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VIA E-MAIL

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Dear Mr. Silverstein:

Please accept the following comments on the Draft Discussion Paper distributed by Bonneville Power Administration's (BPA) Transmission Business Line (TBL), entitled "Transmission Adequacy Standards: Planning for the Future" (September 2004).

The Draft Discussion Paper (Paper) asks the broad question "How does the region address an aging transmission network in the face of increasing demands?" You have already begun to answer that question by proposing "an open and thorough dialog" among regional stakeholders to determine both the process and the substance of this pursuit, and the Public Power Council (PPC) supports this approach. Below, we comment on some of the more general questions asked in the Paper and suggest a process by which the region may approach transmission adequacy planning.

These comments avoid specific and technical questions in favor of broader questions of value, priority and approach.

I. The Big Questions

What is the geographic scope of transmission planning, and who is responsible for ensuring an adequate transmission network?

PPC believes that transmission operators (TOs) should be responsible for the adequacy of their own transmission networks. Thus, BPA is responsible for the adequacy of its transmission network, and should develop and implement standards to that end. We do not believe that the scope of this project should extend beyond the Northwest, or [if there were a "neither", there could be a "nor] that an attempt to

implement such a process at a WECC-wide scale would be more effective or successful than one limited to the Northwest.

We hope that BPA's initiative on this issue will be followed by other Northwest TOs. To make this more likely, and to improve the final result for the region, we urge BPA to adopt standards and strategies that translate easily for use by other regional TOs.

What values shall be reflected in the geographic and economic distribution of transmission resources?

It is paramount that the distribution of transmission investment and reliability not be based solely on economic and technical analyses. Such an approach would likely produce a concentration of investment and reliability in urban areas and over lucrative transmission paths, while doing little for sparsely populated and economically devalued areas.

Such a result may be technically ideal under economic considerations alone, but BPA and its transmission stakeholders should go beyond economic and engineering considerations and make a value judgment about the fair distribution of transmission investment. For example, while a winter power outage in rural Idaho might cause a relatively small economic loss, it may be a greater risk to human health and safety than a comparable outage in an urban area and therefore is a loss having another type of value.

In addition to valuing health and safety, we might also consider putting a value on equitable service to all customers, regardless of location or delivery voltage. The test of a system that incorporates this value – service equity – would be whether a dollar spent anywhere on BPA's transmission network always bought the same level of transmission reliability.

What are the relative obligations of BPA's transmission network to regional transmission on the one hand and inter-regional transmission on the other?

The concepts of public preference and regional preference may provide some guidance. BPA's primary purpose is to market federally generated power to consumer-owned utilities, and to regional utilities over those outside the region. PPC believes that investment in transmission adequacy should reflect these statutory priorities. Thus, the prioritization of adequacy of interregional rather than intraregional transmission would not be acceptable (and this is one place where a purely economic valuation might come to a different conclusion). The absorption of the resulting costs by customers who would not share in the benefits would of course be doubly inappropriate.

The fair and realistic allocation of costs among BPA's transmission customers could be the biggest challenge in this process. Finding a solution may highlight such issues as rate design, third-party financing, ownership of new transmission facilities and direct assignment.

Who should implement and monitor any transmission adequacy standards that might be developed through this process?

The power industry is in a state of flux. While this may lend an element of uncertainty to transmission policy, BPA has a statutory obligation to maintain a reliable transmission system. This obligation will continue regardless of whether an entity such as Grid West is formed. BPA, therefore, should begin the process of developing and implementing a transmission adequacy policy.

As noted above, PPC believes that these transmission adequacy standards should be crafted with an eye toward application by other utilities in the Northwest. The Northwest has planned its transmission system cooperatively in the past. Single-utility planning is planning at its best and most efficient, and the standards developed in this process should facilitate that.

II. The Process

PPC would like to see a task force convened to author transmission adequacy standards and set priorities for transmission investment in the region. We hope that this group will not be composed solely or predominantly of economists or engineers. Rather, we envision a group that includes senior representatives from public and private utilities as well as engineers and economists.

This group should begin with the development of standards and then implement those standards. We hope to avoid a situation in which this group becomes simply a rubber stamp for transmission investments, or is presented with BPA's near-final plans without having had the opportunity to work on those plans with BPA from the beginning. The latter arrangement would probably be stressful and unproductive for both BPA and the task force; we would much prefer a cooperative, relationship that spans the full length of the planning process. This could be combined, perhaps, with task force oversight of BPA's capital development program.

We look forward to discussing these issues with you in the future.

Sincerely,

/s/

Nancy Baker
Senior Policy Analyst

/s/

Michelle Poyourow
Junior Economist