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May 12, 2006

Vickie VanZandt  
Senior Vice-President, Transmission Business Line  
Bonneville Power Administration  
C/o Public Affairs Office – DKC – 7  
P.O. Box 14428  
Portland, Oregon

Re: Comments of Snohomish County PUD No. 1 on BPA's Congestion Management White Paper

Dear Ms. VanZandt:

Snohomish County PUD No. 1 ("Snohomish") is pleased to provide the following comments in response to your letter of April 10<sup>th</sup> asking for comments on the BPA white paper entitled "Challenge for the Northwest – Protecting and managing an increasingly congested transmission system." Further, we would like to complement you on the process BPA has put in place to address this important issue and thank you for inclusion of Snohomish in that process.

As you are aware, the routing of Canadian Return Energy under the Columbia River Treaty to the west-side of the Cascades and then north to British Columbia coupled with commercial activities such as PowerEx's sales of energy into California and the increasing need for significant maintenance activity on BPA's high voltage transmission system has led to significantly increasing exposure for Snohomish to curtailment of schedules. Those schedule curtailments have the increasing potential of impacting both service to our native load customers and transactions which Snohomish enters into to balance its loads and resources. For those reasons, the issue of congestion is especially important to Snohomish as well as other Washington west-side utilities.

Snohomish is in general agreement with the Public Power Council comments and those of the Western Public Agencies Group; both of which we are members. However, we would like to emphasize the following points as being especially important to Snohomish as a preference customer of BPA:

**Preference to Northwest Native Load:** BPA should adopt a principle that recognizes the primary statutory purpose and historic role of the BPA transmission system. That is, that system was constructed for the benefit of Northwest load and to support the marketing of excess federal generation. This should continue to be the primary use of the BPA transmission system and should be prioritized over that of mere commercial users who desire to use the system to pass power through to more lucrative markets. Northwest consumers have paid for the system over the years

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and that must be recognized. The principle should state that load service to Northwest consumers is primary and that solutions to congestion management must recognize this. Service to Northwest native load should not be interrupted to support commercial transactions out-of-region.

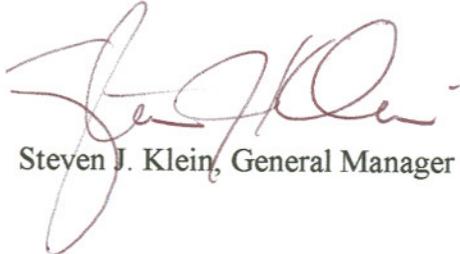
**Re-dispatch is preferable to schedule curtailments:** Curtailment of schedules is a “broad-sword” approach to a problem that may very well have a “scalpel solution.” As BPA has pointed out in its white paper, insufficient information exists in real-time to determine the source(s) of generation from which schedules emanate. And, ultimately, in order to resolve congestion on a path, schedule cuts must result in generation being moved such that the path is no longer overloaded. The most efficient solution to this is to enter into re-dispatch agreements with generators, both federal and non-federal, that allow BPA to take appropriate action to relieve congestion and keep generators financially whole. While we recognize that negotiation of the required agreements will take time and could be contentious, it is the appropriate solution and discussions with generators should begin immediately. The cost of re-dispatch should flow first to non-firm schedules. An additional benefit of this approach is that it will allow BPA and the region to identify the cost of resolving congestion on a path and that can serve as a benchmark for determining the costs and benefits of alternative long-term solutions.

**Solutions should not impose costs that exceed the magnitude of the problem:** When evaluating solutions to specific congestion problems, BPA should consider the costs that it imposes on its customers as well as its own direct costs and weigh that against the cost of the problem being solved.

**Congestion costs of Canadian Entitlement Return should be broadly shared:** It should be recognized that the benefits of energy which the Northwest region received as a result of the sale of British Columbia’s share of additional energy created in the U.S. under the Columbia River Treaty and the Columbia Storage Power Exchange were enjoyed broadly by regional consumers. It follows that the cost of curtailments or other solutions required to support the treaty returns to British Columbia should be shared broadly instead of being imposed on utilities that happen to be located on the west-side of the Cascades on the route that BPA chose for return of that energy. Originally, the Treaty envisioned delivery of the return energy to a point near Oliver, British Columbia.

Again, thank you for the opportunity to comment on the white-paper and participate in the process that BPA has put in place to find solutions to the very real curtailment problems which the Northwest region is increasingly facing. We look forward to our continuing participation in that process and in collaboratively finding the appropriate solutions for the Northwest.

Sincerely,



Steven J. Klein, General Manager