

# **2010 BPA Rate Case Transmission & Ancillary Services Customer Issues for Partial Settlement**

**The following comments were submitted by  
Puget Sound Energy on December 3, 2008.**

SETTLEMENT DISCUSSION DOCUMENT--FOR USE IN SETTLEMENT DISCUSSIONS ONLY.

December 3, 2008

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RE: BPA 2010-11 Rate Case Settlement Comments and Issues

By November 28, 2008 e-mail from [techforum@bpa.gov](mailto:techforum@bpa.gov), Bonneville Power Administration (“BPA”) encouraged customers to submit additional issues for settlement and comments on BPA’s proposal by Wednesday, December 3 by sending their comments to [techforum@bpa.gov](mailto:techforum@bpa.gov) with “2010 BPA Rate Case” in the subject line.

In response to BPA’s request for the submission of such comments, set forth below are additional comments of Puget Sound Energy, Inc. (“PSE”), which address the following non-generation input transmission issues to be considered for settlement:

- (i) Failure to Comply Penalty Charge
- (ii) Unauthorized Increase Charge
- (iii) Incremental Rate

Nothing herein should be construed as a waiver of any contract right or any right or objection, of or by PSE, with respect to BPA's issuance of any DSO/Limit to Schedule order, curtailment order, redispatch order or load shedding order. Nothing herein should be construed as a waiver of any contract right or any right or objection, of or by PSE, with respect to any issue related to generation inputs.

**A. Failure to Comply Penalty Charge and Unauthorized Increase Charge**

BPA is proposing to increase both the Failure to Comply Penalty Charge (FTC) and Unauthorized Increase Charge (UIC) to \$1000/MWh. BPA should, but has failed to, provide any justification for such an inordinately large and unprecedented charge. In that regard, FERC in Order 890-A, paragraph 457, states as follows regarding unreserved use penalty rates:

The Commission also retained the current policy established in Allegheny Power Sys., Inc. that the unreserved use penalty rate may not be greater than twice the firm point-to-point rate for the period of unreserved use. The Commission established a rebuttable presumption that unreserved use penalties no greater than twice the firm point-to-point rate for the penalty period are just and reasonable. The Commission further stated that

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transmission providers proposing an unreserved use penalty in excess of twice the relevant firm point-to-point rate for pervasive unreserved use could do so in a filing under section 205 of the FPA. Transmission providers proposing such a rate must establish that a higher penalty rate is required to combat pervasive unreserved use of transmission and why the standard rate that penalizes repeated unreserved use is not adequate to discourage repeated instances of unreserved use of transmission service.

(footnote omitted.) This provides clear, persuasive guidance that BPA should follow in developing its FTC and UIC. In other words, BPA must not adopt a FTC or UIC charge greater than twice the firm point-to-point rate for the period without demonstrating why the greater charge is required and why the existing rate is not adequate to discourage repeated instances.

In addition to the proposed adoption of a significant increase in rates for FTC and UIC, BPA has proposed to pass through other costs to customers, including any penalties imposed directly on BPA. BPA has failed to cite any authority allowing it to unilaterally pass-through penalties it has received. PSE believes that the increase in FTC and UIC are unjustified and that, in any event, FTC or UIC should not include any assessment of any costs incurred by BPA or any penalties imposed on BPA.

Further, BPA should include provisions set forth below in the rate schedule as conditions precedent to the assessment of any FTC or UIC over and above the current FTC and UIC as presently applied. Specifically, each of the conditions set forth below shall be set forth in the rate schedule and must be satisfied prior to assessing an increased FTC or UIC.

#### **1. DSO/Limit to Schedule Order**

- a. Through a public process, BPA must have adopted and published a formal protocol establishing duties, responsibilities, process with regard to the issuance of any DSO/Limit to Schedule order. (e.g.: how is the need for any DSO/Limit to Schedule order determined? how is any DSO/Limit to Schedule order applied? how are any recipients of the respective DSO/Limit to Schedule orders determined? what is the timing for any DSO/Limit to Schedule orders?)
- b. An e-tag and telephone call informing of the order must be received at least 30 minutes before the hour to permit adjustment.
- c. DSO/Limit to Schedule order must be consistent with OATT requirements; such as non-discriminatory application of orders across customers (including Point-to-Point and Network customers) and resources.
- d. BPA provides regulation and load following in amounts that are determined through a public process but that are not less than the reserves sufficient to meet BPA's contractual obligations; BPA has applied and exhausted such regulation and load following amounts before issuing any DSO/Limit to Schedule order.
- e. No FTC will be assessed when generation imbalance is applied (e.g., if no compensation is being provided by BPA for over-generation).
- f. No FTC will be assessed in connection with service under a contract unless BPA is complying with its obligations under that contract to provide generation imbalance service and is complying with its OATT requirements.
- g. Only issue DSO/Limit to Schedule orders to limit generation to the integrated hourly schedule. (This would, for example, permit, without FTC, variations of generation

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levels within the hour so long as the total generation over the hour does not exceed the amount scheduled for that hour.)

- h. After-the-fact posting by BPA describing any DSO/Limit to Schedule order issued and conditions permitting the issuance of any DSO/Limit to Schedule order and any assessment of FTC.

## **2. Curtailment Order**

- a. All Conditional Firm and Non-Firm must be limited or curtailed before issuance of and curtailment order.
- b. No BPA scheduling in excess of its ATC on any affected path/flowgate.
- c. An e-tag and telephone call must be received a reasonable time in advance of the order, given the affected resources, to permit adjustment.
- d. Curtailment must follow OATT requirements; including non-discriminatory application of orders across customers and resources and uniform UIC for Point-to-Point and Network customers.
- e. No FTC or UIC will be assessed when generation or load imbalance is applied.
- f. After-the-fact posting by BPA describing conditions permitting the issuance of any curtailment order and any assessment of FTC or UIC.

## **3. Load Shedding Order**

- a. All Conditional Firm and Non-Firm must be limited or curtailed before issuance of and load shedding order.
- b. No BPA scheduling in excess of its ATC on any affected path/flowgate.
- c. An e-tag and telephone call must be received a reasonable time in advance of the order, to permit adjustment.
- d. Load shedding must follow OATT requirements; such as non-discriminatory application of orders across customers and resources.
- e. No FTC or UIC will be assessed when generation or load imbalance is applied.
- f. After-the-fact posting by BPA describing conditions permitting issuance of any load shedding order and any assessment of FTC or UIC.

## **4. Re-dispatch Order**

- a. All Conditional Firm and Non-Firm must be limited or curtailed first.
- b. An e-tag and telephone call must be received at least 30 minutes before the hour to permit adjustment.
- c. Redispatch must follow OATT requirements; including non-discriminatory application across eligible customers and resources.
- d. No FTC or UIC will be assessed when generation or load imbalance is applied.
- e. After the fact posting by BPA describing conditions permitting any redispatch and any assessment of FTC or UIC.

If the foregoing conditions are not all met, BPA may impose a FTC or UIC consistent with the existing rate schedules, if the order is issued pursuant to a previously defined protocol (adopted in a public process) consistent with BPA's contractual requirements, on a non-discriminatory

basis and at a time that reasonably permits the recipient to respond, given any resources involved.

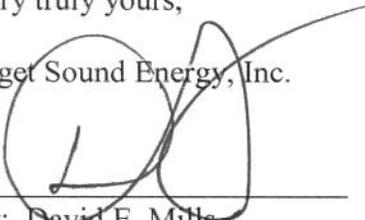
**B. Formula Incremental Rate**

BPA has proposed to adopt an incremental rate cost formula in this proceeding that would be applied to develop incremental rates in future proceedings that are not part of a Northwest Power Act section 7(i) proceeding. It is PSE's position that the development of a BPA Incremental Rate is a complex undertaking and should be dealt with in a separate, subsequent rate proceeding.

PSE appreciates Transmission Service's review of these comments and consideration of the recommendations contained herein.

Very truly yours,

Puget Sound Energy, Inc.



By: ~~David E. Mills~~

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