

Thank you again for the opportunity to provide comments.

1. Bonneville should acknowledge that there are two interdependent issues which may have different solutions.

The first issue is the one BPA has identified — how to preserve the value of the BPA transmission assets.

The second issue is how does BPA ensure that it is able to continue to meet it's revenue requirement for the Southern Intertie from the sale of service on the Intertie.

2. To address the issue of preservation of value, BPA should immediately begin negotiations with the owners of the southern portions of the Intertie at the executive/policy level. BPA's facilities have NO value without the corresponding facilities to the south. While BPA and some of its customers may believe that the allocation of value on the internee has become inequitable, they must also acknowledge that the owners of the southern portions of the Intertie are entitled to some portion of the benefits. Negotiations with the southern owners should address the appropriate allocation of value between the owners of the Intertie facilities. The historical allocation of benefits, while it may be informative, is not the only consideration; any equitable allocation of the value of the transmission assets should take into account the respective investments of both the Northern and Southern owners. Some portion of the value of the of the combined Intertie assets should accrue to the Southern owners.

3. A unilateral solution to the problem BPA has identified is untenable. BPA must coordinate with the owners of the southern portion of the Interties to come to a mutually agreeable allocation of the value of the Interties. BPA must be prepared to respect the Southern owners policy decisions on the allocation of their share of the value. If BPA implements a unilateral solution that attempts to take all of the value of the Interties, the owners of the southern portion will likely retaliate.

4. Given the pace and extent of change in the Western energy markets, BPA should undertake a long term analysis of the best way to ensure it can continue to recover its revenue requirement on the Southern Intertie. BPA should take into account the expanding energy imbalance markets, changes to the footprint of the CAISO, policy driven changes to generation portfolios in California and other states.

Henry Tilghman
Principal
Tilghman Associates
hrt@TilghmanAssociates.com
503-702-3254

