Bonneville Power Administration

Customer Comments on the BPA Stakeholder Meeting addressing the Imbalance Service public process April 11, 2014

Comments Received from
Western Public Agencies Group

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COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP ON ANCILLARY AND CONTROL AREA SERVICES AND RATE ISSUES

Submitted: April 11, 2014

The utilities that comprise the Western Public Agencies Group ("WPAG") appreciate this opportunity to submit this response to the Bonneville Power Administration's ("BPA") request for comment on the scope of the Ancillary and Control Area Services ("ACS") component of the upcoming BP-16 rate proceeding. Specifically, BPA has asked customers to comment on whether the following issues, or a subpart thereof, should be established in the rate case or prior to the rate case in a separate and new public process:

(1) The service definition for imbalance services;

(2) The methodology to calculate the total quantity of balancing reserve capacity needed to provide imbalance service; and

(3) The methodology to determine the quantity of balancing reserve capacity that can be provided for ancillary and control area services from the FCRPS.

At this time, the WPAG utilities are in favor of keeping each of the above issues in the rate case. One reason is that we do not believe that when it comes to ACS related issues that the region and BPA's customers are ready for BPA's proposal. The natural corollary that BPA's proposal brings to mind is the Tiered Rate Methodology ("TRM"). In many respects the TRM established many of the terms and conditions, and other matters, associated with BPA's power rates in a prior 7(i) process. These terms and conditions are now essentially locked-in for the duration of the Regional Dialogue Contracts. This means that many issues that were very contentious in prior rate proceedings are no longer litigated within the rate case.

BPA is not suggesting to conduct a separate 7(i) process in this instance. However, even if it was, the context of the when and how the TRM was developed is informative in considering BPA's proposal. The TRM was developed over several years during a detailed dialogue between BPA and its power customers. In addition, the TRM was only developed after BPA and its customers had already spent the previous 25+ plus years litigating the meaning of the Northwest Power Act and power rates developed thereunder. By the time the TRM was developed the region had a fairly good handle on the relevant issues, tradeoffs and risks. In the main, the region was ready to try something new.

In contrast, the ACS component of the rate case is relatively new. The ACS landscape can and has changed dramatically from rate period to rate period. This is due to any number of factors including, but not limited to, technological and market advancements, new BPA business practices, Federal Energy Regulatory Commission or other regulatory guidance, State renewable portfolio standards, and/or action or inaction by Congress. Further, based on the briefing in the BP-14 rate case on ACS issues, there is little to no common ground between the various customer groups as to any of the three issues BPA is now proposing to take out of the rate case. Until things settle down, rate case parties, on both sides of the issue, are rightly hesitant to agree

to forgo the procedural rights and protections afforded under section 7(i) in favor of a notice and comment process conducted outside of the rate case.

This is no less true for the WPAG utilities. Although we appreciate BPA staff's thinking in making their proposal, we believe that even if BPA were to initially establish some or all of the above issues outside of the rate case that there still needs to be a clear and cogent pathway for rate case parties to challenge the outcomes of those earlier processes within the rate case. Because this would likely not provide BPA the pre-rate case finality it is seeking, we recommend that for now BPA simply keep all of the ACS related issues in the rate case.

Thank you for the opportunity to comment on this matter.