

June 20, 2014

Department of Energy
Bonneville Power Administration
Transmission Services
P.O. Box 64109
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Via Email: techforum@bpa.gov

Re: Joint Comments of Portland General Electric Company and Puget Sound Energy, Inc. on the Generation Input Draft Concepts and Approaches Under Consideration

Dear Ladies and Gentlemen:

By this letter, Portland General Electric Company (“Portland General”) and Puget Sound Energy, Inc. (“PSE”) comment on the following generation input draft concepts and approaches under consideration by the Bonneville Power Administration (“BPA”):

- (i) the presentation titled “Generation Inputs Workshop,” dated June 10, 2014 (the “June 10 Workshop Presentation”);¹
- (ii) the document titled “Addressing Spring for BP-16” (the “Addressing Spring BP-16 Document”);² and
- (iii) the document titled “Embedded Cost Scratch Worksheet” (the “Scratch Worksheet”).³

Portland General and PSE appreciate the opportunity to comment on these generation input draft concepts and approaches. It is particularly helpful to have the opportunity to discuss these matters prior to the commencement of the formal BP-16 proceeding.

¹ The June 10 Workshop Presentation is available at <http://www.bpa.gov/Finance/RateCases/BP-16/Meetings%20Workshops/Gen%20Inputs%20Workshop%2010%20June%202014%20Final.pdf>.

² The Addressing Spring BP-16 Document is available at <http://www.bpa.gov/Finance/RateCases/BP-16/Meetings%20Workshops/Addressing%20Spring%20for%20BP-16.pdf>.

³ The Scratch Worksheet is available at http://www.bpa.gov/transmission/CustomerInvolvement/ACS/Documents/embedded_cost_scratch_worksheet.xlsx.

A. “BPA Thoughts on BP-16 Initial Proposal” Regarding the Provision of INC and DEC Reserves from the Federal Columbia River Power System

The June 10 Workshop Presentation (at 22) includes a draft concept that, if adopted, would provide for INC reserves from the Federal Columbia River Power System (“FCRPS”) as follows:

- For April – July, initial assessment of planned amount of INC reserves supplied from the FCRPS would be the amount necessary for reliability:
 - The current practice maintains at least 400 MW of INC balancing reserves.
- For August – March, initial assessment of planned amount of INC reserves supplied from the FCRPS would be 900 MW:
 - Initial assessment indicates that BPA should be able to operationally provide this amount but will be revisited when additional assessments are completed.

The June 10 Workshop Presentation (at 23) includes a draft concept that, if adopted, would provide for DEC reserves from the Federal Columbia River Power System (“FCRPS”) as follows:

- The initial assessment of planned amount of DEC reserves supplied from the FCRPS would be a constant amount for all months of the rate period:
 - The exact amount will depend on the outcome of the 99% vs. 99.5% discussion.
 - The current practice of reducing DEC reserves when the 4-hour accumulated DEC imbalance exceeds 1500 MW-hrs has significantly reduced the number of DEC limitations in 2013 and 2014.
 - Resources that are overgenerating have the ability to limit their own generation when the FCRPS reduces DEC reserves.

In addition, the Addressing Spring BP-16 Document describes, in summary form, several approaches for BPA's provision of balancing reserves in the spring of each year of the BP-16 rate period.

In considering the INC and DEC reserves to be provided from the FCRPS during the BP-16 rate period, BPA should provide a single, all-inclusive balancing service that treats all users of FCRPS balancing capacity—including load, thermal generators, and variable energy generators—comparably. BPA should allocate the costs of FCRPS capacity used to provide balancing service for generation and load uniformly to all such users on a uniform per kilowatt basis (such that users of more capacity pay for their higher volume of capacity used but pay the same unit charge for balancing capacity as all other users). BPA should provide and price balancing reserves for imbalance service consistent with the following general principles:

- (i) BPA should equitably allocate the costs of the Federal transmission system between Federal and non-Federal power utilizing such system, consistent with its organic statutes,
- (ii) BPA should provide transmission services at rates that are comparable to those that BPA charges itself, and
- (iii) BPA should provide transmission services on terms and conditions that are comparable to those under which the BPA provides transmission services to itself and that are not unduly discriminatory or preferential.

In evaluating the generation input draft concepts and approaches, BPA should apply the above general principles and should also implement the following specific actions:

- (a) BPA should adopt a *pro forma* Open Access Transmission Tariff Schedule 9 and provide imbalance service, to the extent it is physically feasible to do so, from its own resources or from resources available to it;
- (b) BPA should address in each section 7(i) imbalance rate proceeding the appropriate projections of reserve quantities and costs used in setting rates; and
- (c) BPA should include in the section 7(i) imbalance rate proceedings an open and transparent process by which BPA and its customers could clearly understand and provide input on the appropriate projections of reserve quantities and costs used in setting rates.

In taking these specific actions, BPA should (1) project, on a planning and operational basis, the amount of reserves needed for imbalance service, (2) set rates for imbalance service in the applicable section 7(i) proceedings, and (3) provide, on a planning and operational basis, imbalance service, to the extent it is physically feasible to do so, from its own resources—and to the extent not available from its own resources, from resources available to it. BPA should observe the projected need for balancing reserves for imbalance service on both a planning and operational basis in determining the amount of power available for surplus sales.

Consideration of establishment of bands or limits on the quantity and cost of BPA's balancing reserve acquisitions is premature, particularly in advance of the analyses of the balancing capacity that can be provided by the FCRPS on a planning and operational basis. In any event, any such bands or limits should not arbitrarily limit the quantity of balancing reserves provided by BPA below that which is physically feasible.

BPA should explore with its customers adopting a rate schedule provision under which customers would receive credits or refunds if projected balancing reserves are not actually available and provided.

B. Penalties or Incentives to Reduce Deviations from Schedule or Forecast

The June 10 Workshop Presentation (at 26-32) presents a draft concept of an intentional deviation penalty charge for generating resources that would be waived under certain circumstances if the station control error is within a predefined performance standard.

In evaluating penalties or incentives to reduce deviations from schedule or forecast, BPA should observe the following principles:

- (i) Any BPA penalties or incentives to reduce deviations from schedule or forecast should be applied consistently to load, thermal generators, and variable energy generators.
- (ii) Because deviations from schedule or forecast are inevitable, BPA, if it wishes to have a penalty or incentive to reduce deviations from schedule or forecast, should not label such penalty or incentive as an applying to “intentional deviations” but rather should label any BPA penalty or incentive to reduce deviations from schedule or forecast as applying to “material deviations.”
- (iii) Penalties or incentives to reduce deviations from forecast should not be applied if either

- (a) the forecast of load or variable energy generators is developed using specified forecast methodologies, or
 - (b) if the actual output or load as compared with forecast is within a specified performance band, regardless of forecast methodology used.
- (iv) Any penalty or incentive to reduce deviations from schedule or forecast should recognize and take into account deviations that occur in connection with the commencement and cessation of curtailments of transmission schedules or generation output.

C. Mid-Rate Period Service Elections

BPA should continue to offer a mid-rate period election for the BP-16 rate period to allow customers to change service elections (e.g., Imbalance Service, Operating Reserves, self-supply, and CSGI), which should encourage customers to explore more granular scheduling options.

D. BPA BAA Reliability Tool

The June 10 Workshop Presentation (at 34-40) discusses a BPA BAA Reliability Tool (“BART”) concept. The BART concept should treat load, thermal generators *with* two-way communications, thermal generators *without* two-way communications, and variable energy generators comparably and equitably.

At this time, there is not sufficient information regarding the BART concept to comment further on this tool, which appears to be under development by BPA. BPA should engage with its customers and further discuss this approach and its implications during such a tool’s development and well prior to any attempt to implement it. For example, BPA should explain why such a tool would be necessary for BPA BAA reliability.

E. “Brainstorming” Regarding the Pricing of Balancing Capacity

The Scratch Worksheet set forth a “brainstorming” exercise in the form of an MS Excel worksheet that performed certain calculations regarding the embedded cost of balancing capacity from FCPRS resources in addition to the Big 10 hydro resources. The MS Excel version of the worksheet makes clear the calculation steps performed on the worksheet; however, the rationales and assumptions underlying those calculations are unclear and, in some cases, unsupported. For example, it is unclear what rationale is used to reach a sum of 1,429 for the “ACS Total Capacity Use” on line 13. Similarly, the meaning of “Remaining Revenue Requirement” on line 8 and the rationale for deriving it are unclear.

Any embedded cost calculation of balancing capacity from FRCPS resources should be transparent and appropriately reflect the allocation of embedded FCRPS costs. In any event, the cost of balancing capacity from FRCPS resources for balancing generation and load should be allocated uniformly to all such users on a uniform per kilowatt basis (such that users of more capacity pay for their higher volume of capacity used but pay the same unit charge for balancing capacity as all other users).