



August 28, 2012

Ray Bliven  
rdbliven@bpa.gov

Dear Mr. Bliven,

PNGC Power has reviewed the information related to the treatment of the WNP-3 Settlement exchange provision as a Tier 1 System Resource and the effect on the current and future Rate Period High Water Marks (RHWM) with our members. It appears that counting the WNP-3 Settlement as an obligation but failing to include the WNP-3 Settlement's exchange as a resource was a legitimate oversight when the TRM was developed. We think that the WNP-3 resource should be included in the Tier 1 System.

BPA has also pointed out that correcting the TRM could be time consuming, difficult and might prevent a correction in the current RHWM process. BPA has proposed as an alternative that the WNP-3 Settlement obligation could be set to zero and result in effectively increasing the size of the Tier 1 system by an estimated 91 aMW.

PNGC Power and the members agree with BPA's proposed alternative approach that allows for the inclusion of the effect of the WNP-3 Settlement exchange as a resource. We understand that the estimated additional amount of Tier 1 augmentation for Tier 1 loads to be about 44 aMW for FY 2014 and 50 aMW for FY 2015. We also understand that the exchange option expires with Avista in 2017 and with Puget in 2019, limiting the long term exposure to augmentation amounts for the Tier 1 system. We recognize that for the future RHWM periods there is some risk to increased augmentation costs due to possible market price increases.

Using the above approach for treatment for the WNP-3 resource in the current RHWM process leaves open the question as to whether "change to the TRM" is required for the longer term of the next two RHWM processes. In this case the work around is a practical solution for the current RHWM process and is probably workable for the long term. However such approaches should not become the norm for changes or correction to the TRM.

Sincerely,

A handwritten signature in blue ink, reading 'Douglas R. Brawley', written in a cursive style.

Douglas R. Brawley  
Senior Vice President Power Management