Submitted by TEMUS via e-mail 8/28/03

Contract Lock
Questions Submitted by TransAlta Energy Marketing, (U.S.) Inc. (TEMUS)

I. TEMUS Assumptions

The following assumptions regarding the Contract Lock process are intended to provide context to the questions below. TEMUS understands that…

1. The TBL's primary goal is to determine ATC on internal paths.
2. Contract Lock—determining NT demands—is a necessary step in calculating ATC on internal paths, not TBL's primary goal.
3. Contract Lock is a process for establishing contractual limits to NT demand, not physical limits.
4. TBL is negotiating with PBL separately on PBL's issues related to this process.

II. Regional-Level Solutions

TEMUS believes that a viable long-term solution would include the optimization of energy flows across the regional grid. We are concerned that the overlay of additional contract allocations on an already stressed system will exacerbate rather than solve the current problems.

1. Have solutions that allow for the optimization of energy flows across the system been explored, such as the "accept all schedules" concept in RTO West discussions, as an additional methodology for consideration?
2. If not, please provide reasons for rejecting this approach.

III. Methodology for Determining NT Demand

Given the extreme care that must taken to accurately calculate NT demand, it appears that assumptions may have been overly conservative when estimating capacity used by NT customers, resulting in lower unused capacity available to be posted (lower calculated ATC). The follow questions arise, keeping in mind that this process establishes contractual limits instead of physical limits.

1. How will those contractual limits be used in other efforts, such as determining congestion management guidelines and baselines for redispatch of the hydro system?
2. How will TBL market unused transmission?
3. What method will be used to "true-up" the contractual demand to true physical demands?
4. Will TBL establish timelines for such efforts?

Submitted by TEMUS via e-mail 8/28/03

IV. Data and Modeling

1. What were the flaws in both the H/K Methodology and 90% Methodology, that led ultimately to the Modified 90% Methodology?

2. The H/K Methodology contains "estimated output of each of the 'Big Ten' projects…" Does "output" refer to energy output? Capacity? How is this additive to PTP demand?

3. In the spreadsheets titled "Federal Generation Patterns Using H/K Methodology":

    a. What is the difference between the third and fourth rows at the top?
    b. Are percentages shown in the section "Contributions to Federal NT Demand" illustrative, or are they used in calculation elsewhere?
    c. How do these tables illustrate ATC? ATC is not mentioned anywhere.
    d. Sheets showing H/K and the Modified 90% Methodologies are identical. Are reprinted or corrected versions available?

4. Purchased power, which PBL uses to augment its projects (hydro and thermal), seems well suited to the same assumptions that were made to include WNP-2 in the calculations.

    a. Can power purchases be included as an adjustment to "Y" eg X-(A+B+C+D+E) = Big Ten Federal Hydro system demands.
    b. Can the H/K Methodology be run to include PBL power purchases as an adjustment to Y?

5. Power purchased by the PBL is not strictly a federal resource, but the pattern and location of these purchases impact the operation of the federal resources in two ways. First, it changes the amount of output produced from the system, and second, it changes the output across projects.

    a. Will the H/K Methodology also be run to exclude purchase power?
    b. If purchased power isn't accounted for, please explain.

6. The sheets depicting "ATC Results Using Contract Accounting Methodology and H/K Generation Patterns" lack a clear line from previous spreadsheets.

    a. Is there an intermediate spreadsheet showing the internal paths each "Big Ten" project impacts?
    b. What components make up the difference between TTC and resulting ATC? TEMUS assumes the equation looks somewhat like:
    ATC = TTC (less TRM) - grandfathered contract demand – PTP demand – NT demand. Correct?

    c. Only two internal paths show seasonal variation. Is the TTC for all other paths really static from season to season?

Submitted by TEMUS via e-mail 8/28/03

V. Solutions

TEMUS understands that determining NT demand, and thus ATC on internal paths, is an extremely difficult proposition. Without a perfect solution to offer, we can only suggest compromise for the parties involved.

First, the apparent overly conservative assumptions used to estimate NT usage must be toned down. Second, TBL must consider offering longer term service based on less stringent availability rules. For example, if calculations show that a constrained path is generally available, such as 85 out of 90 days, it should still be offered as Monthly ATC. Using such products as "seasonal firm" or "conditionally firm" transmission as discussed previously with the regional northwest generators group – NIPPC.