

Sent: Wednesday, August 29, 2012 4:32 PM
Subject: RHWM (WNP-3 issue)

At the August 9th RHWM workshop BPA teed up an issue related to the WNP-3 settlement. Specifically the issue was “Should the WNP-3 resource be included as a Tier 1 System Resource for purposes of calculating RHWMs?” If answered in the affirmative, BPA could add 91aMW into the list of resources identified in table 3.3, Designated BPA Contract Purchases. Per the TRM, this would require a customer vote and a 7(i) decision, a process that could not be accomplished in this RHWM process. BPA also identified a possible “workaround” by setting the WNP-3 obligation to zero for RHWM purposes.

Tacoma Power is a Slice/Block customer who’s net requirement is forecasted to be below its RHWM for the foreseeable future. Under the status quo, BPA will not augment in the WP-14 rate period to provide this WNP-3 energy to Avista and PSE. Under either option resulting in increased RHWMs, Tacoma Power would not receive any additional tier 1 power but would share in the costs of 91aMWs of augmentation (we forecast market prices above the PF rate in WP-14 and beyond). In addition, there would be a shift of BPA Tier 1 energy between our Slice and Block deliveries. Our Slice energy would increase approximately 3aMW in the shape of a flat annual block while our Block energy, delivered in a more favorable shape, would decline by a like amount.

We question whether a “call option” in the 1984 settlement rises to the status of a 91aMW firm Tier 1 Designated BPA Contract Purchase under the Tiered Rates Methodology.

Tacoma Power recommends that BPA not increase RHWM for the WNP-3 issue for WP-14, or any other subsequent rate period, unless this proposed revision is properly addressed and adopted under Section 13 of the TRM.

Thank You. Please do not hesitate to me if you have any questions.

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Power Management
Tacoma Power (253) 502-8395

Sent: Thursday, August 30, 2012 1:40 PM
Subject: RHWM (WNP-3 issue)

It has come to our attention that under BPA’s proposal Slice customers would not receive a commensurate increase in their Slice deliveries if BPA either included WNP-3 as a contract resource or set the obligation to zero (except when the call option was exercise). However, this does not change our recommendation stated in the prior comment.

Sorry for the misunderstanding related to Slice and Block delivery impacts with this proposal.

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