May 14, 2008

NRU Clarification Questions – TRM Testimony

TRM-12-E-BPA-02

- P 9, lines 21 and 22, BPA will sell all power at Tier 2 rates "as if it were" a flat annual block of energy.
    - Isn't Tier 2 going to be sold as a flat block? Why this word choice?
    - Is Tier 2 going to "financially converted" as a flat block, or physically sold as a flat block?
        - TRM-12-E-BPA-06, p 38, lines 19-20: "RSS are designed to financially convert a variable output resource into a flat annual block of power"
        - But discussions in TRM-12-E-BPA-02, p 9-10, lines 20-8 seems to blur whether Tier 2 will be priced like a flat block (i.e., financially converted to a flat block) or sold as a flat block (i.e., physically shaped to a flat block)
- Page 10, line 14, RSS is not mandatory for Block and Slice Block.
    - Does this mean it is mandatory for Load following customers?
- p 11, line 13 – "LF…minus amounts of its firm resources declared & dedicated to be used for its load"
    - what does "declared" mean? Shouldn't this say "specified and unspecified resources dedicated to load" to match terminology in draft contracts?
- p 13, lines 25-26 – "expect BPA to consider this question [of filing TRM with FERC at end of 7(i)] & decide on when it would file with the Commission during the course of this proceeding"
    - so it's not for certain they'll file?
- P 14, line 26 – "rates for unanticipated above RHWM load"
    - What does this mean? [additional questions later as well]
- p 15, lines 2-3 – "rates for customers who choose to transfer load served at T2 rate to being served at T2 vintage"
    - as in the Vintage rate itself, or as in a rate for switching/transferring
    - also, specify that it's from Short Term T2, not just any T2…
- Page 15, line 24, How does shaping the demand charge by the HLH energy prices pass on the customers the actual cost of capacity?
- Page 16, lines 14 to 16. Provide an example of how the BPA proposal allows more load growth to be reflected in the CDQs.
- Page 20, lines 8 and 9. Why are the costs of surplus power marketing in the composite rate pool?
- P 22, lines 20-22 – "rate cases have not historically looked backward at cost allocations in the prior rate period, but we propose that this limited ex post review be added to future cases"
    - Please describe how you picture this looking/playing out.
- p 23, line 19 – "we propose to limit the amount of load covered under SRP"
    - this is mis-worded & inaccurate; they are limiting *initial* participating load, not load in general
- p 23, line 25 – "propose to restrict the SRP to BPA's smallest customers"

    - again, this is inaccurate; there is nothing in the limit that specifies the maximum size of a participant; though if oversubscribed, will rank by size, if oversubscription is not reached, a larger customer could potentially participate in SRP
- p. 35, lines 2 and 3, How does the Refinancing Act of 1996 "secure the cost based value of the system for our customers"?

TRM-12-E-BPA-03

- p 2, lines 15-16 – "BPA would use the federal system to provide RSS…"
    - does this mean BPA will not acquire additional resources to provide RSS??
- P. 3, lines 21-24, what does this mean, "Why are the ratemaking reallocations included on the Cost Allocation Table." For example where on table 2.1 would I find such ratemaking reallocations? How and where will these be included? Give an example of how this will work.
- p 10, lines 3-4 – "at this time, we expect that the new T2 rate alternatives will be vintaged rates"
    - what about the rate for "unanticipated above HWM loads" referenced in TRM & earlier in the testimony
- P 15, line 2, The term "Theoretically" is used here. Why this choice of words?
- P. 17, lines 15 to 24, When is the earliest date that this MRNR issue could become problematic?

TRM-12-E-BPA-04

- P 3, lines 2-6
    - Where does Tier 1 augmentation fall into?
- p 4, lines 4 – "Tier 2 Loads would be priced at the cost of resources acquired after September 30, 2006".
    - Does this mean that, for example, Tier 2 loads will be priced at the cost of Klondike? Klondike was purchased after that date. Isn't Klondike part of the 300 aMW of augmentation?
- P 17, lines 5-10
    - Please clarify.
- Page 18, lines 5 and 6, please explain the following statement, "BPA would propose the proper cost pool."

TRM-12-E-BPA-05

- Page 13, lines 14 to 19, note that in the TRM page 32 only cost effective conservation was allowable for the conservation adjustment. Now in the testimony cost effective is defined as passing the Total Resource Cost (TRC) test. Why is this amount of specificity necessary? What if the Council changes its approach away from TRC?
- P. 16 and 17, please explain the last Q and A in this testimony. Is this after the Transition period? How would this question be answered for a load following customer? On line 17 I assume that this is an instance where a customer has a net

requirement reduction or load loss? What does the term "that would not be available to the customer" mean on line 14 and 15?

TRM-12-E-BPA-06

- p 3, lines 1-2 – "the same composite customer rate as LF & Block would pay"
    - saying this makes it confusing because the Non-Slice customer rate will be the same rate for LF & Block as it will be for the block part of slice/block, but you don't point that out there
- p. 7, line 16, "BPA would set the Customer Charge rates based on these (TOCA) forecasts." Something seems to be missing here. Should this read, BPA would set the Customer Charge rates *for each customer* based on these forecasts?
- P. 15, lines 21 and 22, the load shaping charge is likened to a true up for above RHWM load forecast error. Is this really the case? The load shaping charge is based on forecast market prices, not actual prices, times the deviation of actual load from system shaped load.
- P. 26, lines 9 to 11, states, in order to avoid this, the starting point for CSP must not included any reductions in peak load caused by the designated resource. How is BPA going to determine this?
- P 27, lines 7 and 8, what kind of dampening methodology might be considered and under what conditions? The customers have one they would like to propose now.
- P 28, lines 2 to 10, In the TRM page 73 there is discussion of a Rate for Unanticipated above RHWM load. This is not discussed in testimony. We would like to have more of BPA's thinking on this topic. Why isn't this rate described in the testimony?
- p 29, lines 7-10 – "are proposed purchase periods an issue to be resolved in this rate proceeding? No, these are contract matters & will be resolved there"
    - Why differentiate where aspects of TRM will be negotiated/discussed
- p 34, lines 9-14 – treatment of RECs: "propose to credit to short term & LGR the forecast revenues from REC sales associated with resources in each cost pool. We are also open to including an approach that would provide customers their share of these RECs instead of a revenue credit"
    - strange to start out with first sentence (which does not mesh with TRM proposal, by the way) and then add almost as an afterthought the option of being passed through. Which is good to include, but interesting way of going about it.
    - Please expand further on this thought of passing through the RECs.
- p 36, lines 12-15 – "customer could face liquidated damages to hold the ST rate harmless if transfers service to Vintage rate. BPA would determine such costs, if any, during the 1st 7(i) that establishes the applicable vintage rate"
    - will BPA provide an estimate as to what these liquidated damages may be when it offers its statement of intent?
    - still limits eligibility to current ST purchasers
- p 36, lines 17-18 – "terms regarding availability for service at vintage rates will be determined in the contract process"
    - what does this mean?? as in, eligibility to purchase at vintage rate, or…??

- P 38, line 18, Is the use of the word “deem” correct here, shouldn’t it be more like “transform”?
- p 42, lines 3-8
    - Please clarify
- p 44, lines 19-20 – “there might also be a charge for scheduling non-fed resources used to serve above RHWM loads”
    - is this idea new? If so, where did it come from?
- p 45, lines 20-21 – “BPA may also consider some cross customer grouping of resources, at the request of all customers wanting to participate in the grouping, for purposes of applying & pricing the DFS”
    - this is new…and good. But in conflict with TRM proposal.
    - what does “may consider” mean?
- P 50, lines 10 to 17, what is the relationship between the Resource Shaping Charge and the Resource Shaping Charge Adjustment?
- p 51, lines 9 to 18, this Q and A is very confusing, what are you getting at here. An example might be useful.