

December 8, 2017

Powerex Corp. Comments

RE: Questions for Transmission Business Model/Pro Forma Gap Analysis

Powerex appreciates the opportunity to provide comments on BPA's ongoing pro forma gap analysis and the related tariff engagement design efforts. In response to BPA's questionnaire, Powerex provides the following responses.

General Process Questions

1. Should BPA plan meetings based on availability of proposals or would customers prefer a predictable cadence such as meeting monthly or quarterly? Or should BPA consider a mix of both?

Powerex prefers the meetings to be based on the availability of the proposals, but with reasonable, advanced notice.

2. What format do customers prefer for the upcoming workshops? Do customers prefer meetings at the Rates Hearing Room or Webex-based conference calls? Other alternatives?

Powerex finds these discussions most effective in person, and prefers to attend when possible. However, Powerex appreciates the flexibility of having both options. For shorter meetings, it is not always feasible to travel to attend in person and a Webex may likely suffice for everyone. For meetings of longer duration, there is a benefit to attending in-person, but please retain the Webex option.

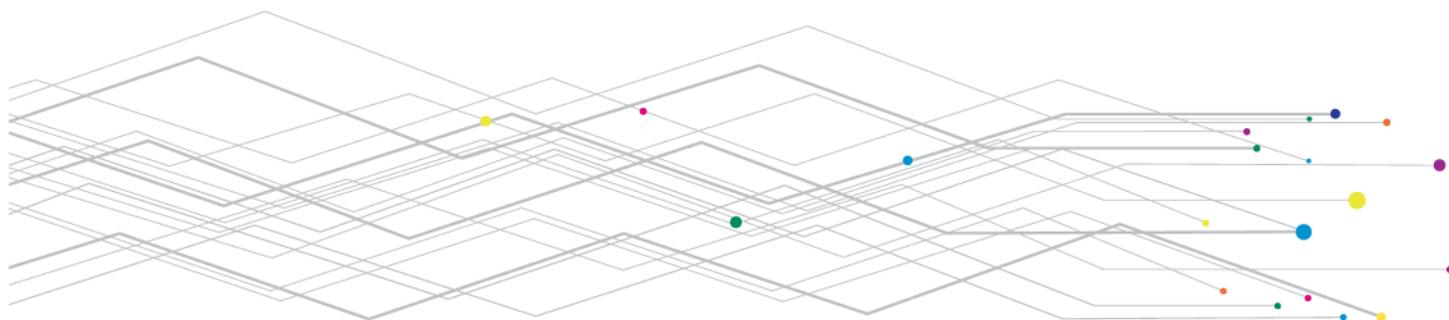
Hourly Firm

1. BPA currently uses long term reservations/requests to plan system expansions. Hourly firm redirects comprise greater than 80% of hourly firm PTP activity. Assuming those redirects change how long term reservations are utilized, what information would you suggest BPA use to plan for system expansions?

System expansion studies should continue to be based on long term reservations/requests.

2. If BPA were to eliminate hourly firm, what would you like to see done/changed before it's eliminated?

Hourly Firm should not be eliminated. If Bonneville eliminates Hourly Firm as a product, this would materially reduce the incentive to invest in Long-term Firm transmission, as it will eliminate the value associated with firm to firm redirects at an hourly granularity. Instead of eliminating Hourly Firm, Bonneville should manage the capacity that is offered as Hourly Firm (i.e. stop the practice of offering unlimited Hourly Firm) and limit sales/redirects accordingly.



3. What specific product attributes and/or process changes would you recommend BPA evaluate as we identify potential alternatives to unlimited hourly firm sales?

As raised by multiple customers in the workshop, BPA's practice of offering unlimited Hourly Firm is problematic. Powerex does not believe that the solution to this issue is the elimination of Hourly Firm. Instead Powerex recommends the BPA develop processes to accurately manage Hourly Firm and limit sales and redirects accordingly.

Powerex notes that BPA should not conflate the two separate and distinct issues of i) offering unlimited hourly firm, and ii) the inability to accurately calculate ATC on each path, in each hour. BPA should focus on making improvements to the ATC calculations and continue to offer an Hourly Firm product based on the limited availability, which should not impact Long Term customers or Network customers.

Real Power Losses

1. From a customer perspective, what are the barriers to making the election to pay back transmission losses financially rather than in-kind?

As discussed by many customers in the workshops, BPA should continue to offer the option of both financial and physical losses. The barriers to settling transmission losses financially rather than in-kind are financial barriers. The proposal to force financial returns assumes that a customer's cost to deliver losses would be equivalent to either Bonneville's costs or that it would be similar to a market index, such as at Mid-C. This may not be the case and may make the cost of providing losses significantly more expensive to customers.

However, even if financial barriers are reduced, there might still be circumstances where customers may elect physical returns. Flexibility should continue to be offered to customers.

2. What are the perceived barriers to using concurrent losses?

It is possible to return physical losses concurrently; however, managing the additional pre-schedule and real-time workload in calculating concurrent losses will require investment in processes and systems by BPA'S customers.

Tariff Engagement Design

1. Please provide feedback on BPA's proposal to follow the procedural requirements of Federal Power Act section 212(i)(2)(A)(ii) to develop a new tariff.

BPA's proposal to use a Section 212(i) process to develop general terms and conditions of service provides some procedural protections to customers, but Powerex believes that the initial proposal does not provide a comparable replacement for the substantive standards set forth in Section 9 of the present tariff. Powerex looks forward to participating in future workshops to discuss how BPA may revise Section 9 to install a substantive standard that would govern the Administrator's decision to adopt tariff revisions.

2. Please provide suggestions for topics you would like addressed in future 212 Hearing workshops.

BPA has proposed to simultaneously administer two open access transmission tariffs: the presently-effective tariff, and a new, to-be-created tariff that would more closely resemble FERC's pro forma tariff. Multiple tariffs present numerous questions and issues that merit further discussion and

analysis in future workshops, as suggested below. Powerex hopes that BPA will provide further clarifications in the upcoming workshops to address these issues. In particular, Powerex suggests that BPA discuss the following topics:

1. **Applicability of the new tariff.** Powerex suggests that BPA clarify what constitutes “new” transmission service that would be required to take service under the new tariff. For legacy transmission service agreements that will be grandfathered and continue to take service under the present tariff, Powerex suggests that BPA clarify if renewals/roll-overs of those legacy agreements will continue to take service under the present tariff.
2. **Opt-in opportunity.** BPA states that there will be an opportunity to “opt in” to service under the new tariff. Powerex suggests that BPA clarify and describe further this opt-in opportunity, such as when will it occur, under what conditions, whether BPA will allow customers to convert service from PTP to NT and vice versa, and whether the opt-in provisions will be included in the new tariff.
3. **Two tariff administration.** Powerex suggests that BPA discuss whether administering two tariffs presents a risk of providing materially different transmission service to customers taking service under the new tariff and those continuing to take service under the present tariff.
4. **Rate implications.** Powerex suggests that BPA discuss whether similar transmission services under the two tariffs will be charged the same rates. BPA also might address whether differentiating transmission service between two tariffs presents a risk that different rates for comparable service might exist.
5. **Business practices.** Powerex suggests that BPA address how its business practices will be modified or applied to two tariffs with different terms and conditions.
6. **BPA Power.** Powerex suggests that BPA identify under which tariff BPA Power will take service.
7. **Procedural issues.** Powerex suggests that BPA address the timing of the Section 212(i) hearing and the procedural steps involved. Powerex suggests that BPA clarify if there is a possibility that the Section 212(i) proceeding will be longer than a rate case, due to the fact that a Section 212(i) hearing includes the additional step of a recommended decision by a hearing officer. BPA might address how early it plans to commence the Section 212(i) proceeding to accommodate any potential longer schedule and how this may affect the workshop schedule. Powerex also suggests that BPA identify the procedural steps surrounding the recommended decision, such as whether customers will have an opportunity to file briefs before the recommended decision and briefs on exception afterwards, and whether there will be a draft Record of Decision. If so, BPA should clarify whether it intends to allow briefs on exception after an Administrator’s draft Record of Decision.