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VIA EMAIL

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Public Power Council Comments – Southern Intertie Hourly Non-Firm Rate Issues

Dear Ms. Fredrickson:

The Public Power Council (PPC) appreciates this opportunity to comment on BPA's proposed methodology and related rate considerations for Hourly Non-Firm (HNF) on the Sothern Intertie for BP-18. As we have indicated through evidence in the BP-16 rate proceeding and participation in this process, this is an important issue to BPA and its customers.

Aside from the particulars of implementation, PPC strongly supports BPA moving forward with solutions to address the diminished value of the long-term firm product on the Southern Intertie (IS LTF) due to the fact that "BPA's hourly non-firm product has the same priority in the CAISO Day Ahead Market as the long-term firm product."[1] In choosing among potential solutions, BPA should pursue actions that are most effective in addressing the core issue at hand as expeditiously as possible and that are consistent with BPA's statutory obligations, including rate directives.

As described in our comments submitted January 22nd on BPA's draft white paper, PPC supports a change to the Southern Intertie hourly non-firm (IS HNF) rate as the most immediate and important solution. The general approach of identifying high value hours in the CAISO market as the basis for the IS HNF design is very promising. Given the

[1] Regional White Paper: Presentation and Analysis of Southern Intertie Hourly Non-Firm Alternatives, page 4.

limited timeframe of this comment period, PPC does not yet have a specific recommendation on the specific formula. However, it is important that the final calculation be well supported and result in an IS HNF rate level that is sufficiently robust to protect the value of IS LTF investment and also send market price signals to incent new transmission investments where appropriate.

BPA has also raised a number of potential rate changes that arise from consideration of how the IS HNF rate is set. PPC staff is not yet in a position to opine on the specifics of these options. However, a central consideration in addressing the questions must be to support the effectiveness of the IS HNF rate change. Changing the IS HNF rate to ensure the proper value of IS LTF investments would be meaningless if the changes can be circumvented by other service alternatives.

As also described in prior comments on this issue, additional complementary solutions (both rate and non-rate) appear worthy of consideration. Specifically, the options of selling IS HNF inventory only once and delaying the HNF release time on the Southern Intertie to a time closer to the start of each delivery hour may have merit. PPC would like to continue to explore the effectiveness of these with a particular emphasis on effectiveness and avoidance of unintended consequences.

PPC appreciates the opportunity to comment on this important issue, and commends the efforts made to date by BPA staff to find constructive and effective solutions to this issue in a timely manner. We look forward to working closely with BPA staff and other stakeholders throughout the pre-rate case process to develop the best alternatives to support BPA's initial proposal in BP-18. Thank you for your consideration of these comments.