



Your Northwest renewables utility

May 4, 2016

Submitted via email: techforum@bpa.gov

Bonneville Power Administration
905 NE 11th Ave.
Portland, OR 97232

**Subject: Public Utility District No. 1 of Snohomish County Comments on
Non-Firm Product Rates Solutions associated with Hourly Southern Intertie**

Dear Ms. Fredrickson,

Public Utility District No. 1 of Snohomish County (Snohomish) welcomes the opportunity to comment on the Southern Intertie Hourly Non-Firm (IS HNF) rate and the questions posed in Bonneville Power Administration's (BPA) presentation dated April 20, 2016.

Snohomish supports making a change from the status quo, but because of the relatively brief comment period, does not have detailed feedback to provide on the rate calculation methodology. The following comments address high level rate making principles, with limited specific feedback regarding questions posed in the April 20 presentation.

Non-Firm Rate Change

BPA has proposed a new rate methodology for calculating the IS HNF rate, which includes a new metric for the high-value hours of each day. Snohomish has not had the opportunity to fully analyze potential market impacts from this proposed methodology, but encourages BPA to continue with its analysis to present at future workshops.

Other Rate Change Considerations

As part of the April 20 presentation, BPA posed a number of questions to customers regarding considerations beyond the IS HNF rate which included potential changes to the hourly firm product, ancillary service rates, directional rates, and seasonality. Generally speaking, Snohomish cautions BPA against rate design changes that could allow a new IS HNF rate to be circumvented. Rate design changes to products beyond the IS HNF must be carefully considered to ensure they do not undermine the overall goal of restoring the value of long-term firm rights holders. Preliminary feedback on two of the questions can be found below.

Should the Hourly Firm rate on the Southern Intertie rate be changed?

Snohomish agrees with BPA's statement that IS Hourly Firm rate should not be provided at a price lower than the IS HNF rate. Continuing to use the same methodology for Hourly Firm and Non-firm transmission capacity would provide consistency and help avoid inadvertent devaluation of the IS Firm product.

Should the IS HNF rate be set directionally?

Snohomish does not support setting separate directional rates for the Southern Intertie. Current business practices allow for redirects of directional firm reservations as 1-NS service.

Implementing a rate design that lowers the price of South to North transmission could result in customers reserving South to North transmission, then redirecting those reservations North to South. This would circumvent any newly calculated IS HNF rate and continue the disparity in value to long-term firm rights holders.

Conclusion

Snohomish appreciates the opportunity to participate in the discussions on the issues associated with the IS HNF product. If you have any questions about Snohomish's comments, please contact me directly at (425) 783-8309 or by email at irhunter@snopud.com

Sincerely,



Ian Hunter
Transmission Policy Analyst