

January 14, 2009

VIA EMAIL

Mark A. Jackson
Bonneville Power Administration –TSPP-TPP-2
Transmission Services
PO Box 491
Vancouver, WA 98666
majackson@bpa.gov

Re: PPC Comments on BPA's *Intertie Open Season Initial Scoping Document* (ver. 2)

Dear Mr. Jackson:

NRU staff has reviewed the Intertie Open Season Initial Scoping document and offers the following initial comments. We believe that there is interest in the Northwest in proceeding with an Intertie Open Season. We also are in accord with the Summary of Principles and Objectives stated on page 10 of the scoping document. The Southern Intertie has provided significant value to both Pacific Northwest and the Southwest over the years in terms of seasonal exchanges and increased revenues for both regions. Of course, as we look to the future we recognize that change is occurring in a rapid fashion. We question whether the motivations that led to the development of the Southern Intertie in the past will be the same as the motivations for future expansion. However, there is much interest in obtaining access over the intertie as evidenced by the number of queue requests. The questions for the Network Transmission customers of BPA come down to the added regional value of the expansion and the allocation and recovery of the costs of an expanded Southern Intertie.

In order to answer these questions, NRU strongly encourages BPA to work with its customers to define and construct a business case in which BPA's potential participation in additional intertie capacity can be evaluated. The business case should determine the need for (and forecasted use of) incremental intertie capacity as well as the rates that will need to be charged to recover the investment and cost of any BPA investment or participation in additional intertie capacity.

There are additional elements for planning, customer commitment and rate treatment that should be considered as we develop a framework. These include:

- In the past BPA's Northwest Customers have benefited from the Southern Intertie as the means by which surplus power is sold to California and the revenues from which are credited back to these customers. We do not see the volume of these sales increasing over time even if the Southern Intertie is expanded. Expansion of these facilities will likely be chiefly for the export of power from renewable resources in the Pacific northwest, including Canada. Therefore, our focus will be on the proper allocation of the costs of these facilities to those that benefit from them.

- As the scoping document notes, rate development will be challenging for these new intertie facilities. These facilities may very well require an incremental rate. The level of interest in the use of these facilities will very much depend on the rate to be charged for their use. We suggest that the basic form of the rates for the Southern Intertie needs to be discussed and described early on in the process as it will directly affect the level of interest for these facilities.
- The document lists such critical issues as cost allocation to segments, policies for advance funding and transmission credits, and minimum term length requirements. To these we would add recovery of stranded costs and choice of funding mechanisms, especially given known funding needs on the BPA system as described below.
- Critical transmission investments also need to be made in the Northwest. These include such areas as La Grande and Puget Sound reinforcement. These and other priority projects on the BPA system for service to BPA's customers' loads need to be addressed before significant expenses and capital assets are devoted to Southern Intertie expansion.
- The paper suggests that BPA should develop a requirement that customers requesting intertie service should fund a proportional share of the study costs or be removed from the queue. We believe that this is appropriate and will serve to demonstrate those potential customers that are interested in obtaining access over the Southern Intertie.
- The paper also suggests that a flexible plan of service be pursued that could be adjusted commensurate with needs. We believe that this is an approach that has merit.

Northwest Requirements Utilities looks forward to working with BPA to fully address the regional issues raised by the prospect of an intertie open season, and encourages BPA to begin those communications with customers as soon as practicable.