

**COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP
REGARDING BP-22/TC-22/EIM PHASE III**

The utilities comprising the Western Public Agencies Group (“WPAG”) appreciate this opportunity to comment on select topics presented by the Bonneville Power Administration (“BPA”) at its BP-22, TC-22 and EIM Phase III workshop held on July 28th, 29th, and 30th.

1. Tier 2 Rates

The WPAG utilities support BPA staff’s proposal to use the same methodology used in BP-20 to set BP-22 Tier 2 rates for both the Load Growth and Short-Term rate products.

However, we recommend that BPA not include a carbon adder for the Short-Term and Load Growth rates for the BP-22 rate period as posited by BPA staff. While it is reasonable to assume that the carbon neutral and carbon free requirements under Washington’s new Clean Energy Transformation Act (“CETA”) will eventually increase the demand for low carbon energy within the Northwest, the brunt of such increased demand will occur well after the BP-22 rate period when the carbon neutral requirements under CETA begin to apply in 2030. Accordingly, at the very least, the timing of BPA’s proposal is approximately 6-8 years too soon.

2. Treatment of EIM Charge Codes Within Power Rates in BP-22

According to BPA, BPA’s possible entry into the Energy Imbalance Market (“EIM”) during the BP-22 rate period comes with a great deal of uncertainty as to the costs and benefits Power Services will receive from the market. For this reason, BPA staff proposes to assume that EIM benefits and costs will be net neutral when setting power rates for the BP-22 rate period. While it is unclear from BPA’s presentation, we assume that BPA’s “net neutral” proposal would encompass all of the benefits and costs to be allocated to Power Services under both the Participating Resource Scheduling Coordinator (“PRSC”) Charge Codes and the EIM Entity Scheduling Coordinator (“EESC”) Charge Codes. We respectfully request that BPA confirm whether this assumption is the correct understanding of BPA’s proposal.

Assuming it is, BPA’s net neutral proposal is likely the most conservative EIM assumption BPA can use in setting BP-22 power rates. If this were not the case, then BPA’s participation in the EIM would be a net cost to Power Services and BPA’s business case for joining the EIM in the first place would dissipate. As BPA noted in its presentation, the E3 Study estimated annual dispatch benefits of \$36-\$40 million/year. While BPA makes a fair case that it may be unreasonable to assume that the agency will realize the full level of projected benefits in its first rate period of EIM participation, it is likely equally unreasonable to assume that the net benefits to BPA from participating in the EIM during the BP-22 rate period will be zero. While we understand that if BPA does use a net neutral EIM assumption in setting rates that any additional EIM revenue actually realized by BPA during the rate period will build financial reserves, we also understand that a more reasonable assumption would (i) lower the initial BP-22 power rates during a period of historic economic dislocation and (ii) be more consistent with BPA’s business case for joining the EIM in the first instance. Ultimately, we see this issue connected with BPA’s proposal to

change how it treats net secondary revenue when setting power rates and recommend that it be folded into that greater discussion.

Finally, we understand that BPA's participation in the EIM may result in changes to the "off-the-top" obligations for the FCRPS that BPA uses to determine the "capability" made to Slice customers under the Slice product, and thereby reduce said capability. Accordingly, we agree that BPA and its customers should consider methods to mitigate the potential adverse impacts that BPA's participation in the EIM may have on Slice customers. The method chosen must be fair to all of BPA's power customers (i.e., load following, slice/block, and block) and apportion both the benefits and costs of EIM participation in an equitable manner that is consistent with BPA's Tiered Rate Methodology.

3. Generation Inputs

The WPAG utilities are generally supportive of BPA's proposed Alternative 3 to remove the existing deviation bands for the energy imbalance and generation imbalance services. The purpose of the deviation bands is to incent energy and generation imbalance customers to submit more accurate schedules. However, BPA's proposal to suballocate over/under scheduling penalties and possibly retain the persistent and intentional deviation penalties are also intended to achieve a similar, if not the same, purpose. While incentivizing good scheduling behavior will continue to be important in the EIM, BPA should not require locational marginal pricing, the deviation bands, the persistent deviation penalty, the intentional deviation penalty, and suballocation of the over/under scheduling penalties to achieve this objective. For this reason, we recommend that BPA look to eliminate the deviation bands and modify the persistent and intentional deviation penalties in a way that still incentivizes good scheduling behaviors but in a manner that better aligns with the EIM.