Public Generating Pool

Ted Coates, Superintendent/COO Tacoma Power
CEO Sponsor, PGP Energy Policy Taskforce
c/o Tacoma Power
3628 South 35th Street
Tacoma WA 98409-3192
(253) 502-8234
e-mail tcoates@cityoftacoma.org

April 5, 2011

Stephen Wright, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland OR 97208
sjwright@bpa.gov

Dear Mr. Wright:

The Public Generating Pool (PGP) urges you to adopt a Final Record of Decision on Environmental Redispatch and Negative Pricing Policy, without delay. The region cannot afford to wait.
The PGP is composed of ten publicly-owned utilities that together represent Bonneville Power Administration's (Bonneville) largest block of customers. The combined Contract High Water Mark of PGP utilities accounts for roughly 34 percent of Bonneville's firm critical output. Our members also own or purchase over 500 MW of wind, own and operate 6,071 MW of hydroelectric projects, operate gas-fired thermal generation and are subject to Renewable Portfolio Standards in Washington and Oregon. Although PGP utilities will be impacted in different ways by Environmental Redispatch, we are united in our support for Bonneville action.

Some parties have called into question the policy rationale for Environmental Redispatch. What they may not recognize is that Bonneville must abide by unique statutory provisions to which other utilities and transmission providers are not subject. Bonneville's Draft Record of Decision correctly weighs these statutory requirements and sets forth the legal foundation upon which Bonneville may proceed.
No one denies the region is facing a difficult situation. An over-supply of generation – driven by state RPS requirements and federal tax policies – is destabilizing Northwest energy markets. If Bonneville does not adopt Environmental Redispatch, it will be forced to pay wind facilities to curtail generation, which will result in inappropriate cost burdens for the families and businesses served by Bonneville's utility customers. Congress intended the costs associated with Production Tax Credits to be shouldered by federal taxpayers, not the customers of Northwest preference utilities. Similarly, Renewable Energy Credits legislated by Oregon, Washington and California were designed as incentives, not mechanisms of harm. Bonneville must act now to protect Northwest citizens from the unintended consequences of these public policies.

Under the draft ROD, Bonneville will exercise Environmental Redispatch only after it exhausts all other reasonable avenues. Among these are:

- Sales through bilateral marketing, including offering to sell at zero cost
- Deferring generation and transmission maintenance activities
- Increasing pumping into Banks Lake at Grand Coulee
- Seeking flow reductions from BC Hydro
- Seeking additional reservoir storage space at Federal Projects
- Reducing generation at Columbia Generating Station
- Requesting adjustments to transactions as mutually agreed with other parties

PGP members support these prerequisites and stand ready to assist Bonneville to minimize the use of Environmental Redispatch. Even so, there will be times when these options alone are not enough to prevent overgeneration conditions and the consequent cost transfers to Northwest ratepayers. As the PGP writes this letter, the region is already experiencing negative prices during off-peak hours. Bonneville has asked Columbia Generating Station to accelerate its planned maintenance shutdown (removing 1,100 MW of supply from the market), has delayed non-essential maintenance of transmission lines and has signed flexible power sales contracts to increase hydro generation during high stream flows. Bonneville will need to do even more to prevent overgeneration during the upcoming spring run-off period.

There are no easy answers and there is no time to craft a perfect solution. Bonneville has established a strong record of supporting wind and renewable energy development, but as the number of projects continues to grow, so will the magnitude and frequency of overgeneration events. Bonneville must move forward now to protect Northwest ratepayers; it can adjust in the future if, and when, better answers present themselves.

In closing, PGP urges you to adopt a Final Record of Decision on Environmental Redispatch and Negative Pricing Policy. PGP members greatly appreciate Bonneville's leadership on this admittedly difficult issue. We believe Bonneville's proposed policy properly balances the many competing industry interests and we offer PGP's support.

Sincerely,

Theodore C. Coates
CEO sponsor, PGP Energy Policy Task Force

C: Senator Jeff Merkley
Congressman Earl Blumenauer
Anita Decker, BPA
Elliot Mainzer, BPA
Steve Oliver, BPA