Comments of the M-S-R Public Power Agency
Regarding Bonneville Power Administration's Gen Inputs

The M-S-R Public Power Agency is a joint powers agency formed by the Modesto Irrigation District, and the Cities of Santa Clara and Redding, California, each of which is a consumer owned utility. Beginning with a 2005 contract, M-S-R obtained contractual rights to the output from some of the first large scale wind resources developed in Washington State. M-S-R and its members currently have rights to 350 MW of wind generation in Washington and Oregon, which its members use to serve their customers and meet California's Renewable Portfolio Standards (RPS). Those customers ultimately bear the cost of the Bonneville Power Administration ("BPA") transmission rates.

M-S-R appreciates the opportunity to comment on the brainstorming concepts presented during BPA's May 29, 2014 Gen Inputs workshop. Those concepts were presented by BPA Staff after concerns were expressed regarding the BP-14 methodology of allocating costs to Gen Inputs. Those concerns addressed the allocation of full costs to a capacity only service, billing determinants, the priority of access to reserves, physical capability and availability of reserves. The alternative "brainstorming" methodology conceptually addresses some of the concerns by modifying the billing determinants and allocating some of the secondary revenues as credits.

MSR appreciates BPA Staff's efforts at presenting a fresh look at its Gen Inputs cost allocation mechanism and agrees with some aspects of the alternatives. M-S-R disagrees with the starting point of including all FCRPS assets without regard to the assets' operational contribution to the provision of ancillary services, and is hopeful the additional information and analysis described below will lead to an approach that conforms to basic cost causation principles by limiting the embedded costs to those associated with the resources providing the services.

M-S-R also appreciates the additional information on physical feasibility and availability of reserves provided during the June 10, 2014, workshop. That information indicates that during a significant portion of the spring, BPA is not physically able to provide any reserves to VERBS customers. The quantity of service available, and priority access to reserves, needs to be addressed in the framework ultimately adopted by BPA, such as through a rate that varies by on-peak, off-peak, and season, along with a credit mechanism to compensate for periods when reserves are limited or unavailable to VERBS customers.

With regard to the brainstorming document, M-S-R submits that the costs need to be broken down and analyzed to determine which resources are able to provide which ancillary service products, and to determine the quantity of ancillary service products each category supplies. Analyzing the costs and capabilities of each category of resource will allow for an informed dialogue amongst the parties. Once that information is available, a framework can be established that allocates the appropriate costs to ancillary services. M-S-R suggests the following approach which is reflected in Table 1, below:

1. Determine the operational benefits and revenue requirement for each major asset class;
2. Determine the quantity of INC Reserves available for on/off peak for each of the 4 seasons;

3. Identify the quantity of reserves available to Load, DERBS, and VERBS; and
4. Use this information to develop an allocation of costs to Load, DERBS, and VERBS that is based on quantity and quality of service, Cost Causation, and Operational capability.

Table 1

Asset Operational Benefits and Revenue Requirements

	Big 10 Hydro	Balance Hydro	CGS	Energy Eff	Res Exch	WNP #1 & 3	Total
Cap 1-hour							
Tier 1 Energy							
INC reserve							
Secondary Energy							
Potential Tier 2 Energy							
Rev. Req.							

M-S-R requests that the information described above be provided so customers can analyze the brainstorming concepts and develop a principle based, broadly supported and sustainable methodology for allocating costs to ancillary services.