



July 18, 2018

Via Electronic Submission

Elliot Mainzer
Administrator and Chief Executive Officer
Bonneville Power Administration
911 NE 11th Avenue
Portland, OR 97232

Re: Bonneville Power Administration's ("BPA") TC-20 Process

Dear Administrator Mainzer:

The Alliance of Western Energy Consumers ("AWEC") appreciates the opportunity to provide comments on the TC-20 process and the proposed tariff revisions identified in BPA's June 26, 2018 customer presentation. We appreciate BPA's efforts to standardize and modernize its transmission tariff. Development of a sound transmission tariff is a necessary step towards the achievement of BPA's strategic goal of providing competitive Power products and services. We are supportive of BPA's efforts in this regard. Further, we appreciate BPA's ongoing effort in developing a long-term strategic plan.

AWEC members receive a broad range of power and transmission services from BPA. Some receive these services indirectly through the rates of investor-owned utilities. Most, if not all, are impacted in some way or another by BPA's rates. The ratepayers, however, that have been most severely impacted by BPA's current market dynamic have been those customers with cogeneration resources.

At the time of entering into the regional dialogue contracts, many of those customers decided to designate their cogeneration resources as market sellers, rather than as an offset to onsite requirements. At the time of entering into the regional dialogue contracts, that was the prudent thing to do. Now that BPA's rates exceed the market, the effects of that election have compounded the impacts on large customers with cogeneration. Not only are those customers suffering from BPA's rates, they must also sell into the same low-priced markets that are driving up those rates.

In addition, these customers have to deal not only with the impact of the transmission rate increase associated with requirements service, but also the impact of transmission rate increases on the sales from their cogeneration. And with respect to transmission services, these customers are experiencing increasing pressure with respect to Dispatchable Energy Resource Balancing Services ("DERBS"). From the perspective of these customers, they are being hit on many different fronts, in a market where many of their competitors are experiencing historically low energy costs.

With those customers in mind, AWEC is concerned with how DERBS might be implemented through BPA's newly proposed Schedule 10, captioned "Capacity for Generator Balancing Services." AWEC believes that it is unfair for BPA to single out generation customers for needing capacity for generator imbalance service, when the same capacity is necessary to provide imbalance services for a range of other transmission customers. If BPA is to include a Schedule 10 in its tariff, AWEC believes that it should also include a new Schedule 11, "Capacity for Energy Imbalance Service," a service necessary to ensure the capacity is available to provide the energy for service under Schedule 4, "Energy Imbalance Service."

AWEC understands that BPA has proposed to account for the capacity necessary to provide Schedule 4, "Energy Imbalance Service" in its Schedule 3, "Regulation and Frequency Response" rate. Notwithstanding, AWEC believes it would be appropriate to more clearly identify the balancing capacity obligations in a separate schedule, as BPA has done for transmission customers with generation. At a minimum, Schedule 3 should be clarified to make it clear that customers paying the Regulation and Frequency Response rate are receiving the capacity services necessary for energy imbalance.

This clarity is important to AWEC because it is our view that the overall DERBs construct has been unfair to those customers with cogeneration resources, many of whom are struggling to compete in the volatile economic climate. For load service, those customers are paying a great deal for capacity from the Federal Columbia River Power System. At the time of the regional dialogue contracts, these customers thought they were getting one of the firmest capacity products available in the marketplace. Yet, due to implementation of DERBS, and the elections made by these customers' utilities at the time of entering into the contracts, those customers are now forced to acquire even greater amounts of additional capacity to balance their cogeneration resources. At a minimum, it is critical for these customers to have a clear understanding of the various capacity services they are paying for and the services that BPA is providing.

While we view this to be an issue that is appropriate for the ongoing BP-20 rate case workshop processes, AWEC also believes that the incremental standard deviation methodology is fundamentally flawed. By classifying the cogeneration customers' load and generation into two separate rate classes, those customers are unfairly penalized. Similar inequities occur if one were to attempt to use a battery to balance the output of a solar resource using BPA's current balancing services construct. In a covariance matrix, the diversity benefits between members of a class stay with the class. It is the diversity benefits between the classes that get socialized. Accordingly, the class definitions are very impactful in determining how costs get allocated.

Further, AWEC is currently considering whether it might be appropriate to have a separate class in the incremental standard deviation methodology corresponding to non-federal load, rather than

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lumping all loads and federal resources into a single class. As it relates to the TC-20 process, having a separate ancillary service Schedule 11, as described above, would allow for such a distinction.

AWEC appreciates the opportunity to provide these comments and looks forward to working with staff as it further develops its transmission tariff.

/s/ John Carr

Executive Director

Alliance of Western Energy Consumers