

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Iberdrola Renewables, Inc.;)	
)	
PacifiCorp;)	
)	
NextEra Energy Resources, LLC;)	
)	
Invenergy Wind North America LLC;)	
)	
Horizon Wind Energy LLC,)	Docket No. EL11-44-000
Complainants,)	
)	
Bonneville Power Administration,)	
)	
Respondent)	
)	

**COMPLIANCE FILING
OF THE
BONNEVILLE POWER ADMINISTRATION**

The Bonneville Power Administration (“Bonneville”) hereby respectfully submits this compliance filing in response to the Commission’s order in this proceeding.¹ As discussed below, and as explained in Bonneville’s Request for Clarification and in the Alternative Rehearing filed with the Commission on January 6, 2012, the compliance filing is based on Bonneville’s understanding that the order required Bonneville to file tariff provisions addressing its environmental redispatch policy. Because this policy is meant to be a short-term solution, Bonneville is submitting the attached revisions to its Open Access Transmission Tariff to be on file with the Commission and to be made effective on March 31, 2012, and to apply for one year, through March 30, 2013.

¹ *Iberdrola Renewables, Inc. v. Bonneville Power Admin.*, 137 FERC ¶ 61,185 (2011) (“Order”).

At the end of this month, Bonneville is expecting to file a complete tariff for reciprocity approval. Bonneville also notes that several parties filed for rehearing and clarification of the Commission’s order and Bonneville expects that the order on rehearing and clarification should aid the region in coming to a sustainable long-term solution to the oversupply question.

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I. EXECUTIVE SUMMARY

On December 7, 2011, the Commission issued an Order Granting Petition that required Bonneville to submit, by March 6, 2012, tariff revisions that address the comparability concerns raised in this proceeding. In compliance with the order, Bonneville hereby submits revisions to its Open Access Transmission Tariff (“tariff”).

In 2011, Bonneville determined that its Interim Environmental Redispatch and Negative Pricing Policies (“Interim Environmental Redispatch Policy”) were a reasonable balance of Bonneville’s environmental and statutory responsibilities and within Bonneville’s authority under its Large Generator Interconnection Agreements. Under the policy, during high-water periods Bonneville displaced generation in its balancing authority area with federal hydroelectric generation when necessary to avoid spilling excess water over the dams and harming endangered fish and other aquatic life. However, the Commission found that Bonneville’s Interim Environmental Redispatch Policy failed to provide comparable transmission service and, pursuant to Section 211A of the Federal Power Act,² ordered Bonneville, on a prospective basis, to balance its environmental and other statutory responsibilities with the provision of comparable transmission service.³

Specifically, the Commission ordered Bonneville to file “tariff revisions that address the comparability concerns raised in this proceeding in a manner that provides for transmission service on terms and conditions that are comparable to those under which Bonneville provides transmission services to itself and that are not unduly discriminatory

² 16 U.S.C. § 824j-1 (2009).

³ Order P 64-65.

or preferential.”⁴ The Commission said that Bonneville’s compliance filing should provide for “mutually-agreeable alternatives that provide fair and equitable solutions to address temporary over-generation during high water periods.”⁵ The Commission also encouraged “parties to work together to solve these difficult issues”⁶ and offered to designate a Commission staff member as non-decisional to assist in developing tariff provisions.⁷ Bonneville did as the Commission directed and encouraged, and appreciates the assistance provided by the non-decisional Commission staff.

In compliance with the Order, Bonneville is submitting for Commission approval its Oversupply Management Protocol to be incorporated as Attachment P to the Bonneville tariff and into existing and new Large Generator Interconnection Agreements and to be effective as of March 31, 2012, through March 30, 2013. On February 7, 2012, Bonneville posted the protocol, which was based largely on discussions in the region with representatives of petitioners and public power, for public comment. On February 14 Bonneville held a public meeting to discuss the proposal, and accepted comment through February 21. Bonneville received written comments from 89 parties and revised the protocol in a number of respects based on the comments.

The protocol is intended to apply for one year while Bonneville and the region seek longer-term solutions that will continue Bonneville’s efforts to support the growth of renewable energy in the region while also addressing the difficult oversupply problem. The Oversupply Management Protocol retains the displacement tool necessary for Bonneville to meet its environmental responsibilities but differs from Bonneville’s

⁴ *Id.* P 64.

⁵ *Id.*

⁶ *Id.* P 34.

⁷ *Id.* n.55

Interim Environmental Redispatch Policy in significant respects, all in an effort to meet the Commission’s charge that Bonneville “reconcile the provision of comparable service that is not unduly discriminatory or preferential with its organic statutes.”⁸

Most critically, the protocol provides significant compensation to renewable generators for the costs they incur from being displaced. In addition, it employs a least-cost displacement model, allowing generators to submit individualized costs for each of their generating facilities so that Bonneville displaces generation on a facility-by-facility basis in order of cost, minimizing costs to the generators and the region.

Bonneville has also committed to starting a rate case, as is required under the Northwest Power Act,⁹ to develop a rate that allocates the costs of implementing the protocol in an equitable and balanced fashion among the users of Bonneville’s system. Bonneville believes the Oversupply Management Protocol and the commitment to address the allocation of costs in a formal rate case balance the region’s needs while addressing the Commission’s comparability concerns regarding Bonneville’s prior Interim Environmental Redispatch Policy.

Managing oversupply is a complex problem that rests at the intersection of multiple regional and national policy objectives: protection and enhancement of endangered species of salmon;¹⁰ supporting the growth of renewable resources; providing open access transmission service, and providing power at “the lowest possible rates to

⁸ *Id.* P 65.

⁹ 16 U.S.C. § 839e(i) (2009).

¹⁰ Bonneville operates under a regime imposed on the United States by the Northwest Power Act, the Clean Water Act, the Endangered Species Act, Biological Opinions issued by the National Oceanic and Atmospheric Administration National Marine Fisheries Service, and orders issued by the Federal District Court of Oregon in *National Wildlife Federation v. National Marine Fisheries Service*, No. CV 01-640-RE, Orders for 2011 Spring and Summer Operations (D.Or. Mar. 24 and June 14, 2011).

consumers consistent with sound business principles.”¹¹ As it did in 2011, Bonneville is committed to taking all reasonable actions to protect fish before implementing the redispatch called for in its Oversupply Management Protocol, and has included this commitment in the protocol. Other than redispatch, however, Bonneville has been unable to identify reasonable actions that, by themselves, will ensure that it can fulfill and balance its legal obligations, including protection of endangered fish and other aquatic species.

One of the Commission’s main concerns with Bonneville’s Interim Environmental Redispatch Policy was the adverse economic impact of displacing the output of wind generators in Bonneville’s balancing authority area¹² with federal hydropower without compensation.¹³ Therefore, after first taking all reasonable actions to reduce the need to implement generation redispatch,¹⁴ including making offers to generators inside and outside of Bonneville’s balancing authority area to voluntarily displace their generation with low-cost or zero-cost federal hydroelectric power, Bonneville will:

- as a last resort, displace (while honoring minimum generation levels and maximum ramp rates) remaining generation in Bonneville’s balancing authority area with free federal hydroelectric power to meet their transmission schedules; and

¹¹ 16 U.S.C. § 838g (2009).

¹² Bonneville’s tariff still uses the term “control area” rather than “balancing authority area.” These terms have the same meaning.

¹³ Order P 63.

¹⁴ See Answer of the Bonneville Power Administration (“Bonneville Answer”), Attachment A, Bonneville’s Interim Environmental Redispatch and Negative Pricing Policies Record of Decision, at 14-15 (July 19, 2011) (“ER ROD”).

- treat all displaced generation comparably by compensating displaced generators for lost Production Tax Credits (“PTCs”) and Renewable Energy Credits (“RECs”) and unavoidable contract-related costs.

Displacement and payment will be accomplished pursuant to the cost curve described in detail later in this document.¹⁵ The Oversupply Management Protocol treats system users comparably by covering legitimate displacement costs while allowing Bonneville to fulfill its environmental obligations at the lowest cost and risk to the region. The protocol contains Bonneville’s costs of compensation at the generators’ actual economic losses, thereby providing predictable and transparent cost exposure for Bonneville and its customers, consistent with Bonneville’s statutory charge to establish power and transmission rates “with a view to encouraging the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles”¹⁶ It alleviates Bonneville’s earlier concerns regarding runaway cost exposure and undue burdens on power or transmission rates while taking a balanced approach by covering the costs of the displaced renewable generators. In so doing, it helps fulfill the Northwest Power Act’s purposes both “to assure the Pacific Northwest of an adequate, efficient, economical, and reliable power supply” and to encourage “the development of renewable resources within the Pacific Northwest.”¹⁷ In addition, the protocol alleviates the concern that the costs of addressing Bonneville’s environmental responsibilities could be so great that Bonneville might have to abandon or minimize

¹⁵ See *infra* Section III.A.2.

¹⁶ 16 U.S.C. § 838g (2009); see also *id.* § 839e(a)(1).

¹⁷ *Id.* §§ 839(2), 839(1)(B).

other actions it takes to fulfill its statutory responsibility to provide “equitable treatment” for fish and wildlife.¹⁸

As noted, during 2012 Bonneville will establish a cost allocation methodology and rate in a formal rate case under section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act to equitably share the costs of displacement among many customers. Under that act, Bonneville submits the rate to the Commission for approval. Bonneville anticipates doing so in November. If Bonneville is unable to complete its rate case by then, it will submit a status report to the Commission with a revised submittal date.

The Commission’s concerns were focused on the comparability of treatment of generation within Bonneville’s balancing authority area when Bonneville needs to displace generation in excess spill situations. Bonneville has no authority to displace generation outside its balancing authority area. Even if Bonneville can obtain voluntary displacement outside its balancing authority area, it needs a mechanism to displace internal generation. The Oversupply Management Protocol provides that mechanism while complying with the Commission’s Order.

II. BACKGROUND

Bonneville, the U.S. Army Corps of Engineers (“Corps”), and the U.S. Bureau of Reclamation (“Bureau”) operate the Federal Columbia River Power System (“FCRPS”) as an integrated hydroelectric system, in which the operation of each dam depends on the operation of all others and water conditions in the Columbia River drainage basin affect all of the FCRPS dams. As Bonneville described in detail in its ER ROD,¹⁹ during

¹⁸ See *id.* § 839b(h)(11)(A)(i).

¹⁹ See *supra* n.14.

periods of excess spill in the spring and summer Bonneville, the Corps, and the Bureau take reasonable actions to protect endangered fish and other aquatic species. Harm to fish in the river from gas bubble trauma can occur when water spilled through dam spillways increases levels of nitrogen, oxygen, and other gases in the water beyond state water quality standards.²⁰ These total dissolved gas (“TDG”) levels increase when water is spilled over spillways instead of run through the turbines to generate electricity. Conversely, water moved through turbines introduces significantly less gas into the river. During excess spill events that threaten to cause TDG levels to exceed state water-quality standards enacted under the Clean Water Act, Bonneville, the Corps, and the Bureau attempt to moderate spill by running water through the turbines to lower the amount of spill and reduce the TDG level to the extent practicable.²¹

This additional hydroelectric generation must be delivered to load and an equal amount of other generation serving that load must be shut down in order to maintain system reliability within the Bonneville balancing authority area. Before 2010, Bonneville was able to moderate excess spill by offering low-cost or free federal hydroelectric power to serve load, which was generally sufficient to incent all thermal generators in Bonneville’s balancing authority area to shut down.

As the result of production incentives and Bonneville’s innovative and supportive interconnection and transmission service policies, over the past few years Bonneville has interconnected approximately 4,000 MW of wind generation to its transmission system. Bonneville reinvented its transmission subscription process through our Network Open Season approach (approved by the Commission), under which Bonneville has constructed

²⁰ ER ROD 5-8.

²¹ See *Nat’l Wildlife Fed’n v. U.S. Army Corps of Eng’rs*, 384 F.3d 1163, 1179-80 (9th Cir. 2004).

the McNary-John Day line, embarked on construction of the Big Eddy-Knight line, and engaged in permitting of two other transmission lines. Bonneville has also offered 1,360 MW of conditional firm transmission service (over half to wind generators) and, working with others in the region and with the Commission, developed innovative new integration practices such as intra-hour scheduling across both its network and the California-Oregon Intertie.

Bonneville's interconnection of thousands of megawatts of wind generation on its system has changed the economic model behind voluntary displacement of non-federal generation. Because wind generators receive state and federal benefits based on the amount of power they produce, free federal hydro power is not enough to incent them to shut down when Bonneville needs additional load to avoid exceeding TDG limits.²² During last year's high-water event, in most heavy load hours Bonneville was able to find load for all of its hydro generation through conventional marketing methods that resulted in voluntary displacement of thermal generation. During many light load hours, however, available load was largely served by wind, and Bonneville had to moderate TDG by displacing all or a portion of the wind in its balancing authority under the Interim Environmental Redispatch Policy.

In order to minimize displacement last year Bonneville sold over 750,000 MWh of energy for less than the cost of the associated transmission. Of this amount approximately 250,000 MWh were sold at a price of zero.²³ During the high-water event Bonneville redispatched approximately 97,000 MWh of wind generation (5.4% of the 1,760,905 MWh of wind generation produced between May 18 and July 18, 2011) under

²² ER ROD 11.

²³ Bonneville Answer, Attachment D, Spain Affidavit, ¶ 29.

its Interim Environmental Redispatch Policy. In addition, Bonneville spilled an estimated 12,400,000 MWh worth of water—thus foregoing compensation for potential power production—in addition to the normal spill for fish.²⁴

Shortly after the Commission issued its order in this proceeding, Bonneville accepted the Commission's offer of staff to facilitate a resolution. Bonneville subsequently developed a proposal, based largely on discussions in the region, to amend its tariff to include an Oversupply Management Protocol and to develop the cost allocation methodology in a statutorily required rate case. Bonneville posted the proposal for public comment, held a public meeting on February 14 to discuss the proposal, and received 89 written comments. Bonneville modified the proposal significantly in response to the comments.

As Bonneville noted in its Request for Clarification and in the Alternative Rehearing,²⁵ Bonneville believes the order directed it to file tariff revisions addressing only this issue. The Commission has not yet issued its order on clarification and rehearing. Therefore, consistent with Bonneville's representation in its request, it is filing only tariff revisions that address comparability concerns about its Interim Environmental Redispatch Policy.

Bonneville is also preparing to seek reciprocity through a tariff filing that will include Bonneville's entire tariff. Bonneville expects to make this filing by the end of this month. Bonneville has been working with stakeholders for more than a year to draft a regionally developed open access transmission tariff. Bonneville is hopeful that, once

²⁴ *Id.* Attachment C, Connolly Affidavit, ¶ 61.

²⁵ Request for Clarification and in the Alternative Rehearing of the Bonneville Power Administration 8-9 (Jan. 6, 2012).

the few remaining issues are resolved, the tariff will enjoy widespread regional support as well as Commission approval.

III. OVERSUPPLY MANAGEMENT PROTOCOL

A. Attachment P

In compliance with the Commission's order, Bonneville is submitting Attachment P to its tariff, which will provide for an Oversupply Management Protocol. This protocol applies to all generators, federal and non-federal, within Bonneville's balancing authority area and provides comparable treatment by compensating generators, primarily wind, who incur displacement costs even after being displaced with free federal hydro power.

Bonneville's tariff amendments (attached) include both an amendment to the body of the tariff making the Oversupply Management Protocol a term and condition of transmission service, and Attachment P, which contains the specific provisions of the Oversupply Management Protocol. The provision describing the Oversupply Management Protocol will be included in section IV of Bonneville's tariff, Miscellaneous Provisions. The specifics of the Oversupply Management Protocol in Attachment P are described below.

1. Term

The Oversupply Management Protocol is a short-term approach to Bonneville's overgeneration problem while Bonneville and the region seek longer-term solutions. The term of Attachment P will be from March 31, 2012 to March 30, 2013. As discussed below, however, discussions in the region have centered on both a method of compensation and a proper allocation of the costs. Bonneville can implement this aspect of its oversupply policy only through a rate case. Bonneville may set a rate to allocate costs only pursuant to a statutory process in which the Commission plays a part. As

discussed more fully below,²⁶ Bonneville will shortly begin a formal rate proceeding under section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act²⁷ to establish a rate to allocate the costs of the protocol in an equitable and balanced manner. Bonneville will then submit the rate to the Commission for review and approval, as required by Section 7(a)(2) of the Northwest Power Act.²⁸

2. Least-Cost Displacement Cost Curve

Last year, before implementing Environmental Redispatch, Bonneville committed to undertaking a number of actions that effectively moderated TDG levels.²⁹ Bonneville remains committed to taking all reasonable actions, including voluntary displacement of generation with low-cost or free federal hydro power, to reduce or avoid the need to implement its Oversupply Management Protocol. Bonneville will also allow federal and non-federal generators to establish minimum generation levels and maximum ramp rates for reliability or other purposes, which will limit the amount of displacement Bonneville can require of them. (The effect of excess spill on fish varies among hydroelectric projects. Therefore, some hydroelectric projects may need to establish minimum generation levels to avoid spill even while Bonneville is spilling additional water at other projects.) Bonneville will not direct a generator to reduce generation below its minimum generation level or at a ramp rate that exceeds its response capability.

Bonneville will implement its Oversupply Management Protocol only when it determines that it is probable that the TDG levels measured by the Corps will exceed, or when they do exceed, Oregon and Washington water quality standards at projects that are

²⁶ See *infra* Section III.C.

²⁷ 16 U.S.C. § 839e(i) (2009).

²⁸ *Id.* § 839e(a)(2).

²⁹ ER ROD 14-15.

spilling past unloaded turbines. To ensure displacement is achieved at a reasonable cost to the region, Bonneville will implement displacement of generation in the Bonneville balancing authority area pursuant to a Least-Cost Displacement Cost Curve. The cost curve will list the displacement cost for each generator's facility based on the generator's lost PTCs and RECs and, for existing contracts, lost contract revenues and penalties for the failure to generate renewable energy.

Bonneville will displace generation in order of cost, from the least-cost facility to the highest-cost facility, until the required displacement quantity is achieved. A generator may instead choose not to be compensated for displacement, in which case the generator will not be allocated any of the costs of displacement in the cost allocation methodology. (Although federal generation will not submit costs of displacement, it will be allocated costs of displacement.) Such generators, and those without PTC or REC losses or contract costs related to inability to generate RECs, will have a displacement cost of zero and, if not already displaced through voluntary arrangements, will be displaced first, down to the minimum generation levels and within the maximum ramp rates they establish under the protocol.

Attachment P provides full compensation for lost PTCs and RECS, as well as for lost contract revenues or penalties for the failure to generate renewable energy, with respect to power sales contracts executed on or before March 6, 2012. For at least the last year generators have been on notice that Bonneville may need to displace them with hydroelectric power to satisfy its environmental obligations. Those with existing contracts may nevertheless lose revenue or have to pay penalties for the failure to generate. New contracts, however, may be structured so that hydroelectric power may

substitute for other power without penalty and without loss of revenue. Therefore, with respect to power sales contracts executed after March 6, 2012, the date on which the region is given formal notice of the protocol, Attachment P provides compensation for lost PTCs and RECs sold unbundled from or at a separate price from energy, but not lost contract revenues because hydro power is delivered rather than renewable energy, or penalties because of the failure to generate. This provision equitably limits the cost of the oversupply problem to the region going forward by disallowing costs that generators can avoid through their contract structure.

Attachment P recognizes two possibilities for the sale of RECs unbundled from the sale of energy. A generator could have a contract in place for the unbundled sale of all or a portion of the RECs produced by a facility. For those contracts, Bonneville will pay the generator the amount it was not paid by its purchaser due to its failure to deliver RECs. Alternatively, a generator may not have a contract for sale of its RECs, and may be selling its RECs on the market or still seeking contractual arrangements. In that case, Bonneville will pay the generator the market value of the RECs which were not produced due to the displacement. Bonneville recognizes that the market value of RECs can depend on a variety of factors. Bonneville expects the generators to base the market values on the best information available, and they will be subject to validation by the independent evaluator.

This payment scheme applies to both existing and new contracts. Again, Bonneville will compensate all generators for lost RECs and PTCs, since the generator can receive neither RECs nor PTCs if it does not generate. The only compensation for

which new generators are not eligible is compensation for losses that can be avoided by contractual means.

Bonneville will compensate displaced generators for each hour in which Bonneville implements Attachment P by multiplying the \$/MWh cost figure submitted by the generator by the difference in MWh between scheduled generation and the generation level that Bonneville dispatchers directed the generator to achieve. Bonneville will also provide free FCRPS energy for the reduced scheduled amounts.

All generation in Bonneville's balancing authority area with a nameplate capacity greater than 3 MW is subject to displacement under the cost curve. Bonneville's automatic generation control system cannot track generators smaller than 3 MW, and therefore they cannot provide any relief to TDG levels. Similarly, generators moved to another control area by pseudo-tie are not subject to the protocol, but dynamically scheduled resources are subject to the protocol because they remain in Bonneville's control area and take control area services from Bonneville.

To ensure confidentiality, all generators that choose to be compensated submit their installed generating capacity and costs of displacement (\$/MWh) for each month to an independent evaluator. The evaluator will aggregate the costs and construct the cost curve and submit it to Bonneville, together with the total costs of displacement for each facility so that Bonneville can appropriately compensate displaced generators. Except for cases in which the independent evaluator believes the costs warrant further review (discussed below), the independent evaluator will not provide Bonneville the cost breakdown by category.

Generators may update their costs of displacement at any time (with advance notice so there is time to enter the costs into the cost curve) and must list separate costs for both heavy and light load hours. If a generator chooses not to be compensated for displacement, or is not eligible for PTCs and does not generate RECs, the generator need not submit any information, and the cost of displacing the facility will be deemed to be \$0/MWh for the month.

3. Independent Third-Party Evaluator

Based on public comments received, Bonneville realizes the difficulty in formulating a “one size fits all” approach to judging whether a generator’s claimed displacement costs are accurate. In addition, Bonneville understands the sensitive nature of the information required to support a generator’s claimed displacement costs. After considering the comments, Bonneville has decided not to require generators to submit cost data to Bonneville. Rather, generators will be required to certify that its stated costs of displacement are accurate and provide the costs to an independent third-party evaluator together with supporting data and documentation.

Bonneville will select the independent evaluator, who will have experience performing data aggregation and evaluation for electric utilities. To protect the sensitivity of a generator’s cost information, the third-party evaluator will give Bonneville the total displacement costs of each generating facility, but will not disclose a breakdown of the costs by category or provide Bonneville any documentation or data supporting the total costs of displacement. The one exception to this rule is that costs will be subject to validation for accuracy. If, after obtaining any additional needed information from the generator and evaluating the data, the independent evaluator believes that a generator’s costs warrant further review, the independent evaluator will

provide the cost information, including the supporting data and documentation, to Bonneville. In that case, Bonneville may file a complaint or other request with the Commission requesting investigation of the costs and appropriate action.

Bonneville will also use the independent evaluator to ensure accurate scheduling practices in order to limit compensation to legitimate costs. Bonneville will use its internal wind forecasting systems to determine whether a generator's scheduling practices warrant further review. If Bonneville believes that a generator is inaccurately scheduling, Bonneville may ask the independent evaluator to request the generator to provide the evaluator with relevant data supporting the schedules submitted. If the independent evaluator determines that a generator's scheduling practices are questionable, Bonneville may file a complaint with the Commission requesting investigation of the generator's scheduling practices and appropriate action.

In addition to the use of the third-party evaluator, Bonneville also commits to use the cost curve data only for the purposes specified under Attachment P, and not to disclose the information to any of its Marketing Function Employees or to anyone outside the agency except the Commission. Bonneville will also execute non-disclosure agreements with all generators that submit cost information and require the evaluator to sign non-disclosure agreements with those generators as well. The non-disclosure agreements will allow both the independent evaluator and Bonneville to submit information to the Commission when necessary.

4. Other Provisions

Attachment P also provides for Bonneville to establish business practices for communications protocols related to the Oversupply Management Protocol. The communication protocols will be developed with public comment. Communication

protocols are best left for a business practice, as Bonneville is continually working with the region to improve communication practices. Attachment P also commits Bonneville to post on its website an annual report of the MWh of energy displaced and the costs of displacement.

Attachment P provides that displaced generators will not be charged or compensated for generation imbalance when the Oversupply Management Protocol is in effect, as the generator must adjust its generation levels below its schedule to effectuate the displacement. However, generators will remain responsible for loss returns (based on the original schedule, since under the protocol Bonneville provides replacement power but does not revise the schedule) and Operating Reserve obligations.

B. Amending Interconnection Agreements

Attachment P complies with the Commission's order that Bonneville amend its tariff.³⁰ Attachment P is drafted so as to apply to all generators in Bonneville's balancing authority area. However, not all generators are transmission customers under the tariff. To leave no doubt that a generator is bound by Attachment P, Bonneville will be including language in all future interconnection agreements making clear that Attachment P will apply to generators through their interconnection contract. Bonneville will also unilaterally amend Appendix C to all existing LGIAs to make clear that Attachment P applies to existing generators through their current interconnection agreement. As to cost allocation, the LGIAs require generators to pay applicable control area service rates regardless of whether they are customers under the transmission tariff. The rate to allocate costs of the Oversupply Management Protocol will be a control area services rate; thus, no tariff amendment is required to implement that aspect of the protocol.

³⁰ Order P 64.

Bonneville notes that article 9.3 of the LGIA gives Bonneville the unilateral right to amend Appendix C to the LGIA for operational and reliability reasons. Article 9.3 of the LGIA states:

Transmission Provider shall cause the Transmission System and Transmission Provider's Interconnection Facilities to be operated, maintained and controlled in a safe and reliable manner and in accordance with this LGIA. Transmission Provider may provide operating instructions to Interconnection Customer consistent with this LGIA and Transmission Provider's operating protocols and procedures as they may change from time to time. Transmission Provider will consider changes to its operating protocols and procedures proposed by Interconnection Customer.

In *Bonneville Power Administration*, the Commission made clear that a transmission provider has the right under Article 9.3 to amend Appendix C for operational and reliability reasons.³¹ When Bonneville filed its LGIA for reciprocity approval, among the deviations for which it sought approval was a change to Article 9.4 of the LGIA to clarify that the Transmission Provider had the unilateral right to modify its reliability requirements and incorporate them in Appendix C to the LGIA.³² The Commission rejected Bonneville's request as unnecessary, reasoning that Article 9.3 already gives the Transmission Provider "the responsibility for establishing the Interconnection Customer's operating instructions and operating protocols and procedures." The Commission continued:

Because these instructions, protocols, and procedures will include reliability requirements, article 9.3 already gives the Transmission Provider responsibility for modifications to Appendix C. The same provisions give the Interconnection Customer the right to propose changes for the Transmission Provider to consider, but not the right to make unilateral changes. In light of this provision, we conclude that BPA's proposed change is *unnecessary*³³

³¹ *Bonneville Power Admin.*, 112 FERC ¶ 61,195, at P 20 (2005).

³² *Id.* P 19.

³³ *Id.* P 20 (emphasis added).

Amending interconnection agreements to incorporate Attachment P is necessary to ensure that reliability requirements and Bonneville's environmental responsibilities are met, as well as ensuring that all generators in Bonneville's balancing authority area are subjected to the same treatment under Attachment P.

C. Cost Allocation

This spring Bonneville will convene a rate case to establish a rate for the recovery of costs incurred under the Oversupply Management Protocol. In its initial proposal in the rate case, Bonneville will propose to allocate approximately 50% of the costs to generators that submit displacement costs under the protocol and approximately 50% to purchasers of power from the Federal Base System (a defined term under the Northwest Power Act; it includes the Federal Columbia River Power System hydroelectric projects, resources acquired by the Administrator under long-term contracts in force on the effective date of the Act (December 5, 1980), and resources acquired by the Administrator to replace reductions in the above resources).

Reasonable arguments have been made that both federal hydroelectric resources and wind resources contribute to the oversupply problem and the costs associated with negative pricing. In one sense the costs are caused by fish and wildlife obligations that predated the interconnection of wind resources to Bonneville's system. On the other hand, Bonneville was able to adequately manage high-water occurrences before the development of large amounts of variable energy resources, primarily wind power, that receive incentives for production and therefore need to be compensated beyond low-priced or free substitute electricity. There is also a view that costs should be allocated based on what generating resources are on-line at the time of the oversupply (which would be primarily hydro) while another view holds that the federal hydrosystem will

have engaged in substantial spill prior to engaging in wind displacement due to reaching Clean Water Act limits for gas supersaturation.

Bonneville is also seeking to find a solution that has the greatest chance of being found to be equitable by the affected parties and hence a reduced chance of litigation. Therefore, the 50/50 cost allocation is arguably a reasonable and fair allocation of costs and alignment of costs and benefits because it recognizes all of these arguments, and it is not unreasonable for Bonneville to advance it as a proposal at the opening of Bonneville's ratemaking process. In addition, it creates an incentive for beneficiaries of both hydro and wind power to seek longer-term, potentially lower-cost solutions that would provide a better use of a surplus of low variable cost, carbon-free electricity that occurs in the Pacific Northwest.

In the public comments Bonneville received regarding its proposal, thermal generators raised the possibility that they would incur costs if displaced, because of operational and reliability risks. However, thermal generators can avoid these risks by submitting appropriate minimum generation levels. Given the allowance for minimum generation levels and maximum ramp rates, fuel savings from displacement, and thermal generators' historical practice of accepting low-cost or free hydroelectric power voluntarily, Bonneville concluded that non-renewable thermal generators would not incur costs from displacement, and limited compensable costs to PTCs, RECs, and losses under existing contracts. Renewable thermal generators that will incur costs from displacement may submit their costs for inclusion in the cost curve.

Bonneville emphasizes that the above methodology remains a proposal at this stage because Bonneville is legally barred from establishing rates outside of a formal rate

case. Therefore, Bonneville cannot commit in this filing to any particular cost allocation or rate design. Bonneville must set rates under the procedures included in section 7 of the Northwest Power Act.

Section 7(a) of the Act provides that the Bonneville Administrator “shall establish, and periodically review and revise, rates for the sale and disposition of electric energy and capacity and for the transmission of non-Federal power.”³⁴ The rates are to be established

to recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, including the amortization of the Federal investment in the Federal Columbia River Power System (including irrigation costs required to be repaid out of power revenues) over a reasonable period of years and the other costs and expenses incurred by the Administrator pursuant to this chapter and other provisions of law.³⁵

Under section 7(a)(2), the rates become effective “only . . . upon confirmation and approval by the Federal Energy Regulatory Commission” upon a finding that the rates are sufficient to assure repayment of the federal investment in the Federal Columbia River Power System and meet the Administrator’s other costs; are based upon the Administrator’s total costs; and as to transmission rates, equitably allocate the costs of the federal transmission system between federal and non-federal power utilizing such system.³⁶ Section 7(i) of the Northwest Power Act sets forth the process the Administrator must follow in establishing rates. It provides as follows:

In establishing rates under this section, the Administrator shall use the following procedures:

³⁴ 16 U.S.C. § 839e(a)(1) (2009).

³⁵ *Id.*

³⁶ *Id.* §839e(a)(2).

(1) Notice of the proposed rates shall be published in the Federal Register . . . Such notice shall include a date for a hearing in accordance with paragraph (2) of this subsection.

(2) One or more hearings shall be conducted as expeditiously as practicable by a hearing officer to develop a full and complete record and to receive public comment in the form of written and oral presentation of views, data, questions, and argument related to such proposed rates. In any such hearing—

(A) any person shall be provided an adequate opportunity by the hearing officer to offer refutation or rebuttal of any material submitted by any other person or the Administrator, and

(B) the hearing officer, in his discretion, shall allow a reasonable opportunity for cross examination³⁷

At the conclusion of the hearing, the Administrator

shall make a final decision establishing a rate or rates based on the record which shall include the hearing transcript, together with exhibits, and such other materials and information as may have been submitted to, or developed by, the Administrator. The decision shall include a full and complete justification of the final rates pursuant to this section.³⁸

Finally, “[t]he final decision of the Administrator shall become effective on confirmation and approval of such rates by the Federal Energy Regulatory Commission pursuant to subsection (a)(2) of this section.”³⁹

Thus, the Northwest Power Act sets forth a formal process that the Administrator must follow in establishing rates. This process affords parties considerable procedural rights that the Administrator must honor. The Commission reviews Bonneville’s rates only after the conclusion of the process.

Bonneville has not had time to conduct a rate case to recover the costs of its oversupply proposal in the short time since the Commission issued its Order and the

³⁷ *Id.* § 839e(i)(1)-(2).

³⁸ *Id.* § 839e(i)(5).

³⁹ *Id.* § 839e(i)(6).

recent vintage of the Oversupply Management Protocol proposal. Indeed, Bonneville could not have begun a case until it developed its proposal in response to the Commission's order.

Bonneville is already starting the rate case and will hold its first pre-rate case workshop later this month. (Bonneville generally holds informal workshops before the formal rate case to present its initial thoughts to the parties, take comment, and allow the parties to make their own proposals.) Bonneville expects to start the formal process this spring and, as noted earlier, submit the rate methodology to the Commission in August for its review and approval.

Bonneville can lawfully commit to proposing a given rate or cost allocation as its initial proposal in the rate case. As noted above, however, the Administrator must allow parties an opportunity to challenge the proposal and must make his decision establishing the rates on the rate case record. The initial proposal in the rate case cannot legally bind the Administrator.

Therefore, Bonneville has described in this filing the cost allocation methodology that will form its initial proposal in the oversupply rate case. As discussed above, Bonneville believes that this proposal would result in an equitable sharing of costs between its customers. Any party that disagrees will have full opportunity to challenge Bonneville's proposal on this or any other relevant ground and to propose another cost allocation proposal that would also result in an equitable sharing of the costs.

At the conclusion of the rate case the Administrator will make his decision and submit proposed rates to the Commission under section 7 of the Northwest Power Act. The Commission reviews the rates at that time.

During 2012, Bonneville will use transmission reserves to fund the compensation to displaced generators. Once the cost allocation methodology is established and approved, it will determine customers' responsibility for replenishing the reserves.

IV. THE OVERSUPPLY MANAGEMENT PROTOCOL PROVIDES A REASONABLE RESOLUTION TO THE COMPARABILITY QUESTION AND IS NOT UNDULY DISCRIMINATORY OR PREFERENTIAL

Bonneville's Oversupply Management Protocol provides an equitable, short-term solution to the concerns expressed by the Commission that Bonneville's Interim Environmental Redispatch Policy "impinges on the transmission service obtained by non-Federal generation"⁴⁰ and imposed "business, commercial, and economic impacts," specifically lost PTCs and RECs.⁴¹ It reconciles the standard of comparable and not unduly discriminatory or preferential transmission service with Bonneville's statutory responsibilities and, as discussed earlier, thereby achieves a reasonable balance of statutory responsibilities.⁴²

The Oversupply Management Protocol is a necessary tool for Bonneville to protect endangered fish and other aquatic species during periods of excess spill in spring and summer by moderating TDG to the extent practicable in accordance with applicable state water quality standards enacted under the Clean Water Act. Given Bonneville's responsibilities to protect endangered fish and other aquatic species under the Clean Water Act, Endangered Species Act and associated judicial orders, the Oversupply Management Protocol provides comparable service.

Limiting compensation to the costs pre-established under the cost curve alleviates the concerns expressed in Bonneville's ER ROD regarding runaway cost exposure and

⁴⁰ Order P 62.

⁴¹ *Id.* P 63.

⁴² *Id.* P 65.

undue burdens on power or transmission rates. As Bonneville noted in the ROD, the large amount of publicly available data informs the region when Bonneville will be facing a high-water event and must dispose of excess water. If Bonneville did not adopt an oversupply protocol, generators that now displace voluntarily might refuse to do so, waiting until the price turned negative. In such case it would be difficult to predict how negative the price might go or the extent of Bonneville's cost exposure.

When displacing generation with free federal hydro power, Bonneville will compensate generators for displacement costs related to lost PTCs and RECs and, with respect to power sales contracts executed on or before March 6, 2012, costs and penalties related to failure to deliver renewable power. Compensation with respect to contracts executed after March 6 will include lost PTCs and unbundled RECs, but will not include lost revenues from bundled RECs or contract costs and penalties for not delivering renewable energy. Prospective contracts can be appropriately structured and priced to avoid these costs.

Compensation for new contracts entered into by existing customers will also be limited to RECs and PTCs. Therefore, the protocol does not discriminate between new and existing customers (albeit Bonneville recognizes that existing customers may receive additional compensation (depending on the contract terms) as long as their existing contracts remain in effect). Nevertheless, it should be noted that the Commission has an established precedent for allowable distinctions between new and existing customers.

In *PJM Interconnection, L.L.C.* (“*PJM*”), the Commission upheld a distinction between existing and new interconnection customers based on the customer's

expectations at the time it entered the interconnection queue.⁴³ At the time the complainant entered PJM’s interconnection queue, generators were responsible for the costs of certain network upgrades. Under a later amendment to PJM’s interconnection rules, complainant would be exempt from paying for those network upgrades.⁴⁴ The Commission held that complainant was bound by the rules in place at the time it entered the interconnection queue because “it was on notice that it would bear its proportionate share of Network Upgrade 28 and all parties in the queue were under the expectation that the costs of the network upgrade would be allocated in that manner.”⁴⁵

As in *PJM*, Attachment P gives prospective contracting parties notice of the rules in place so that they can structure their economic models and contracts accordingly. They are not similarly situated to generators with pre-existing agreements who were not afforded the certainty that Attachment P provides. Because Bonneville does not obtain PTCs or RECs, it will not submit costs of displacement for its generation. Therefore, although *PJM* concerned a regional transmission organization rather than a vertically integrated utility, Bonneville’s merchant function cannot benefit from the distinction Bonneville has drawn and the approach authorized by the Commission in *PJM* may be appropriately considered in this case as well.

V. REQUEST FOR COMMISSION APPROVAL OF THE OVERSUPPLY MANAGEMENT PROTOCOL

In its December 7 Order, the Commission exercised its authority under section 211A of the Federal Power Act when it ordered Bonneville to file tariff revisions by

⁴³ *PJM*, 136 FERC ¶ 61,195, at P 35 (2011).

⁴⁴ *Id.* P 34.

⁴⁵ *Id.* P 35. See also *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890-A, 121 FERC ¶ 61,297, at P 361 (2007) (distinguishing between new and existing generators in applying the Commission’s policy on transmission credits, as existing facilities were developed prior to the policy).

March 6. As the Commission has not previously ordered a filing under section 211A, this is a case of first impression, and Bonneville is uncertain as to the procedures that apply. What is certain is that Bonneville needs Attachment P in place before the high-water season occasions the Clean Water Act and endangered species protection concerns at the heart of Attachment P. The high-water season typically begins in April. In addition, Attachment P requires that generators provide cost information to the independent third-party evaluator by March 31, 2012.

Section 211A(f) of the FPA provides that the rate changing procedures applicable to public utilities under sections 205(c) and 205(d) of the FPA are applicable to unregulated transmission utilities for purposes of section 211A.⁴⁶ Under those procedures, no rate change may be made except upon 60 days' notice to the Commission and the public.⁴⁷ However, a filer may request a waiver of the notice requirement.⁴⁸

Because this filing is an initial filing, Bonneville believes that the rate changing procedures of section 205 do not apply. Given this conclusion and the need to have the protocol in place at the start of the high-water season, Bonneville intends to implement the protocol as necessary beginning March 31, 2012.

To avoid further dispute, however, and without acceding that the rate changing procedures apply, Bonneville requests that the Commission waive the sixty-day notice requirement, if applicable, and any other notice requirement that may apply and accept Attachment P for filing effective March 31, 2012.

⁴⁶ 16 U.S.C. § 824j-1(f) (2009).

⁴⁷ *Id.* § 824d(d).

⁴⁸ "The Commission, for good cause shown, may allow changes to take effect without requiring the sixty days' notice herein provided for by an order specifying the changes so to be made and the time when they shall take effect and the manner in which they shall be filed and published." *Id.* § 824d(d).

Good cause exists for a waiver because of the need to have Attachment P in place in April, as outlined above. In addition, as also discussed above, Bonneville published an earlier version of Attachment P and took comment on it. Therefore, parties have been on notice that Bonneville would be proposing an oversupply management protocol. Finally, Bonneville will compensate parties for their displacement, and all parties will have full rights in Bonneville's rate case to make their proposals for appropriate allocation of the displacement costs.

Bonneville also requests waiver of the eTariff filing requirements set out in Order No. 714 to the extent that they apply. Bonneville could not file these tariff revisions via the eTariff process because 1) Bonneville does not have a baseline filing in place, and 2) there is no appropriate filing code for a Section 211A compliance filing in the Commission regulations. (Because Bonneville does not have a baseline filing in place, it has included an exhibit with the definitions from its tariff and rate schedules that are used in Attachment P.) Bonneville is planning to file its complete tariff under the Commission's reciprocity filing code via the eTariff process later this month. Because that filing will include these revisions, Bonneville respectfully asks the Commission to accept the revisions in the format submitted today.

Wherefore, Bonneville respectfully requests that the Commission accept Bonneville's proposed tariff amendment for filing effective March 31, 2012, and approve the tariff filing as providing comparable transmission service in response to the Commission's order in this proceeding.

Dated March 6, 2012.

Respectfully submitted,

/s/ Randy Roach

Randy Roach – Executive VP and General Counsel

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EXHIBIT A

TARIFF SHEETS

38. Oversupply Management Protocol

The Oversupply Management Protocol will apply when Transmission Provider displaces generation in its Control Area with generation from the federal hydroelectric system in order to moderate total dissolved gas levels in the Columbia River. When Transmission Provider determines that it is probable that the total dissolved gas levels measured by the U.S. Army Corps of Engineers will exceed, or when they do exceed, Oregon and Washington water quality standards at projects that are spilling past unloaded turbines, the Transmission Provider has the right to initiate the Oversupply Management Protocol in Attachment P. All Transmission Customers that own or operate generating facilities in Transmission Provider's Control Area and all generators that own or operate generating facilities in Transmission Provider's Control Area shall act in accordance with the Oversupply Management Protocol in Attachment P. Attachment P shall not apply to curtailments under sections 13.6, 14.7, or 33.

Attachment P

Oversupply Management Protocol

This attachment establishes requirements and procedures used to moderate total dissolved gas (“TDG”) levels in the Columbia River to protect endangered fish and other aquatic species. All Transmission Customers that own or operate generating facilities in Transmission Provider’s Control Area and all generators that own or operate generating facilities in Transmission Provider’s Control Area (together referred to in this attachment as “Generator”) are subject to displacement under this attachment, including generating facilities that are dynamically scheduled out of Transmission Provider’s Control Area but not including generating facilities that are transferred out of the Control Area by pseudo-tie. Transmission Provider will deliver Federal hydroelectric energy to replace the reduced generation in order to meet the Transmission Customers’ schedules. The Oversupply Management Protocol will apply as follows:

1. The term of this attachment is March 31, 2012, through March 30, 2013.
2. Before displacing generation under this attachment, Transmission Provider will take all actions that, in its determination, are reasonable means to reduce or avoid the need for displacement.
3. No later than March 31, 2012, the Generator shall make an election with respect to each of its generating facilities (other than facilities with a nameplate capacity under 3 MW, which are exempt from displacement under this attachment) as follows:
 - a. the Generator elects not to submit the facility’s costs of displacement, in which case the costs of displacement for the facility shall be deemed to be \$0/MWh and, except in the case of Generators that own or operate federal generating facilities, the Generator shall not be subject to cost allocation with respect to such facility for costs incurred under this attachment; or
 - b. the Generator elects to submit the facility’s costs of displacement, in which case the Generator shall be subject to cost allocation with respect to such facility for costs incurred under this attachment.
4. Transmission Provider will use a Least-Cost Displacement Cost Curve (“Cost Curve”) to displace generation located in Transmission Provider’s control area in order to moderate TDG levels in the Columbia River. The Cost Curve will list the cost of displacement for each facility. Transmission Provider will displace generation in order of cost, from the least-cost facility to the highest-cost facility, until the required displacement quantity as determined by Transmission Provider is achieved. If the highest-cost Generator that Transmission Provider displaces in an hour to achieve the required displacement quantity has the same cost as one or more other Generators, Transmission Provider will displace all such Generators on a pro-rata basis.

5. a. No later than March 31, 2012 (or, with respect to generating facilities with a scheduled Commercial Operation Date after March 31, 2012, the later of March 31, 2012, or 30 days before the facility's scheduled Commercial Operation Date (as defined in the Large Generator Interconnection Agreement)), the Generator shall submit to an independent evaluator selected by Transmission Provider, for each facility for which the Generator has elected to submit costs under section 3.a, the nameplate generating capacity and the costs of displacement (\$/MWh) for each month of the following April through March. The Generator must certify that the nameplate capacity and the costs are accurate. The submission must list costs separately for heavy load hours and for light load hours (both as defined in Transmission Provider's 2012 Power Rate Schedules or their successor) and must list both total costs of displacement and costs by each category in section 5.c that apply to the generating facility. The submission must also include supporting data and documentation for the costs. The Generator may submit revised costs to the independent evaluator at any time. The Generator must certify that the revised costs are accurate and must include supporting data and documentation. The revised costs for any month will be included in the Cost Curve as of the first day of the second month following submission of the costs. If a Generator does not make an election for a facility, or makes an election to submit costs but does not submit the costs, the costs of displacement of the facility shall be deemed to be \$0/MWh and the Generator shall not be subject to cost allocation with respect to such facility for costs incurred under this attachment.
- b. Transmission Provider will obtain from the independent evaluator the total costs of displacement for each facility and the Cost Curve. Except as provided in section 7.a., Transmission Provider will not obtain the costs by category or any supporting data and documentation. Transmission Provider will not use the cost information for any purpose other than that specified under this attachment. In addition, Transmission Provider will not disclose the cost information to any person not employed by Transmission Provider or to any of its Marketing Function Employees, as defined by the Transmission Provider's Standards of Conduct, except that Transmission Provider may disclose the costs to the Commission as provided in section 7.a. Transmission Provider will sign, and will require the independent evaluator to sign, a nondisclosure agreement with respect to the cost information and the scheduling information the independent evaluator obtains under sections 7.a and 7.b. The nondisclosure agreement will allow the independent evaluator to disclose cost information and scheduling information to Transmission Provider under sections 7.a and 7.b.
- c. Costs of displacement shall be limited to the following:
 - i. With respect to contracts for the sale of all or part of a facility's output executed on or before March 6, 2012 –

1. the production tax credit the Generator would have received under 26 U.S.C. § 45 or its successor but will not receive because of the displacement;
2. the following amounts for renewable energy credits (RECs) unbundled from the sale of power:
 - a. with respect to executed contracts for the sale of RECs unbundled from the sale of energy and executed contracts for the sale of energy and RECs in which the price for the RECs is stated separately from the price for the energy, i) the amount that the Generator is not paid by its contracting party because of its failure to deliver RECs, and ii) the amount, if any, the Generator must pay its contracting party as a penalty for its failure to deliver RECs; and
 - b. with respect to the amount of displaced generation for which the Generator has not yet executed a contract to sell the RECs, the market value of the RECs for which the Generator is not credited because of the displacement; and
3. with respect to power sales agreements for the bundled sale and purchase of both RECs and energy for a single price, i) the contract price, if the Generator is not entitled to payment for any hour in which the Generator does not generate; or, the difference between the full contract price and the reduced price if the Generator is entitled only to a reduced price for any hour in which the Generator does not generate; and ii) the amount, if any, the Generator must pay its contracting party as a penalty for its failure to generate.
 - ii. With respect to contracts for the sale of all or part of a facility's output executed after March 6, 2012, the costs listed in sections 5.c.i.1, 5.c.i.2.a.i, and 5.c.2.b.
6. For each hour of displacement, Transmission Provider will compensate the Generator for each displaced facility with the facility's costs of displacement (\$/MWh) multiplied by the difference between the i) MW of scheduled generation for the hour (or estimated generation submitted by behind-the-meter resources) integrated over the hour, and ii) the MW of generation that Transmission Provider has directed the Generator to reduce to under this attachment. An hour of displacement is an hour in which Transmission Provider has directed the Generator to reduce generation under this Attachment and Generator has complied with the direction, including hours in which the Generator is ramping down to comply with the direction or ramping up to return to normal operations.
7. a. The independent evaluator may validate costs submitted by the Generator. In such case the Generator will submit to the independent evaluator any additional

- supporting data the independent evaluator reasonably requests. If the independent evaluator determines that any costs warrant further review, it may provide the cost information including supporting data and documentation to Transmission Provider. In such case, Transmission Provider may file a complaint or other appropriate request with the Commission requesting review of the costs and appropriate action if any.
- b. If Transmission Provider believes that any schedule submitted during an hour of displacement may be inaccurate or inflated, Transmission Provider may ask the independent evaluator to review the schedule, and may submit additional data to the independent evaluator to consider in its evaluation. In such case the independent evaluator may ask the Generator to provide relevant supporting data for the schedule, which Generator shall provide. The independent evaluator will provide to Transmission Provider its conclusion regarding the accuracy of the schedule. If the independent evaluator concludes that the schedule is inaccurate or inflated, it may provide to Transmission Provider the data provided by the Generator, and Transmission Provider may file a request or complaint with the Commission, together with the scheduling data, requesting investigation of the Generator's scheduling practices and appropriate action if any.
8. Transmission Provider shall establish in a business practice the communication protocols through which Transmission Provider will notify Generators when Transmission Provider implements this attachment.
 9. If a Generator is prevented from reducing generation below a certain level or deviating from a certain ramp rate, the Generator may submit a minimum generation level or a maximum ramp rate to Transmission Provider under Transmission Provider's minimum generation business practice, regardless of the election for such facility that Generator has made under section 2. Transmission Provider will not direct a Generator to reduce generation below its minimum generation level, or at a ramp rate that exceeds the maximum ramp rate. If a Generator does not submit a minimum generation level or a maximum ramp rate, Transmission Provider may direct the Generator to reduce generation to zero. Generators may consider the following factors in establishing minimum generation levels and ramp rates:
 - i. Generation level required for self- or third-party supply of Ancillary Services such as operating reserves, regulating and load following reserves, or for supply of Ancillary Services to another Control Area;
 - ii. Generation levels needed for local reactive power support;
 - iii. Generation levels that can be achieved within 60 minutes or that allow return to normal operation within 60 minutes;
 - iv. Generation levels required for compliance with environmental laws and regulations;
 - v. Minimum stable and safe generation levels;
 - vi. Minimum fuel take obligations;
 - vii. Maximum 10-minute ramp rates;

- viii. Maximum duration for reduced generation levels; and
 - ix. Generation levels and duration for testing requirements after generator maintenance.
 - x. Generation level needed to support plant operations associated with co-generation facilities
10. Transmission Provider will not charge or compensate the Generator for generator imbalance service under Transmission Provider's applicable generation imbalance rate schedules in any hour in which Transmission Provider directed the Generator to reduce generation below the amount of generation scheduled under this attachment.
11. Generator shall remain responsible for loss return and Operating Reserve obligations incurred for schedules submitted for hours in which Transmission Provider implements this attachment.
12. Transmission Provider shall post on its website an annual report stating the MWh of energy displaced and the cost of displacement pursuant to this attachment.

EXHIBIT B

DEFINITIONS

Definitions

Ancillary Services

Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

Commercial Operation Date

Commercial Operation Date of a unit shall mean the date on which the Generating Facility commences Commercial Operation as agreed to by the Parties pursuant to Appendix E to the Standard Large Generator Interconnection Agreement.

Commission

The Federal Energy Regulatory Commission.

Control Area

An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

- (1) Match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (2) Maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (3) Maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
- (4) Provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

Light Load Hour

Light Load Hours (LLH) are all those hours in the off-peak period – the hour ending 11 p.m. through the hour ending 6 a.m., Monday through Saturday, and all hours Sunday, Pacific Prevailing Time (Pacific Standard Time or Pacific Daylight Time, as applicable). BPA recognizes six holidays classified according to NERC Standards as LLH. Memorial Day, Labor Day, and Thanksgiving Day occur on the same day each year; Memorial Day is the last Monday in May; Labor Day is the first Monday in September; and Thanksgiving Day is the fourth Thursday in November. New Year's Day, Independence Day, and Christmas Day fall on predetermined dates each year. In the event that the predetermined dates fall on a Sunday, the holiday is recognized as the Monday immediately following that Sunday, so that Monday is also LLH all day. If the predetermined dates fall on a Saturday, the holiday is recognized as that Saturday, and that Saturday is classified as LLH.

Heavy Load Hour

Heavy Load Hours (HLH) are all hours in the on-peak period – the hour ending 7 a.m. through the hour ending 10 p.m., Monday through Saturday, Pacific Prevailing Time

(Pacific Standard Time or Pacific Daylight Time, as applicable). BPA recognizes NERC Standards in classifying six holidays as Light Load Hours.

Marketing Function Employee

Marketing Function Employee (MFE) means an employee of the transmission provider who actively and personally engages on a day-to-day basis in marketing functions.

Transmission Customer

Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. This term is used in the Part I Common Service Provisions to include customers receiving transmission service under Part II and Part III of this Tariff.

Transmission Provider

The Bonneville Power Administration, which owns, controls, or operates facilities used for the transmission of electric energy in interstate commerce and provides transmission service under the Tariff.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Compliance Filing of the Bonneville Power Administration upon each person designated on the official service list compiled by the Secretary in Docket No. EL11-44 by electronic mail or by United States Postal Service where requested.

Dated this 6th day of March, 2012.

/s/ Barry Bennett

Barry Bennett

Attorney

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