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REPORT OF



TO

**THE
BONNEVILLE POWER ADMINISTRATION**



**REPORT OF THE INDEPENDENT EVALUATOR
REVIEW AND VALIDATION OF FILINGS**

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REPORT OF ACCION GROUP, INC. INDEPENDENT EVALUATOR FOR BONNEVILLE POWER ADMINISTRATION

I. EXECUTIVE SUMMARY

Accion Group, Inc. (“Accion”) was selected by Bonneville Power Administration (“Bonneville” or “BPA”) to serve as Independent Evaluator (“IE”) for the Oversupply Management Protocols Program (“Program”). Accion created and administers the website through which the Program is managed.

The Program is conducted exclusively through the Program website designed to the specifications identified by Bonneville. There were no direct discussions between generators and Bonneville about the Program, other than during one pre-release WebEx conference. The website provided a form to be completed by generators for each generating facility that fed into the Bonneville transmission system. Time was of the essence when the website was released for use during the first week of April 2012, to enable Bonneville to correctly address actions in each month, starting in April 2012. Bonneville designed the Program to avoid delay to correctly crediting generators that would have occurred had generator claims been subject to extensive review at the time each generator provided cost data. In summary, the Program provided for the Independent Evaluator to randomly sample and review the submissions of generators to, in effect, “spot check” the data that was provided.

The verification of information by the IE was time consuming and spanned a number of months in order for a number of the generators to collect and provide supporting information. In many instances it was necessary for repeated requests to be made by the IE in order to obtain sufficient documentation to make an informed determination about the costs claimed by generators. The IE does not ascribe a motive for the delay of generators in providing information. Indeed, the verification process is possible only by the cooperation of program participants, and their willingness to provide supporting information must be seen as an activity that is outside of their normal business activities. That said, the verification process would have been completed during the third quarter of 2012 had the IE been able to procure documentation with less delay.

As discussed below, the IE sought information a variety of ways, including direct telephonic contact, and was able to procure support for all but one cost claim. Due to a lack of information, and lacking a means to enforce compliance with a request for information, the Independent Evaluator is unable to express an opinion as to whether the claimed costs of the non-responsive generator can be supported by the generator.

II. DATA COLLECTION PROCESS

All information from generators was collected on the Program website. Each generator was provided a confidential, individual Submittal Book. The Submittal Book had a separate file system for each generating facility identified by the generator.

When the program was initiated, Generators were provided with the option of providing specific monthly displacement cost data for Light Load Hours (“LLH”) and Heavy Load Hours (“HLH”) for each month from April 2012 through March 2013, or they could “opt out”. If the generator opted out, individual monthly data was not required and if curtailed the generator accepted the value of “0” costs. When completing the

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online form, generators were provided with the opportunity to revise their statement of costs. In the event a generator submitted a revised cost statement, it would be reviewed by the Independent Evaluator and effective for the month starting two months after the month in which the revision was submitted on the website. A total of seven (7) revised submissions were received to date.

Bonneville devised a process that was easy for generators to use, with a minimal amount of information required for each facility. Generators could opt out with a single “click” on the website. Generators were also provided the ability to provide cost data for HLH and LLH for each month, or with one “click” declare they were not claiming either, or both, for the entire year. Table 1 presents an overview of responses by generators.

Table 1

Generators vs. Facilities	
No. of Program Participants (Generators)	25
No. of Facility names provided by BPA	70

A number of generators submitted responses for multiple facilities, with documentation supporting claimed costs.

Table 2

Monthly Data vs. Opt Outs	
No. of Submitted Submittals with monthly data	32
No. of Facility Opt Outs	35
Total Submitted	67

These responses were accepted as accurate when the program was commenced, with the clear statement by Bonneville that the submissions were subject to verification by the IE at a later date. As discussed below, the IE created a process for the random identification of submissions to be reviewed, with Bonneville agreeing to the methodology before Accion began the verification.

III. Verification Process

The verification process was undertaken in a manner to minimize burden on generators. Accordingly, all facilities for which the respective generator had “opted out” were removed from the list of potential facilities that could be subject to verification inquiry. Next, Accion created a model to randomly select the submissions that would be subject to additional scrutiny, from the remaining submissions. The model was run repeatedly to confirm that random re-sorting occurred, and to effectively scramble the submissions. To avoid even the appearance of predetermination, the submissions were entered into the process using the submission identification number, and not the name of the generator or the project name.

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From this random sorting the first ten (10) submissions were selected for verification review. **Table 3** identifies the submissions selected for verification by the IE, and presents the numeric sorting produced by the model run. Once the random ranking of submissions was completed, the submissions to be included in the verification were the ones with the lowest numeric value, as shown on **Table 3**.

Table 3

IE RANDOM SORT OF SUBMISSIONS, WITHOUT THE "OPT OUT" SUBMISSIONS	
77-1	Redacted
80-1	Redacted
74-1	Redacted
91-1	Redacted
86-2	Redacted
68-2	Redacted
84-2	Redacted
88-1	Redacted
70-2	Redacted
71-1	Redacted

The selected submissions presented a significant range of claimed costs, with most generators claiming the same values for HLH and LLH periods. The cost data provided by the generators randomly selected for verification is summarized below.

As noted, submissions where the generator opted out were not included in the random selection process. (See **Table 2**)

From the remaining submittals Accion randomly selected the 10 submittals shown in **Tables 3** and **4** for verification.

Table 4

Submittals Selected for Verification – October HLH & LLH Values		
Submittal #	HLH	LLH
68-2	Redacted	Redacted
70-2	Redacted	Redacted
71-1	Redacted	Redacted
74-1	Redacted	Redacted
77-1	Redacted	Redacted
80-1	Redacted	Redacted
84-2	Redacted	Redacted
86-2	Redacted	Redacted
88-1	Redacted	Redacted
91-1	Redacted	Redacted

In July 2012, each was informed that it had been selected for verification and each was requested to complete a form detailing the cost components claimed. The submissions selected for verification were provided a simple form to complete. The form was created by Accion and reviewed by Bonneville before being presented to any generator. Table 5 is an example of the form sent to the selected submissions. Each request was delivered with the Total Displacement Cost, as filed by the generator, provided, along with a breakdown of the possible components that would total to the claimed cost. The form tallied the costs entered by the generator in order to minimize the need for a subsequent filing. Each generator was also provided the opportunity to provide additional information, either by including it on the chart or by uploading additional documentation.

At the request of Bonneville, the form was designed to be easily completed as it was limited to information that, presumably, each generator relied upon when providing the original calculation of costs. Also, Bonneville requested that the verification process be straightforward, and not require extensive research or lengthy and detailed accounting by generators in order to avoid disincentive to cooperate.

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Table 5

INDEPENDENT EVALUATOR VERIFICATION OF DISPLACEMENT COST			
	Heavy Load Hours [HLH]	Light Load Hours [LLH]	Notes
Total Displacement Cost --as presented on the most recent Submission	\$0.00	\$0.00	
Energy Cost - Pursuant to a PPA	\$0.00	\$0.00	
Bundled RECs and Energy and PTC	\$0.00	\$0.00	
Unbundled Contract RECs and PTC	\$0.00	\$0.00	
Unbundled Market RECs and PTC	\$0.00	\$0.00	
RECs Only	\$0.00	\$0.00	
PTC Only	\$0.00	\$0.00	
Penalty Costs	\$0.00	\$0.00	
Total claimed Displacement Cost	\$0.00	\$0.00	

As noted, the IE sought minimal information to limit the burden on generators. Initially, several of the selected submittals failed to respond to the IE’s request. Others provided some of the information requested, but less than what was needed to allow Accion to verify the claimed costs. The IE made subsequent requests via the website of the non-responsive generators, with minimal success, so in October 2012 the IE attempted direct and individual contact with the generators selected for verification.¹ Personal contacts by telephone were made for eight of the submittals. One generator responded on November 16, 2012, after numerous requests from the IE, and the final responsive information was received on January 7, 2013. Clearly, the verification process took far longer than anticipated by Bonneville or the IE.

Once contacted, the generators were advised of the information Accion required to allow it to complete the verification process. As of November 9, 2012, Accion Group could only verify or partially verify the claimed Displacement costs of seven of the ten selected submissions. Accordingly, Accion continued to pursue verifying data instead of submitting a report that was only 70% complete.

In the following paragraphs Accion details the basis for its verification as of January 31, 2013, and the reasons it could not verify those Submittals not verified.

¹ One submittal claimed \$0 displacement costs and no further data were deemed necessary.

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The following is a summary of the review of each of the ten submissions selected for verification. This is followed by a brief description of the attempts to collect information for generators, and the status of each verification attempt for the selected submissions.

Table 6

SUMMARY OF VERIFICATION REVIEW BY INDEPENDENT EVALUATOR AS OF JANUARY 31, 2013							
Submittal No.	HLH	LLH	Sufficient Response for IE to Verify	If Insufficient, why	Sufficient support provided by		
					PPA	Third Party Bid	Other Documentation
68-2	Redacted	Redacted	Yes		XXX		XXX
70-2	0	0	Yes				XXX
71-1	Redacted	Redacted	Yes		XXX		
74-1	Redacted	Redacted	Yes		XXX	XXX	
77-1	Redacted	Redacted	Yes		XXX		
80-1	Redacted	Redacted	No	Costs reclassified from "penalty" to PTC, PTC claim is within reasonable range it is unsupported	XXX		
84-2	Redacted	Redacted	Yes			XXX	
86-2	Redacted	Redacted	No	No data			
88-1	Redacted	Redacted	Yes		XXX		
91-1	Redacted	Redacted	Yes				XXX

Submittal 68-2

This generator was contacted by telephone on October 31, 2012, requesting an explanation of the basis for its displacement costs. On November 6, 2012, a follow up request was posted to the Submittal Book. On December 3, 2012, the generator responded to the requests of the IE by posting generation cost data detailing the full production costs incurred by the generator. From this the IE was able to calculate the costs claimed by the generator and confirm that the costs, as filed on the submittal form, were consistent with the generator's claimed production costs. However, the IE was

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unable to determine whether the generator would incur losses in the event of interruption of transmission services, and additional requests for supporting and explanatory information were posted on December 13, 2012, and again on January 2, 2013, followed by voice mail messages left at the place of business.

On January 7, 2013, the IE and the generator had a very productive telephone conversation, which resulted in the generator providing a Purchase Power Agreement. The IE believes this information is sufficient to verify the costs claimed.²

Submittal 70-2

The generator claimed \$0 displacement costs and was included in the randomly selected group of submittals selected for verification.³

Submittal 71-1

This submittal provided information from its PPA that confirmed the validity of its claimed displacement cost, which was bundled energy, PTCs and RECs.

Submittal 74-1

This submittal provided copies of a PPA and an agreement to sell RECs, which were reviewed by the IE and found to be consistent with the displacement costs claimed. The IE believes this information is sufficient to verify the costs claimed.

Submittal 77-1

This submittal included a copy of a PPA that detailed the energy costs claimed. The submittal also included an explanation of the PTC costs claimed and the method by which such costs were calculated. The IE believes that sufficient information has been provided to verify the costs claimed.

Submittal 80-1

A copy of the PPA supporting the claimed energy portion of the displacement costs claimed was provided to the IE upon its request. In its original submittal the submitter claimed a "penalty costs", but did not support the claim with any documentation. Upon request for further information, the submitter reclassified those costs as PTCs, but provided no supporting information to validate that cost. Although the amount claimed is in line with other PTC gross-ups, the amount claimed cannot be verified as PTC cost.

² As with all reviews, the IE accepted the information as proffered and did not conduct an audit of the filings to confirm that costs claimed on the generator's books were accurate and true.

³ While the IE acknowledges the erroneous inclusion of this submission in the verification process, the additional contact with the generator identified an error in the submission that was subsequently corrected by the generator and Bonneville.

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Submittal 84-2

This submittal claims displacement costs based on unbundled RECs and PTCs. The RECs are supported by bids received from independent third parties and the PTCs are based on the statutory rate. This is sufficient data to enable the IE to verify the costs claimed.

Submittal 86-2

This Submittal was contacted by telephone on October 29, 2012, requesting an explanation of the basis for its displacement costs. On November 5, 2012, a follow up request was posted to the Submittal Book. To date, no requested data was supplied. The IE is, therefore, unable to verify the basis for or accuracy of the claimed displacement costs.

Submittal 88-1

This submittal claimed displacement costs based on a PPA and recovery of grossed-up PTCs. The filing denoted an energy cost based on the PPA, but failed to provide that document or any portion thereof. The filing also demonstrated a calculation of the gross up of the statutory PTC.

On October 26, 2012, and again on October 30, 2012, the IE attempted to reach the designated contact person for this submittal by telephone to request additional information. Neither call was returned. On November 5, 2012, a message was sent to the generator again requesting that the generator contact the IE to discuss the information needed by the IE in order to conduct its verification. On November 16, 2012, the generator provided to the IE a Purchase Power Agreement as support for claimed costs. The IE believes this information is sufficient to verify the costs claimed.

Submittal 91-1

All costs included in this submittal are based on market indexes from March 2012, available to the submitter at the time of its original filing. Contact was made with the generator requesting additional information regarding the claimed displacement costs. To date no updated or revised data has been provided. The information that has been submitted appears to support the claimed displacement costs as of April 2012. While the IE would be unable to verify the applicability for months after April, the information is consistent with what was required by the program.

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Table 7

SUMMARY OF VERIFICATION REVIEW BY INDEPENDENT EVALUATOR			
Submittal #	Sufficient Response for IE to Verify	HLH	LLH
68-2	Yes	Redacted	Redacted
70-2	Yes	Redacted	Redacted
71-1	Yes	Redacted	Redacted
74-1	Yes	Redacted	Redacted
77-1	Yes	Redacted	Redacted
80-1	No	Redacted	Redacted
84-2	Yes	Redacted	Redacted
86-2	No	Redacted	Redacted
88-1	Yes	Redacted	Redacted
91-1	Yes	Redacted	Redacted

The Independent Evaluator believes it is noteworthy that of the generators for which no support for claimed costs was provided, one claimed the highest costs of any claimed in the program. Without additional information the IE is unable to verify the claimed costs, or to otherwise express an opinion on how the claimed costs were calculated.

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IV. OVERVIEW OF THE QUALITY OF DATA PROVIDED

In addition to the Verification Process, Accion conducted a summary review of all submissions, other than by Generators who opted out of the process. This review was undertaken at the request of Bonneville, with the goal of summarizing the quality of information provided by the responding generators.

Table 8

As part of the initial submission process, generators were encouraged to provide documentation in support of cost claims, but were not required to provide supportive documentation. This approach was used to avoid delay in implementing the Program in order to conduct in-depth due diligence review of each cost claim. Such an approach would have resulted in delaying claimed compensation in the event of curtailment, which Bonneville determined would be an inappropriate complication for generators. The Program is premised on generators providing correct data that would be supported by documentation upon request of the Independent Evaluator as part of a verification process. The summary review of submissions addressed in this part of the report was focused on the responsiveness of generators, without additional inquiry by the IE.

The IE reviewed each of the other submissions to determine whether adequate support has been provided by parties submitting displacement costs, to allow the claimed amounts to be verified. The IE found that the majority of the 22 remaining submittals could be verified using information previously provided. Fourteen of the submittals provided either a copy of the PPA relied on or invoices for energy delivered. Computations of PTC and REC values were provided for several of the submittals. In those cases where costs were either indexed or escalated no data regarding the indices was provided. In the one case where a State Law was invoked the statute was cited, but not provided.

SUMMARY OF VERIFICATION REVIEW BY INDEPENDENT EVALUATOR			
Submittal #	Sufficient Response for IE to Verify	HLH	LLH
65-1	Yes	Redacted	Redacted
66-1	No	Redacted	Redacted
66-5	Yes	Redacted	Redacted
66-6	Yes	Redacted	Redacted
66-7	Yes	Redacted	Redacted
66-8	Yes	Redacted	Redacted
66-9	Yes	Redacted	Redacted
66-10	Yes	Redacted	Redacted
66-11	Yes	Redacted	Redacted
66-12	No	Redacted	Redacted
67-1	Yes	Redacted	Redacted
67-2	Yes	Redacted	Redacted
67-3	Yes	Redacted	Redacted
70-3	No	Redacted	Redacted
70.4	No	Redacted	Redacted
73-5	Partial	Redacted	Redacted
73-6	Partial	Redacted	Redacted
76-1	No	Redacted	Redacted
76-1	No	Redacted	Redacted
77-2	Yes	Redacted	Redacted
84-1	Partial	Redacted	Redacted
87-1	yes	Redacted	Redacted

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Following is a brief discussion of each of the 22 non-verified submittals supporting information.

Submittal 65-1

All costs included in this submittal are based on market indexes, available to the submitter at the time of its original filing. While the information that was submitted would be out of date if submitted today, it was appropriate in April 2012.

Submittals 66-1, 66-5 through 66-11

Submittal 66-1 was subsequently deleted. Submittals 66-5 through 66-11 provided price support in the form of invoices to PPA counterparties. There is adequate data provided to verify the claimed displacement costs.

Submittal 66-12

This submittal did not provide adequate supporting information to permit verification.

Submittals 67-1 through 67-3

PPAs were provided for each of these submittals. There is adequate data available to verify the claimed displacement costs.

Submittals 70-3 & 70-4

Supporting information was not provided by this generator.

Submittals 73-5 & 73-6

PPAs were submitted in support of the claimed displacement costs. The energy prices are based on a published Intercontinental Exchange Inc. Day Ahead index. The PPA terminates at the end of December, 2012 and does not obligate deliveries in July, August or September. There is no support for energy prices in the months not covered by the PPA. There is no support provided for the claimed RECs.

Submittals 76-1 & 76-2

These submittals were determined to be Opt outs, after submittal.

Submittal 77-2

A PPA was provided in support of the claimed costs.

Submittal 84-1

Support for the displaced value of RECs is supported by an offer to purchase from an independent third party. The RECs are grossed-up to reflect participation in a state sponsored program. This gross-up would need to be explained before the IE would consider the information sufficient to support the claimed costs.

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Submittal 87-1

Energy costs are claimed to be based on a PPA, which was not provided. The Submittal did provide an explanation of the gross-up of the PTCs claimed to be lost.

III. CONCLUSIONS

The Independent Evaluator found a majority of the submissions randomly selected for verification review to have sufficient documentation in support of claimed costs to enable the IE to affirm their submissions. However, the IE was required to make repeated requests for supporting documentation from many of the generators before supporting information was provided. When documentation was ultimately provided, the IE was able to establish a basis for cost claims. As noted throughout this report, the IE lacks the authority to compel production of documents and, thus, is unable to require the generators to provide the documents necessary for further investigation of the claimed costs, or to conduct an audit to determine whether costs charged by generators are accurate. Accordingly, the IE accepted data as provided by the submitting entity and did not conduct an audit to determine the accuracy of the data provided, but rather accepted that generators provided accurate information and did not fabricate documentation. The inability of the Independent Evaluator to compel the production of documentation, coupled with generators lacking an incentive to make production of requested information a priority resulted in the verification process being far more protracted than either IE or Bonneville expected.

In addition to the review of submissions selected for verification, the Independent Evaluator conducted a summary review of the filings provided for the submissions that were not selected for verification. The IE found that a majority provided sufficient information as part of the original filings in April 2012 to support claims.