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Having reviewed the March 7<sup>th</sup>, 2008 draft of the Tiered Rates Methodology we are providing you with the attached list of those key areas in the Methodology that Northwest Requirements Utilities believes need revision as BPA moves towards the publication of the Federal Register Notice for the Tiered Rates Methodology. These key points were developed as a result of NRU's in-depth reading and discussion of the March 7<sup>th</sup> draft with our membership. We believe that the adoption of these key points will lead to a better and more sustainable proposal.

Please give me a call if you have any questions.

Regards,



John Saven, CEO  
Northwest Requirements Utilities, Inc.

Cc:  
Nita Burbank  
Scott Wilson  
Annick Chalier  
NRU Members

## **NRU's Top Issues with the Tiered Rates Methodology (TRM)**

*not in order of importance*

- The descriptions of BPA Tier 2 rate alternatives need to generally state that BPA will offer Tier 2 rates (such as a load growth rate, short-term market rate and specified resource vintaged rates). However, the descriptions must leave flexibility in design and structure for further discussion when more time is available (i.e., after contracts are signed). Such topics that need further discussion and refinement include, but are not limited to:
  - A discussion of which rates will, and will not, include environmental attributes. Language on page 81, lines 9-11 should be changed to read: "If a particular Tier 2 cost pool includes renewable generation **and is not sold with environmental attributes then** BPA will market any environmental attributes associated with this renewable generation and credit the forecast revenues to the relevant Tier 2 cost pool."
  - A discussion of options for resolving the "cliff" issues for Tier 2 power and pricing in 2028.
  - An ability to exit the load growth rate provided that others taking the load growth rate are not financially harmed and there are adequate notice provisions.
- BPA will solicit and use customer input when evaluating and selecting resources to supply Tier 2-priced power. This should be specified as a condition of the Tier 2 rate alternatives.
- Should demand exceed 500 aMW limit for Shared Rate Plan, BPA will reconsider the limit and evaluate the effects (if any) of increasing the limit in response to customer demand. Such reconsideration is in keeping with BPA's offer to reevaluate the amount of Slice available if demand exceeds supply. TRM p. 85, lines 5-6.
- Notice provisions and commitment periods are unduly restrictive. Notice and commitment lengths should be based on type of rate. For example, a one year notice to purchase the short-term market rate ought to be sufficient. TRM pp. 77-78.
- Need enforceability of contracts. See separate customer proposal on dispute resolution and enforceability.
- Rate design
  - The demand charge should be flat over all months of the year, not shaped.
  - We need a commitment that BPA will shape the payment of the customer charge to help with customer cash flow issues.
  - BPA should reduce the 10% percent exposure to the demand charge.
  - The load following charge concept should be eliminated.
- BPA's proposal to do a look back for costs that have been expended in the past should be rejected. TRM, pp. 55-56, lines 25-1.
- Diurnal Flattening Service should not preclude groups of preference customers from aggregating groups of resources for purposes of pricing DFS. TRM, p. 87, lines 12-15.
- The total above HWM loads of public power times the cost of meeting above HWM load growth needs to be included in the PF exchange rate for REP benefit calculation. TRM pp. 34-35 and p. 107. (instead of just BPA's Tier 2 load times the average Tier 2 cost)