Department of Energy

Bonneville Power Administration
P.O. Box 491
Vancouver, Washington 98666-0491

TRANSMISSION SERVICES

January 9, 2018

In reply refer to: TSPR-TPP-2

RE: Bonneville Power Administration (BPA) will follow the procedural requirements of Federal Power Act Section 212(i)(2)(A) to develop a new open access transmission tariff.

To Regional Customers, Stakeholders, and Other Interested Parties:

Thank you for your involvement in the stakeholder workshops regarding our new Transmission Business Model, the Pro-Forma/Industry Standard Gap Analysis, and Tariff Engagement Design process. We appreciate the thoughtful comments submitted. With the culmination of this public process, the purpose of this notice is to inform that BPA will follow the procedural requirements of Section 212(i)(2)(A) of the Federal Power Act (Section 212), 16 U.S.C. § 824k(i)(2)(A), to establish a new open access transmission tariff for transmission service across the Federal Columbia River Transmission System. We have also outlined the next steps for continuing dialogue on several related issues.

Tariff Engagement Design – Process to Modify the Tariff

In a letter dated November 22, 2016, and a customer workshop on December 13, 2016, BPA explained that filing tariff changes with the Federal Energy Regulatory Commission (FERC) in pursuit of reciprocity safe harbor status was no longer a tenable approach. During the customer workshop, BPA asked whether customers would support a different approach – using a collaborative, regionally driven public process for tariff modifications. BPA offered several alternatives, ranging from simple notice and comment to the use of a formal process following the procedural requirements of a section 7i rate proceeding. BPA also offered using a public process that was scalable depending on the significance of the issues. BPA then asked for public comment.

On January 12, 2017, many customers submitted comments requesting more information about BPA's Transmission Business Model and potential changes to the tariff. As a result, BPA suspended the Tariff Engagement Design process to reprioritize efforts on answering customer questions on these fundamental areas. During that time, we focused our public process on the overall Transmission Business Model and potential areas for efficiency gains, optimization, and alignment with the *pro forma* tariff or industry standards.

BPA restarted the Tariff Engagement Design discussion at the July 26, 2017 workshop. Initial customer feedback indicated a preference for BPA to follow a formal process when making tariff

changes. At the workshop, BPA proposed to use the procedural requirements of Section 212 as the process to develop a new tariff. Under Section 212, Congress provides the Administrator with the option to establish generally applicable terms and conditions for transmission service after conducting a hearing that follows the procedural requirements of section 7(i) of the Northwest Power Act (the same requirements applicable to rate proceedings).[1] Customers submitted comments after that workshop indicating general support for a Section 212 hearing, but generally questioned what the hearing would entail, what impact it would have on the terms and conditions under BPA's current tariff, and specifically questioned section 9 in the new tariff.

Subsequently, during the October 27, 2017 workshop, BPA answered those questions and provided more information about the proposal. BPA described the requirements of Section 212 and explained that the precise language for the new tariff, including section 9, would be discussed during pre-Section 212 hearing workshops during the winter, spring, and summer of 2018. These discussions will influence the language ultimately proposed by BPA and established during the Section 212 hearing. BPA also proposed to run this proceeding concurrent with the BP-20 rate case. BPA reiterated that the new tariff would not be filed with FERC and that existing contracts under the current tariff would be grandfathered. Those customers with grandfathered contracts would be provided an opportunity to convert to the new tariff. All new requests would be subject to the new tariff.

Stakeholder Comments on the Section 212 Proposal

Most customers supported or were not opposed to BPA developing a new tariff after following the procedural requirements of Section 212. Some customers, however, expressed concern with an alternative approach for tariff changes or disagreed with the proposal. These customers generally preferred the status quo, which requires FERC approval of each change.

Customers wanted to know when BPA would share new tariff language and whether ancillary services requirements currently covered in rates should be moved to the new tariff. Some customers suggested that section 9 for the new tariff should include a substantive standard, a reference to Section 212 as the process for future tariff changes, and permit the hearings to run concurrent with future rate cases or upon customer request. Customers requested that BPA provide more information about how two tariffs will be implemented, which reservations the new tariff would apply to, and whether some transactions associated with existing contracts, such as redirects and rollovers, may be required to operate under the new tariff. Many customers asked how BPA will consider transmission rate design questions in conjunction with tariff changes, how the BP-20 rate case and 212 hearing timelines would be coordinated, and other questions about procedural and discovery rules. Customers also asked questions about the Hearing Officer's selection, role, and independence.

[1] 16 U.S.C. § 824k(i)(2)(A).

BPA's Decision to Establish a New Tariff Following the Procedural Requirements of Section 212 of the Federal Power Act

After considering the mostly supportive or unopposed customer comments, BPA has decided to use the Section 212 statutory procedures authorizing the Administrator to establish generally applicable terms and conditions for transmission service following a hearing. Because the Section 212 proceeding follows the orderly processes for a 7(i) proceeding, customers and stakeholders will be afforded the opportunity to develop a full and complete record and to raise legal, factual, or policy issues for consideration by the Hearing Officer and the Administrator.

After conclusion of the Section 212 hearing, BPA will have two tariffs: its current tariff, which will become grandfathered, and the new tariff. The new tariff will apply to all new transmission service requests. The grandfathered tariff will apply to existing transmission contracts that do not elect to convert to the new tariff. BPA will seek customers' voluntary conversion of existing transmission contracts to the new tariff. New transmission service requests, renewals ("rollovers"), or other events that might merit a new contract based on FERC *pro forma* tariff policy, will receive transmission service under the new tariff.

This decision is limited in scope to BPA's decision to implement a Section 212 hearing to create a new tariff. It does not encompass the substantive issues that have come up during the Tariff Engagement Design process, section 9 language for tariff modifications for the new tariff, other specific tariff provisions identified in the Pro Forma Gap Analysis workshops, implementation issues, rate issues, or the procedural rules that will apply to the Section 212 hearing. We will continue to collaborate with customers and stakeholders on those issues in the upcoming workshops. Tariff issues ultimately will be established in the Section 212 hearing. Rate issues will be addressed during the BP-20 workshops and rate proceeding.

Continuing Dialogue

BPA remains committed to collaborating with customers to provide certainty and predictability for BPA's terms and conditions for transmission service. BPA will hold workshops as needed to fully develop and consider tariff issues that will be proposed for the new tariff. We will strive to coordinate workshop dates and times so that they will coincide with other public meetings, such as rates workshops.

During these workshops, BPA will share developments in the Pro Forma Gap Analysis work, the affected tariff terms and conditions, and tariff language options under consideration. BPA will also share initial thinking about the service the new tariff will apply to and how BPA proposes to implement both the current and new tariff, including impacted business practices and contracting processes. Rate design questions will be part of BP-20 rate case workshops, though we will coordinate tariff discussions when necessary. Customers and stakeholders will have many opportunities to provide input, which BPA will use to develop its tariff proposal for the Section

212 proceeding. We also will explore opportunities for regional consensus on the new tariff's terms and conditions.

In addition, BPA will conduct a public process to revise and update the Rules of Procedure Governing Rate Hearings (Rules of Procedure). The updated rules would apply to rate hearings and the Section 212 proceedings. This process is under way internally and your procedural comments and questions have been shared with the staff working on this process. Staff plans to share an initial draft of the proposed, updated Rules of Procedure next month. This collaborative process will provide parties a full opportunity to review and comment on the procedural rules.

Thank you again for your participation in BPA's decision to implement a Section 212 hearing to create a new tariff. We appreciate your continued involvement in BPA's efforts to develop the provisions of the tariff and the hearing procedures. If you have any questions I encourage you to reach out to your Transmission Account Executive.

Sincerely,

Richard L. Shaheen, P.E.
Senior Vice President, Transmission Services