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Sent via email

Re: Northwest Requirements Utilities Comments on Regional Dialogue Guidebook

Northwest Requirements Utilities (NRU) appreciates this opportunity to comment on the Regional Dialogue Guidebook released February 5, 2008. Having reviewed the guidebook with our Power Supply Committee, we would like to offer the comments listed below. We were pleased to see progress made on a number of issues that we have discussed over the past months, such as allocating Renewable Energy Credits to customers with an individual Contract High Water Mark based on their Rate Period High Water Mark, and extending the deadline to November 2009 to elect the Load Growth rate or Shared Rate Plan. However, we also found areas which require further refinement and revision, as highlighted in our comments below. We look forward to continuing to work with BPA and other customers on resolving these issues in the upcoming Tiered Rates Methodology workshops.

NRU Comments, Issues and Concerns

Please note the pagination is based on the February 8 revised version of the Guidebook.

Introduction

p 6: "contract will provide customer with a one-time right to change its product in FY2020 (notice given FY2017)...BPA will consider additional requests to change products and may consent to mutually agreeable product changes"

Customers should have more flexibility to change products during a 20-year contract, provided there is proper notification to BPA and that other customers are not materially harmed.

Load Following Product

*p 7, last paragraph: "customers serving load with **declared** and non-BPA supported **specified** or **unspecified** resource amounts must apply those resource amounts as planned"*

Language needs to be clarified – we are not sure what ‘declared,’ ‘specified,’ and ‘unspecified’ are referring to.

*p 8, top paragraph: "**dedicated** non-fed resource (whether from **declared specified** or **declared unspecified**)"*

Again, language needs to be clarified and made uniform. Need consistent terminology when referring to 5(b) declared resources and not, and if anything else is being described here.

p 11, 2nd paragraph: BPA will provide transmission scheduling service for customers who “(2) purchase flattening service or secondary crediting service.”

What about for other RSS options, like resource remarketing service?

p 12, last paragraph: “(on an availability basis) Resource Remarketing Service”

How far in advance will BPA let customers know whether RRS will be available for the next commitment period? It is important that BPA provide customers with sufficient notification of RRS availability prior to resource notification deadlines, as RRS will be an important consideration for some customers as they evaluate non-federal resource options.

RECs

P 27, 2nd paragraph: “BPA will annually transfer a blend of RECs at no extra charge from renewable resources within the Tier 1 rate pool...”

We appreciate and support this allocation proposal, with the caveat that BPA act as Agent to sell and credit RECs that utilities do not want them (see below for details).

p 27, 2nd paragraph: “customers signing RD contracts with an individual customer CHWM”

Clarify to what this is referring.

p 27, 2nd paragraph: “BPA may terminate transfer of RECs with 5 yr notice if new legislation would cause BPA to incur compliance costs that would be reduced by such termination”

Would customers still receive value of the RECs (any value remaining after BPA ownership of RECs reduces its compliance costs?)

p 27, 3rd paragraph: mentions “pre-existing EPP obligations”

Provide details on how these EPP obligations will be fulfilled (i.e., for the first five years of the Regional Dialogue contracts, etc).

p 27: Makes no mention of BPA acting as Agent to sell RECs on customers’ behalf that don’t want them.

The guidebook needs to detail how BPA will act as Agent, on what terms (i.e., rate period basis), any potential brokerage/transaction fees, add that a utility can have BPA resell a *portion* of their allocated RECs, etc.

p 27: “BPA will transfer RECs to customers holding these contracts after the fact on an annual calendar basis.”

We need to explore the reasons for and implications of BPA transferring all RECs to customers on a “after the fact on an annual calendar basis,” including avoiding a circumstance where all RECs lose value to the customer. We also need to discuss why BPA is not proposing to transfer the RECs associated with Tier 1 resources on a “as generated” basis (as opposed to an “after the fact” basis), as was proposed for renewable Vintage rates (see page 38).

p 28, Tier 2 RECs

Need to add that these RECs will first be offered to preference customers. Also, please see suggestions below on how RECs from Tier 2 resources should be treated.

Tier 1 Rate Design

p 31, "Customer Charge"

We request that the customer be given the option to have a flat customer charge or a customer charge that is shaped to its net requirements

p 32, "Demand Charge"

The demand charge is too complicated and the recent changes discussed with BPA staff are appropriate and will simplify the demand charge. However, we continue to ask that the demand charge be a constant number month to month and not vary by month.

Also, we are concerned that the demand charge calculation may not give sufficient credit for capacity provided by customer owned/provided resources.

p 30, "Loading Shaping Charge"

As we have studied the impact of the Load Shaping charge on individual customers we have noticed wide swings from month to month in the bills of these customers. We need to understand this charge and its implications better, especially under an array of market prices. We are concerned with the impacts of variability caused by the Load Shaping Charge, especially as we look at the LLH and HLH effects. The basic question is will this charge be sustainable over time? It is important to answer this question before we adopt a multi rate period rate design.

Tier 2 Rate Alternatives

p 33: election of Load growth rate is moved to November 1, 2009

This new date is appropriate; we appreciate the change.

p 33, last paragraph: customer must commit to the load growth rate (LGR) for entire term of the Regional Dialogue contract

This is an extremely long commitment term.

We need to explore incorporating a contract right for a customer to discontinue a portion of service via LGR but only in a manner that does not impose stranded costs on BPA or other participants in LGR (such an idea is similar to BPA's plan for transferring load from the Short Term rate to the Vintage rate of which the Guidebook says: "To the extent BPA has already sourced for the transferred load from the Short Term rate, the customer would face liquidated damages to hold the departed cost pool harmless," page 39).

p 33: Load Growth Tier 2 rate

BPA's willingness to provide opportunities for customer input could be made more substantive if BPA would contractually commit to periodically preparing a Resource Program and taking customer and public comment. This should not be seen as a limitation on the Administrator's authority to make the final decision on resources to be acquired, but rather an acknowledgement in the power sales contract that the parties (purchasers of Load Growth rate) paying the bills have an ongoing and substantive role in BPA's resource decision making process, particularly since these customers will be committing to place all or nearly all of their load on BPA.

p 34, 2nd paragraph: RECs will not be included in the Load Growth rate

As there are a number of utilities that may be interested in purchasing the Load Growth rate but need green power attributes (to meet RPS requirements, provide green retail programs, etc.), we would like to propose two options for discussion:

- (1) RECs from green resources in the Load Growth rate should pass through to purchasers of the Load Growth rate (like they will pass through for Tier 1 purchases and for renewable Vintage rates). Under this option, BPA should also offer to act as Agent on behalf of utilities that do not want to keep their RECs (this procedure would function exactly like the process for RECs from Tier 1 purchases).
- (2) Offer two Load Growth rates:
 - a. "non-renewable" (in the sense that any RECs associated with the resources supplying this rate would be stripped off and sold at market prices, as the rate is currently proposed by BPA), and
 - b. "renewable" (though perhaps only partially green). The renewable Load Growth rate would pass through all RECs to purchasers of the rate. Further, there would be an emphasis on acquiring renewable resources.

p 34, 3rd paragraph: "...one-time right to designate energy amounts above its RHWM..."

Please clarify whether 'energy' was the intended word, or if this refers to 'power' instead.

p 34, 3rd paragraph: "Load Growth rate is combinable with non-federal resources or other Tier 2 rates – customers would have a one-time right to designate energy amounts above their RHWM that will not be purchased at the Load Growth rate for all years of power deliveries under the Regional Dialogue contract."

Need to clarify for which years customer may specify the amount of the other resource (previously, BPA has stated that customer may specify different amounts for the transition period (first three years) with the quantity in Year 3 being the same quantity for the remainder of the contract).

We would like to propose for discussion two other options for how customers may designate the quantity to be served by another resource:

- (1) Customer may update the amount of the other resource at certain dates during the contract (perhaps along the notice and commitment timeline for the Short-Term rate).
- (2) Rather than specify a quantity of aMW, the customer would have the option to specify a certain *percentage* of its above-RHWM load to be served by another resource. This percentage may be different for each year of the contract. Percentages could be specified in November 2009 or throughout the contract (as described in Option 1 above). The customer would also have the option to specify a specific quantity of aMW for each year, similar to BPA's proposal.

p 34, 4th paragraph: "participants in SRP may not use another resource or Tier 2 rate other than the Load Growth rate"

Again, we believe this is unduly restrictive. If the customer were required to notify BPA of the quantities of the other resource in November 2009 (as BPA proposed for those taking the Load Growth rate), BPA would have sufficient information for planning purposes.

p 37, 1st paragraph: “customer will have the ability to transfer load amounts from service at the Short Term rate to service at the Vintage rate.”

On what timeframe does this “transferring” occur – on a rate period basis, or within a rate period?

p 37, “Availability”: “customer must be taking power under the Short-Term Tier 2 rate in order to be eligible for the Vintage Tier 2 rates”

Without further description and discussion with customers of the rationale for this requirement, we believe such a requirement is unduly restrictive and that eligibility to purchase a Vintage rate should not be limited only to those customers currently purchasing the Short-Term rate.

p 37, “Availability”: customer can transfer part of its load served at the Short Term rate to the vintage rate “as long as there are not stranded costs in Short Term rate pool.”

If there are stranded costs, may the customer pay their share and then transfer into the vintage rate?

p 38, top paragraph: “BPA is open to other alternatives to allow longer-term purchases”

NRU agrees it is important for BPA and other customers to explore ways in which it can make longer-term purchases, for both Vintage rates and the Load Growth rate. We would like to actively work with BPA on exploring mechanisms to achieve this goal and ease concerns of a “resource cliff” in 2028. We’re also concerned with a potential “price spike” that may occur once Tier 2 rate commitments end in 2028. We are aware that BPA has similar concerns, as expressed in the possibility of having an “exit fee” for certain Tier 2 rate alternatives. Therefore, we look forward to working through these important issues with BPA.

p 38, “Greenness”: “if BPA must remarket an amount of take or pay power at the renewables vintage rate, the RECs would continue to the utility”

BPA should offer to act as Agent to resell these unneeded RECs on a utility’s behalf.

p 39, last paragraph: “customer has 60 days to commit to shift a portion from short term to vintage rate.”

If customer demand exceeds the maximum quantity BPA intends to acquire, will BPA reduce everyone’s election on a pro rata basis?

Shared Rate Plan

p 41, election into the Shared Rate Plan is moved to November 1, 2009

This new date is appropriate; we appreciate the change.

p 41, There will be no RECs associated with the Shared Rate Plan.

We believe the RECs associated with the resources supplying the SRP should pass through to the customer; however, BPA should offer to act as Agent to resell unwanted RECs if the customer chooses not to keep them (akin to the handling of Tier 1 RECs). See possible options above under Load Growth rate.

p 41, “Availability”: to participate in the Shared Rate Plan, customer must serve 100% of its above-HWM load with the Load Growth rate.

SRP participants should have option (would notify BPA by November 2009) to use another Tier 2 rate or non-federal source – since these quantities will be known ahead of time, there would not be any negative impact on BPA’s ability to meet SRP loads.

p 43: BPA will limit participation in the Shared Rate Plan to 500 aMW. In case of over-subscription, BPA proposes to order requesters from smallest to largest and work up stack.

NRU continues to believe a limit of 500 aMW is unduly restrictive and may preclude some utilities from participating in the program.

RSS

p 48, “Limitations”: “special circumstances presented by customers served by transfer present particular challenges for RSS...BPA intends on working on these issues so that, if possible, all Load-Following customers will have access to these services.”

We agree that it is extremely important to resolve these issues, and encourage BPA to continue its efforts to work through them. These issues need to be addressed in order for the TRM to work for customers served over GTA.

p 55, “Availability”: “RRS is not a requirements service and will be provided on an availability basis.”

Please further describe what this refers to, including defining what “not a requirements service” means and what “on an availability basis” means.

Additionally, it is important that BPA provides sufficient notification to customers regarding future availability of RRS, as this is an important consideration in non-federal resource procurement.

RSS in general

We suggest that further work (including going through examples) continues to be needed to aid all of us in order to better understand various aspects and operation and implications of RSS.