

**COMMENTS
OF
UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS
ON PACIFICORP'S DRAFT BUSINESS PRACTICE #64, REVISION NO. 2
POSTED FEBRUARY 7, 2017**

February 10, 2017

First, Utah Associated Municipal Power Systems (“UAMPS”) wants to state that posting this draft business practice on the evening of February 7, 2017, asking for comments by February 10, 2017 for implementation on February 13, 2017 does not comply with Business Practice #13, Rev. 10. We understand that BP #13 has a clause for “exceptional circumstances,” but question whether “aligning” the effective date of the revision with the effective date of the rates proposed (but not approved) in FERC Docket No. ER17-219 (the “Ancillary Services Case”) for the convenience of PacifiCorp would fall under that provision. UAMPS strenuously objects to rushing the comment and review period merely so PacifiCorp can begin collecting higher revenues earlier than would be the case under BP #13’s standard processes.

That said, as shown in UAMPS’ “RENEWED AND SUPPLEMENTAL PROTEST OF UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS” dated January 4, 2017, changes to the calculation of the amount of contingency reserves under legacy agreements as proposed by PacifiCorp both in the Ancillary Services Case and in this revision to BP #64 are incorrect. A simple review of UAMPS’ invoices for reserves from October 1, 2014 and Confidential Exhibit No. PAC-25 in the Ancillary Services Case shows that the billings for contingency reserves have been correct under the TSOA, the OATT, BAL-002-WECC-2 and the original version of BP #64. There is absolutely no need to double the Schedule 5 and Schedule 6 obligation as proposed in the Ancillary Services Case and this draft revision to BP #64.

Furthermore, even if an adjustment to billing determinants to account for generation obligations were correct, which it is NOT, and UAMPS had its contingency reserve obligation calculated only on its load in its billing since October 1, 2014 as suggested in the Ancillary Services Case, multiplying its obligation by 2 would be incorrect because UAMPS’ generation obligation is not equal to its load obligation. Because of firm power supply contracts under which the supplier is carrying the reserves, UAMPS generation subject to having reserves is much less than its load. Accordingly, a 2x multiplier does not reflect the actual data for UAMPS. To the contrary, the “Calculation Description” provided for Schedule 5 and Schedule 6 in PacifiCorp’s December 16, 2016 “Motion for Leave to File Answer; Answer of PacifiCorp to Protests, Comments and Motions Seeking Rejection or Institution of a Section 206 Proceeding; and Request for Waiver” (the Amended Application” in the Ancillary Services Case, when combined with the detailed backup information in Confidential Exhibit PAC-25, reveal that customers like UAMPS would be significantly overcharged under PacifiCorp’s proposal.

When the new NERC Standard BAL-002-WECC-2 became effective on October 1, 2014, requiring BAAs to carry contingency reserves based on 3% of load and 3% of generation, regardless of type, PacifiCorp faced a problem because changing from reserve obligations based

on generation only to obligations based on generation and load would necessarily cause a change in the billing determinants on which the rates for those reserve obligations were based. Because a Moratorium Period fixed the rates in the transmission Settlement Agreement in FERC Docket No. ER11-3643, however, PacifiCorp was unable to change its rates to reflect those new billing determinants. This predicament caused PacifiCorp and its transmission customers to collaboratively develop BP #64, which was posted on February 6, 2015 but made effective October 1, 2014. BP #64 was put in place to align PacifiCorp's new reserve obligations under BAL-002-WECC-2 and those of its customers, especially those who self-provided some of their obligations. Even though the standard changed the billing determinants, no filing was made to amend the rates that were developed under the prior standard. So the old rates were and have been applied to the new billing determinants.

PacifiCorp has been billing UAMPS for contingency reserves pursuant to BP #64 for service from October 1, 2014, which completely reflects the provisions of BAL-002-WECC-2 establishing the reserves obligation based on load and generation. Yet, in the "Calculation Description" included as a note to the revised Statements BG and BH that are included in Exhibit PAC-23 to PacifiCorp's Amended Application in the Ancillary Services Case, PacifiCorp states that the reserve obligations for UAMPS calculated pursuant to BP #64 should actually be multiplied by two, in accordance with a "revised" BP #64, which did not exist at that time but which we assume is the document posted on February 7, 2017.

In PacifiCorp's Initial Filing in the Ancillary Services Case, see Exhibit PAC-1 (Testimony of Sarah Edmunds) at 18, lines 18-19, and its Amended Application, see Amended Application at 40, respectively, PacifiCorp states that the rate revisions proposed in that docket for Schedules 5 and 6 are responsive to "new" "changes" wrought by the BAL-002-WECC-2 reliability standard. As stated above, however, the changes to PacifiCorp's contingency reserve requirements are not new, and nothing in BAL-002-WECC-2 has been changed since BP #64 was developed and became effective more than two years ago.

Moreover, the stated justification for doubling UAMPS' contingency reserve obligation as stated in the "Calculation Description" note accompanying revised schedules BG and BH is that "the current rate applies only to load." Contrary to PacifiCorp's assertions, the existing rate has in fact been applied both to load *and* generation, as is shown for Test Year 2015 in Confidential Exhibit PAC-25, included with PacifiCorp's Amended Application, in column E (load) and Columns G through AF (generation). The entries in those columns, showing application of the existing rate to *both* load and generation, closely matches the data included in UAMPS' bills for 2015 (UAMPS assumes that the minor discrepancies are attributable to billing corrections).

UAMPS believes that the proposed modification of BP #64 is in error. That issue will be decided in the Ancillary Services Docket in connection with the rates proposed therein. We suggest that PacifiCorp, therefore, leave the Business Practice as is rather than compounding its error by hastily and prematurely revising the Business Practice to reflect a calculation that is before the FERC for decision.