

825 NE Multnomah St
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Portland, OR 97232

March 31, 2011

RE: BPA Customers on Environmental Redispatch and Negative Pricing Policy

Dear Members of the Northwest Congressional Delegation:

We represent utilities that are preference customers of the Bonneville Power Administration and that have been involved in an extensive public process conducted by BPA in response to the events of last June. We believe it is important that BPA proceed expeditiously to adopt its “Record of Decision on Environmental Redispatch and Negative Pricing Policy.”

In June 2010, the Northwest experienced “overgeneration” conditions when spring runoff in the hydro system threatened to create excessive spill in violation of legal requirements to protect fish from gas supersaturation. In order to avoid harmful spill BPA was forced to back down thermal generation and wind generation to protect these species and preserve system reliability.

After seven months of analysis and extensive formal and informal discussions with customers, BPA put forth a very reasoned and balanced approach.¹ The draft agency ROD lays out a plan to adhere to statutory requirements under the Clean Water Act, Endangered Species Act, and Northwest Electric Power Planning and Conservation Act. It also describes over a dozen measures that will be taken to reduce the spill *before* considering redispatch of thermal and then variable resource units.

As the parties that are primarily responsible for paying for BPA’s operating costs, and as owners of (and purchasers from) wind projects, this last point is important to preference utilities. As citizens of the Northwest, we want to ensure that endangered species are protected from harm and that system reliability is assured. Without adequate operational tools in place, and established communications and procedures to use them, BPA may well find itself having to take emergency measures that could be far more disruptive and costly to the region. Heading into another spring runoff season without a clearly designed set of measures to address overgeneration would be counterproductive. BPA will still need to take action in those circumstances, but would be acting without the benefit of an established procedure.

Our sense of urgency is heightened by current runoff estimates, which call for above average water runoff in the coming months. When compared to many relatively dry years in the last decade, this additional water in the Columbia River Basin has many positive impacts across all uses of the river system. However, it will significantly increase the probability of an overgeneration event, such as the one last June. A policy to guide our

¹ For more detail on the extensive process run by the agency, including reports, workshops, and comments by all interested parties, see the BPA website at <http://www.bpa.gov/corporate/AgencyTopics/ColumbiaRiverHighWaterMgmt/>

actions is needed now, even if it is embellished in future years as we gain a better understanding of all of the interrelated issues. We believe BPA has achieved a reasonable balance regarding environmental dispatch and negative pricing to apply in 2011, and we intend to work with the Agency and other parties to refine it over time.

There may not be a policy that can immediately meet all of the requests of some generators and address preference customer concerns about rate impacts and cost shifts. Like most policies, we expect this one to be refined over time. But, rather than hold up the ROD, which is needed for this spring, the agency should move the policy forward, and then have further discussion as necessary. This could happen in BPA workshops, and perhaps in a reinvigorated Wind Integration Steering Committee, the group that includes representation of a variety of parties, and is presided over by the Northwest Power and Conservation Council and BPA.

We appreciate your consideration on behalf of the electricity consumers we represent, and we look forward to working closely with you on these important issues.

Sincerely,



Scott Corwin, Executive Director
Public Power Council



John Prescott, President and CEO
PNGC Power



John D. Saven, CEO
Northwest Requirements Utilities



William K. Drummond, Manager
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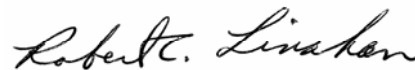
Jorge Carrasco, Superintendent
Seattle City Light



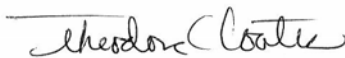
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