



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

CORPORATE STRATEGY

February 7, 2012

In reply refer to: SR-7

Dear Interested Parties,

The Bonneville Power Administration is seeking comments on a draft proposal to address seasonal electricity oversupply by paying wind energy producers to curtail their output if necessary. There is also an associated proposal for how BPA would recover the new costs that would be incurred.

During spring 2011, BPA managed oversupply conditions using an interim Environmental Redispatch Policy, replacing thermal and wind generation on the system with free federal hydropower. Last June, parties filed a complaint with the Federal Energy Regulatory Commission arguing that BPA's interim policy discriminated against wind energy. FERC issued an order on December 7, 2011, directing BPA to provide wind generators comparable transmission service that is not unduly discriminatory or preferential. FERC instructed BPA to file a proposal by March 6.

BPA has been engaged in discussions with a number of key stakeholders since last spring to find an equitable solution to oversupply. The proposal is based on concepts developed in these discussions. BPA is releasing the proposal now to allow for broader public input ahead of the Commission's deadline.

The proposal includes compensating wind project owners within BPA's balancing authority when their energy is curtailed. BPA would limit payments to revenue they would otherwise receive for generating, including production tax credits, renewable energy credits and revenue from power purchase agreements.

BPA proposes allocating costs roughly 50/50 among users of BPA's Federal Base System and wind project owners/purchasers, recognizing that logical but contrary arguments have been made on both sides. The proposal also includes an element for new interconnections to the BPA transmission system. Those seeking new interconnections would be offered a choice between receiving partial compensation for lost production tax and renewable energy credits while subject to the new charge, or no compensation but not being subject to the new charge.

BPA is seeking comments on the proposal, which is described in two documents: a) new tariff language for addressing oversupply (Attachment P); and b) a more detailed narrative which explains the proposed methods for managing oversupply and allocating the associated costs. Comments will be accepted from February 7 through noon February 21 and BPA will be hosting a workshop on February 14, from 9 a.m. to noon in the BPA Rates Hearing Room.

Comments may be submitted by any of the following methods:

**Online:** [www.bpa.gov/comment](http://www.bpa.gov/comment);  
**Mail:** Bonneville Power Administration, Public Involvement – DKE-7  
P.O. Box 14428, Portland, OR 97293-4428  
**Fax:** 503-230-4019

All comments will be posted in their entirety including the author's name and affiliation on BPA's website at [www.bpa.gov/comment](http://www.bpa.gov/comment). BPA's proposal and background information are available online at [www.bpa.gov/go/oversupply](http://www.bpa.gov/go/oversupply).

After reviewing comments to this draft proposal, BPA will prepare a response to comments and finalize our response for a March 6 filing with FERC. Our expectation, based on the current state of discussions in the BPA OATT (BOATT) process, is that BPA will also file its broader Order 890 Open Access Transmission Tariff by the end of March for reciprocity approval.

If you have questions about BPA's proposal or need more information, please contact Nita Burbank, Oversupply Project Manager, at [nmburbank@bpa.gov](mailto:nmburbank@bpa.gov) or 503-230-3935, or call the general information line toll free at 800-622-4520.

Sincerely,

*/s/ Elliot E. Mainzer, February 7, 2012*

Elliot E. Mainzer  
Executive Vice President  
Corporate Strategy

Enclosures:

Proposed tariff language for addressing oversupply (Attachment P)  
Explanation of proposal and cost allocation (narrative document)