

Western Montana Electric Generating & Transmission Cooperative, Inc  
Revised Comment Received 9/2/2011  
NOS-Generator Interconnection Reform Comments

**WESTERN MONTANA ELECTRIC  
GENERATING & TRANSMISSION COOPERATIVE, INC.**

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September 2, 2011

BY ELECTRONIC MAIL

Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97212-3621

RE: Revised Network Open Season and Generator Interconnection Reform Comments

The members of Western Montana Electric Generating and Transmission Cooperative (WMTG&T) appreciate the opportunity to comment on the Network Open Season (NOS) and Generator Interconnection (GI) Reform processes. Because all the members of WMTG&T are served via Network Transmission (NT) contracts with Bonneville, we are extremely concerned about the impact of NOS and GI decisions on our NT rates. Although the members of WMTG&T do not hold any Precedent Transmission Service Agreements (PTSAs), these decisions will have an impact on the availability of transmission capacity to serve our native load customers. Thus, we have a very clear interest in the outcome of these discussions.

There is no doubt that the NOS processes Bonneville has run over the past several years have been unqualified successes in helping to clear the backlog in the transmission request queue. The NOS processes separated those requests that were truly serious about obtaining long-term firm access to the transmission system from those requests that were either never viable or had simply never been removed. The NOS separated the wheat from the chaff.

It is very evident, however, that the current NOS process needs substantial revision. It is far too easy for a transmission request to be filed by an entity with little or virtually non-existent financial backing. The PTSAs, upon which Bonneville basis decisions to build transmission facilities potentially costing hundreds of millions of dollars, requires far too little scrutiny of the requestor's financial status to ability to pay the costs of the requested service. As described in the July 20<sup>th</sup> meeting, 41 percent of the expected revenues are from NOS customers that are "non-investment grade." This "faith-based credit support" approach appears in stark contrast to the credit support requirements and appropriate financial scrutiny required by entities wishing to buy or sell power with Bonneville.

Other risks from the current PTSA approach include the ability to delay taking service from Bonneville for up to five years with only minimal payments and the potential default risk from the low level of security deposits required when signing a PTSA versus the costs incurred from reserving transmission capacity or constructing new transmission facilities. These significant risks demand extensive revisions to the current NOS process.

Some PTSA holders apparently desire to change the terms, transfer, or terminate their agreements. Some of these changes may well be in the interests of the other network transmission customers. At the same time, some of these requests could result in free call options on the transmission system if the costs are not properly allocated.

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There is insufficient information on the extent to which the above risks and requested changes to the PTSA pose risks to or could impose costs on the other network customers. Significant additional work is necessary to divine the financial consequences of the current system and any requested changes.

Finally, there is a crying need for a comprehensive discussion of Bonneville's transmission policy in the context of the NOS process, Bonneville's revisions to its Open Access Transmission Tariff (BOATT), the use of Bonneville's borrowing authority, and the challenges to Bonneville's Environmental Redispatch policy. While all of these issues are being discussed separately, a comprehensive discussion is what is really necessary to develop a coherent Bonneville transmission policy.

All of these elements lead to the following conclusions:

- First, Bonneville should engage its customers and stakeholders in a comprehensive discussion of its long-term transmission policies, including revisions to the NOS and GI policies, the BOATT revisions, the use of its borrowing authority, and its Environmental Redispatch policy.
- Second, this comprehensive transmission policy discussion cannot be constrained to the December 2011 timeline proposed in the NOS revisions information. It is far too important to be held to that short a timeframe.
- Third, the current NOS process and GI policies are in desperate need of revision to properly allocate the risks and costs they impose on the existing transmission customers.
- Fourth, the members of WMG&T are willing to consider allowing modifications to PTSAs that have already been signed, including termination, as long as the risks and costs of any changes are allocated to those entities that cause the costs to be incurred.

The members of WMG&T appreciate the opportunity to comment and look forward to participating in a comprehensive Bonneville transmission policy discussion.

Sincerely,



William K. Drummond  
Manager