

**Comments of the M-S-R Public Power Agency
Regarding
Southern Intertie Value Discussions**

The M-S-R Public Power Agency (“M-S-R”) is a joint powers agency formed by the Modesto Irrigation District, and the Cities of Santa Clara and Redding, California, each of which is a consumer owned utility. Beginning with a 2005 contract, M-S-R obtained contractual rights to the output from some of the first large scale wind resources developed in Washington State. M-S-R and its members currently have rights to 350 MW of wind generation in Washington and Oregon, which its members use to serve their customers and meet California’s Renewable Portfolio Standards (“RPS”). Those customers ultimately bear the cost of the Bonneville Power Administration (“BPA”) transmission rates.

M-S-R appreciates the opportunity to provide comments on issues raised in the recent BPA workshops discussing Southern Intertie value concerns, and regarding the Draft Whitepaper.

Scope and Magnitude of the Problem. M-S-R and several other parties previously commented on the uncertain scope and magnitude of the Southern Intertie issues. During the October 18, 2015 workshop, BPA provided data scheduling charts showing a fairly insignificant level of use of hourly non-firm compared with use of long-term firm rights. That data could be viewed as showing the problem has limited magnitude. M-S-R heard Powerex opine, however, that even if there is no hourly non-firm usage, the potential for it to be used creates a problem on its own. That point is not clear to M-S-R, and further discussion of the scope and magnitude of the problem is necessary. The data scheduling charts also show a correlation between higher hourly non-firm usage and the Spring run-off. As requested during the workshop, it would be helpful to know how much of the non-firm usage during the Spring runoff is associated with BPA Power’s sales activities.

Rate Impacts. The rate impact of the proposed solutions listed in the draft whitepaper is an important consideration. Discussions of the magnitude of the problem have included statements that non-firm revenues are about \$3 million per year, while firm revenues are about \$100 million per year. The indication was that changing or eliminating non-firm revenues would not matter much from a rates perspective. It would be useful for BPA to provide an overview of how the Southern Tie rates are developed, and how changes in revenues – from firm, non-firm, or South-to-North service – affect the Southern Tie rates. Adding a summary of the Southern Tie rate structure to the Draft Whitepaper would provide parties with a structure for evaluating the alternative solutions.

Solutions. The whitepaper lists a number of potential alternative solutions, with little detail at this point. M-S-R maintains that the scope and magnitude of the problem, and the rate impact of each alternative, will be important to guide future discussions. M-S-R notes that some of the more radical proposals involving free usage of BPA’s system and partnering with CAISO for congestion revenues were excluded from the listings. Given the complications associated with those potential solutions M-S-R believes they are appropriately excluded from consideration.

M-S-R looks forward to continued discussion of the problem and potential solutions.