

**NRU/WPAG Comments on
BPA's October 9, 2007 Response to the Shared Rate Plan**

- Setting a limit of 500 aMW in 2012 load provides an artificially low limit for this program. If all of the 64 utilities that cumulatively add up to 500 aMW opt for this approach then the largest utility to come in under the threshold would be 20 aMW. If the threshold were raised to 1000 aMW then the largest utility that would come in under the threshold would be 30 aMW.
- Utilities that are significantly larger than this size have expressed interest in the shared rate program and others that are smaller have indicated that they will not participate.
- The July 2006 Policy Proposal estimated that the FY 2012 loads of full and partial requirements customers would total to 3940 aMW. The proposed limit of 500 aMW is only 12% of this projected load.
- Absent a compelling business reason, which has not been demonstrated, BPA should not limit participation in a program that customers want to be able to consider.
- BPA has also said that it has the ability to terminate the program if more than 500 aMW of utility load subscribes. We think that this is not the correct approach.
- Participation in the shared rate program will be self limiting since customers will have to make this election by the end of 2008. In addition, this is a one time only offering by the agency.
- We suggest that the test for eligibility in the shared rate plan should be whether a customer is a full service or simple partial service customer of BPA.
- Although an individual utility customer would not see as clearly the marginal cost of new resources under the Shared Rate Plan (as compared to an un-melded tier 2 rate), the pool would still be affected by higher cost of tier 2 purchases/acquisitions and there will be an incentive for individual utilities to invest in conservation resources. Customers will have two incentives to conserve. First, to extend the benefit of their Tier 1 supply and avoid Tier 2 purchases. And second, BPA has proposed to continue the conservation rate credit program. This will incent Shared Rate Plan participants to conserve to get their rate contribution back. A customer could request that it be provided at the costs of Tier 2 faced by the customers in the Shared rate plan.
- As stated in the BPA write-up of this proposal "customers in this plan will have the right to exit the plan upon notice before the rate case, thereby receiving rates based on their individual Tier 2 and Rate Period HWM amounts instead." Does this mean any rate case, including the one that will occur in 2010 that will develop the tiered rates for FY 2012 and 2013?

Clarification on Additional Topics

- Is contract signing (December 2008) the only time a customer can sign-up for the Load Growth Tier 2 rate?
- The August 8 Tier 2 rate alternatives handout said that participants in the Load Growth rate would have a one time opportunity to combine the rate with another Tier 2 rate alternative and/or a non-federal resource, as long as those quantities were stated at contract signing. While changes have occurred since then, participants in the Load Growth rate should still have an opportunity to add another Tier 2 rate and/or non-federal resource. This is particularly important for utilities needing to incorporate renewable energy into their portfolios.