

**Ivey,Jan K (CONTR) - PFR-6**

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**From:** Sybil Brown [sbrown@nru-nw.com]  
**Sent:** Tuesday, August 28, 2012 11:54 AM  
**To:** Chalier,Annick E (BPA) - PFP-6; Gendron,Mark O (BPA) - PS-6; Garrett,Paul D (BPA) - PSW-6  
**Subject:** Load Growth Rate cost issue

NRU is submitting the following comments on a Load Growth Rate cost issue raised at the August 9<sup>th</sup> BPA Wholesale Power Rate Case Workshop. NRU takes an interest in this topic because of the 54 Load Growth Rate customers in FY 2015, 17 are NRU members.

Late last year BPA made a purchase of power to serve above High Water Mark load at the Load Growth rate at the same time as it was making a purchase for the Vintage rate. At that time the total forecast of above HWM load (above 1 aMW per utility) for the utilities in the Load Growth Rate pool totaled 5 aMW and the power cost looked attractive. Since then the load forecasts of all of these utilities has declined (but for one utility). This leaves about 3.3 aMW of purchases in excess of need. The load forecasts BPA used when purchasing the power were just that, forecasts, and were not directly attributable or allocated to any particular customer(s) in the Load Growth Rate pool.

It turns out that this power is more expensive than current market prices. Thus an issue has been raised for the FY 2014/2015 rate case. Who should pick up these costs and over what period? The TRM is specific that this cost needs to stay within the pool of customers for whom the purchase was made for (the Load Growth Rate pool) (see Section 3.4 of the TRM). The TRM is less specific as to which actual customers should pay for these costs and how these costs should be allocated to those customers.

Several options have been identified.

1. The one utility with remaining load in the pool should pay for the 5 aMW of power, 3.3 aMW of which it doesn't need. (This is the strictest interpretation of the TRM – Load Growth pool costs are allocated based on the amount of load placed in that pool.)
2. Load Growth Rate Pool customers (about 16 aMW) that have any above HWM load should pick up this cost.
3. The entire Load Growth Rate Pool customer base (about 672 aMW in total RWHMs) should pick up this cost since BPA manages the Load Growth rate pool on behalf of those customers.

It is important to note the magnitude of this net cost. This cost can range from \$280,000 down to \$68,000 depending on how it is calculated. If the one utility with load had to pick up this cost this would be significant (between 5 and 19 mills per kWh added to the cost of their load growth rate purchase). Spread over the total of the Load Growth Rate pool's customers who have above HWM load, the cost would be an added two mills at the high end, and more likely one mill. Spread over the total Rate Period HWMs of the 54 Load Growth Rate utilities with 672 aMW of RHWML load the cost is much less significant.

NRU staff supports Option 3 with collection of these costs in 2015. This approach has merit because it best encompasses the intent of the Load Growth Rate, where customers share in the costs and benefits of pooled resource acquisition and BPA has the ability to layer in short and long term purchases to try to achieve the best outcome. Options 1 and 2 above would lay undue rate pressure on individual customers or small groups of customers who had no exclusive responsibility for these costs.

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