

March 3, 2011

Bonneville Power Administration
P.O. Box 491
Vancouver, Washington 98666-0491

Attention: Mr. Brian Silverstein
Senior VP, Transmission Services

Re: BPA Reciprocity

Dear Mr. Silverstein:

The Pacific Northwest Investor Owned Utilities (NWIOUs)¹ would like to address both the current status of BPA reciprocity and the process being employed by BPA to further discussion on the topic.

In January of 2010, the NWIOUs requested that BPA make every effort to seek reciprocity status for its tariff from FERC. We continue to make that request today. Our reasons for maintaining this request have not changed since our original letter to BPA dated January 8, 2010, in response to your request for comments on reciprocity. As stated in our letter, BPA is the largest high-voltage transmission provider in the Pacific Northwest and frequently plays a key role in the integration of resources with load in the region. BPA's role is becoming increasingly important with the increased need for transmission for renewable resources from remote sites. Accordingly, it is important that BPA's transmission is available, over the long term, under an OATT that is clear, transparent, predictable, and stable. Reciprocity status for BPA's OATT helps provide transmission service on that basis. Also, reciprocity status for BPA's OATT helps to ensure consistency of BPA's OATT with the OATTs of other transmission providers in the region. Such consistency facilitates transmission across BPA and other systems—which is often required to deliver power from remote generation. In short, reciprocity status for BPA's OATT provides substantial benefits to the region.

The NWIOUs are concerned that BPA has primarily engaged in an internal process to address reciprocity in 2010. Thus far, this process has not included collaborative efforts within the region. Although a number of reciprocity challenges in BPA's transmission tariff have been identified, significant progress in resolving those challenges has not yet been made. The NWIOUs are concerned that progress towards BPA reciprocity may have stalled under the current approach.

The NWIOUs understand that BPA faces challenges in moving towards reciprocity, and we appreciate the effort in identifying these challenges as presented at your Customer Forum held February 9, 2011. Further, we understand that BPA may have additional work to modify the pro forma tariff to address regional concerns and conditions; however, these modifications should be the result of a consensus developed in collaborative and transparent efforts in the region. The NWIOUs are willing to participate in a collaborative process to find solutions to BPA's challenges that address regional concerns and meet FERC's reciprocity standards. However, the NWIOUs believe that a defined timeline for such process is essential. This timeline should include the ability to proceed with a third-party² managed process. For example, if attempts at a collaborative process stall and fail to produce results, an independent, third-party mediator or perhaps a FERC Technical Conference should be used to facilitate the process.

The NWIOUs have the following additional specific suggestions for a process to address BPA's transmission tariff reciprocity challenges:

- BPA and regional customers should engage consistently and collaboratively in all BPA reciprocity activities going forward.
- To promote regional understanding of BPA reciprocity issues, the collaborative process should focus on identifying the issues, discovering and understanding root causes, and developing and ranking regional alternatives to address the issues that must be addressed.
- Categorize the reciprocity issues as follows:
 - Issues for which the solutions are superior to BPA's existing OATT;
 - Issues for which the solutions are unique to BPA or the Pacific Northwest (for example, it may be acceptable to FERC and the region that BPA and perhaps other transmission providers in the region not act as a financial middleman for transmission resales);
 - Issues that are anticipated to be problems by BPA but not yet identified as issues by FERC;
 - Issues that FERC has identified as BPA-specific problems; and
 - Other issues that FERC is addressing or may soon address in other regions of the country.

- After narrowing and prioritizing issues, the collaborative process should develop a formalized project plan that includes: issues and associated actions; dependencies relating to the other included issues; deliverables; timelines; due dates; and a prioritization that would address ease of implementation and level of effort and cost.
- Finally, the region should fully explore, understand, and gain consensus about the issues and the process going forward. It would be premature to advocate, at this time, in favor of any currently identified issue solution.

The NWIOUs maintain their belief that BPA reciprocity is an important component in the region's success. The NWIOUs are willing to work together with BPA in a results-oriented process towards the goal of BPA reciprocity--in this regard, we need to figure out what works for BPA and the region. We ask that you consider our proposals and work collaboratively with us and others in the region towards this goal.

Sincerely,

BPA Customers

¹ The NWIOUs submitting this response to BPA are: Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc.