

**COMMENTS
OF BONNEVILLE POWER ADMINISTRATION
ON PACIFICORP'S DRAFT BUSINESS PRACTICE #64, REVISION NO. 2
POSTED FEBRUARY 7, 2017**

The Bonneville Power Administration ("Bonneville") has identified a discrepancy between the reserve obligation and the resulting "remaining obligation" in the example PacifiCorp provided in the proposed amendment of BP #64 issued on February 7, 2017. Bonneville seeks PacifiCorp's clarification on this issue as it appears that PacifiCorp's calculation results in an over recovery in PacifiCorp's costs for Schedules 5 and 6.

PacifiCorp's example calculation for a Network Customer's Self-Supply Reserve Obligation uses a total reserve obligation of 200 MWh (90 MWh for load 110 MWh for generation) multiplied by 3% which equals 6 MWh. The 6 MWh is further broken down to supplemental and spinning reserve requirements or 3 MWh for each reserve product when multiplied by 1.5% or divided by 2 as in the example. Therefore the customer's total reserve obligation is 6 MWh or:

3 MWh for spinning reserve (schedule 5)

3 MWh for supplemental reserve (schedule 6)

In the example the customer provides two 1 MWh tags for self-supply 1 MWh for spinning and 1 MWh for supplemental. This should leave the customer with a remaining total reserve obligation of 4 MWh (2 MWh for spinning and 2 MWh for supplemental), as indicated in section 7 (b) of the example calculation.

At this point, if PacifiCorp followed the current business practice the reserve rate would only be applied to 2 MWh for each reserve component and PacifiCorp would fully recover costs for the 6 MWh obligation (1 MWh spin tag + 1 MWh sup. tag + 2 MWh spin deficit + 2 MWh sup. deficit) = 6 MWh. However, in the proposed revised business practice PacifiCorp multiplies the 2 MWh deficit for spinning and supplemental reserves by 2. At this point PacifiCorp's proposal would result in the customer now being deficient by 4 MWh for each reserve component leaving the customer with a total deficit of 8 MWh (See section 7(c) of the example calculation). When accounting for the two 1 MWh self-supplied reserve tags and the 8 MWh deficit charge the customer will have provided (both physically and financially) 10 MWh of operating reserves for only a 6 MWh obligation resulting in an over charge of 4 MWh.

$(1 \text{ MWh spin tag} + 1 \text{ MWh sup. tag} + 4 \text{ MWh spin deficit} + 4 \text{ MWh sup. deficit}) = 10 \text{ MWh} - 6 \text{ MWh obligation} = \text{an over requirement (charge) of 4 MWh}$

It appears to Bonneville that PacifiCorp's proposed amendment would over recover PacifiCorp's costs when supplying reserves for customers who are deficient on their self-supply reserve obligation due to an under scheduling of their capacity tags. If Bonneville erred in its analysis then we would request PacifiCorp to indicate at what step in the calculation Bonneville has made the error. If Bonneville's interpretation of PacifiCorp's example is correct, then PacifiCorp needs to explain why it is appropriate to multiply the reserve obligation deficit by 2. Due to the very short time period set by PacifiCorp to comment on the amendment it will not be possible for Bonneville's questions to be answered before the

close of the comment period. Bonneville requests that PacifiCorp not amend BP #64 at this time, and that PacifiCorp wait until the parties can come to a mutual understanding of the proper method for calculating Schedules 5 and 6 requirements.