



PUBLIC UTILITY DISTRICT NO. 1 of Cowlitz County, Washington

Submitted via email: techforum@bpa.gov

October 8, 2024

Bonneville Power Administration

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Comments on UAI Demand and Energy Charges Proposed for BP-26

Public Utility District No.1 of Cowlitz County (the District) respectfully submits the following feedback pertaining to the Unauthorized Increase (UAI) charge information that was shared and discussed with customers and stakeholder during BPA's July 31, 2024, BP-26 Rate Case Workshop. Cowlitz is appreciative of BPA's willingness to engage with customers on this matter and consider alternative proposals for improvements in calculating the UAI demand and energy charges.

As noted in BPA's workshop, the UAI charge is intended to be a punitive instrument to preserve BPA's economic and reliability interests, deter customers from taking more power from BPA than they are contractually entitled, and dissuade customers from making self-interested commercial decisions that could challenge BPA's financial position and ability to recover costs. The District agrees with these underlying principles that support the basis for inclusion of the UAI charges in BPA's rate schedules. That said, the District also believes the UAI charge should consider a) the distinction between intentional and/or negligent behavior versus isolated inadvertent behavior (such as scheduling error); and b) whether the behavior resulted in harm to BPA's power system or services, or to any other power customer. With these additional considerations in mind, the District believes that some additional refinement of the billing determinants for both the energy and demand UAI charges would be beneficial to better align cost recovery with the UAI event and apply a more appropriate scale of punitive measures.

Currently the energy UAI charge applies and is billed according to:

1. the amount of measured or scheduled energy that exceeds the amount of energy the customer is contractually entitled to take during a diurnal period; and
2. is billed at the greater of: (1) 150 mills/kWh; or (2) two times the highest hourly Energy Imbalance Market (EIM) Load Aggregation Point (LAP) price for firm power for the month in which the unauthorized increase occurs.



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In addition to the energy UAI, a demand UAI charge is applied and is billed if:

1. the amount of measured demand during a HLH billing hour exceeds the amount of demand the purchaser is contractually entitled to take during that hour; and
2. is billed at 1.25 times the applicable monthly demand rate.

Included in the workshop materials, BPA had presented four alternatives for customers to consider and provide feedback, and in the subsequent BP-26 workshop on September 25, 2024, BPA staff proposed modifications settling in on an Alternative 3 "Plus". The Alternative 3 "Plus" includes a conditional demand UAI for non-Load Following customers but excludes the Slice portion of the Slice/Block product. In addition to that change, the underlying Alternative 3 is materially different from current UAI charges in that the energy UAI charge is priced at the greater of the corresponding LAP price for the hour in which the overage occurred or 150 mills/kWh versus the monthly LAP peak price. Furthermore, Alternative 3 removes the monthly cap for UAI charges, currently set at the higher of 2,500 mills/kWh or 125 percent of the Market Operators (MO) Hard Energy Bid Cap.

Cowlitz is supportive of some of the changes that BPA has proposed in Alternative 3 "Plus" relating to the energy UAI charge component. Specifically, we support aligning the energy UAI penalty with the corresponding hourly LAP pricing during which the overage occurs, as that more reasonably ensures BPA cost recovery and is not overly punitive to unintentional scheduling/tagging errors that may occur on occasion and preserves a disincentive that scales in severity towards a period when the temptation for economic self-interest would be potentially high. The District does not support the "no cap" concept and believes that BPA should retain the current cap pricing of the greater of \$2,500 or 125% of the MO Hard Energy Bid Cap. The District does not view this as a "negotiated band-aid" as was referenced in the workshop materials but rather believes that it sets reasonable limits to the punitive impact while seemingly ensuring cost recovery for BPA.

With respect to the demand UAI, the District supports the Alternative 3 "Plus" condition of an hourly event limit (more than 4 hours in a month) before the demand component of the UAI applies but believes this condition should apply to **ALL** customers (Load Following, non-Load Following **AND** Slice/Block). This provides Slice/Block customers the same allowance to correct resource schedules without being subject to the demand UAI, thus putting them on equal footing with all other customers.

Lastly, the District generally supports the proposed UAI Waiver Language, but would request this small addition to the first waiver condition as follows:

"(1) was inadvertent or was the result of an equipment **or system** failure or outage that the Power customer could not have reasonably foreseen or avoided; and ..."

The District appreciates the opportunity to provide feedback and District staff are available for additional discussion should BPA staff have any questions or concerns.