

February 2, 2012

U.S. Department of Energy
Bonneville Power Administration
Transmission Services
P.O. Box 64019
Vancouver, WA 98666-1409

Via Email: techforum@bpa.gov

**Re: Comments of Puget Sound Energy, Inc. on the Presentation Entitled
“Managing Imbalance Accumulations and Patterns,” dated January 19, 2012**

Dear Ladies and Gentlemen:

In this letter, Puget Sound Energy, Inc. (“PSE”) comments on certain issues regarding the presentation entitled “Managing Imbalance Accumulations and Patterns,” dated January 19, 2012, (the “Accumulated Imbalance Presentation”). PSE thanks Bonneville Power Administration (“BPA”) for the opportunity to comment and to work cooperatively with BPA on these issues.

**A. BPA Should Provide Further Detail and Transparency Regarding
Accumulated Imbalance Issues**

To date, BPA has not clearly explained the issue created by accumulated imbalances why existing mechanisms do not adequately address accumulated imbalances or how accumulated imbalances affect BPA’s systems and rates. The Accumulated Imbalance Presentation presents various graphs and charts that purport to quantify BPA’s accumulated imbalances. BPA should provide further detail and transparency regarding the accumulated imbalance issue so that customers may understand the perceived problem and work with BPA to address these issues.

The data presented to customers are insufficient to allow customers to understand the accumulated imbalance issue. For example, slide 8 of the Accumulated Imbalance Presentation suggests that a 30/60 minute persistent schedule would have produced projected imbalances of 8 MWh for the wind fleet for October 2011, but BPA experienced actual imbalances of 5,854 MWh. It is unclear, however, how these figures are calculated. Do these figures represent a net result that includes both over- and under-schedules? Do all wind generators contribute equally to the accumulation of imbalances, or do a few wind generators create a disproportionate share of accumulated imbalance? Furthermore, if and to the extent that a few generators disproportionately contributed to BPA’s accumulated imbalances, BPA should investigate why those generators are consistently under- or over-scheduling and determine whether those under- or over-scheduling practices are likely to persist.

BPA should make information relied upon by BPA to identify its perceived accumulated imbalance problem available to BPA customers so that such customers may understand BPA's accumulated imbalance, understand the causes of such accumulated imbalance, and work with BPA to reduce issues created by the accumulated imbalances experienced by BPA. PSE recognizes that BPA makes monthly imbalance activity reports available on its website, but such aggregated data do not provide any information regarding any specific cause of accumulated imbalances. Finally, BPA should clearly demonstrate to customers that BPA is incurring unrecovered costs associated with accumulated imbalance before considering any change in policy or rates.

B. Any Actions Taken by BPA to Address Accumulated Imbalances Should Reflect the Principle of Cost Causation

The Accumulated Imbalance Presentation states as follows:

Unpredictability in energy accumulation leads to forced marketing which disrupts BPA's marketing and operational planning. During periods of constrained markets BPA's ability to resell or purchase to get back to operational plan may be limited. *Forced marketing creates economic risk that was not accounted for in pricing VERBS.*

Accumulated Imbalance Presentation at slide 7 (emphasis added). The last sentence suggests that BPA will attempt to recover its perceived costs associated with generator imbalances from all wind generators through the VERBS rate. As stated above, BPA should identify whether wind generators contribute equally to the accumulation of imbalances, or do a few wind generators create a disproportionate share of accumulated imbalance. To the extent that a few generators are disproportionately contributing to BPA's accumulated imbalances, BPA should seek to recover any costs associated with those energy imbalances from those customers.

C. BPA Should Explain Why Energy and Generator Imbalance Service Charges Fail to Compensate BPA for Accumulated Imbalances

Both the energy imbalance service and the generator imbalance service allow BPA to purchase power at a discount from customers that over-schedule and sell power at a premium to customers that under-schedule. Depending on the extent of the imbalance, such discounts and premiums can be quite substantial. For example, BPA could buy power at a market price and sell to those customers that under-schedule at 125% of the market price. BPA should explain why these discounts and premiums do not compensate BPA for such imbalances.

D. Conclusion

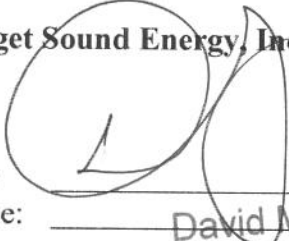
PSE appreciates BPA's review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA's receipt of these comments.

Very truly yours,

Puget Sound Energy, Inc.

By:

Title:



David Mills
Director
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Puget Sound Energy, Inc.