



Memo

To: Deb Malin/ Bonneville Power Administration
From: Angus Duncan
Date: September 28, 2005
Re: Comments on 08/29/05 Draft Renewable Rate Credit Program (PT-6)

By way of a general observation on the C&RD program, considered in the context of BPA's overall renewable energy agenda, we disagree with the agency about the appropriate level of BPA commitment to regional leadership, and to direct and indirect BPA investment in bringing these technologies into the Northwest electric power system. Today's modest level of BPA activity stands in contrast to the historical contributions the agency has made to the development of the hydropower system and the regional transmission system, among other infrastructure investments. That said, the C&RD program's general structure and features, with the proposed changes, remains workable. We would ask for rethinking and revision of Section 5-22 as discussed below.

Section 5.22 – True-up Due to Pro Rata Reductions

We disagree with BPA's apparent belief that this is a workable solution to the agency's concerns regarding excessive demand on RRC funds. In fact it will make customer planning for renewable projects far more difficult, and will discourage innovation, technological diversity and projects that require lead-time in favor of projects whose chief virtue is scalability. Notice to customers no later than August 31 prior to the next fiscal year gives a customer little meaningful time to adjust to new funding realities and still undertake a project in that year.

If BPA cannot come up with a better method for allocating these limited RRC dollars more effectively, it should drop the pro rata funding notion and simply allocate to utilities according to their power purchases, as in the past. However, BPA was offered a better solution, with which BPA has apparently disagreed despite broad support among the stakeholders' group BPA itself convened last spring. That was to allow customers with more attractive conservation opportunities and fewer renewable plays to "trade" their RRC credits for CRC credits; and vice versa. To protect BPA's commitment to delivering on conservation goals, we proposed that trades could only take place if the resulting regional dollar allocation was identical to that going in (that is, at the end of the day RRC credits could not total more or less than \$6 mm). Customers would have to find other customers with whom to trade; or BPA (or

its designee) could manage a modest trading floor that would help connect customers to each other. Trading could be on a first-come, first-serve basis, accepting that not all preferences could be satisfied.

This would allow customer with stronger renewable (or conservation) interests and opportunities to focus their credit dollars where they would be most effective, and probably most efficiently used. Innovative projects would be better supported with greater concentrations of dollars. If trading were allowed to take place at any time prior to or during the rate period that there were willing traders, project lead times could be better accommodated.

These advantages should not be discarded in the interests of an administrative load for BPA that would be, at best, marginally easier.