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RE: Comments on the staff recommendation regarding the 2010 Network Open Season

Thanks for the opportunity to comment on the staff recommendation to the Administrator regarding the 2010 Network Open Season (NOS).

Gaelectric submitted 28 TSRs to Bonneville totaling 960 MW that were assessed as part of the 2010 NOS process. One project has been identified that will create cost effective incremental capacity in response to 430 MW of Gaelectric's TSRs – the upgrade to Bonneville's 500 kV facilities west of Garrison, MT (aka CUP West). Slide 5 of the presentation materials (as modified April 29<sup>th</sup>) from Bonneville's website identifies some "challenges" related to CUP West. Gaelectric offers the following comments on those challenges and their import to the ultimate recommendation.

**More time needed to complete the CUP West assessment**

The first of the CUP West challenges is that more study work is required to confirm the capacity previously identified in the process that can be made available by the CUP West project. The specific studies are to investigate whether the CUP West project might create conditions that could enable sub-synchronous resonance (SSR) to develop on the transmission system, and if so, what would it take to mitigate the effects of the SSR.

Gaelectric doesn't question for a minute that such studies are necessary. Indeed, we recognize that anytime you manipulate the components of impedance of the grid, SSR needs to be considered. What we find troubling is that Bonneville recognized last fall that series compensation on the 500 kV system west of Garrison would be a likely cost effective solution to a portion of the TSRs requested west from Montana, ergo the need for SSR studies. It was only 3 weeks ago, however, that Bonneville made known that the SSR studies had yet to be started and would not be completed before the end of May. Waiting until the last minute to disclose information with consequences of this degree is simply unacceptable when Bonneville was aware of the situation months before that.

Project development is a complex process with multiple parallel activities codependent on each other. Third party suppliers of capital, material, and services closely follow

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these activities as part of their own due diligence with regard to a project, and surprises, failures, or shortcomings of any party in the process are viewed as risks by other parties. Gaelectric finds it ironic that while Bonneville is so attentive to potential risks to its own interests, its inability to meet its own NOS schedule will create substantial risks for Gaelectric.

This pending decision by the Administrator is no different than his decisions in prior NOS processes. They do not bind the agency whatsoever in terms of building anything. Indeed the PTSA makes it clear that the ultimate decision to build (or not) is as long as 39 months down the road. Any assessment or development between now and the build decision that materially changes the underlying work done in the open season process can change the conclusions from that process, and the Administrator can decide not to move forward. What's more is there is no requirement to wait for 39 months or the conclusion of the NEPA process to make such a determination. If a fatal flaw is discovered, then the decision can be made immediately.

Given the foregoing, *the Administrator should not delay in making the rolled-in rate determination related to CUP West* as proposed by staff in slide 6 of its presentation materials. The SSR studies should be considered part of the "post-NOS" preliminary engineering as will be the WECC path rating process work. If the SSR studies reveal a fatal flaw, then the "no build" decision can be made at that time, and no further money need be spent. Bonneville will be in exactly the same place it would have been if the Administrator followed the staff recommendation, but the risk to Gaelectric from BPA failing to meet its own NOS schedule will be mitigated because Bonneville, in fact, will have met its schedule.

**Single customer risk**

The second of the CUP West challenges identified by staff on slide 5 of the April 29<sup>th</sup> presentation materials is that unlike other NOS projects, CUP West will be depending on the revenue from primarily one customer (Gaelectric) to support the investment. Gaelectric acknowledges that is different than what Bonneville has encountered to date. I would note, however, that Bonneville moves substantially more power for numerous other customers than the 430 MW it will move for Gaelectric upon completion of the CUP West project. Taking a macro view, this risk is no greater than similar risks Bonneville takes every day. Between now and the build decision, however, Gaelectric recognizes Bonneville's prudence in considering the single customer risk.

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**Third party system coordination**

The third of the CUP West challenges identified by staff on slide 5 of the April 29<sup>th</sup> presentation materials is that unlike other NOS projects, the CUP West project is not integrating a customer interconnecting to its system. Rather it is simply wheeling for a customer that is being integrated by (i.e. interconnected to) a third party transmission provider – NorthWestern Energy. Because this requires upgrades to NorthWestern’s system, Bonneville has determined that there are increased risks to its interests.

Gaelectric acknowledges that this situation is different than others Bonneville has encountered in the past, but we do not agree that it constitutes a greater risk to BPA. To the contrary, because we are interconnecting to and integrating with another BA, Bonneville’s risk is less in that regard than with many of the other projects it has dealt with. It is impractical for Bonneville to believe that projects built outside its own BA are inherently riskier than those built within its BA – different, yes; riskier, no.

**Related matters**

At the April 20<sup>th</sup> meeting in which BPA staff presented its recommendation for the first time, certain of the original presentation materials and comments by Bonneville staff appeared to call into the question Gaelectric’s diligence in securing interconnection and transmission service on NorthWestern Energy’s system from its project to its POR with Bonneville. In fact, in the ensuing days, Gaelectric staff received multiple related calls to that effect. Gaelectric acknowledges now that those materials and comments were poorly chosen but not intended to portray Gaelectric in a bad light, and that the public presentation materials have been amended accordingly. Unfortunately, perceptions are created in an instant and become reality. For that reason, I am compelled to set the record straight.

Gaelectric has made an interconnection request and TSRs with NorthWestern that exactly coordinate with the first 460 MW of TSRs we made with Bonneville. We made those requests on NWE on the same day we made our TSRs with Bonneville. We have been working through the FERC interconnection process with NorthWestern on a schedule consistent with the tariff. We expect to have both LGIA and TSAs with NorthWestern later this summer. We have participated in 3-party meetings with Bonneville and NorthWestern to resolve details of the delivery and the coordination of the respective Colstrip upgrades (east & west). Finally, Gaelectric has developed,

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constructed, owns and operates utility scale wind generation projects in Ireland, and is in varying stages with more projects in Ireland and Montana.

**Conclusion**

Bonneville staff has done its usual excellent job in conducting the 2010 NOS process. The late notice to the PTSA parties related to the SSR studies is a setback that, while unfortunate, needn't define the entire process. Bonneville staff and the Administrator should acknowledge at the end of May that the NOS process results clearly show that the CUP West project should move ahead at embedded rates and that subsequent assessments (SSR, WECC path rating, NEPA, etc), like in all other NOS processes, may result in outcomes that give good cause to change directions.

It is important for Bonneville to recognize that there is a clear distinction between project risks and customers. Customers aren't risks – they are the source of revenue that mitigates risks. They are the reason most commercial and government entities exist. Bonneville should be clear that its focus is to enable its customers to be successful, not to be paralyzed by fear of their failure.

Thank you for the opportunity to comment.

*Ted Williams*

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Travis Kavula – Chairman, MT Public Service Commission  
Brian Altman – BPA  
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