



February 18, 2011

Brenda Ambrosi
BC Hydro

Via email Brenda.Ambrosi@bchydro.com

Re: BC Hydro's proposed Conditional Firm Service (CFS)

Dear Brenda:

Thanks for the opportunity to comment on the above-referenced topic. As you know, Cargill Power Markets, LLC (CPM) has requested time to submit additional comments and anticipates doing so by February 23. These initial comments are concerned with the concept of a CFS product and the practicality of offering CFS for the BC-AB path, rather than the proposed CFS Business Practice proposal and options.

CFS on the BC-AB path may be inconsistent with the fundamental nature of CFS

Per Order of the British Columbia Utilities Commission, sales of firm transmission service on the BC-AB path have been limited to 480 MW, and processing of the queue for long-term firm transmission service over the path has been suspended. All 480 MW is currently subscribed through 2011, and CPM expects that it will remain so thereafter. For this reason any CFS offered for the BC-AB path will be comprised 100% of conditional service and no firm service. CPM believes that offering such a product may be inconsistent with the underlying reasoning that motivated creation of CFS.

The Federal Energy Regulatory Commission (FERC or Commission) defined CFS in Order 890 "as a modified form of long-term firm point-to-point service that includes less-than-firm service in a defined number of hours of the year or during defined system conditions when firm point-to-point service is not available." (Order 890 at paragraph 1043) When defining CFS, the Commission was adamant that they were not approving a concept only, but a product with established minimum attributes, as doing otherwise "would provide little benefit to customers seeking to use the service and no certainty to transmission providers..." (Order 890 at paragraph 1045) Importantly, the Commission further explained, "We envision the conditional firm option as one in which firm service is available most of the period of a year." (Order 890 at paragraph 1047) A CFS product that is 100% conditional would be inconsistent with FERC's reasoning. Indeed, in

FERC's contemplation, a CFS product not including firm service for the majority of its term would not qualify.

CPM urges BC Hydro to reconsider whether CFS is an appropriate product offering for the BC-AB path, as it may not comply with the intent and reasoning behind the development of CFS and the minimum attributes a customer should expect from the product.

Biennial Reassessment for CFS on the BC-AB path

Under FERC's approach to CFS, a customer who chooses not to support Network Upgrades may "choose to terminate the service at the time of reassessment if the service no longer meets its needs." (Order 890 at paragraph 981) The current firm limitation on the BC-AB path will not be remedied by Network Upgrades to the BC Hydro system. Yet per BC Hydro's approach, at the time of reassessment, if curtailment conditions are less stringent or the same, the customer is contractually bound to continue taking the service. For the BC-AB path, the conditions will likely never be less stringent. Therefore, a customer agreeing to take CFS may be locked into CFS for many years with that service never being firmed up. If BC Hydro implements CFS as planned, CPM urges reconsideration on the issue of whether a customer may terminate CFS on the BC-AB path.

Pricing for CFS on the BC-AB path

Given that CFS on this path would be 100% conditional, CPM believes it would be unfair to charge the full, firm Tariff rate for CFS on the BC-AB path. The CFS over this path can be expected not to include any firm service until the AESO implements measures to restore their ability to import more energy from their BC interface. Given this reality, CPM urges reconsideration of the appropriate price for CFS on the BC-AB path.

CPM looks forward to BC Hydro's responses to these comments. Please contact the undersigned if you have any questions.

Sincerely,



Robert S. Walker
Director, Transmission Management