



March 6, 2006

comment@bpa.gov

**Re: Comment on WP-07 Supplemental Proposal**

BP Energy submits this letter in the Bonneville Power Administration (“BPA”) power rate case, WP-07, in protest against the supplemental proposal to deprive power-resource owners, within BPA’s control area but unaffiliated with the agency, of compensation for the generation-supplied reactive power (“GSR”) they make available to help support the voltage and reliability of the BPA transmission grid. The supplemental proposal is contained in BPA testimony identified as WP-07-E-BPA-28.

BPA’s proposal claims to be based on the Federal Energy Regulatory Commission (“FERC”) decision in *Entergy Services, Inc.*, 113 FERC ¶61,040 (2005). That case could be read to allow BPA to stop paying independent generators for GSR if BPA was not compensated for its own GSR costs. However, BPA’s supplemental testimony clearly states that BPA will not pass up a single dollar of GSR compensation. Instead, it merely intends to shift \$20.4 million in GSR costs for recovery through its power rates, rather than through transmission rates as is its present practice. It’s this cost shift, and nothing else, on which BPA stakes its claim to deprive unaffiliated generators of GSR compensation. The proposal is not even plausibly consistent with FERC’s *Entergy Services* order or with the comparability principles on which that order is based.

BPA’s supplemental proposal may have an unintended consequence of discouraging independent power development. If true, this would be very short sighted. Independent power companies are major transmission customers and power-trading partners of BPA. Independent power will also play a major role in meeting future power requirements of the Northwest, including the needs of many customers whose requirements are now served by BPA. In our opinion, BPA should be fostering the development of independent power in the region, not slighting independent producers with a last-minute supplemental proposal to avoid compensating them for GSR, while continuing to fully compensate itself.

For these reasons, BP Energy strongly urges BPA to abandon this flawed proposal. Thank you for the opportunity to provide these comments.

Yours truly,  
Brian Gedrich  
Director, Transmission Analysis  
BP Energy Company

