



Department of Energy

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Bonneville Power Administration
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TRANSMISSION SERVICES

November 22, 2016

In reply refer to: TSPP-TPP-2

Regional Customers, Stakeholders and Other Interested Parties,

Subject: Bonneville Power Administration will engage the region to collaborate in defining a new public process to manage changes to the Bonneville open access transmission tariff.

The utility industry is changing rapidly and Bonneville recognizes the important role it plays in providing the transmission products and services that enable its customers to seize the opportunities, and meet the challenges, created by that change. To ensure that Bonneville has the ability to continue to provide transmission products and services that meet customer needs, Bonneville intends to revise its open access transmission tariff so that it can make future changes to the tariff through a regional public process. This letter is intended to announce and explain Bonneville's plan and invite all customers, stakeholders and other interested parties to work with Bonneville during the next several months to design a regionally-driven public process for managing changes to the tariff.

Background

Bonneville has provided its transmission products and services through an open access transmission tariff since 1996. A problem has arisen, however, with regard to keeping Bonneville's tariff current. The Bonneville tariff, section 9, requires Bonneville to obtain Federal Energy Regulatory Commission approval to change our tariff. Historically, Bonneville submitted its tariff to FERC for approval under FERC's tariff reciprocity safe harbor process. Bonneville maintained safe harbor status until 2007 when the FERC issued Order No. 890. In 2008, Bonneville made a submission to FERC requesting approval under the safe harbor process that included alternative proposals in certain areas, but adopting most FERC Order No. 890 requirements. After several attempts to obtain safe harbor status, in 2013, FERC approved our tariff in part, but declined to grant Bonneville safe harbor status because of Bonneville's alternative proposals.

Bonneville has determined that conforming the Bonneville tariff to the pro forma tariff would require considerable investment (for example, new systems to implement financial intermediary requirements for resales) without a commensurate benefit for Bonneville or its customers. Bonneville's unique statutory framework has also presented challenges to participating in Order No. 1000's mandatory cost allocation requirements. As a result, the safe harbor process is no longer a tenable approach for Bonneville to make future changes to its tariff.

We have also determined that Bonneville did not have the legal authority to delegate its obligation to set the terms and conditions of its tariff to FERC. We intend to revise section 9 to enable Bonneville to make changes to its tariff only after a public process, which Bonneville will design with customers.

Customer Needs

Bonneville understands and appreciates the value to our customers of certainty and predictability for Bonneville's transmission service terms and conditions. Customers may have concerns about how Bonneville's new direction impacts that certainty and predictability. Bonneville is committed to providing customers with certainty and predictability in the ways described below, and is open to hearing from customers on what else Bonneville can do.

First, Bonneville is committed to working with customers to design a public process for managing tariff changes that provides customers with the opportunity to review and comment on proposed tariff changes with appropriate procedural safeguards.

Second, Bonneville is committed to aligning its tariff with FERC's pro forma open access tariff as closely as possible. Where it does not align, Bonneville is committed to transparency regarding the reasons for a deviation. Bonneville understands that close alignment eases potential seams issues with neighboring investor-owned utilities and provides relative certainty to our customers that Bonneville's policies will track national policies where appropriate. If FERC creates new pro forma tariff requirements, Bonneville anticipates that it will work with its customers, as it has in the past, to determine whether Bonneville should adopt those requirements into its tariff.

Third, Bonneville will continue to work with other transmission providers in regional and national forums such as WECC, NERC, FERC and NAESB to help shape and respond to an evolving industry and advocate for national policies that support regional needs.

Fourth, even under the new process we design together, Bonneville must remain mindful of comparability and non-discriminatory requirements in setting terms and conditions for transmission service. This is based both on Bonneville's organic statutes and the statutes that provide jurisdiction to FERC. Customers will retain the option to seek independent review of Bonneville's tariff from FERC with respect to any terms and conditions for transmission service. Customers can also seek review of Bonneville's decisions regarding transmission policies and procedures at the Ninth Circuit Court of Appeals.

Next Steps

We are seeking your input on how to design a process that gives customers the certainty and predictability they need, while retaining Bonneville's ability to make needed changes to its tariff.

Bonneville has conducted some informal outreach, developed several public process straw proposals and is now ready to begin the design discussions. On December 13, 2016, Bonneville will host a kick-off meeting. We plan to conduct at least two workshops in January and February to further discuss and refine the proposed process design. After the workshops are concluded, Bonneville will seek written comments on the final proposed process design. After due consideration, Bonneville will provide a written decision. More information on the December 13th meeting and subsequent workshops will be posted at Bonneville's [Tariff Engagement Design](#) website.

I look forward to working with you to design this new public process. If you have questions about the upcoming meeting and workshops, please contact Rachel Dibble, at 360-619-6191, or your Transmission Account Executive.

Sincerely,



Michelle Manary
Vice President, Transmission Marketing and Sales