

**COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP
ON THE INCLUSION OF THE WNP-3 EXCHANGE RESOURCE IN THE
CALCULATION OF RHWMS**

RHWM12 0013

The utilities that comprise the Western Public Agencies Group (WPAG) are pleased to submit these responses to the questions posed by Bonneville Power Administration (BPA) staff regarding the proposal to include the WNP-3 exchange resource in the calculation of Rate Period High Water Marks (RHWM).

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

Yes, at least for BP-14. In a TechForum email dated August 24, 2012, BPA stated that due to the difference between the current expectation in augmentation prices and the Tier 1 rate, at this time including the WNP-3 resource would likely have a negligible rate impact in BP-14. However, if market prices were to rise faster than PF rates, either by the final BP-14 rate determination or by the BP-16 rate determination, BPA stated that there would be a measurable upward rate impact.

Based on the information to date that the inclusion of WNP-3 resource would likely have a negligible rate impact in BP-14, BPA should include the WNP-3 resource for purposes of calculating RHWMS for BP-14. The determination of whether to include the WNP-3 resource for future rate period RHWMS should not be decided now. Instead, for each rate period RHWM, BPA and its customers should retain the ability to (i) review the potential rate impacts of including the WNP-3 resource in the RHWM calculation for the rate period and (ii) make the determination of whether to include the WNP-3 resource for the rate period based on the projected rate impacts identified in such review.

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.”

If BPA were to elect to include the WNP-3 resource in Table 3.3, it appears that doing so would be subject to the procedures set out in section 12 of the TRM.

- 3) **The WNP-3 Settlement expires in 2019. Because this affects only three RHW M 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 RHW M purposes? There are Slice implications to this treatment; that is, the RHW M 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 25 years, chances are this adjustment would not occur in Slice operations under the simulator. Slice customers may receive somewhat larger block amounts.**

Setting the WNP-3 obligation to zero for RHW M purposes appears to be an acceptable workaround for this rate period, given that rate case is fast approaching. Furthermore, use of the workaround rather than amending Table 3.3 of the TRM will give BPA and its customers flexibility for determining how this resource should be treated for the long-term after the time constraints of the fast-approaching rate case are over. Amending Table 3.3 at this time would eliminate this flexibility in addressing the long-term disposition of this resource.

- 4) **How would a change in the RHW M 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.**

Based TechForum email of August 24, 2012, the negligible rate impact projected by BPA of including the WNP-3 resource in the BP-14 RHW M calculation is acceptable. However, what is acceptable for BP-14 may not be acceptable in BP-16 or BP-18. For this reason, BPA and its customers should not lock-in use of WNP-3 resource in future rate periods at this time, but instead reserve the right to revisit this issue when the time constraints of the current rate case are over.