

SMUD COMMENTS

To: tarriffcomments@wapa.gov

The Sacramento Municipal Utility District (SMUD) submits these comments on Western Area Power Administration's (Western) Open Access Transmission Tariff (OATT) revision in response to the Federal Register Notice dated May 18, 2009, Vol. 74, No. 94 at page 23185. Western is making these changes in order to address the requirements of the Federal Energy Regulatory Commission's (FERC) Order 890. SMUD participated via phone in the informal public meeting held June 2, 2009.

SMUD is a Preference Power customer of the Sierra Nevada Region (SNR) of Western under contract for both power and transmission services. In addition, SMUD and Western-SNR have entered into agreements for reliability coordination, including reserve sharing. SMUD seeks confirmation that the reserve-sharing arrangements that the parties have in place will not cause the incurrence or application of the Unreserved Use Penalties that have been incorporated in Western's proposed Order 890 OATT revisions. In Order 890 FERC sought to eliminate a potential source of discrimination and to discourage disorderly use of transmission service (Order 890 at ¶ 835, page 483). FERC also gave transmission providers discretion in setting their Unreserved Use penalty rates and rate methodology (Order 890 at ¶ 846, page 492). None of the comments submitted in the Notice of Proposed Rulemaking leading to Order 890 appear to address whether a Transmission Customer may use transmission without advanced reservation during a threatened or actual emergency or for reserve sharing.

In the June 2, 2009 informal public meeting sponsored by Western, SMUD asked about the potential application of the Unreserved Use Penalty to reserve transactions (i.e. the reliance on unused transmission for either activated or unactivated reserves). In response, it was noted that the only Western region that has the Unreserved Use Penalty in place is the Rocky Mountain Region. A Western representative indicated that they did not think the Unreserved Use Penalty applied to reserve sharing uses of transmission.

SMUD requests that Western clarify that use of transmission during an emergency or for reserve sharing, as described above, in its arrangements with Western-SNR (i.e. the Western-SMUD Interconnected Operations Agreement and the Western-SMUD Letter of Agreement on Northwest Power Pool Reserve Sharing Group Implementation, Contract Nos. 04-SNR-00739, and 09-SNR-01267, respectively) be preserved and that such uses not become subject to Unreserved Use Penalties inadvertently or inappropriately. In order to memorialize our understanding, as developed over the past years, SMUD proposes clarifying language as set forth below. Additionally, SMUD requests that Western-SNR include references in its business practices and operating procedures to exempt (1) transmission used during an emergency and (2) reserve-sharing arrangements like those associated with SMUD and the SMUD Balancing Authority member systems from the Unreserved Use Penalty. SMUD is interested in being able to coordinate such developments with Western as needed to assure that consistent procedures are

implemented in SMUD's operations and to assure that uses of transmission service for these mutually beneficial reliability related purposes continue to be exempt from penalty charges for unreserved transmission use. Please contact Vicken Kasarjian at 916-732-5727 or Dick Buckingham at 916-732-7027 to coordinate operating procedure development.

Passages from Western's OATT that address the Unreserved Use Penalty

#1 - WESTERN'S REVISED OATT TARIFF

13.7 (c) The Transmission Provider shall provide firm deliveries of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Receipt. Points of Receipt and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. Each Point of Delivery at which firm transfer capability is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Delivery. Points of Delivery and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. The greater of either (1) the sum of the capacity reservations at the Point(s) of Receipt, or (2) the sum of the capacity reservations at the Point(s) of Delivery shall be the Transmission Customer's Reserved Capacity. The Transmission Customer will be billed for its Reserved Capacity under the terms of Schedule 7. The Transmission Customer may not exceed its firm capacity reserved at each Point of Receipt and each Point of Delivery except as otherwise specified in Section 22. The Transmission Provider shall specify in accordance with Schedule 10 of this Tariff the rate treatment and all related terms and conditions applicable in the event that a Transmission Customer, (including Third-Party Sales by the Transmission Provider) exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery or uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved.

#2 - SCHEDULE 10 Unreserved Use Penalties

The Transmission System specific methodology for assessment of Unreserved Use Penalties is set forth in the appropriate rate schedule attached to and made part of the applicable Service Agreement. The rates or rate methodology used to calculate such penalties under this schedule were promulgated and may be modified pursuant to applicable Federal laws, regulations and policies.

The Transmission Provider may modify the methodology for assessment of Unreserved Use Penalties upon written notice to the Transmission Customer. Any change to that methodology shall be as set forth in a subsequent rate schedule promulgated pursuant to applicable Federal laws, regulations and policies and attached to and made part of the applicable Service Agreement. The Transmission Provider shall charge the Transmission Customer in accordance with the rate then in effect. The Unreserved Use Penalties shall not apply to a Transmission Customer's use of transmission during an actual or threatened emergency or for the purposes of implementing reserve sharing arrangements with or authorized by the Transmission Provider.