



PLATTE RIVER  
POWER AUTHORITY

Estes Park • Fort Collins • Longmont • Loveland

OFFICIAL FILE COPY WESTERN ROCKY MOUNTAIN REGION		
08/04/03		
INFO COPY TO:		
Route to:	Initials	Date
J0000	JCS	8/4
J4000		

July 31, 2003

Mr. Joel K. Bladow, Regional Manager  
Rocky Mountain Customer Service Region  
Western Area Power Administration  
5555 East Crossroads Boulevard  
Loveland, CO 80538-8986

Dear Joel:

Platte River Power Authority appreciates the opportunity to comment on the proposed rate adjustment for Loveland Area Projects transmission and ancillary services. As you know, Platte River is the sole electricity supplier to the Cities of Fort Collins, Longmont and Loveland, and to the Town of Estes Park. All of these municipalities currently purchase wind energy from Platte River's Medicine Bow Wind Project, located in Western's control area. Any increases in ancillary services or transmission charges from Western would directly impact customers in these communities. Overall, we understand the need for recovery of costs associated with wind resources operating on Western's system. However, we want to ensure that charges for wind resources are equitable, based on accurate data and a system level perspective. Our specific concerns regarding the proposed rates are summarized below:

- **Rates should reflect system impacts vs. individual plant operations** – The proposed regulation rate applies charges to wind plants individually and separately from the overall system. This appears to discriminate against wind generation, as no other resource or load is treated this way. By considering the aggregation of loads and resources (more consistent with normal system operation), costs for wind integration would likely be lower. Detailed system level studies conducted for other control areas (Bonneville Power Administration, Xcel Energy, PacifiCorp, etc.) have shown costs for integration of wind that are much lower than those anticipated due to Western's new rate. The real cost impact of wind integration is best determined from a system level, the level at which regulation is required (and associated costs are encumbered).
- **Allow changes over time** – Many variables related to wind plant and system operations could change over time and there should be a mechanism for changing the rate based on operating changes. For example, the regulation and energy imbalance charges encourage enhanced forecasting and improved scheduling of wind. Once these operating enhancements are in place and actual system impacts have been evaluated, there should be an opportunity and process for changing the rate to accurately reflect costs. Also, rates should reflect impacts of the actual level of wind generation on the system. Though it may increase in the future, the amount of wind generation is currently very small, leading to relatively small impacts. Finally, the level of hydropower available for regulation will likely change over time, leading to potentially significant operating cost changes. We recommend that the proposed Regulation and Frequency Response Service for Intermittent Resources be implemented as a "pilot" or test rate, for a short period (perhaps one year or so). After the test period, the actual system impacts of existing wind generation can be evaluated and a longer-term rate can be set at that time. The rate could also be reviewed periodically and changed if large amounts of wind generation are added to the system.



Mr. Joel K. Bladow  
Western Area Power Administration  
July 31, 2003  
Page Two

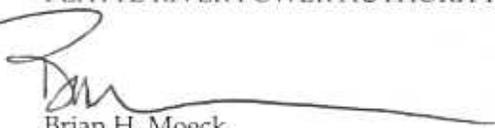
- **Change the basis for estimating regulation costs** – An analysis done by Western indicates that the estimated value for regulation is 27% of the wind plant's maximum output. This estimate appears flawed, as it is based on deviation from a monthly average estimate of wind generation. The real cost for regulation will be based on deviation from the hourly forecast and associated schedule for wind (considering the system level impact), not from historical monthly average generation levels. With good forecasting (and system integration considered), the requirement should be much less than the estimated level of 27%.

Platte River and its member municipalities support increased production and use of renewable energy, based on our customers' interest. In managing our renewable programs, we recognize the need to properly account for and set accurate rates for intermittent renewable energy resources. We also understand Western's recent operating challenges due to hydrology conditions and associated changes in available regulation resources. We encourage Western to consider a system perspective, and to allow changes in rates as hydropower conditions, wind plant forecasting, scheduling performance and the size of wind plant generation on Western's system change over time.

We look forward to hearing from Western regarding our comments on the proposed rate adjustment for Loveland Area Projects transmission and ancillary services. Please contact me if you have any questions regarding these comments.

Sincerely,

PLATTE RIVER POWER AUTHORITY



Brian H. Moeck  
General Manager

cc: Mr. Michael Smith, General Manager, Fort Collins Utilities  
Mr. Tom Roiniotis, Director, Longmont Power and Communications  
Mr. Ralph Mullinix, Director, Loveland Water & Power  
Mr. Bill Linnane, Director, Town of Estes Park