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The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First St., NE
Washington, DC 20426

Re: *Avista Corp.*, Docket No. _____
Idaho Power Corp., Docket No. _____
PacifiCorp, Docket No. _____
Portland General Electric Company, Docket No. _____
Puget Sound Energy, Inc., Docket No. _____

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d, and Part 35 of the Federal Energy Regulatory Commission's (FERC or Commission) regulations, 18 C.F.R. § 35 (2007), Avista Corporation, Idaho Power Corp., PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. (collectively, Pacific Northwest Investor-Owned Utilities) hereby submit for filing revised Sections 30.1 and 30.3, and **[list additional attachments to be revised]** to their respective Open Access Transmission Tariffs (OATTs). The Pacific Northwest Investor-Owned Utilities respectfully request these tariff revisions be accepted by the Commission with an effective date of March 17, 2008. The Pacific Northwest Investor-Owned Utilities request expedited review of this filing.

The filing consists of six copies each of the following:

1. this transmittal letter; and

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2. Appendices A through E, each of which includes a clean and redline version of each respective Pacific Northwest Investor-Owned Utility's revised tariff sheets.

I. Background

On December 28, 2007, the Commission issued Order No. 890-A,¹ which clarified certain provisions of Order No. 890² related to the undesignation of Network Resources. Specifically, the Commission determined that a seller may undesignate a slice of its system if it makes a firm system sale of power to a purchaser that designates the sale as a Network Resource, but that the seller must undesignate on a unit-by-unit basis if the purchaser does not designate the purchase as a Network Resource.³ The changes adopted in Order No. 890-A become effective on March 17, 2008.⁴

As described more fully below, the undesignation requirements specified in Order No. 890-A present significant operational and market efficiency issues in the Pacific Northwest and have the potential to adversely affect reliability. Accordingly, the Pacific Northwest Investor-Owned Utilities are submitting these proposed tariff changes to reflect regional needs. The proposed amendments are "consistent with or superior to" the *pro forma* OATT. These tariff amendments are designed to ensure that Network Resources can be undesignated in a manner that does not create any adverse effect on ATC calculations or transmission scheduling and does not jeopardize the efficient functioning of Pacific Northwest energy markets.⁵

As indicated by the number of signatories to this filing, the proposed changes reflect a desire to implement a regional practice that is beneficial to Transmission Providers, utility merchant functions, and all other transmission customers. In Order No. 888,⁶ the Commission indicated that it would look favorably on such proposed changes to the OATT.

II. Request for Approval of Proposed Regional Changes to OATT

¹ Order No. 890-A, Preventing Undue Discrimination and Preference in Transmission Service, FERC Stats. & Regs., Regs. Preambles ¶ 31,261 (2007).

² Order No. 890, Preventing Undue Discrimination and Preference in Transmission Service, FERC Stats. & Regs., Regs. Preambles ¶ 31,241 (2007).

³ Order No. 890-A at P 947.

⁴ *Id.* at P 1048. The Pacific Northwest Investor-Owned Utilities and several other entities have requested rehearing and clarification of the language in P 947 of Order No. 890-A.

⁵ Some of the signatories to this filing may individually submit additional FPA Section 205 filings.

⁶ Order No. 888, Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities, FERC Stats. & Regs., Regs. Preambles 1991-1996 ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs., Regs. Preambles 1996-2000 ¶ 31,048, *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998).

NOT APPROVED BY ANY PARTY**A. Description of Proposed Changes**

Utilities in the Western Interconnection are concerned that the requirements of Paragraph 947 of Order No. 890-A will have unintended consequences for scheduling, market efficiency, and possibly even reliability. In order to address these concerns, the Pacific Northwest Investor-Owned Utilities have worked together to craft an appropriate regional approach that is “consistent with or superior to” the *pro forma* OATT. The proposed amendments would clarify that, for purposes of temporary termination under Section 30.3, all or part of generation owned, purchased or leased by the Network Customer associated with an OASIS-registered point of receipt (POR), behind which there are no transmission constraints, may be treated as a single generation unit (Network Resource Grouping). Each Network Resource Grouping would be associated with an OASIS-registered POR for scheduling and tagging purposes. A seller would then be able to undesignate a portion of the total of the Network Resource Grouping in order to support a firm off-system system sale. Under this approach, the seller would not be required to undesignate a particular unit or portion thereof in order to make the sale.⁷

For example, assume Utility A designates all of its resources located at the Mid-Columbia trading hub (Mid-C hub). Mid-C is a defined POR. The generation resources behind the Mid-C POR create the associated Network Resource Grouping. When making an off-system sale from the Mid-C hub, Utility A would undesignate a portion of its generation capacity at the Mid-C hub sufficient to support the off-system sale, but would not be required to identify the specific units at the Mid-C hub that are being undesignated. This approach to undesignation is designed to be consistent with long standing scheduling and tagging practices in the Pacific Northwest. Thus, as illustrated here, the seller and/or buyer would schedule and tag energy for the sale by identifying the Mid-C hub as the POR, and, consistent with current practice, the tag would not identify the individual Mid-C unit or units.

B. Current Operations in the Pacific Northwest

The OASIS architecture in the Pacific Northwest is built around a system of posted paths that are subject to potential constraint. Each path is defined by OASIS registered PORs and points of delivery (POD). Instead of an actual single point, the PORs and PODs typically represent an area and/or consolidation of facilities that are not separated by constrained paths. As such, they are a virtual single point for the purpose of scheduling and tagging. Likewise, the “path” will typically represent a number of physical transmission facilities that electrically operate in parallel as a single path.

The posted ATC reflects the transmission capacity that is available for scheduling between PORs and PODs. The posted ATC is affected only by the net export across the

⁷ The undesignation will, of course, be assessed with respect to the release of reserved network capacity to the market. It does not matter which designated resource in a grouping is undesignated, the assessment and release of ATC will be the same.

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path originating from the POR. ATC is not affected by the selection of any particular generating unit behind the POR that the seller might choose to support the sale. Although the step of undesignating a network resource may result in the release of reserved network capacity and increase ATC, that increase occurs regardless of which network resource in a grouping might be undesignated. All the generation within these unconstrained areas is essentially fungible for ATC calculation purposes.

The identity of a particular generation resource that is part of a Network Resource Grouping supporting an off-system sale has no effect on the scheduling or tagging of power from the POR across the posted path to a POD. Thus, for example, if resource #1 trips off line and stops generating, resource #2 in the same Network Resource Grouping could be ramped up to replace the output of resource #1 without the need to revise any transmission schedule or tag. Currently, however, Paragraph 947 of Order No. 890-A seems to require undesignation of resource #1, in the first instance, and subsequently, resource #2 under the forced outage circumstance, which results in an additional accounting exercise but requires no modification of the initial schedule or tagging of the power and has no impact on ATC. The purpose of the amendment proposed by this filing is to reduce the unnecessary accounting and operational burden that would be associated with unit-by-unit undesignations where they serve no useful regulatory purpose.⁸

C. Justification for Proposed Changes

1. The Proposed OATT Revisions are Necessary to Ensure Efficient System Operations

By allowing sellers to manage a number of resources within a Network Resource Grouping as if they were a single generating unit, the proposed OATT variations will allow for efficient scheduling operations resulting in a more liquid market. If a seller is required to undesignate individual resources or individual resource units, it will run into significant scheduling challenges if a resource that it has undesignated for an off-system sale goes down close to the scheduling deadline. For example, if an undesignated Network Resource trips, the seller will have to identify one or more resource(s) that it can name as a replacement, and submit the new undesignation to the Transmission Provider. The Pacific Northwest Investor-Owned Utilities are concerned that the operating complexity associated with undesignating individual resources may result in interruptions

⁸ During emergencies, when a generating plant that is “undesignated” trips and goes off line, there will be additional work necessary to undesignate additional generating plants at the same unconstrained POR to support the firm off-system sale. This accounting burden will come at an inopportune time when the real-time operator is rebalancing resources due to the drop in generation. To the extent that reallocation of undesignated quantities must be spread among multiple generating plants, the burden is further multiplied. The occurrence of such events within a time interval either just prior to or just after the scheduling deadline may not allow the scheduler time to accomplish the tasks to replace the lost generation and put in new requests for undesignated resource amounts on a unit-by-unit basis which could result in impacts to firm schedules to third parties and thereby affect reliability.

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to scheduled energy and possibly fewer firm system sales.⁹ By allowing a seller to undesignate its designated resources collectively for Network Resource Groupings, rather than on a unit-by-unit basis, the proposed OATT amendments avoid unintended consequences that may result from the scheduling complexities associated with resource undesignations. If a seller has undesignated sufficient capacity within a Network Resource Grouping associated with a given POR to support an off-system sale, and a unit trips off line, the seller can use other generation within the Network Resource Grouping to make the sale and does not need to update undesignations. This allows for more efficient scheduling and helps avoid interruptions in scheduled energy.

2. The Proposed OATT Amendments Do Not Affect ATC

This proposal to allow sellers to treat all generation located in an area of unconstrained transmission behind an OASIS-defined POR as a unified Network Resource for purposes of temporary terminations under Section 30.3 of the OATT will have no effect on ATC available to the market as envisioned by Orders No. 890 and 890-A. Under current and long standing scheduling and tagging protocols, the generation involved in Network Resource Groupings would be completely fungible and any changes to the mix of the generation resources in operation at a particular point in time would not require a change in an OASIS reservation schedule or tag. ATC calculations would not be affected by the operation of any particular generation unit behind the POR, or by revisions to the generation mix. ATC would be affected only by the total capacity from all units scheduled out from a POR along a particular path.

Because the ATC at the POR (to any path flowing from the POR) will be the same regardless of which generator behind the POR is producing the energy, the proposed amendments, which deal only with the accounting for undesignation of Network Resources, will also have no effect on ATC. There is no difference in the impact on ATC if a customer undesignates a portion of a Network Resource Grouping or an individual generator within the group because all the generation is essentially fungible due to the unconstrained nature of the area in which the generation is located.

3. The Proposed OATT Variations Will Ensure Comparable Treatment for all Customers

The proposed OATT amendments will apply equally to all network customers. Each Transmission Provider will post a business practice implementing the OATT provisions on its OASIS and will apply it on a non-discriminatory and transparent basis. Required postings of designated resources will identify their respective associations with given PORs. The Transmission Provider would have the authority to identify the PORs

⁹ This complexity is compounded if, for example, the Commission intends the term “unit” to apply to each turbine in a wind farm or each generator in a multi-generator hydro, natural gas, or coal plant. The Pacific Northwest Investor-Owned Utilities have concurrently requested confirmation that the Commission’s use of the term “unit” in the context of its discussion of undesignation requirements is meant to apply on a plant-by-plant basis as to thermal facilities or project-by-project basis when applied to wind or hydro facilities. See [].

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where groupings would be appropriate and, as part of the designation process, the network customer would identify, subject to Transmission Provider review, the POR behind which the Network Resource operates and thus the appropriate grouping. A customer's undesignations will continue to be posted on OASIS, allowing for the development of an audit trail.¹⁰ Thus, the undesignation process will continue to be transparent and will not provide an unfair advantage to any one customer. Indeed, by ensuring the reliable and efficient delivery of energy, the proposed OATT variations benefit all customers.

There should also be no concern that the proposal here would encourage an over-designation of network resources. While the ability to undesignate on a POR basis will reduce unnecessary accounting and operations burdens and allow more efficient real-time operations, these benefits do not rise to the level of influencing significant resource acquisition choices. Factors such as market risk exposure, load growth, reserve margins, state regulatory obligations and rate recovery requirements will always be the primary considerations when decisions are made on whether to make the financial commitments necessary to acquire new resources that may be eligible for designation.

D. Standard for Review

In Order No. 888, FERC stated that it would consider modifications of the Commission's *pro forma* OATT if the proponents demonstrated that "such terms and conditions are consistent with, or superior to" those in the OATT. FERC also recognized that utilities may file proposed deviations in the *pro forma* OATT based on additional regional needs. FERC stated that such proposals must "be consistent with the requirements of the Final Rule and be reasonable, generally accepted in the region and consistently adhered to by the transmission provider."¹¹

III. Request for Waiver of the 60-Day Prior Notice Provision

The Pacific Northwest Investor-Owned Utilities seek an effective date of March 17, 2008 and, accordingly, seek waiver of the Commission's prior notice requirements. The Commission's policy is to grant waiver of notice where, as here, the filing does not involve a change in rates.¹² An effective date of March 17, 2008 will allow Order 890-A to be implemented in the Pacific Northwest with a minimum level of disruption.

IV. Communications

Communications and correspondence with regard to this filing should be addressed to the following:

¹⁰ Order No. 890 at PP 1549-1550.

¹¹ Order No. 888 at pp. 31,769-70.

¹² See *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).

Avista Corp.
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Idaho Power Corp.
[ADD CONTACT]

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PacifiCorp
[ADD CONTACT]

Portland General Electric Company
[ADD CONTACT]

Puget Sound Energy
[ADD CONTACT]

V. Conclusion

For all the foregoing reasons, the Pacific Northwest Investor-Owned Utilities respectfully request that the Commission accept the proposed tariff revisions.

Respectfully submitted,

ON BEHALF OF:

Avista Corp.
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Idaho Power Corp.
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PacifiCorp
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Portland General Electric Company
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Puget Sound Energy, Inc.
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Attachments

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