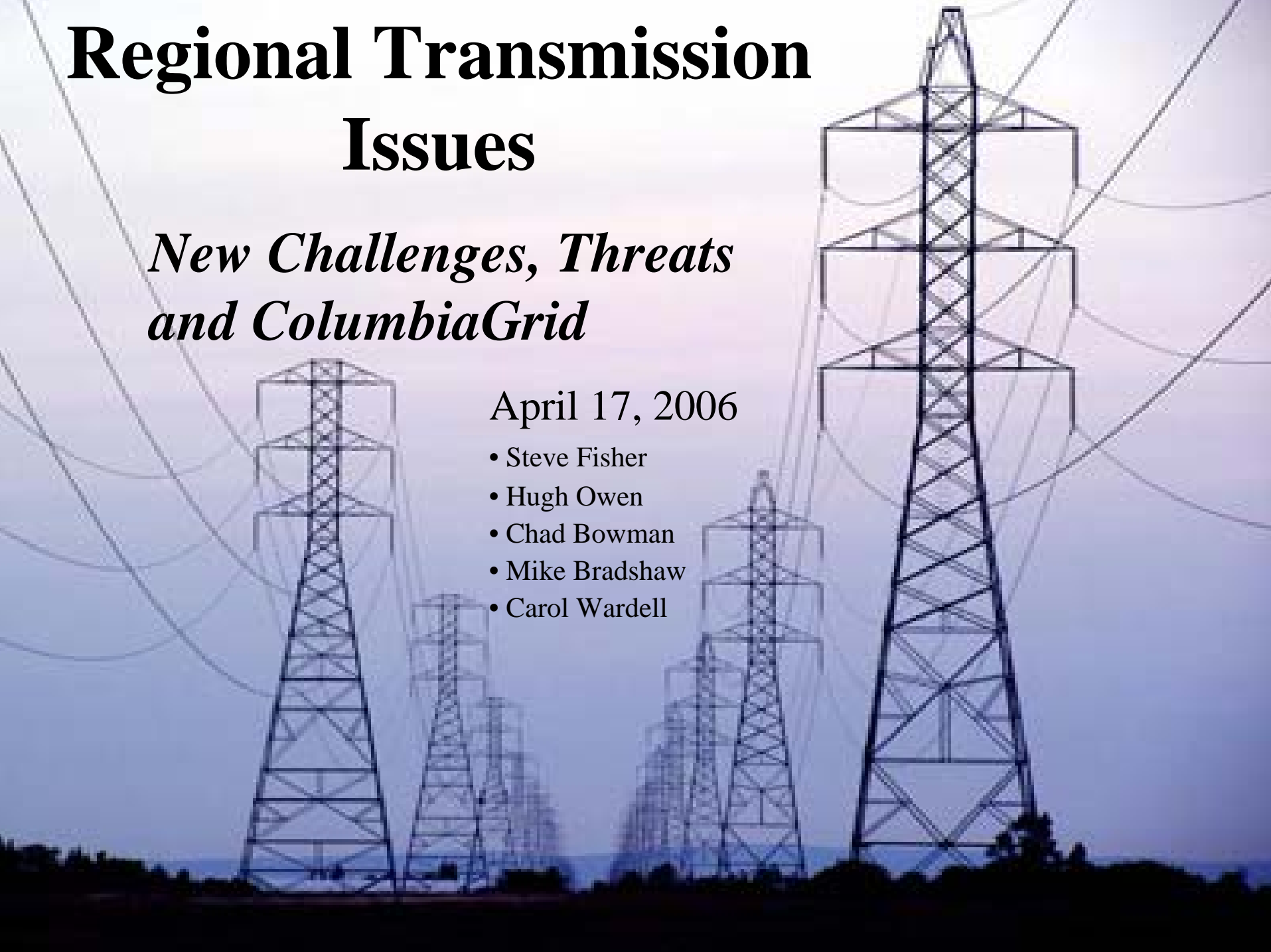


# Regional Transmission Issues

## *New Challenges, Threats and ColumbiaGrid*

April 17, 2006

- Steve Fisher
- Hugh Owen
- Chad Bowman
- Mike Bradshaw
- Carol Wardell





# Outline

- Transmission Issues and Challenges
- New FERC Mandatory Reliability Standards
- ColumbiaGrid

This is an informational presentation – although no action is required today, we will return next week with a Resolution to adopt the ColumbiaGrid Bylaws



# FERC Press Release - February 2, 2006

FERC Chairman Joseph T. Kelliher –

“Every major regional blackout since the 1960s was caused in part by violations of voluntary, unenforceable reliability standards. With these important new rules, compliance with reliability standards is not optional, but a legal requirement subject to substantial civil penalties”

“While we can make no promise that the reliability standards ultimately established will never be violated, we can promise that, unlike in the past, **violations of reliability standards will be subject to significant civil penalties**”



# Transmission Access Is Important to the District

- Export Mid-Columbia Generation
  - Power Purchasers (via direct interconnections and/or Bonneville transmission agreements)
  - District Surplus Sales (via direct interconnections and/or nonfirm transmission arrangements)
- Coordinate Flows and Generation Among Mid-Columbia Projects
  - Mid-Columbia Hourly Coordination Agreement




# Operational Threats to District

Mid-C Hourly Coordination and viability of Mid-C as a trading hub rely on the concept of the “100 Mile Bus”

## Challenges:

- Constrained Schedule Management (CSM) proposal
- new NERC/WECC business practices
- Currently we face a transmission constraint south of Columbia Switchyard that undermines viability of the 100 Mile Bus

As a practical matter, Chelan and Grant need to follow similar rules of operation to maintain benefits of “100 Mile Bus”



# **New Mandatory Reliability Standards (ERO)**

- 2005 Energy Policy Act has escalated the urgency:
  - NERC will assume responsibility for establishing and enforcing reliability standards
  - NERC “Functional Model” dictates how entities conduct their reliability activities
  - Failure to comply with standards will result in penalties. Escalating to significant financial penalties
- Chelan is held to the same reliability standards as BPA (no breaks for smaller utilities)



# “One Utility” Regional Transmission Management

- The August 2003 Northeast Blackout suggests that managing the transmission system as single owner could be beneficial
- A regional “one utility approach” approach is needed to:
  - assure high reliability in the future
  - increase efficiency, and
  - assure timely construction of needed infrastructure
- Prior attempts driven by FERC concerns
  - IndeGO, RTOWest, GridWest and TIG
- ColumbiaGrid – A different approach



# ColumbiaGrid – What is it?

- Regional Effort to Solve Northwest Transmission Problems
  - Not FERC Driven
  - But may help Chelan Meet Reliability Standards
- Supported By Public Power
- Sponsored by:
  - Chelan      - Seattle      - Grant
  - Puget      - BPA      - Avista



# ColumbiaGrid Features

- As incorporated, ColumbiaGrid will:
  - be a not-for-profit organization
  - have delegated authority and responsibilities
  - have a staff to coordinate activities and provide services
  - have an independent paid Board and Officers
- ColumbiaGrid Functions:
  - Planning and Expansion
  - Common Northwest OASIS
  - Congestion Management
  - Flow-Based Approach
  - Reliability Enhancements
  - Possible Control Area Consolidation
- Functions and Funding Require Separate Agreements

# Costs and Timeline

- Chelan has invested \$2,000 plus staff time for ColumbiaGrid conceptual development
- Chelan will invest about \$11,000 more through June 2006 and approximately \$100,000 more from July 1 – December 30, 2006
- Chelan could invest up to an additional \$200,000 in 2007 (much less if additional parties join), with provisions for repayment by ColumbiaGrid service recipients

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

**March 31 –**  
Incorporate Columbia Grid  
**- Done -**

**April 14 –**  
Finalize Bylaws  
**- Done-**

**July 15 –**  
Seat Board

**August 30 –**  
Hire Manager/CEO

**October 15 –**  
Execute Planning and  
Expansion Agreement



# Strategic Decisions

- Coordinate transmission efforts
- Budget commitment in '06 and '07 up to \$300,000 total
- Support participation in ColumbiaGrid process
- Staff and legal resource commitment
- Board involvement and communication
- Board approval to adopt Bylaws