

MEMORANDUM

To: Nita Burbank
From: Aleka Scott
Date: August 31, 2009
RE: PNGC's Exhibit F comments

One of the key goals of the Regional Dialogue is to provide customers with a choice of how their Above High Water Mark (AHWM) Load will be met. PNGC Power's members have invested substantial assets and time into creating and maintaining an organization that can develop resources for PNGC's members' AHWM needs. Our primary goal is to develop resources that we own; however, purchased power will always have a potential role in our resource portfolio. To provide a level playing field with BPA, it is imperative that load following customers with NT contracts be able to access, just as BPA does, the most commonly traded power purchase (WSPP Schedule C Firm) in the Northwest at one of the most robust power trading hubs in the country at a similar risk profile for transmission curtailments.

I. Restriction associated with potential inability to have WSPP Schedule C Firm Purchase designated as a Network Resource under an NT contract.

Currently, BPA can buy a WSPP Schedule C purchase to meet its Tier 2 obligations. It does not have to use the NT MOA or its successor to get firm transmission for this kind of purchase; BPA can move a Schedule C purchase on NT secondary. Even with the revisions that BPA is contemplating to TCMS, a regular schedule C purchase at Mid-C would currently not qualify as a Network Resource under an NT contract because Mid-C purchases can be delivered from multiple balancing authorities (BA) at Mid-C. Marketers are reluctant to bid on requests for power that are limited to one BA as it severely restricts their ability to access market power to fulfill their contracts.

Solution:

We ask BPA to allow a WSPP Schedule C Firm market purchase delivered to Mid-C to be covered by TCMS for up to five years starting in either 2012 or 2013, whether or not it can qualify as a Network Resource under an NT contract. We understand if this purchase does not qualify as a Network Resource, that this purchase would use NT Secondary (6NN) through the BPA BA to PNGC's load.

We also ask that TCMS apply when we are using our secondary NT rights for a designated Network Resource. Full use of our NT rights, including secondary rights, for example for economic displacement, is essential to putting us on a level playing field with BPA.

We will commit to continue to work with BPA Transmission on Business Practices and in other forums to designate such purchases as Network Resources under our NT contract. We can further commit to submitting such purchases as Network Resources once this is possible. However, changes in the transmission arena will not be made in time for us to meet our November 1, 2009 deadline for submitting dedicated resources under our Regional Dialogue Load Following contract. With this spirit of cooperation, we ask BPA Power to seriously consider this TCMS request, along with those below, so

that we can successfully bring non-federal resources to meet our AHWL load obligations in this first Purchase Period.

Comments previously submitted on TCMS and TSS

II. Restrictions that occur if Network Resource designation (i.e. firm transmission) is not obtained.

- a. Lack of certainty that BPA will offer TCMS, Ex. F, Section 4.3.4.1.
- b. Lack of certainty that BPA will continue to offer service through the First Purchase Period.
 - i. BPA can rescind at its discretion (section 4.3.4.1.)
 - ii. BPA can rescind for too many curtailments (section 4.3.6.1.)
 - iii. BPA can rescind if a transmission service request is withdrawn, declined, or invalidated.
 1. Ex. F, Section 4.3.4.2., Option 2
 2. Ex. F, Section 4.3.4.3., Option 1
 3. Ex. F, Section 4.3.4.4., Option 3
- c. If BPA terminates TCMS at its option, the customer has 10 days to replace this service.

If firm transmission is not available on the BPA transmission system, these restrictions impose enough uncertainty and risk that our Board and our lenders are unwilling to commit to even the simplest purchased power arrangement: a firm, flat block of power.

Solution:

BPA should commit to offer and provide TCMS for the First Purchase Period to Load Following customers (including transfer customers) who buy flat blocks of purchased power. For NT customers there is no additional cost to obtaining this service since the billing determinants for NT are Total Retail Load (TRL) based, as opposed to resource-based billing determinants. However, BPA needs to recognize that the path to a Designated Network Resource may include having requests invalidated, having to withdraw and resubmit requests, and even being declined and having to reapply.

By making the TCMS service more workable for the First Purchase Period, BPA recognizes that the transmission system is temporarily limited thus making many of its conditions on the power side unworkable. The ability to use secondary NT on BPA's system puts non-federal purchased power on a level playing field with BPA's market purchases that it will sell under the Tier 2 rate.

III. Restrictions associated with scheduling deadlines

TSS, Section 4.1.1. – BPA's deadline requiring all schedules to be submitted by 8 am creates an unlevel playing field and is unrealistic in today's market. Our counterparties indicated that this was a non-starter for them. BPA staff indicated that the 8 am deadline is the earliest time that one BA (Idaho Power) requires schedules to be submitted, and thus it became the standard for all customer schedules.

Solution:

Put in general language about complying with current scheduling timelines in the RD contract exhibit and then document the scheduling deadlines by BA in a separate, written guidelines document. This approach will allow customers and BPA to be on a level playing field with BPA PS. For example, If

Idaho Power has an earlier scheduling deadline, then it is earlier for all parties using Idaho but not for every BA. Just as BPA doesn't turn in its schedules for other BAs at the earliest time, customers should not have all their schedules due at the earliest scheduling time. Also, a hard time deadline *in the contract* puts us in breach of contract for a late schedule. A separate guidelines document can be easily updated as BA's change their requirements. This is how we operate today under our contract with BPA.

TSS, Section 4.2 – BPA's TSS requirements require us to submit real-time schedule changes to BPA PS by 45 minutes prior to the hour of delivery. Reserve coverage does not start until 30 after the hour. If there is a transmission or generation outage that occurs between 15 after and 30 after the hour, we have no opportunity to submit a schedule to cover this outage.

Solution:

BPA PS charges the Load Shaping rate instead of charging the Unauthorized Increase Charge (UAI) for transmission or power curtailments that occur between 15 and 30 minutes after the hour.

These relatively simple changes will allow PNGC to bring non-federal purchased power to serve their AHWM load in the first Purchase Period.

We truly appreciate the efforts BPA is making to make these Regional Dialogue contracts work in the real world of resources and purchases. It is extremely important that we keep the larger goal of allowing non-federal resources to load. It would indeed be a sad outcome for us all if we could not make even this simplest of non-federal resource, a flat annual block of power, possible to bring to AHWM load.