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Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

May 4, 2016

VIA email

Tech Forum
Bonneville Power Administration
PO Box 491
Vancouver, WA 98666
techforum@bpa.gov

Re: Comments of Tacoma Power regarding Southern Intertie Non-Firm Rate

Tacoma Power appreciates BPA Transmission Services' ongoing work related to seams issues on the Southern Intertie. We previously filed comments supporting BPA's investigation into rate and non-rate alternatives that the agency may use to address these issues. Now, as part of the BP-18 rate setting process, it is appropriate for the agency to act on its preferred rate option – increasing the Southern Intertie Non-Firm Rate ("IS HNF") to reflect the costs of providing this service during the hours when it is most likely to be needed and used. In our view, this action is consistent with the principles of open access transmission tariff, which reward parties for the value provided by their long duration investments in transmission service. Failing to act would allow those using short-term hourly service to further erode the incentive for customers to enter into long-term transmission expansion arrangements with BPA Transmission Services.

In developing the IS HNF rate proposal, BPA Transmission Services has identified a series of issues that it will need to address. We generally agree with BPA staff's leanings on the following two issues: (1) Should the Hourly Firm rate on the Southern Intertie be changed; and (2) Should the SCD rate on the Southern Intertie be set differently?

With respect to the question of whether BPA should set the hourly-rate assuming a 5-day week, we have no basis on which to recommend a change. Unlike BPA Power Services, we do not have experience to inform comments about transacting with the California Independent System Operator ("CAISO") across the various days of the week. We desire to learn BPA Power Services' thoughts on the matter.

Finally, we believe that including directional, seasonal or on-peak/off-peak components in the IS HNF rate would be premature at this time. We recognize that directional, seasonal, and on-peak/off-peak mechanisms could help assure that an IS HNF rate action does not create unintended transaction costs when dealing with CAISO or other California based parties. However, the need for these mechanisms has yet to be demonstrated. Furthermore, in some cases – like with directional pricing – changes to

transmission business practices may be necessary to avoid creating rate loopholes for redirected short-term reservations. We would prefer to keep the rate action as simple and defensible as possible.

We appreciate BPA Transmission Services consideration of these comments. Finally, we encourage BPA Transmission Services to be open to further changes to the IS HNF rates should the mechanisms by which the Southern Intertie is used result in adverse outcomes.

Sincerely,

A handwritten signature in purple ink, appearing to read 'N. Garcia', with a long horizontal flourish extending to the right.

Nicolas Garcia
Assistant Power Manager