From: Sybil Brown
To: "rdbliven@bpa.gov"; "pbstiffler@bpa.gov";
Subject: 91 aMW WNP-3 Issue
Date: Tuesday, August 28, 2012 11:53:00 AM

NRU Comments on the Rate Period High Water Mark Determination of FY 2014/2015

NRU is submitting the following comments on the topic of whether the terms of the WNP-3 Settlement of 1985 are properly included in the calculation of the Tier 1 System resource. The NRU member utilities and staff were active participants in the development of the BPA Tiered Rate Methodology. A particular concern of ours has always been the proper definition and calculation of the amount of the Tier 1 system. However we, along with everyone else involved in that effort, neglected to consider the proper inclusion of the terms of the WNP-3 settlement in the Tier 1 system. Quite simply, the TRM includes the WNP-3 sale as a Tier 1 System Obligation on Table 3.4, but does not include the resource as a Tier 1 System Resource. The obligation for FY 2014-2015 is 91 aMW while the exchange resource amount is effectively zero. We believe that the exchange provision that is an integral part of the WNP-3 settlement should be included as a Tier 1 system resource.

BPA asks four questions. NRU's answers are below:

1) Should the WNP-3 resource be included as a Tier 1 System Resource for purposes of calculating RHWMs?

While this will cause additional uncertainty in planning for service to above HWM load, we believe that the WNP-3 resource needs to be included in the Tier 1 System Resource. The fact that it wasn't originally included in the Tier 1 system was an oversight.

2) Assuming #1 is answered in the affirmative, would the inclusion of the WNP-3 resource in Table 3.3, Designated BPA Contract Purchases, constitute a change to the TRM requiring a customer vote and a 7(i) decision prior to including the WNP-3 resource, meaning that the change could not occur in the current RHWM Process? See TRM 3.1.3.4, "The list of

contracts will not be changed for the duration of this TRM."

We believe that this is an unnecessary and time consuming step and that the same end result can be obtained by taking the action in point 3 below.

3) The WNP-3 Settlement expires in 2019. Because this affects only three RHWM determinations, assuming #1 is answered in the affirmative, would a workaround be more easily accomplished, such as setting the WNP-3 obligation to zero for RHWM purposes? There are Slice implications to this treatment; that is, the RHWM adjustment would be made to the Slice Simulator only when BPA actually receives the exchange power from the IOUs. Because BPA has not taken any exchange power in 25 years, chances are this adjustment would not occur in Slice operations under the simulator. Slice customers may receive somewhat larger block amounts.

BPA should set the WNP-3 obligation to zero for RHWM purposes. We have no opinions with regard to the potential for Slice implications.

4) How would a change in the RHWM treatment of the WNP-3 exchange affect ratemaking and are these consequences reasonable and acceptable? While we do not contemplate a change in ratemaking procedures, this could result in an increase in Tier 1 obligations, resulting in some upward rate pressure.

We recognize that the risk here is that BPA may have to make system augmentation purchases for the 91 aMW and that the 91 aMW figure is variable. For the FY 2014/2015 rate period this does not appear to be a major risk. Forecast market prices are about equal to the cost of Tier 1 power. However, while the amount of power that may have to be purchased will decline from FY 2017 to 2019, the cost of those market purchases for FY 2016 to 2019 is unknown. We do recognize this as an uncertainty and are willing to take this cost risk.

Geoff Carr
Assistant Director

Northwest Requirements Utilities
825 NE Multnomah, Suite 1135
Portland, OR 97232
Phone: (503) 233-5823
Cell: (503) 819-6713
E mail: ghcarr@nru-nw.com