

**WESTERN MONTANA ELECTRIC
GENERATING & TRANSMISSION COOPERATIVE, INC.**

P.O. Box 1000 Missoula, MT 59806

August 30, 2012

Re: Comments on the Rate Period High Water Mark Determination of FY 2014/2015
[Submitted Electronically to Comment@BPA.gov]

BPA asks four questions. Western Montana G&T's answers are below:

1) Should the WNP-3 resource be included as a Tier 1 System Resource for purposes of calculating RHWMs?

Inclusion of the WNP-3 settlement is a difficult question with the potential for different impacts and benefits to WMGT member utilities depending upon their load growth. It appears that the potential risks associated with future rate pressure would outweigh the limited HWM benefits for utilities with load growth.

2) Assuming #1 is answered in the affirmative, would the inclusion of the WNP-3 resource in Table 3.3, Designated BPA Contract Purchases, constitute a change to the TRM requiring a customer vote and a 7(i) decision prior to including the WNP-3 resource, meaning that the change could not occur in the current RHWM Process? See TRM 3.1.3.4, "The list of contracts will not be changed for the duration of this TRM."

WMGT did not answer in the affirmative.

3) The WNP-3 Settlement expires in 2019. Because this affects only three RHWM determinations, assuming #1 is answered in the affirmative, would a workaround be more easily accomplished, such as setting the WNP-3 obligation to zero for RHWM purposes? There are Slice implications to this treatment; that is, the RHWM adjustment would be made to the Slice Simulator only when BPA actually receives the exchange power from the IOUs. Because BPA has not taken any exchange power in 25 years, chances are this adjustment would not occur in Slice operations under the simulator. Slice customers may receive somewhat larger block amounts.

WMGT did not answer in the affirmative.

4) How would a change in the RHWM treatment of the WNP-3 exchange affect ratemaking and are these consequences reasonable and acceptable? While we do not contemplate a change in ratemaking procedures, this could result in an increase in Tier 1 obligations, resulting in some upward rate pressure.

If BPA includes the WNP-3 resource we recognize that the risk here is that BPA may have to make system augmentation purchases for the 91 aMW and that the 91 aMW figure is variable. BPA should make every effort to reduce and eliminate upward rate pressure through its approach to system augmentation purchases. BPA should also provide more information to customers about the forecasting and methods it would use for any system augmentation purchases.

Sincerely,

Joe Lukas
General Manager