

**Comments of Avista Corporation
Southern Intertie Hourly Non-Firm**

May 4, 2016

Avista Corporation (Avista) appreciates the opportunity to provide feedback on BPA's exploration of possible alternatives regarding Long Term Firm (LTF) transmission service on the Southern Intertie (COI). Avista requests that BPA collaborate with the BP-18 stakeholders to understand whether, and if so fully define how, the value of the LTF transmission service on the COI is being eroded. To the extent that an issue is clearly identified, Avista requests that any alternative to address such issue that is considered by BPA be fully vetted and that BPA consider the potential for unintended consequences of implementing any alternative, especially given the significant changes that are expected in the energy industry in the Northwest.

Avista would like BPA to consider the following comments:

1. BPA should clearly define the problem that it is attempting to resolve to determine whether the problem is appropriately resolved through a BPA rate or non-rate solution on the COI or whether the issue is more appropriately resolved through some other means or in some other forum, such as the CAISO.
2. It is unclear whether a BPA rate solution is an appropriate solution to solve an issue that appears to be caused by the scheduling priorities and rules of an adjacent transmission system. It is unclear whether a rate change would help fortify the revenue requirement for the COI. It is also unclear how a rate change would enhance the value of LTF by making HNF substantially more expensive (likely so much so that it would rarely be purchased). While this result would clearly benefit transmission customers that hold significant LTF capacity on the COI, BPA should carefully consider the potential impact on other transmission customers and the potential for unintended consequences.
3. The COI terminates at a point outside the CAISO where there are parties that transact to serve obligations not related to CAISO. Raising the HNF rate to solve a CAISO/OATT issue could cause undue harm to those parties that transact at COB but are not CAISO participants. This could have the result of significantly curtailing liquidity at COB to the point of destroying the hourly market at a currently established trading hub.
4. Any rate or non-rate change should be evaluated to see how it might affect the COI South to North path. Current predictions are that the CAISO may have an issue during times of high renewable generation and low loads. Adjusting the denominator may result in prices that discourage parties from using the COI South to North path.
5. There are substantial changes occurring in the region that should be carefully considered. For example, certain utilities have announced plans to participate (or already are participating) in the CAISO (West wide) EIM. The effect of these changes will be ongoing in the region and a substantive change in the operation or pricing of COI transmission may be premature.

Avista encourages BPA to take a gradual approach to resolving this issue. BPA should ensure that it schedules sufficient time prior to commencement of BP-18 to work with stakeholders to clearly define

the problem to be solved, determine the appropriate alternatives (rate and non-rate) to address the identified problem, and fully consider the long-term implications of such alternatives.

Avista appreciates the opportunity to provide comments on this issue. Should you have any questions about these comments, please don't hesitate to contact Kevin Holland at kevin.holland@avistacorp.com or 509-495-2194.