

132 FERC ¶ 61,128  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Marc Spitzer, Philip D. Moeller,  
John R. Norris, and Cheryl A. LaFleur.

Puget Sound Energy, Inc.

Docket No. ER10-1436-000

ORDER REJECTING PROPOSED TARIFF REVISIONS

(Issued August 13, 2010)

1. On June 14, 2010, Puget Sound Energy, Inc. (Puget) filed a new Schedule 12, Wind Integration Within-Hour Generation Following Service (Wind Following Service) to its Open Access Transmission Tariff (OATT). Puget's proposed Schedule 12 Wind Following Service requires Puget to offer, and all wind generation resources in Puget's balancing authority area (BAA) to purchase or otherwise account for, Schedule 12 Wind Following Service from Puget; the cost of this service is based upon the incremental cost of a proxy generation unit that does not currently provide this service or even exist on Puget's system. In this order, the Commission rejects Puget's proposal, without prejudice, as discussed below.

**I. Background**

2. Puget states that under the North American Electric Reliability Corporation's (NERC) Reliability Standards, BAAs such as Puget are responsible for continuously balancing generating resources with load and must maintain sufficient regulating reserves to keep their systems balanced. Puget claims that NERC measures a balancing authority's compliance with this requirement through the Control Performance Standard 2, which measures the system's balance over 10-minute intervals. Puget states that in order to be in compliance, a BAA must pass this measurement in at least 90 percent of the 10-minute intervals in each month and that meeting these reliability criteria requires the availability of flexible, fast-start regulating reserves.

3. Puget states that it currently balances its system using a combination of hydroelectric and natural gas-fired generating capacity. Puget adds that it does not generate surplus power; rather, it buys more power on an annual basis than it sells off-system. Therefore, Puget explains that devoting additional resources to following the variability of new wind generation resources on Puget's system could impair Puget's

ability to serve its native load.<sup>1</sup> Moreover, Puget asserts that the flexibility of its hydroelectric resources is diminishing due to reductions in the availability of hydroelectric resources and natural hydroelectric operating constraints. Puget states that it will likely not have enough flexible capacity to balance the system variability caused by its native load in addition to that caused by wind generation. Puget argues that the capacity required to follow wind generation represents an incremental cost to Puget, and that this incremental cost should be borne by wind generators operating within Puget's BAA, rather than being shouldered solely by native load.

## II. Puget's Filing

4. Puget asserts that its proposed Wind Following Service represents a mechanism that will allow Puget to recover the capacity costs associated with following and balancing the within-hour variations in output from wind generation in Puget's BAA. Under proposed Schedule 12, Puget must offer Wind Following Service to all wind generation resources located within Puget's BAA.<sup>2</sup> Puget's proposal would require wind resources either to purchase the Schedule 12 Wind Following Service from Puget or demonstrate that they have entered into a mutually acceptable contractual arrangement with a neighboring control area operator to dynamically transfer the energy to another control area, or to self-supply the service in a manner that is equivalent to dynamic transfer.<sup>3</sup>

5. Puget explains that its proposed Wind Following Service rate is based on two factors: (1) the percentage of a wind generator's installed capacity that must be backed up with following capacity, referred to as the Following Capacity Allocation Factor (Allocation Factor), and (2) the incremental monthly cost of reserving one kilowatt of fast starting and quick responding natural gas fired generation capacity, referred to as the Following Capacity Fixed Charge (Fixed Charge). Puget multiplies the Allocation Factor by the Fixed Charge to derive its monthly charge for following capacity.

6. To calculate the Allocation Factor, Puget employed a five-step approach using 10-minute interval data from calendar year 2009. First, Puget calculated the amount of following capacity (144.9 MW of following capacity) that is required for Puget to

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<sup>1</sup> See Puget June 14, 2010 Transmittal Letter at 9.

<sup>2</sup> Puget states that Schedule 12 will apply to all wind generation in Puget's BAA, regardless of whether the generation serves load within the Puget BAA or outside the Puget BAA.

<sup>3</sup> Puget June 14, 2010 Filing (proposing FERC Electric Tariff, 8<sup>th</sup> Revised Volume No. 7, Original Sheet No. 161A).

manage within-the-hour variations in its BAA loads, consistent with NERC and Western Electricity Coordinating Council (WECC) reliability criteria. Second, Puget computed the amount of following capacity (157.2 MW of following capacity) that is required to balance the variability of wind generation on a stand-alone basis, combining all wind generation in its BAA to capture offsetting diversity benefits.<sup>4</sup> Third, Puget calculated the total amount of following capacity (216.2 MW of following capacity) needed for it to manage within-the-hour variations in both its BAA loads and wind generation facilities. Fourth, Puget subtracted the amount of following capacity needed to balance only BAA loads from the total amount needed to balance BAA loads and wind generation facilities, resulting in the amount of incremental following capacity needed to balance wind generation, taking into account offsetting load and wind generation variations (216.2 MW less 144.9 MW, resulting in 71.3 MW of following service attributable only to wind generation resources). Finally, Puget divided the 71.3 MW of incremental following service by the 393.4 MW of total installed wind capacity in Puget's BAA during 2009 to derive an Allocation Factor of 18.1 percent.<sup>5</sup>

7. Puget states that this portfolio-wide study takes into account the diversity among deviations of all system resources and load. Puget commits to updating the Allocation Factor annually based on the previous calendar year's historical data. Puget states that this will encourage accurate wind scheduling practices because the benefits of increased forecasting accuracy would be recognized in the re-calculation of the Allocation Factor.

8. Puget next explains its derivation of the Fixed Charge, arguing that it is appropriate to calculate the Fixed Charge based on the incremental cost rather than the embedded system cost of flexible generation. Puget states that it currently has sufficient stored hydroelectric capacity to balance the variable output of wind generation on its system, but that it anticipates increases in interconnected wind generation, which will create a capacity shortfall in the future. Puget explains that its stored hydroelectric capacity was paid for by its native load and is used by Puget to provide an array of system functions that allows Puget to provide its retail customers with a lower cost of service, thereby reducing Puget's retail revenue requirements for the benefit of its native load customers.<sup>6</sup> According to Puget, dedicating stored hydroelectric capacity for use by

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<sup>4</sup> Diversity describes the effect of offsetting deviations between different customers. For example, a fluctuation decreasing one customer's value and a fluctuation increasing another customer's value would be a diversity benefit, as the two deviations would offset each other. *Westar Energy, Inc.*, 130 FERC ¶ 61,215, at P 11 n.9 (2010).

<sup>5</sup> See Puget June 14, 2010 Filing, at Exh. PSE-200 (Testimony of Lloyd C. Reed at 14-15 (Reed Testimony)).

<sup>6</sup> See Puget June 14, 2010 Transmittal Letter at 12.

wind generation would present a steep opportunity cost to Puget's native load customers, and shifting this stored hydroelectric capacity to a wind balancing function would inappropriately subsidize the cost of providing following capacity to wind generation.

9. Puget bases its calculation of the Fixed Charge on the capital cost of Available Flexible Capacity from a proxy generating unit, the General Electric LMS100 (Proxy unit). Puget selected the Proxy unit from a group of five commercially available peaking units because in Puget's estimation, it provided the best balance between capital cost, operational flexibility, and reliability.<sup>7</sup> Puget believes the Proxy unit represents the best price available for the marginal cost of fast-start, quick-responding capacity.

10. Puget contends that it is inappropriate to use its embedded fossil fuel generation to determine the Fixed Charge, because the Available Flexible Capacity<sup>8</sup> on Puget's existing Mint Farm generating facility has a higher per unit embedded cost than the Available Flexible Capacity from a new hypothetical peaking unit. Puget compares the costs of its Proxy unit with the costs of the Mint Farm generating facility because Mint Farm is the most recent generation acquisition on Puget's system. Puget therefore argues that Mint Farm represents the amount that retail customers are currently expecting to pay for new capacity on Puget's system. Moreover, Puget states that the price of its Wind Following Service should be based on the incremental cost of adding lower cost flexible capacity to its system. Puget asserts that pricing Wind Following Service based on Puget's marginal cost of adding such capacity will send the proper price signal to Puget to expand its flexible capacity reserves as additional wind generation is developed within its BAA.

11. Puget contends that it will retain the flexibility to make higher priced capacity additions based on its total system needs, if doing so would be more economically efficient in the long term than adding the above-described Proxy unit upon which Puget develops its Fixed Charge. Puget states that it has an established Integrated Resource Planning process that guides its acquisition of new generating resources and/or long-term wholesale purchase agreements. Puget explains that this process incorporates multiple planning criteria; the provision of Wind Following Service is only one of many factors Puget considers when choosing what new generating units, if any, to add to its resource portfolio.<sup>9</sup>

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<sup>7</sup> *See id.* at 6.

<sup>8</sup> Available Flexible Capacity is a measure of the maximum amount of within-the-hour generation "swing" that a generating facility is capable of providing.

<sup>9</sup> *See Reed Testimony* at 26.

12. Puget also indicates that incremental pricing for Schedule 12 Wind Following Service is consistent with the Commission's guidance in Order No. 890 with respect to the pricing of energy and generator imbalances. Puget notes that the Commission allows the incremental cost of generator imbalance energy to be defined as either the transmission provider's actual cost of energy dispatched to serve its native load, or as a proxy for the incremental cost of acquiring energy that is tied to a market index.

### **III. Notice of Filing and Responsive Pleadings**

13. Notice of Puget's filing was published in the *Federal Register*, 75 Fed. Reg. 35,784 (2010), with interventions or protests due on or before July 13, 2010. Arizona Public Service Company, Avista Corporation, and PacifiCorp filed timely motions to intervene. Public Power Council, Public Generating Pool<sup>10</sup> and City of Seattle, Washington (by and through its City Light Department) filed motions to intervene out-of-time. Invenergy Wind North America LLC (Invenergy), Iberdrola Renewables, Inc. (Iberdrola), Pacific Gas and Electric Company (PG&E), Northwest and Intermountain Power Producers Coalition (NIPPC), American Wind Energy Association, jointly with the Renewable Northwest Project and the Center for Energy Efficiency and Renewable Technologies<sup>11</sup> filed timely motions to intervene and protests. Xcel Energy Services Inc. (Xcel), Bonneville Power Administration (Bonneville), and Powerex Corp. (Powerex) filed timely motions to intervene and comments. On July 28, 2010, Puget filed an answer to protests. On August 3, 2010, Invenergy filed an answer to Puget's answer, and on August 6, 2010, AWEA also filed an answer to Puget's answer. On August 10, 2010, Public Generating Pool and City of Seattle, Washington, filed an answer in support of Puget's filing. On August 12, 2010, Powerex filed an answer to Puget's answer.

#### **A. Comments and Protests**

14. In its comments, Xcel states that it supports Puget's proposal to recover the costs for Puget to carry additional reserves that enable Puget to respond to events in its BAA caused by the variations in wind resource output. Bonneville also expresses support for Puget's efforts to provide a wind balancing service that allows for full cost recovery and

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<sup>10</sup> Public Generating Pool consists of the following utilities: Eugene Water and Electric Board; Clark Public Utilities; Klickitat County PUD; Cowlitz County PUD; Tacoma Power; Chelan County PUD; Snohomish County PUD; Grant County PUD; Douglas County PUD; and Pend Oreille County PUD.

<sup>11</sup> For the purposes of this order, we will refer to these joint protesters as "AWEA."

risk protections for its native load customers, while at the same time promoting and accommodating wind generation in its BAA.

15. Powerex supports Puget's goal of establishing Wind Following Service, but Powerex requests that Puget make a supplemental filing addressing the following: (1) Puget should clearly describe all self-supply options in its Schedule 12; (2) Puget should establish transparent and non-discriminatory rules and procedures for establishing dynamic transfer limits and for allocating dynamic scheduling capability; (3) Puget's Wind Following Service rate should contain a rate for on-peak service and a rate for off-peak service because the resources that are used during on-peak and off-peak hours are substantially different; and (4) Puget should confirm that it will not subject wind generators to curtailments on the basis that it has insufficient Wind Following Service.<sup>12</sup> PG&E also seeks additional information to confirm whether wind resources that pay for Wind Following Service will be subject to curtailment.

16. AWEA, NIPPC, and Invenegy oppose Puget's Wind Following Service, claiming that any costs experienced by Puget are the result of a failure to adopt mitigating operating protocols (e.g., AWEA, NIPPC, and Invenegy argue that Puget should increase balancing area coordination/consolidation and utilize faster dispatch intervals). AWEA and Invenegy argue that it is not just and reasonable for Puget to implement a Wind Following Service without first pursuing these reforms or considering other cost effective possibilities, such as using load-control mechanisms to address the added variability of wind.<sup>13</sup> PG&E states that a coordinated mechanism for dynamically scheduling variable energy resources across multiple BAAs within the WECC does not yet exist, and therefore, there are no viable options for self-provision under Schedule 12.<sup>14</sup>

17. In its protest, AWEA asserts that Puget assesses charges under Schedules 3 and 13 of its OATT for regulation and frequency response service for deliveries within and outside its control area, and that Schedule 12 singles out wind generators for what AWEA believes to be a duplicative regulation service charge.<sup>15</sup> PG&E seeks additional information from Puget on how Schedules 3, 4, 9, and 12 interact, and it asks that Puget

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<sup>12</sup> See Powerex July 13, 2010 Protest at 6-7.

<sup>13</sup> See AWEA July 13, 2010 Protest at 7; Invenegy July 13, 2010 Protest at 11.

<sup>14</sup> See PG&E July 13, 2010 Protest at 4.

<sup>15</sup> See AWEA July 13, 2010 Protest at 3.

confirm that these schedules do not result in duplicative cost recovery, and therefore, unjust and unreasonable rates.<sup>16</sup>

18. AWEA and Iberdrola explain that the capacity needed to bring generation up when the wind falls off is the same capacity needed to meet load variations in Puget's BAA absent any wind generation in the first place. For this reason, AWEA and Iberdrola argue that it is incorrect to view Wind Following Service as an incremental requirement. They argue that it is discriminatory for Puget not to use its existing resources to accommodate wind based on the contention that native load customers have paid for these resources in the past. Iberdrola contends that Puget's customers pay for the service they receive not the specific assets used to provide the service.

19. AWEA also points out that Puget's discussion of flexible capacity provides no information on its current ramping capability, nor has Puget shown that the proxy generating plants' capacity is required for Wind Following Service. AWEA states that Puget has no plans to acquire the Proxy generating units it uses to calculate the Fixed Charge and that the hypothetical costs from these generating units exceed the costs of the generating units Puget uses to provide regulation service.<sup>17</sup> AWEA contends that Puget should be required to demonstrate actual costs of providing balancing services and not equate incremental balancing requirements with the cost of acquiring a proxy resource dedicated to system balancing separate from any other benefits such as meeting load. Invenergy states that there is no reason to believe that the wind resources on Puget's system cause Puget to require incremental capacity, but even if there were such a requirement, there is no reason to believe that it would most efficiently be satisfied by Puget's building a new resource. Rather, according to Invenergy, increasing the ramping capability of Puget's existing units would likely be a more cost-efficient solution than acquiring a new facility.<sup>18</sup>

20. AWEA, Invenergy, NIPPC, and Iberdrola argue that Puget would collect considerably more than the actual costs Puget incurs in providing regulating capacity. AWEA also states that Puget did not provide supporting data or analysis to show that its marginal cost pricing would actually send economically efficient price signals.<sup>19</sup> Therefore, they contend that the proposed charge should be rejected. In addition,

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<sup>16</sup> See PG&E July 13, 2010 Protest at 4-5.

<sup>17</sup> See AWEA July 13, 2010 Protest at 11.

<sup>18</sup> See Invenergy July 13, 2010 Protest at 12.

<sup>19</sup> See AWEA July 13, 2010 Protest at 18.

AWEA, NIPPC, and Invenergy assert that it would be unduly discriminatory to apply these charges only to wind generation, and that doing so would provide preferential treatment to other non-wind resources.

21. NIPPC argues that, unlike Puget's Schedule 9 (Generator Imbalance Service), which uses a proxy price for incremental generator imbalance energy costs based on the Dow Jones Mid-Columbia Firm Power Index, Puget's proposed proxy price for charges under Schedule 12 (capacity) is not based on a liquid trading hub that reflects current market conditions. Additionally, NIPPC contends that the absence of a capacity market hub should not be a reason to default to a proxy price based on the incremental fixed cost of a peaking unit when Puget has not demonstrated lower cost alternatives are unavailable.<sup>20</sup>

**B. Answer**

22. In its answer, Puget states that the service offered under Schedule 12 is not regulation service, as many of the protestors misunderstood it to be. Puget explains that regulation service responds to moment-to-moment variability, but it does not respond to or address within-hour deviations from schedule. Puget explains that following capacity service addresses the within-hour variability of wind by responding to deviations between a wind generator's hour-ahead scheduled output and its 10-minute average output within the hour. Moreover, Puget contends that providing following capacity for such intra-hour scheduling deviations is an obligation of balancing authorities and requires much larger capacity reservations than regulation service.<sup>21</sup>

23. Puget argues that its proposed Wind Following Service does not overlap with existing ancillary service. Puget states that its Wind Following Service was carefully crafted to recover only the cost of the incremental capacity that must be reserved to respond to and accommodate the deviations between a wind generator's hour-ahead schedule and its 10-minute average actual output within the hour. Puget adds that Schedule 12 does not recover the cost of the online regulation reserves that are moved up and down to provide regulation and frequency response service to load and exporting generators under Schedule 3 (Regulation and Frequency Response Service) and Schedule 13 (Regulation and Frequency Response Service for Generators Selling Outside the Control Area), respectively. Thus according to Puget, there is no double recovery between Schedule 12 and Schedules 3 and 13. Puget states that likewise there is no duplicative recovery between Schedule 12 and Schedules 4 (Energy Imbalance Service)

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<sup>20</sup> See NIPPC July 13, 2010 Protest at 8.

<sup>21</sup> See Puget July 28, 2010 Answer at 3.

and 9 (Generator Imbalance Service). Puget explains that Schedules 4 and 9 both involve energy and not capacity charges. Puget states that neither schedule includes a demand or capacity component, nor recovers the costs of capacity necessary to provide balancing service. Thus, Puget asserts there is no overlap between Schedule 12 and Schedules 4 and 9.<sup>22</sup>

24. Puget asserts that it should not be required to dispatch hydroelectric capacity to subsidize the cost of wind following when it would be more economic for Puget's native load to reserve that hydroelectric capacity for peak periods and reduce native load's energy costs. Puget states that the Commission does not limit cost recovery to embedded costs when doing so would prevent the utility from recovering its opportunity costs so as to hold its captive retail customers harmless.<sup>23</sup>

25. Puget argues that under the Commission's "or" pricing policy, it may charge the higher of its embedded cost or opportunity cost of capacity, with opportunity costs capped by an estimate of the incremental cost of adding capacity to its system. Puget asserts that pricing its Wind Following Service in this way sends the appropriate price signal to Puget to build additional capacity when opportunity costs associated with Puget's hydroelectric capacity exceed expansion costs.<sup>24</sup>

26. Puget states that the peaker unit is a generally accepted method used by regulators to estimate marginal capacity costs because a peaking unit would virtually always have the lowest initial ownership costs.<sup>25</sup> Therefore, Puget argues that protestors' objections that Puget has no plans to acquire such a unit are irrelevant, because whichever resource Puget ultimately chooses to build will have higher capacity costs than their proposed Proxy unit.

27. In response to arguments that it is unduly discriminatory for Puget to charge only wind generation for following service and not also non-wind resources, Puget asserts that dispatchable generation is not similarly situated with wind generation because it does not

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<sup>22</sup> See *id.* at 25.

<sup>23</sup> *Id.* at 14 (citing *Pa. Elec. Co.*, 58 FERC ¶ 61,278, at 61,871-75 (*Penelec*), *reh'g denied*, 60 FERC ¶ 61,034 (1992), *aff'd*, *Pa. Elec. Co. v. FERC*, 11 F.3d 207 (D.C. Cir. 1993)).

<sup>24</sup> See *id.* at 16.

<sup>25</sup> *Id.* at 17 (referencing *New York Indep. Sys. Operator, Inc.*, 111 FERC ¶ 61,117 (2005); *Midwest Indep. Transmission Sys. Operator, Inc.*, 118 FERC ¶ 61,009 (2007)).

require the reservation of following capacity for the within-hour timeframe. Puget states that while the generation output of Puget's dispatchable generation does vary slightly from moment-to-moment, such generation fluctuations occur within the regulation time frame and do not require significant capacity reservations to integrate.<sup>26</sup>

#### **IV. Discussion**

##### **A. Procedural Matters**

28. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

29. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedures, 18 C.F.R § 385.214(d) (2010), the Commission will grant the late-filed motions to intervene of Public Power Council, Public Generating Pool, and City of Seattle, Washington, given their interests in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

30. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2010), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Puget's answer because it has provided information that assisted us in our decision-making process. However, we are not persuaded to accept the answer filed by Invenergy on August 3, 2010, the answer filed by AWEA on August 6, 2010, the answer filed by Public Generating Pool and City of Seattle, Washington on August 10, 2010, or the answer filed by Powerex on August 12, 2010, and will, therefore, reject them.

##### **B. Substantive Matters**

31. We reject the tariff sheets containing Puget's proposed Wind Following Service because Puget has not shown that the rate it proposes to charge for the service is just and reasonable. Changing system conditions, such as an increasing amount of wind generation described by Puget, present unique challenges that may require novel solutions. However, such solutions must fit the problems they are intended to solve, and the Commission must ensure that ratepayers are protected from rate proposals—such as the one proposed by Puget here—that are not shown to be related to the actual, demonstrable costs incurred in providing service.

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<sup>26</sup> *See id.* at 31.

32. Section 205(a) of the Federal Power Act (FPA) requires that “[a]ll rates and charges made, demanded, or received . . . shall be just and reasonable.”<sup>27</sup> In determining whether proposed rates meet this standard, the Commission’s long-standing practice has been to ensure that in the aggregate, “rates are designed so that a transmission owner meets, but does not exceed, its revenue requirement.”<sup>28</sup>

33. Puget attempts to justify its use of a proxy rate based on the Commission’s acceptance of proxy rates in the assessment of generator imbalance charges under Schedule 9 of the *pro forma* OATT.<sup>29</sup> Puget seeks to expand this logic beyond the context of imbalance energy charges to the capacity reserves at issue in its Wind Following Service. Puget argues that because there is no existing liquid market for the flexible capacity in the region, it is appropriate for Puget to use the hypothetical capacity costs of a hypothetical generator as a proxy for determining the rate to be charged for this service.

34. However, we find that Puget has not shown that its proposed proxy rate is just and reasonable. In the context of generator imbalance charges, to which Puget cites as support for its proposed rate schedule, the Commission has explained that while it will allow for the recovery of legitimate and verifiable opportunity costs, it will do so only where transmission providers clearly explain how opportunity costs would be determined and demonstrate that the recovery of opportunity costs would not lead to over-recovery of costs.<sup>30</sup> While Puget has explained how it will determine its opportunity costs (based on

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<sup>27</sup> 16 U.S.C. § 824d(a) (2006).

<sup>28</sup> *Inquiry Concerning the Commission’s Pricing Policy for Transmission Services Provided by Public Utilities Under the Federal Power Act; Policy Statement*, FERC Stats. & Regs. ¶ 31,005, at 31,141 (1994) (defining “revenue requirement” as “the capital component of which traditionally has been measured by embedded (depreciated original) cost”).

<sup>29</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, at P 692, *order on reh’g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh’g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh’g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009) (allowing the use of a proxy rate for imbalance energy charges where the proxy represents “a valid alternative to the incremental cost calculation, reflecting competitive, transparent and liquid conditions similar to those that exist in the seller’s market”).

<sup>30</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 311.

the hypothetical Proxy unit), it has not demonstrated that calculating its opportunity costs in this manner will not lead to over-recovery of its costs. Accordingly, even under the standard for using proxy rates in assessing generator imbalance charges, Puget has not met its burden.

35. Based on the information submitted, we cannot find that Puget's proposed rate is a reasonably accurate representation of the opportunity costs Puget incurs in providing a following service to wind resources. Moreover, Puget has not explained its proposal for self-scheduling this service, including the types and locations of resources that may be used. We therefore reject Puget's proposed Wind Following Service rate, without prejudice to Puget filing a new rate proposal consistent with the discussion in this order.

The Commission orders:

Puget's filing is hereby rejected, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.