



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER SERVICES

March 1, 2018

In reply refer to: PS-6

To Regional Customers and Interested Parties:

The Bonneville Power Administration (BPA) is seeking public comment on two separate, but related, issues regarding BPA's payment of additional transmission costs for its Transfer Service customers. BPA is considering proposed alternatives to address the issues and is asking interested parties to provide written comment on these potential changes in policy. Comments are due March 15, 2018, and may be emailed to comment@bpa.gov or submitted on the BPA website at www.bpa.gov/comment.

Issue 1: Whether BPA Should Expand Non-Federal Transfer Service to Include Transmission Over a Second Wheel of Non-Federal Transmission Service For Southeast Idaho Customers.

Customers and customer representative groups have requested an exception to the 2007 Long-Term Regional Dialogue Final Policy's requirements on the cost responsibility for delivering non-federal power. The proposed exception would require BPA to accept certain additional transmission costs for the delivery of non-federal resources to serve the Above-Rate Period High Water Mark (Above-RHWM) Load of customers located in Southeast Idaho.

Background

In the 2007 Long-Term Regional Dialogue Final Policy, BPA committed to "provide some level of financial assistance to transfer service customers who acquire power from non-federal resources to meet requirements loads above their Rate Period High Watermark Load (RHWM load)."¹ BPA made this policy commitment to ensure transfer customers had a meaningful choice when determining the resources used to serve their Above-RHWM loads.² Through this commitment, BPA intended to "level the playing field" for transfer customers by providing some level of assistance in order to make non-federal power a viable option over reliance on BPA's Tier 2 power product.³

Existing policy and the Regional Dialogue power sales contract place limits on BPA's obligation to pay for the delivery of non-federal power to a transfer customer's system in several respects, only one of which is relevant here. Specifically, BPA's policy is to pay for the transmission costs incurred to wheel non-federal power over a third-party transmission system interconnected

¹ Bonneville Power Administration, Long-Term Regional Dialogue Final Policy, July 2007, 38-39.

² Bonneville Power Administration, Long-Term Regional Dialogue Record of Decision, July 2007, 225.

³ *Id.*, see also Bonneville Power Administration, Long-Term Regional Dialogue Contract Policy, Administrator's Record of Decision, October 31, 2008, 66.

to the customer's system (*i.e.*, the "last leg" of transmission).⁴ The Regional Dialogue contract provides that the customer pay "any costs associated with, the delivery of non-federal power... including obtaining and paying for firm transmission across all intervening transmission systems".⁵

During the development of both the policy and the contract in 2008, BPA identified an exception to the "last leg" policy for two transfer customers, Wells Rural Electric Company (Wells) and Harney Electric Cooperative (Harney).⁶ Service to Wells and Harney involves wheeling over two intervening transmission systems, a transformer at the Malin Substation owned by PacifiCorp and the Southern Intertie portion of the BPA transmission system, before reaching the third-party transmission provider serving Wells and Harney. BPA had historically covered the cost of deliveries for federal power over these facilities and recognized that requiring Wells and Harney to pay for both of these intervening systems would place them at a disadvantage for non-federal power deliveries to their load. Thus, BPA adopted an exception to the "last leg" of transmission policy:

It is not BPA's intention to knowingly place any transfer customer in a poorer position vis-à-vis other transfer customers in terms of diversifying power supplies. To do so would potentially frustrate the purposes behind the policy, which is encouraging development of regional electrical infrastructure. At a minimum, in the case of Wells and Harney Electric Cooperative, BPA will strive to replicate, for qualifying non-federal energy, the wheeling path used to deliver Federal power, subject to the other constraints placed on Transfer Service.⁷

At that time, the Idaho Consumer Owned Utilities Association (ICUA) requested a similar exception for Southeast Idaho customers. Like Wells and Harney, these customers are two transmission systems removed from BPA and, at the time, were served through the South Idaho Exchange – an exchange agreement between BPA and PacifiCorp which eliminated the need for, and cost of, wheeling federal power over both Idaho Power Company and PacifiCorp's transmission systems. ICUA requested BPA consider facilitating deliveries of non-federal power under this exchange.⁸ BPA concluded that the terms of the South Idaho Exchange would not permit such deliveries, and that it would not be cost-effective to develop new transmission arrangements for the sole purpose of supporting non-federal deliveries.⁹ Nonetheless, BPA committed to "work with customers otherwise served via the South Idaho Exchange on resource development and integration and BPA remains open to evaluating other alternatives on a case-by-case basis."¹⁰ PacifiCorp terminated the South Idaho Exchange in 2016. BPA has since obtained transmission services from both PacifiCorp and Idaho Power Company under their respective Open Access Transmission Tariffs (OATT).

⁴ Bonneville Power Administration, Long-Term Regional Dialogue Record of Decision, July 2007, 227-228

⁵ Regional Dialogue Contract, Exhibit G, § 5.

⁶ *See* Bonneville Power Administration, Long-Term Regional Dialogue Contract Policy, Administrator's Record of Decision, October 31, 2008, 76-77.

⁷ *Id.* at 77.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

Parties' Request for Policy Exception for Southeast Idaho Customers

In 2017 while BPA was developing new eligibility criteria for the Transmission Curtailment Management Service (TCMS), BPA drafted and shared with customers proposed changes to the Regional Dialogue Contract Exhibits. The proposed TCMS revisions included, among other provisions, a term that required transfer customers to pay for the delivery of non-federal resources serving Above-RHWM Load over intervening transmission systems. These revisions were consistent with BPA's existing policy to pay for only the "last leg" of transmission to a customer's system. BPA encouraged customers to provide feedback regarding the changes.

BPA received comments from Northwest Requirements Utilities (NRU), Northwest Energy Management Services (NEMS), ICUA, Lower Valley Energy, and United Electric Cooperative requesting that BPA reconsider its existing policy with respect to non-federal deliveries for Above-RHWM Load. The comments received from these parties asked that BPA consider covering the cost of transmission to deliver non-federal resources over the intervening transmission system (Idaho Power Company) for six preference customers interconnected to PacifiCorp's eastern transmission system. These customers are the City of Soda Springs, City of Idaho Falls (Idaho Falls), Lost River Electric Cooperative, Lower Valley Energy, Salmon River Electric Cooperative, and Fall River Rural Electric Cooperative (a member of Pacific Northwest Generating Cooperative).

Proposal for Issue 1

After reviewing and considering the comments received on the TCMS eligibility criteria, BPA now seeks comments on expanding coverage of the cost of transmission service for non-federal deliveries over the intervening transmission system of Idaho Power Company for these customers. This reconsideration is consistent with BPA's prior commitment to "work with customers otherwise served via the South Idaho Exchange on resource development and integration and BPA remains open to evaluating other alternatives on a case-by-case basis."¹¹ Much like Wells and Harney, BPA is concerned that its policy of paying for only the "last leg" of transmission for these customers' non-federal power deliveries places these customers "in a poorer position vis-à-vis other transfer customers in terms of diversifying power supplies."¹² Unlike other transfer customers that are served by one wheel, these customers face two wheels to deliver non-federal power to their systems. Thus, BPA is seeking comments on whether to adopt an exception to its current Regional Dialogue policy to expand BPA's coverage to pay for costs incurred for an additional transmission wheel for delivery of these customers' non-federal resources. All other limitations and conditions for non-federal transfer service would remain.

Issue 2: Whether BPA Should Expand Non-Federal Transfer Service To Include Deliveries of Customers' Existing Resources.

The second issue BPA seeks public comment on also relates to transfer service for non-federal power deliveries to a customer's load. As described above, BPA committed to cover the cost of

¹¹ *Id.*

¹² *Id.*

transfer service for the delivery of a non-federal resource to serve a customer's Above-RHWM load.¹³ The Regional Dialogue contract and policy related documents, however, do not address whether BPA would cover the transmission costs for delivering a non-federal resource that is used to serve a customer's *below* RHWM Load. Under the contract this type of resource is defined as an "Existing Resource" and, pursuant to the terms of the Regional Dialogue contract and consistent with statute, must be used by the customer to serve its requirements firm power load.¹⁴ BPA's firm power load obligation is determined as the net of these resources.¹⁵

At the time BPA developed its non-federal transfer policies, few of BPA's transfer customers had Existing Resources. Those that did had small resources (less than 1aMW) which were largely delivered under the terms of grandfathered transmission agreements. Because the focus in the Regional Dialogue policy was on new resource development and service for load growth, neither the Regional Dialogue policies nor the contracts address whether Bonneville would cover the transfer costs of Existing Resources. To that end, the final policies and agreements only require BPA to support the delivery of new non-federal resources used to serve a customer's Above-RHWM load.

Recent events, though, have caused BPA to consider whether to revise its non-federal transfer service policies to include Existing Resources. Idaho Falls owns and operates a number of small run-of-river hydroelectric turbines known as the Bulb Turbines. For many years, BPA acquired the output of the Bulb Turbines from Idaho Falls under both long-term and short term power purchase agreements. During this period, BPA was responsible for the transmission of these resources. In 2016, BPA's agreement to purchase the output from the Bulb Turbines expired, and thereafter, the resource returned to Idaho Falls. Because the Bulb Turbines had previously been used to serve Idaho Falls' load and because it is a hydro resource Idaho Falls can conserve and/or otherwise use for its own needs, it is considered an Existing Resource under the terms of Idaho Falls' Regional Dialogue contract. Idaho Falls was, thus, required to dedicate these resources to serve its firm power load (specifically its *below* RHWM Load).

Because BPA no longer purchased the output of the Bulb Turbines, BPA removed the resource from its transfer agreements, shifting the responsibility for transmission for the Bulb Turbines to Idaho Falls. This action was consistent with BPA's non-federal transfer policy because the Bulb Turbines were now a non-federal resource serving *below* RHWM Load. Idaho Falls, however, was now subject to two transmission charges for the Bulb Turbines: one from the local transfer provider (PacifiCorp) and one from BPA Transmission. Idaho Falls objected to these transmission charges for a number of reasons, but most relevant here, because it believed it was not being treated comparable to a power customer directly connected to the federal transmission system. A directly connected power customer with an Existing Resource serving *below* RHWM Load would be charged only one transmission charge for its resource – a charge from BPA Transmission. Given the Idaho Falls situation, BPA is considering whether to revise its non-federal transfer service policies by covering a portion of the transmission costs associated with a transfer customer's Existing Resources that serve *below* RHWM Load.

¹³ Regional Dialogue Power Sales Agreement, § 14.6.7.

¹⁴ *Id.* at §2.63; *see also Id.* at Exhibit A, § 2.

¹⁵ *See* 16 U.S.C. §839c(b).

Proposal for Issue 2:

While BPA has no contractual or policy obligation to deliver the Bulb Turbines to Idaho Falls for service to its *below* RHWL Load, BPA is nonetheless considering whether for equity and policy reasons to expand non-federal transfer service to include Existing Resources, such as in the case of the Bulb Turbines. BPA appreciates the concerns raised by Idaho Falls and agrees that its current policies do not directly address whether BPA should treat transfer service customers with Existing Resources comparably to directly connected power customers that also have Existing Resources. In an effort to mitigate the issues identified by Idaho Falls, BPA is considering two potential alternatives:

- 1. Pay for the Transmission Charges Assessed by BPA Transmission.** Under this alternative, BPA would expand non-federal transfer service to Existing Resources by paying the cost assessed to the customer under the BPA Transmission rate. This proposal would limit the transfer customer to paying only *one* transmission rate for their Existing Resources. In Idaho Falls' case, Idaho Falls would pay PacifiCorp's transmission rate.
- 2. Pay for the Transmission Charges Assessed by the Transfer Provider.** Similar to alternative 1, BPA would expand non-federal transfer service to Existing Resources by paying the cost of the transfer provider's transmission charge. The transfer customer would continue to pay BPA Transmission's rate for the Existing Resource. In the case of Idaho Falls, BPA would be responsible for PacifiCorp's transmission charge, while Idaho Falls would continue to pay BPA's Transmission charges.

Request for Comments:

BPA welcomes your input on the issues and proposals described above. Please submit comments to BPA by March 15, 2018, either by email to comment@bpa.gov or submitted on the BPA website at www.bpa.gov/comment. If you have any questions, please contact your BPA Power Account Executive or me at (503) 230-5175.

Sincerely,

/s/ Garry R. Thompson

Garry R. Thompson
Vice President of NW Requirements Marketing