

December 8, 2017

DIEGO OCHOA  
BONNEVILLE POWER ADMINISTRATION  
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Dear Diego,

Please accept these comments on behalf of Seattle City Light (City Light) regarding BPA's 2017 Transmission Business Model (TBM)/*Pro Forma* Gap Analysis (PFGA) Workshops. In addition to these comments, City Light provided written comments following the July 26, August 29, and September 20 meetings. City Light appreciates BPA's efforts to solicit feedback from customers throughout this process. We were glad to hear at the October 27 meeting that BPA is open to adjusting its approach to issues and undertaking additional analysis based on the feedback from customers.

#### Upcoming Processes

At the October 27 meeting, BPA indicated there is still much work to be done on the TBM-related topics in the next few years, including ongoing public processes and workshops. City Light encourages BPA to continue seeking customer input as it develops proposals and potential policy changes. The issues under consideration could have a transformative effect on the region's power markets. To fully assess the risks and benefits of any potential change in policy or practice, it is essential that BPA engage with customers in these processes. Customer input provides a unique perspective and helps to identify potential issues that BPA might not find in its own analysis.

To productively engage in these future processes, customers will need more information and a more targeted approach than BPA provided in the workshops to date. Thus far, the issues have been discussed at a high level, without a clear statement of the root problems BPA is attempting to solve, or information about how the alluded-to proposals might resolve those problems. Customers also have not received many details about what changes might be made or the competing interests BPA is weighing. Without this information, it is challenging to discern what the commercial and operational impacts will be for customers, and provide BPA with new or alternative proposals.

City Light has several suggestions for future processes that would help customers engage. First, we suggest that BPA develop straw proposals of the product and service changes it is contemplating, including information about what services would be offered as a replacement, and BPA's rationale for why the proposals are the best approach to solve the root problems identified. To be clear, City Light is not suggesting that BPA present "baked" solutions. Instead, we seek a starting point for discussion, and a framework in which customers can consider how the business model updates might impact them. The straw proposal would be revised and refined through customer suggestions and input, as well as any

new analysis. Second, because many of these processes are interrelated, City Light requests BPA provide scenario analysis indicating how to the different approaches to the many initiatives will result in the availability of new transmission service, and the effect on Treasury borrowing capacity and transmission rates. Third, it would be helpful if BPA provided a roadmap documenting how the TBM/PFGA, and its various parts, fit into the larger landscape of other BPA processes, such as the Strategic and Financial Plans, and Commercial Operations.

City Light supports BPA's goal to transform its transmission services and processes to be responsive to customer needs, as well as BPA's intentions to acquire tools to better manage the transmission grid. City Light agrees with BPA's assessment that a responsive and modern approach to providing transmission service is needed. As the industry evolves and external forces continue to affect BPA's traditional business model, City Light encourages BPA to also take note of what has not changed, will persist, and may be unique to the Pacific Northwest. Examples include the liquid power market that BPA's transmission grid supports in the PNW, and that many utilities, including City Light, use point to point transmission for load service.

Regarding the general process questions from BPA about how to effectively schedule and facilitate future discussions, City Light does not have a specific preference for whether meetings are planned as proposals are available, or on a predictable cadence. City Light encourages BPA to work cooperatively with customers to prioritize topics and set a schedule of meeting dates to ensure that BPA can meet its prescribed timelines in the next few years. If BPA decides to schedule meetings on an *ad hoc* basis, City Light requests that BPA provide adequate notice to ensure we are available to make travel arrangements and attend. City Light believes these meetings are most valuable when held in person, but recognizes there may be a cost to BPA to host these meetings. If cost is a concern, City Light is open to having these meetings in a different meeting space.

#### Hourly Firm

City Light believes hourly firm is one area that needs a much more thorough discussion and analysis before any action is taken. We appreciate that BPA, in response to customer concerns, has indicated it intends to further evaluate and discuss options. While City Light understands the problematic nature of the "unlimited" aspect of the current product, we are very concerned at the prospect of its elimination. The loss of the flexibility associated with being able to redirect our long-term transmission rights to match our loads and resources in various seasons will have a detrimental effect on our ability to serve load. City Light believes eliminating hourly firm could cause considerable harm to the region, and not provide what seems to be BPA's desired outcomes—reducing congestion and improving visibility on the system. This is because without hourly firm, rather than efficiently managing irregular lots of megawatts by shaping an hourly firm transmission product, City Light would need to rely on blocks of daily firm. Additionally, the region would have to rely on a hub approach to transmission, whereby each party would be required to use a leg of PTP transmission to transfer power in and out of a hub. These alternatives would create a less efficient use of the transmission system than current practice. Hourly firm is a vital transmission product that enables flexibility and efficiency, while daily, weekly and monthly firm do not provide these valuable attributes.

## ATC

City Light supports BPA's efforts to update its ATC methodology to provide a better reflection of real constraints on the system. ATC is closely tied to many of the TBM topics, and is perhaps the issue that would most benefit from TBM analysis and proposal development that integrates multiple issues. ATC will be a key to many of the other TBM initiatives. Moreover, any changes made in other initiatives will likely impact ATC, particularly as customers take different actions in response to changes in product offerings.

## Real Power Losses

Currently, the most significant barrier to paying back losses financially rather than in-kind is it is not cost-effective to do so. Loss returns are one of many obligations that City Light has, and we prefer retaining options to meet that obligation. Further, the economics of that decision are likely to vary by season, and in some scenarios, City Light may prefer the option to return losses physically because we have more ability to manage the return and the cost. Thus, even if BPA revises its loss rate, it is important to continue to allow customers the option of choosing financial or physical returns.

Regarding BPA's consideration of returning losses concurrently, City Light is not opposed to the concept. However, there currently is no proposal about how this option would work, so it is difficult to determine what the barriers might be. City Light suggests that BPA develop a straw proposal or proposals for concurrent losses, detailing the requirements and practices, so customers can conduct the necessary analysis.

## Study Process

City Light supports BPA's consideration and addition of non-wires solutions to its toolbox. We understand there are instances when building and improving the grid will be necessary to maintain strength and resiliency, but it is important that BPA looks to non-wires as an available low-cost option. As BPA makes this transition, it is imperative that BPA evaluate and weigh what implications non-wires solutions might have for customers, and work closely with them to ensure that implemented solutions do not cause harm.

Thank you for this opportunity to comment. If you have any questions or clarifications related to these comments, please do not hesitate to contact Stefanie Johnson at (206) 386-4539 or [stefanie.johnson@seattle.gov](mailto:stefanie.johnson@seattle.gov). City Light looks forward to continued engagement on these issues.

Sincerely,



Wayne Morter  
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Seattle City Light