



Your Northwest renewables utility

October 27, 2015

Submitted via email: refredrickson@bpa.gov

Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232

Re: Comments of Public Utility District No. 1 of Snohomish County on the BPA Southern Intertie Hourly Non-Firm Process

As part of the October 14 workshop, Bonneville Power Administration (BPA) staff requested feedback on several proposals intended to rebalance the benefit derived from firm and non-firm Southern Intertie hourly sales. Public Utility District No. 1 of Snohomish County (Snohomish) appreciates the opportunity to provide its input regarding preserving the value of long-term Southern Intertie transmission service and mitigating impacts associated with offering the hourly non-firm (HNF) Southern Intertie product. Below are Snohomish's recommendations on where BPA should focus staff time and analysis:

Inter-regional Cooperation

Snohomish urges BPA and the CAISO to work together to find mutually agreeable solutions to the identified seams issues that impact use of the HNF Southern Intertie transmission product. We recognize that each organization must work any potential remedy through their own public processes to address the seams issues, which makes this approach relatively time consuming. Accordingly, we recommend that while BPA and the CAISO engage in a collaborative approach, BPA should continue independently investigating solutions to the issue with Northwest stakeholders.

The issue of loss of value for long term value firm transmission rights holders arises primarily from the seams issues associated with timing and conflicting reservation and scheduling practices between BPA and the CAISO. While non-rates solutions provide viable strategies for addressing these issues, Snohomish believes a rate adjustment would also be an effective way to rebalance the inequity seen by firm rights holders while the BPA/CAISO collaborative process searches for a mutually agreeable option.

Non-Rates Solutions

Snohomish supports selling HNF capacity for the Southern Intertie only once, and to adjust the timing of when that capacity is released to the market. These two actions will directly address the timing, scheduling, and associated loss of value between BPA and the CAISO. Another non-rates solution proposed releasing HNF capacity only if there were no secondary market for firm transmission. This proposal would be very effective at addressing the seams issues. However, Snohomish believes this solution, or the development of a "tool" to analyze the availability of firm transmission offers, would prove time-intensive and require significant technical analysis. Snohomish encourages BPA to weigh the effectiveness of proposed solutions against their respective level of staff effort and time to implement.

Rates Solutions

Snohomish recommends that the HNF rate for the Southern Intertie rate be adjusted to reflect historical usage. We also support further analysis to explore how the HNF rate could be adjusted based on certain market conditions; if the HNF rate could dynamically respond to changes in congestion revenues or significant changes in price spreads, the Northwest could more equitably capture the true value of the transmission capacity.

Other Considerations

Snohomish recommends that BPA take action to address the current inequity being faced by long term firm Southern Intertie transmission rights holders. From our perspective, taking no action and maintaining the status quo in the area of rates, scheduling, and reservation timing is not a viable alternative.

Of the many potential rate and non-rate solutions outlined at the October 14 meeting, Snohomish is only opposed to exploring the full cessation of HNF sales. To abandon the HNF product could potentially deprive BPA and its customers of millions of dollars' worth of transmission and net secondary revenues.

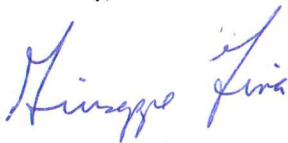
Involvement of BPA Power Services

As part of its comments dated October 9, 2015, Snohomish requested that BPA Power Services take a more active role in the analysis of the proposed alternatives. Snohomish continues to believe that BPA Power Services should be actively involved in the analysis process. Feedback from BPA Power Services as it evaluates the various proposals will be important to share with customers.

Conclusion

Snohomish again thanks BPA for the opportunity to provide feedback regarding the focus of staff time and analysis on the identified solutions. Snohomish would also encourage BPA not to rule out any alternatives that are not explicitly identified, but reserve them for exploration to the extent BPA has sufficient time and staff capability. If there are any questions or thoughts on these comments, please do not hesitate to contact us.

Sincerely,



Giuseppe Fina
Interim Assistant General Manager
Power, Rates & Transmission Management