

**Comments of the M-S-R Public Power Agency
Regarding Bonneville Power Administration's Short-Distance Discount**

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. Those customers ultimately bear the cost of the Bonneville Power Administration ("BPA") transmission rates.

M-S-R appreciates the opportunity to comment on Franklin County Public Utility District No. 1's ("Franklin County") Short-Distance Discount ("SDD"), proposal presented during BPA's August 10, 2016 BP-18 Rate Case Workshop. M-S-R understands that, under BPA's current SDD rules, if a point-to-point reservation that receives a SDD credit is redirected, for all or a portion of the capacity and for any period of time during a month, the customer loses the discount for the entire month in which the reservation was redirected. To address the loss of the discount, Franklin County proposed during a July 27, 2016 workshop revising the SDD rules in a series of two steps. In step one, if a SDD transmission service reservation is redirected *on the same SDD path* as was the parent transmission service reservation, then there would be no loss of the SDD discount. In step two, if a SDD transmission service reservation is redirected *on a path different from the SDD path*, then the monthly SDD will be reduced by the amount of MWh of redirects that are on the non-SDD path, but no more than the full monthly SDD.

M-S-R appreciates the attention and work Franklin County and BPA have undertaken to address the loss of the SDD when a customer engages in redirects. M-S-R understands BPA has concerns that there are appropriate situations justifying removal of a customer's SDD, but M-S-R believes the current rule appears to cast the net too broadly. M-S-R agrees with Franklin County's assertion that changes are necessary to the SDD to address the loss of the credit when redirects are undertaken, and believes the proposal provides a good starting point for modifications to the current all-or-nothing rule. However, Franklin County's approach may not cover all situations when a redirect occurs and it is appropriate to retain the SDD. For example, if the redirects are not the result of customer choice, but are caused by BPA actions, an exception would be appropriate. M-S-R commends the attention and coordination that has been directed thus far to this issue, but recommends further stakeholder processes prior to BPA taking a final position on this issue, or in the alternative, M-S-R recommends this issue be addressed in BPA's testimony in the BP-18 rate case.

M-S-R appreciates BPA's willingness to address important issues raised by its customers, and looks forward to further discussions regarding the SDD.