

2010 BPA Rate Case

The following is a list of suggested questions/issues to be addressed during the October 15, 2008, 2010 BPA Rate Case Technical Conference Call, as proposed by Iberdrola Renewables on Friday, October 10, 2008.

Suggested Questions/Issues to be Addressed during the
October 15, 2008
BPA Rate Case Conference Call

Iberdrola Renewables appreciates the opportunity to continue an open dialogue with BPA regarding wind integration. To that end, we have attempted to prioritize the list of issues/concerns that we recommend be addressed the next Rate Case Conference Call on October 15, or to the extent possible, prior to then.

While, we realize BPA won't be able provide detailed responses to all issues below during the October 15 conference call, we encourage BPA to answer the following questions for *each* of the issues listed below at or prior to the beginning of the meeting:

1. Which person or entity is responsible for addressing the issue?
2. What is the status of work envisioned? (e.g., "in process", "completed", "outside scope", etc.)?
3. What are the deliverables of the work (e.g., "Revised estimate of reserve quantity/cost", "Decision whether to implement suggestion", etc)?
4. What is the expected delivery date for deliverables (e.g., analysis, or decisions)?
5. What additional steps may be required?

In the time remaining, we would recommend BPA address the substance of the issues based both on the priority identified below and on its response to the question above.

Issue Prioritization

1. ISSUE: BPA needs a tariff structure that provides incentive for minimizing integration costs and providing for technological innovation, basing rates on provision of services by third party suppliers, and the overlap of wind integration and generation imbalance tariffs

Q. Is BPA open to including some type of incentive-based tariff structure in its initial proposal?

- a. If yes, please describe the type of tariff structure that is being contemplated, or the process for arriving at one.
- b. If no, why not?

Q. If BPA experiences substantially lower integration costs through third party supply, how will that be reflected in the wind integration tariff?

2. ISSUE: The assumption that current wind scheduling behavior will continue at the current level overestimates the need for reserves.

Q. Under what circumstances, if any, would BPA consider modifying the 2-Hour lag persistence scheduling pattern assumption in its initial proposal?

3. ISSUE: The Embedded costs allocation assumes that the incremental reserve requirements proportionally reduce BPA’s sustained peaking capability.

Q: Is BPA analyzing the consumption of sustained peaking capability using the usual techniques for determining such impacts?

Q: If, as RNP contends, the consumption of sustained peaking capability is primarily due to providing down-regulation reserves, does BPA expect to recompute the embedded costs based on down-regulation?

Q: If, as RNP contends, BPA is relying on the wind projects for “stand ready” down regulation, will this affect BPA’s assignment of embedded costs?

Q: Does BPA intend to revisit the embedded cost allocation method—potentially separating out the effects of up-regulation and down-regulation on availability of sustained peaking capability?

Q: If the primary effect of incremental reserve requirements is to consume “Operational Peaking Adj.”, is BPA considering allocating embedded costs to the consumption of that product?

Q: Is BPA open to re-analyzing the embedded costs based on any of the comments it has received?

Q: When will the results of any new embedded cost calculation be available?

4. ISSUE: The majority of BPA’s wind integration costs accrue from the provision of down-regulation services, yet BPA transmission requires wind projects to limit generation as needed—effectively proposing to charge the wind projects for a service BPA is not providing.

Q: What protocol does BPA use to establish limitations on wind generation (please provide)?

Q: Is BPA relying on wind generators to self-provide the down-regulation services they are being charged for?

- a. If yes, what does BPA propose to do to correct the problem (e.g. reimburse wind generators for limiting their output, or not charging wind generators for the down regulation portion of the wind integration charge)?
- b. If no, how is BPA providing this service (please provide write-up)?

5. ISSUE: The “scaling methodology” used to represent the output of wind projects that have yet to be built appears to underestimate the natural diversity that exists among wind projects and overestimate wind variability

resulting in an overestimate of wind integration costs.

Q: What analysis has BPA done to verify the expected amount of diversity in the system or to show that none exists?

Q: How will the outcome of the analysis be used to modify the scaling methodology and what is the resulting impact on the reserve requirement?

Q: At what point will BPA provide a revised set of wind generation data and attendant reserve requirements?

6. ISSUE: The methodology fails to consider any cost differences among regulating reserve, following reserve, and generation imbalance products.

Q: Does BPA agree there is a distinction between the three types of reserves that need to be considered when assessing costs?

Q: Does BPA agree that charging for both the portion of imbalance reserves that cannot be transacted in the hourly market and the Generation Imbalance tariff have the impact of charging customers twice for the same service?

Q: Does BPA agree that following reserves do not need to be provided by AGC units?

7. ISSUE: The methodology has no provision to differentiate between within balancing area generation for which no incremental following reserve requirements exist, and generation scheduled outside the balancing area.

Q: Does BPA agree that there is no incremental reserve requirement for services provided to wind generation delivered to loads within BPA's balancing area?

- a. If yes, will BPA eliminate the incremental following and imbalance reserve charges for generation scheduled within the balancing area?
- b. If no, explain the incremental reserve requirement that occurs on BPA's system for wind generators who deliver to load in the balancing area.

8. ISSUE: The proposed method of allocating reserve requirements may unfairly shift some of the existing reserve requirement over time from load to wind generators.

Q: Has BPA revisited its allocation methodology to ensure the concern is adequately addressed?

Q: On what basis did BPA determine that the proposed allocation method is in some way superior to the incremental reserve requirement approach?

Q: Can BPA point to other utilities that have employed this algorithm to apportion reserve requirements between loads and wind?