



December 1, 2015

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Re: Hourly Firm on Southern Intertie

Dear Rebecca,

Thank you for the additional opportunity to submit comments.

Bonneville should do nothing at this time for the following reasons. The “problem” is one of perception completely unsupported by data; the proposed solutions will not address customers’ perceptions; the proposed solutions create a very real risk of unintended consequences – specifically increasing the cost of seasonal oversupply.

The data provided by Bonneville staff clearly demonstrate that the use of hourly firm transmission on the Southern Intertie has steadily declined over time. The heaviest use of hourly non-firm transmission occurs in the spring – when Bonneville is actively encouraging exports in order to minimize the need to trigger its oversupply management protocol.

Some customers with long term firm transmission rights may be correct that the value of their rights is being eroded. But Bonneville’s data suggests that the erosion in value is not the result of increased use of hourly firm. Any erosion in value is far more likely to be the result of changes in the California market. In his remarks to the NW Power and Conservation Council on November 18, Elliot Mainzer noted that the energy prices at the COB hub are at historic lows. Furthermore, he suggested that the downward price pressure will “almost certainly get worse” as California adds more solar generation to its system and natural gas prices remain low. Increasing the cost of hourly firm (or limiting its availability) is not going to increase prices in the California market.

Customers urging Bonneville to act have identified three specific issues which they believe are effecting the value of their long term firm rights on the COI. Bonneville has already determined that two of those issues are outside the scope of this stakeholder process. A solution that only addresses one of the identified issues and ignores the other two will be no solution at all. Customers who currently believe that the value of their long term firm rights is

declining as a result of three separate problems will not reverse their opinion if Bonneville acts only to solve one problem and ignores the other two.

Furthermore, a partial solution - in addition to not addressing the perceived problem - may have unintended consequences that increase costs for the region. Bonneville's data indicates that hourly non-firm use correlates with high stream flows. The spring season is when the region struggles with potential oversupply conditions; Bonneville is under intense pressure to minimize the costs of curtailing wind projects. One of the most important tools Bonneville has to reduce the need to curtail wind projects is to maximize its export capability. Any measure which limits the availability of hourly firm transmission - or increases its cost - may require Bonneville to curtail wind projects more frequently.

At this time, Bonneville should take no action to limit the availability - or increase the cost - of hourly firm on the COI. Instead Bonneville should engage with the owners of the southern portion of the COI to develop comprehensive solutions to the three separate issues that Bonneville customers have identified. The scope of that process will need to expand to include additional issues that may be identified by the southern owners. Solutions will also likely have to recognize that the southern owners are entitled to a share of the value of the combined (northern and southern) facilities. Bonneville and its customers should not assume that they are entitled to all of the value.

In seeking solutions with the southern owners, Bonneville should consider that changing market conditions may mean that the greatest value of the transmission system may no longer be to provide 16 hours blocks of peak energy. In the future, the greatest value of the transmission system may be to deliver capacity to California during morning and afternoon ramps and otherwise providing flexible reserves. Bonneville should consider how it could continue to recover its revenue requirement for Southern Intertie facilities under this new paradigm.

Sincerely,

Henry R. Tilghman

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