

August 28, 2018

VIA EMAIL

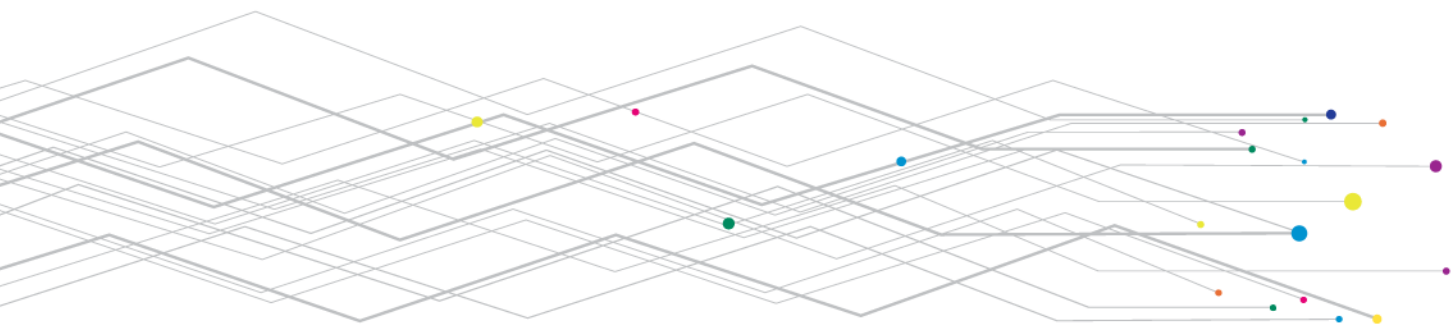
RE: Powerex Comments: BPA TC-20 Workshop, August 21, 2018

Powerex respectfully provides the following comments on the topics addressed at the TC-20 workshop held on August 21, 2018 (August 21st Workshop).

Powerex notes that while the August 21st Workshop was identified as addressing the comprehensive set of topics that would be included in TC-20 proceeding, neither Bonneville's agenda nor the prepared presentation materials addressed the agency's proposed revision to Section 9, governing tariff modifications. Powerex wishes to reiterate its comments from May 30th, 2018, that revisions to Section 9 represent a critical issue, given Powerex's substantial and irrevocable commitments for firm transmission service based on confirmed reservations that currently extend to 2035. Powerex has committed hundreds of millions of dollars to the Bonneville transmission system based on the stability of the terms and conditions of that transmission service, as found in Bonneville's OATT and in the parties' point-to-point service agreement. While a number of the issues presented at the August 21st Workshop are important, none are as critical to Powerex as the revisions to Section 9, and Bonneville has proposed no solution to address Powerex's concerns.

Hourly Firm:

Powerex reiterates its earlier comments that strongly support continuation of an Hourly Firm (HF) transmission product, but with the addition of an Available Transfer Capability (ATC) limitation on sales and redirects. Powerex believes that placing an ATC limit on Hourly Firm sales and redirects is a workable solution that addresses PTP and NT customers' concerns while continuing to provide value for, and encourage further investment in, long-term firm (LTF) transmission. As noted by customers during the August 21st workshop, the use of HF redirects helps maximize the use of Bonneville's transmission system and provides a key value to a broad segment of Bonneville's LTF customers, including those with load service obligations, and those who seek to resell unused LTF rights. Absent this value, an expected lower investment in PTP LTF could harm both PTP and NT preference customers through reduced third-party LTF revenues and reduced revenue certainty as customers shift to the HNF product. As such, Powerex continues to strongly



encourage BPA to explore the ability to calculate an HF ATC limit and continue to offer the HF product. This suggestion is detailed below.

Powerex strongly encourages BPA to review Powerex's previous Hourly Firm comments submitted July 18, 2018. In addition, Powerex offers the following comments in response to the information presented at the August 21 Workshop:

1. Limiting HF ATC is a workable solution to address current NT and LTF PTP customers' concerns

Powerex appreciates that BPA's current practice of selling unlimited hourly firm leading to curtailments is problematic for all customers, both Network and PTP. But Powerex believes that removing the HF product is not the best solution to these curtailment concerns. It would appear to Powerex that an ideal solution would instead be to limit HF to ATC; this will both solve curtailment issues and provide the incentive for BPA's customers to continue to invest in LTF service due to the optionality to redirect on HF.

At the workshop, BPA expressed that implementation of an ATC limitation on HF is an obstacle for continuing to offer HF service. BPA also expressed concerns of managing its system within the hour. But BPA's solution of simply removing HF will not entirely resolve its curtailment issues. Powerex believes that calculating an ATC for HF is a workable solution for Bonneville and its customers in order to appropriately manage the transmission system while preserving utilization of the HF product, which provides substantial value to a broad array of its customers. Powerex encourages BPA to explore the option of calculating an HF ATC limit with its customers on an expedited basis. In particular, BPA should consider options similar to other transmission providers that offer the HF product¹, and that already determine the appropriate amount of HF that could be sold on the system without impacts to Network or other PTP Firm products. A workable solution that calculates and limits Hourly Firm will not impact PTP or NT customers in normal operating conditions and would only result in curtailments during unforeseen system outage. This would resolve both Network and PTP customer's concerns, BPA's concerns, and allow for the continued offering of the valuable HF product.

2. Eliminating HF will result in a loss in value of BPA's service and could reduce BPA's revenues

BPA stated in the August 21st workshop presentation that it believed there would be no material differences in revenue through the elimination of Hourly Firm. Customers expressed concerns regarding this statement, and in response, BPA revealed that a full financial analysis of each option had not been completed. Like other customers, Powerex strongly encourages BPA to undertake financial analysis of all the alternatives and share that analysis with customers.

Powerex would also like to reiterate its earlier comment that the ability to redirect LTF on an hourly basis presents a key value attribute that is a component of its considerations in making LTF investment decisions;

¹ Arizona Public Service Company, BC Hydro, El Paso Electric, Los Angeles Department of Water and Power, Montana Alberta Tie Ltd, PacifiCorp, Sacramento Municipal Utility District, Salt River Project, Tucson Electric Power Company, Tri-State Generation & Transmission, Western Area Power Lower Colorado, and WAPA - Sierra Nevada Region

changing that value attribute now, by eliminating the HF product, changes the value of many existing LTF contracts. Moving forward, customers may reduce their investments in LTF service on BPA's system because the value of those investments would be materially reduced by the elimination of HF. BPA also pointed to its transmission service queue as evidence that removal of HF will not have a material impact on BPA's revenues. Powerex cautions that PTP customers that are presently in the queue will have to evaluate whether they will remain in the queue if the terms and conditions of service to purchase and redirect on Hourly Firm basis is removed. A real or perceived loss in value of BPA transmission service could result in lost revenues, which would materially impact all of BPA's customers.

3. BPA should not eliminate HF because of the benefits and value to customers

As noted in Powerex's previous comments, changes to energy markets and grid conditions have resulted in an increased need for HF redirects. The addition of large quantities of variable, renewable generating resources in the WECC has highlighted the need to quickly modify deliveries to customers, as their load requirements change significantly throughout the day. There are certain periods where BPA's long-term transmission customers utilize their transmission rights and redirect onto alternative paths on a firm basis in order to optimize their portfolios based on market demands. These demands can shift day to day, hour to hour, and within an hour, which requires significant flexibility to ensure delivery of energy to their loads.

Furthermore, without the ability to redirect LTF on an hourly firm basis or within HF ATC limits, Powerex anticipates it will become more beneficial to purchase Hourly Non-Firm (HNF) than retaining LTF. Without an HF redirect option, BPA's transmission customers will receive higher curtailment priority through purchasing HNF for just the hours they require, rather than redirecting LTF as HNF-secondary (1-NS). The HNF Secondary service is not similar to HF redirects due to the lower curtailment priority that is assigned (1-NS); the energy scheduled on that transmission will be the first to be cut, leading to a higher degree of uncertainty for customers. As a result of the higher degree of uncertainty, it is more probable that customers will only purchase the hours and paths they require on a HNF basis, and not on a LTF basis. Any purchased LTF would go unutilized in many hours on certain paths, leading to a less efficient use of the BPA transmission system. Similarly, redirects on a daily firm basis will also have less value than the hourly firm redirects as they do not facilitate transacting around the "duck-curve".

For these reasons, Powerex strongly encourages BPA to retain the HF option and work with customers to implement an HF ATC limit. Preservation of an HF product will preserve a key value of Bonneville's LTF product by maintaining a critical level of flexibility Bonneville's customers rely on; at the same time, limitations on the HF product can be implemented to satisfy important customer and operational concerns. Conversely, elimination of HF will damage the rights of existing transmission customers, and will discourage the purchase or renewal of LTF rights on BPA's system. This would result in lowering BPA's firm revenues, introducing increased variability and uncertainty in BPA's revenues, which will harm all customers.

Losses:

Powerex appreciates BPA revising its “BPA Sample Study of WECC Real Power Loss Factors” to reflect feedback from customers. Given the updated study, Powerex reiterates the following:

1. There is a clear industry standard in the WECC of containing the loss factors within the Tariff;
2. It is industry standard to follow the *pro-forma* and either directly list loss factors in Sections 15.7 and 28.5, or to point to attachments within the tariff containing loss factors in Sections 15.7 and 28.5.

Powerex would also like to reiterate customers’ written comments and verbal statements during the workshops that a large number of BPA’s customers do not support moving the loss factors out of the Tariff and into a business practice. Loss factors are an important term and condition that customers have considered when making investments in Bonneville’s system and can have a significant impact on the rates customers pay to Bonneville. As such, loss factors deserve robust consideration when they are to be revised. BPA’s proposed Business Practice Revision Process is not the correct venue to discuss significant changes to the terms and conditions of service and rates; these should appropriately be addressed in rates and tariff proceedings.

Powerex does not support BPA’s preference to move the loss factors out of the tariff. Powerex strongly encourages BPA to follow industry standard and the *pro-forma* and continue to include loss factors within the tariff, preferably within Sections 15.7 and 28.5.

Queue Rollover:

While Powerex supports Bonneville’s stated objective of preserving rollover rights for customers whose long-term service requests are pending in a study process, at this time Bonneville has not provided sufficient information to support its proposed modifications to its related business practices. In particular, the proposed modifications Bonneville outlined at the August 21st Workshop appear to introduce new problems not found in Bonneville’s existing approach.

As currently proposed, rollover rights would in the future be conferred only on a subset of Bonneville customers that seek long-term firm service of five years or greater. In particular, it appears that rollover rights would be available to a long-term firm customer only if Bonneville staff affirmatively acts on the customer’s service request within a time window that permits the request to either be (a) placed into study or (b) granted for at least a five-year duration. Such an approach makes the rollover right entirely dependent on Bonneville’s ability to act on its tariff obligations in a reliably and timely manner in order to process its long-term queue.

For years, Bonneville has struggled with its ATC methodology, its ability to timely process its long-term transmission queue, and its ability to timely move through and implement the results of its study processes. The proposal in the current proceeding would appear to simply limit rollover eligibility in a new way—making this valuable right highly dependent on Bonneville’s own ability to consistently manage its ATC, queue and study processes in a timely manner. Such a result is of great concern, and among other things

raises considerable potential for differential treatment among customers with requests of the same duration and quantity of service on the same path. At this point, Bonneville has not addressed these concerns in a meaningful way. At a minimum, if Bonneville intends to affirmatively limit its customers' rights based on the timeliness of Bonneville's own actions, it must first demonstrate a track record of timely action on queue requests and studies.

Powerex notes that neither Bonneville's current approach nor its proposed approach is one that is addressed in the language of the *pro-forma* tariff or is otherwise specifically endorsed by FERC. Given that Bonneville's proposed practice has the potential to introduce new harms, including new concerns of preferential and discriminatory treatment among customers, Powerex believes the existing practice is the most fair among options in the near term. Further discussion with stakeholders is required to determine whether an alternative approach should be considered in the future.

Finally, Powerex believes that any substantive limitation on rollover rights—whether as proposed, or as currently imposed—belongs in BPA's tariff, rather than in its business practices. For the past several years, Bonneville has implemented changes through business practices in an attempt to avoid making modifications to its OATT. But in the *Pro-Forma* Gap Analysis and TC-20 process, Bonneville has indicated its commitment to examining and making tariff modifications according to a rigorous internal and external process, and to adhering to the well-established "rule of reason" to ensure key terms that affect service rights are placed in its tariff, rather than in business practices. Under the rule of reason, affirmative restrictions on rollover or renewal of long-term firm service represent an essential condition of service that belongs in Bonneville's tariff.

Submitted by:

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