

**BEFORE THE
UNITED STATES DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION**

IN THE MATTER OF	}	No. TRM-12S
2012 TIERED RATE METHODOLOGY	}	STATEMENT OF POSITION
SUPPLEMENTAL PROCEEDING	}	OF PNGC GROUP

Pursuant to the Amended Procedural Schedule established by TRM-12S-HOO-06, Pacific Northwest Generating Cooperative and its Members (PNGC Group)¹ hereby submit their Statement of Position, as follows:

I. Introduction

Pacific Northwest Generating Cooperative for itself and its Members (PNGC Group)² submits the following Statement of Position on proposed changes to the Tiered Rate Methodology (TRM) Supplemental Proposal. This Statement focuses on the proposed changes to the TRM’s Contract High Watermark (CHWM)

During the development of the original TRM CHWM approach, PNGC Group expressed concern that the CHWM process would not adequately take into account the effects of a economic recession on the Measured FY 2010 Load. Our concerns were twofold:

1. That an economic downturn would result in load reductions in our Members’ service areas across all economic sectors.
2. That specific industries in our Members’ service areas would be directly affected in addition to any general load reductions.

¹ This filing is made on behalf of PNGC and 14 of its 15 Members. Salmon River Electric Cooperative (SREC) has filed a separate Statement of Position, TR-12S-B-SR-01.

² See Footnote 1. SREC’s position is separately stated.

Subsequent discussions during the TRM Clean-Up and the advent of a deep economic downturn increased the concern of most of public power that as written, the TRM's CHWM process based on actual 2010 loads would understate a utility's CHWM for the entire contract period. Discussion between BPA and the customers resulted in proposed revisions that would provide for the calculation of a provisional CHWM for qualifying loads reduction due to economic conditions.

The proposed approach covers both of the issues concerning PNGC's Members. We support the revisions to the TRM that create two provisional load loss paths and retain the approach of using Measured FY 2010 Load.

II. Comments on PATH 1- Specific Load Loss Adjustment

This path allows for provisional CHWM for specific industries, but places requirements on the size of load loss:

1. For load loss due to a discrete event, the load loss must be at least 10 aMW or 10 percent of the Measured FY 2010 Load or;
2. For a specific customer, for any reason, if the load loss is at least 5 aMW or 10 percent of the customer's Measured FY 2010 load.

Our Members find these limits to be exclusive of many of the industrial loads in their service areas. For the types of rural service area and our Members' utility size, industrial loads of 1 aMW are large and important to their communities. We suggest that BPA revise the percent limit in the above criteria to 5 percent for utilities with rural service areas. Such an approach would provide utilities with smaller industries in rural communities additional opportunity to request a load loss adjustment under this path. By allowing this provision for rural utilities, the

amount of actions for which BPA may receive requests is limited, but is potentially more responsive to the specific sizes of industries in our Members' service areas.

III. Comments on PATH 2 – General Load Loss Adjustment

PNGC's Members appreciate the inclusion of PATH 2 in the proposed revisions to the CHWM calculation. It is obvious when specific industries close or reduce load due to the economic downturn, but the recession's impacts on the overall load at a utility are not so clear. We support the inclusion of this path in the provisional CHWM approach, as it provides the opportunity to achieve the overall goal of having utilities receive the proper CHWM.

IV. Comments on Turning Provisional Loads to Permanent

The rules for testing whether provisional loads amounts are retained as permanent CHWM are complicated. However, they do seem to meet the test of insuring that utilities will receive the proper CHWM. Our concern is that the specific time requirements of testing the retention of provisional loads in FY 2013 may not adequately account for the depth and length of the recession. We suggest that the final TRM allow for the modification of the test dates, if the economy's recovery is slower than currently expected. BPA could do so by allowing for the waiver of the dates if the recession persists.

DATED this 30th day of July, 2009.

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By s/ R. Erick Johnson
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