proposal:* There would be two opportunities to sign up for the Load Growth Rate.
 - **Notification by November 1, 2009** – Load Following customers will select 1 of 3 options:
 1. First chance to opt into Load Growth Tier 2 rate alternative (LGR)
 2. First chance to opt into Shared Rate Plan (SRP)
 3. Commit to self-supply or purchase a different Tier 2 rate alternative (i.e., short term rate) for Transition Period (FY2012-2014).
 - **Notification by September 30, 2011** – Load Following customers will select 1 of 3 options, *unless* opted into LGR or SRP in November 2009:
 1. Last chance to opt into Load Growth Tier 2 rate alternative. Power delivery under Load Growth rate will begin in FY2015. During FY2012-2014 above HWM loads will be served per decision made November 1, 2009.
 2. Last chance to opt into Shared Rate Plan if the 500 aMW cap has not yet been met. Power delivery under Load Growth rate will begin in FY2015. During FY2012-2014 above HWM loads will be served per decision made November 1, 2009.
 3. Commit to self-supply or purchase a different Tier 2 rate alternative (i.e., short term rate) for next Purchase Period (FY2015-2019).

Exhibit C, Section 3(a) Tier 2 Load Growth Rate needs to have option of having renewable attributes (RECs)

- It is imperative that the Load Growth rate accommodate utilities that need or want renewable attributes. We see at least two options for accommodating this need, and look forward to discussing design and implementation details with BPA in the near future.

Option 1: Pass renewable attributes from Load Growth rate resources through to Load Growth rate purchasers. Purchasers that do not need/want the RECs can opt to have BPA remarket and credit the revenues. This would function in the same manner as Tier 1 REC allocation.

Option 2: Create two Load Growth rates, one based on renewables and one without renewable attributes. Under such a scenario, utilities will be able to select what percentage of their Load Growth service is served by each type of rate. For example, a utility may want 60% of its above HWM load served at the renewable Load Growth rate with the other 40% to be served at the non-renewable Load Growth rate.

Exhibit C, Section 3(b) Tier 2 PF Vintage Rate needs further options

- Vintage rate:
 - *As currently proposed in contract:* customer must be purchasing power at the BPA Short-Term Tier 2 rate to be eligible to purchase from the Vintage rate.
 - *NRU Proposal:* customers currently purchasing at the Short-Term rate should have first right of refusal to purchase from the Vintage rate. If there's remaining power available at the Vintage rate, other customers purchasing under other rates should have the opportunity to purchase at a Vintage rate.

Exhibit C, Section 3(c) Tier 2 PF Short Term Rate needs further options

- Short-Term Market Based Rate
 - *As currently proposed in contract:* customers must give three year notice for a five year commitment to purchase at the Short-Term Tier 2 rate (for Transition Period: notice given in November 2009 for power deliveries in FY2012-2014).
 - *NRU Proposal:* there should be two "short-term" rates:

1. BPA should provide a truly short-term market based rate, which would provide a "bridge" for customers interested in developing and bringing on a non-federal resource in the near term. The "truly short-term market based rate" would require 1 year notice for a 2 year commitment.
2. BPA would continue to have the Short-Term rate as proposed by BPA, but perhaps rename to "Medium Term." Would require 3 year notice for 5 year commitment.

Exhibit C, Section 3(b)

- "If BPA establishes the Vintage Rate on which the Statement of Intent was based..." language should read "If BPA establishes the Vintage Rate consistent with the Statement of Intent..."

Exhibit C, Section (c)(3)(A)

- Last sentence needs to be written to take into consideration that while customer may sign a Statement of Intent for X, based on the amount of resources BPA is able to acquire to source that Vintage rate, customer may not get the full amount X, but rather a less amount Y.

Exhibit H

- Load Growth rate alternative needs to accommodate utilities that need or want renewable attributes. See suggested options above, under Exhibit C, Section 3(a) comments.
- Need transfer, tracking and management of Tier 2 RECs to be included (Section 4 covers these topics for Tier 1 RECs. We also need more discussion with regards to Tier 2 RECs).
- Additional clarity is needed in this Exhibit. See Clarification Questions NRU submitted to BPA May 2, 2008.