

Re: Treatment of Power Cost Recovery Adjustment Clause on Transmission Rates

Tilghman Associates represents developers and owner/operators of wind projects interconnected to BPA's transmission system. These transmission customers of BPA pay VERBS and Point to Point transmission rates.

While these written comments have not been formally approved by any specific client of Tilghman Associates, they are consistent with the positions taken by those clients in previous rate cases.

We believe that the Risk Aggregation approach described by staff at BPA's August 10 workshop is superior to the Risk Allocation approach taken in previous rate cases.

As staff noted, BPA's normal practice is to aggregate risks across business lines. BPA does not normally isolate specific risks and allocate those costs to the product that contributes to those risks.

Historically, reserve based risks — including the risk of Power's Cost Recovery Adjustment Clause (CRAC) — were directly allocated to the Ancillary Control Services (ACS) rates through a variety of formula rates. As staff noted, the BP-16 settlement aggregated some of these risks into the overall transmission rates, but continued to segregate and allocate risks associated with the Power CRAC.

We believe BPA should continue along this path towards full aggregation of risks among customers. Any arguments favoring continued allocation of Power's CRAC risk to ACS rates would apply equally to the myriad other risks that are aggregated. There is no reasonable justification to treat reserve based risks differently from any other category of risk.

Aggregation is also appropriate because the primary risk driving the need to trigger the Power CRAC is BPA's secondary sales revenues. Because customers taking ACS services do not benefit from secondary sales revenues, it is inappropriate to allocate any risk of a shortfall in revenue from secondary sales to ACS customers. Sales of ACS, including VERBS, do not contribute to the risk of the Power CRAC (i.e. that actual secondary sales revenues will significantly deviate from the forecast).

Thank you.

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