TCMS-002

August 25, 2009

RE: BPA – Benton REA Comments on Exhibit F – Transmission Scheduling – Transmission Curtailment Management Service (TCMS)

Benton REA offers the following comments concerning the new Exhibit F of the Tiered Rate Methodology (TRM) contracts. Our comments are directed to the language that represents the TCMS language added to Exhibit F.

It appears as though the charge which BPA will assess for TCMS is different depending upon the provider of the resource to serve the utility's Above High Water Mark load. In the case of BPA federal power deliveries used to serve a utilities Above High Water Mark load, the utility will not be directly assigned the cost of TCMS. We believe in this case, the cost of the TCMS will be spread over all of the BPA customers energy purchases made from the BPA Tier 2 pool where the resource resides for which TCMS was required. This appears to be true even in the situation where BPA uses a non-federal resource to provide the power to serve the Above High Mater Mark load.

In the case of a utility using a non-federal resource to serve its Above High Water Mark load, the cost of purchasing the TCMS product from BPA is directly assigned to that utility. The direct assignment of the costs of TCMS directly (and only) to a utility purchasing TCMS to support a non-federal resource will significantly increase the per kilowatt hour cost of that power supply option. Since the cost of TCMS will not be directly assigned to utilities that continue to rely on BPA, it will make the non-federal supply option far more expensive and less attractive than continuing to rely on BPA for Above High Water Mark service.

Additionally, since the cost of the TCMS product gets charged to the utility or a group of utilities (in the case of a BPA Tier 2 product) it is not clear that BPA Transmission Services (TS) would even consider re-dispatch if there is a transmission constraint. In fact, in a recent conversation with TS personnel the representative from TS asked why we thought that TS should re-dispatch Federal Base System (FBS) Resources to support a nonfederal resource. Under this scenario the incentive for BPA to resolve transmission constraints in the most cost effective and efficient way appears to be absent. It appears that as long as BPA can simply directly assign and charge the utility the cost of TCMS there is little if any incentive for the application of least cost planning or operation.

It is unclear as to how BPA Power Business Line (PS) will be able assess the charge for TCMS to the correct utility when the reason a constraint exists may not be physically traceable such as for a BPA Tier 2 resource which is melded through a BPA tier 2 rate pool. As proved by the BPA PUF model, a constraint on a particular path could be caused by a change at one of the other BPA delivery points, not directly associated with delivery of a resource. Under this scenario, a utility that has no dramatic change in its load could be charged the cost of clearing a constraint at a totally unrelated transmission

line simply because it was using a nonfederal resource to serve its above High Water Mark Load.

The application of the TCMS seems to provide a vehicle for TS to charge utilities for market purchases to clear a transmission constraint before any re-dispatch is accomplished or resource reserves used.

The proposed BPA decision to directly charge TCMS to those utilities that are using nonfederal resources creates a very clear disadvantage to utilities using a non-federal resource to serve their Above High Water Mark load. It creates an uneven playing field by creating a financial disincentive for utilities to provide or use non-federal resources to serve their Above High Water Mark load. This is contrary to both the intent and the purpose of the Tiered Rates Methodology.

To resolve this issue, we would suggest that BPA revise its proposed approach to this issue in one of two ways:

First, the TCMS charge should be assessed to all resources used to serve Above High Water Mark load, regardless of whether they are non-federal or federal resources. Second, and in the alternative, all TCMS costs regardless of whether purchased for delivery of federal or non-federal resources could be allocated to all BPA customers through transmission rates.

Either of these proposed solutions eliminates the inequity and the unfair financial burden associated with direct assignment of TCMS costs to only those utilities that want to use non-federal resources to meet their Above High Water Mark loads. Either of these options, if implemented by BPA, would essentially resolve the transmission issues raised by Benton REA.