

NRU's Comments on BPAT's 7/28/2011 Request for Interest in Modification or Termination of Existing NOS PTSAs.

BPAT has requested comments on whether BPA should allow terminations and modifications of existing Precedent Transmission Service Agreements (PTSAs). Northwest Requirements Utilities (NRU) represents 50 network transmission customers of BPA. To our knowledge none of these customers have PTSAs in effect. The interests of our membership will therefore be focused on what financial and precedent setting impacts would occur if PTSAs are allowed to be terminated or modified.

At present we have very little information that would allow us to make such an assessment. We also question why customers should be allowed to terminate or modify signed contractual agreements. If they are allowed to terminate or modify their PTSAs, the rest of BPA's customers should not bear any of the ensuing risk or costs. In saying this we recognize that there are short term and long term costs and benefits that may result from PTSA termination that need to be evaluated. If there are no net associated financial risks to the NRU membership, we are not opposed to exploring creative approaches to meet the needs of those customers holding PTSAs, provided that the rights of NT customers to transmission access are not infringed and that unacceptable precedents are not established.

For three years, NT customers have struggled to gain access to firm network transmission service for relatively insignificant amounts of above HWM load growth. At the same time BPA has focused on meeting the needs of its PTP customers. Therefore, we find it hard to be enthusiastic about helping BPA find creative ways for PTP customers holding PTSAs to find ways out of their agreements unless there are financial/rate benefits for the NT customers. We will oppose such efforts if these terminations or modifications shift cost to other customers or negatively affect NT transmission customers.

Answers to Specific Questions

BPA in its request asks a set of 18 specific questions. Many of these are focused on the impacts to customers holding PTSAs. Some are more general in nature. We will provide our answers to those questions of a more general nature.

1. Should BPA allow customers to modify or terminate their 2008, 2009 and/or 2010 PTSAs? Why or why not? How would allowing PTSA modifications or terminations affect you?

BPA should not allow customers to modify or terminate their 2008, 2009 and/or 2010 PTSAs if, on net, this will have a net increase in costs and risks to other customers. This is

consistent with BPA's stated principles of NOS reform. The principles that BPA has stated that are most important to this discussion are:

- *Maintain system reliability*
- *Avoid costs shifts*
- *Ensure risks and costs follow causation*
- *Maintain sufficient access to capital*

However, there may be special cases where a facility may be built because PTSAs have remained in effect, but then the customer(s) are unable to use the facility. In this instance the net cost of letting the customer terminate the PTSA may be lower than otherwise. Here, termination may be appropriate provided all development costs are recovered from the PTSA holder.

4. Should BPA allow customers to modify the TSR details related to a PTSA? E.g. The Service Commencement Date? The Service Termination Date? The duration of requested service? The demand (MW capacity) of requested service? Other aspects of the TSR? Please be specific by referencing the applicable PTSA(s) or associated TSR by number.

See answer to question 1.

6. If you desire to terminate a PTSA, should BPA act as a facilitator to attempt to pair you with others in the Transmission Queue that may be interested in using the released service, i.e. should BPA help facilitate an OASIS transfer of service to another eligible Transmission Customer? Or, should BPA require that entities desiring to terminate a PTSA find a third party to assume their obligations?

This may be a way of allowing termination of a PTSA without cost shifts to other customers and this is worth exploring in whatever way is most acceptable to affected customers. However, we are concerned about the rights of those customers that may remain in the queue if such a "pairing" occurs – for example, would this have the effect of queue jumping and could there be ATC implications? These questions need to be addressed equitably for all concerned.

8. Should a customer forfeit its Performance Assurance, in whole or in part, in exchange for being released from a PTSA? Is it reasonable for BPA to seek compensation up to a customer's pro-rata share of costs related to the PTSA, such as NEPA study costs, planning study costs, design and construction costs, etc., as a condition of PTSA termination or modification? If BPA must re-run studies as a result of modified or

terminated PTSAs, should the PTSA-holder be required to pay resulting costs in order to terminate or modify their PTSA? Should BPA charge an additional cost or penalty to “buy out” of a PTSA?

As stated above, BPA should not allow customers to modify or terminate their 2008, 2009 and/or 2010 PTSAs if, on net, this will have a net increase in costs and risks to other customers. That is, all costs need to be recovered with no cost shifts to other customers.

9. Are there any circumstances under which BPA should not agree to PTSA modification or termination, or limit such changes?

Yes, PTSA modifications or terminations should not be allowed if they shift costs or risks to other customers.

12. How much change in rate pressure resulting from PTSA modifications or terminations is acceptable? Does the acceptable amount of upward rate pressure vary depending upon whether the final estimated rate impact for proposed transmission builds is still negative or becomes positive? If so, please describe.

We are not willing to endorse any level of upward rate pressure resulting from PTSA modifications or terminations. In the first place, we have no information upon which to make such an assessment. Second, a proper analysis needs to take into account both long term and short term rate impacts. We are willing to discuss potential trades between short versus long term rate impacts, but here again we have no data with which to make such an assessment at this point. In the public meeting on July 20th we asked for data and analyses that will help in this effort and are willing to work to assess these near and long term impacts.

16. Are regional interests promoted by allowing PTSA termination or modification?

*“Regional interests” can refer to a number of things and it is unclear to what this question is referring. It is **not** in the region’s interest to increase costs or risks to other BPA customers as a result of modifying or terminating PTSAs. One must also consider whether it is in the “regional interest” to establish a precedent that allows customers to terminate or modify signed contracts and whether that is a sound business principle.*

Closing comments

In summary, these are the best comments we can provide without knowing how and to what extent our membership will be affected if modifications and or terminations of PTSAs are allowed to occur. We recognize that there are a variety of factors to be considered in this analysis along with long and short term cost impacts and risk exposure to BPA customers. We look forward to exploring these potential cost impacts with BPA and the PTSA holders, along with the precedential impacts of allowing termination and/or modifications.