



## Department of Energy

Bonneville Power Administration  
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EXECUTIVE OFFICE

March 23, 2023

In reply refer to: F-2

### **Subject: Closeout Letter with Final Decision for B2H with Transfer Service**

The Bonneville Power Administration (BPA) has decided to execute definitive contracts for the plan of service provided by Boardman to Hemingway (B2H) with Transfer Service. After more than a decade of evaluation and negotiation by BPA, I am pleased to be making this final decision providing a solution to serve our preference customers in southeast Idaho and achieving our core objective of obtaining a long-term, firm, reliable and cost-effective plan of service.

Under B2H with Transfer Service, BPA will not be a joint owner of the project nor exchange assets with Idaho Power and PacifiCorp, as previously considered. Instead, BPA will acquire long-term firm network integration transmission service from Idaho Power under its open access transmission tariff (OATT) to serve our Southeast Idaho Load Service (SILS) customers beyond the contiguous BPA transmission system. These six statutory preference customers – Fall River Rural Electric, Lost River Electric, Salmon River Electric, Lower Valley Energy, the City of Idaho Falls, and the City of Soda Springs – are currently served using Idaho Power's and PacifiCorp's transmission system. Additionally, BPA will provide point-to-point services over its transmission system to Idaho Power and PacifiCorp pursuant to BPA's OATT.

After initially considering joint ownership of the B2H line, BPA selected this plan of service as it best achieves our core objective, is supported by a strong business case providing \$700 million in cost savings over a 30-year period, and provides additional benefits. One of the key additional benefits is improved service for 15 BPA preference customers, including customers in the Burley area, and the delivery of reserve power to the Bureau of Reclamation and irrigation customers. I appreciate and am encouraged by the supportive comments BPA received from stakeholders. These comments demonstrate that BPA's stakeholders recognize the substantial value provided by this solution.

Today's final decision to execute definitive contracts concludes BPA's participation in the permitting of the B2H project and BPA's consideration of joint ownership in the line. BPA commends Idaho Power and PacifiCorp for their dedication, collaboration, and partnership in developing B2H with Transfer Service and their ongoing commitments to construct the B2H line. In addition to enabling long-term, firm power and transmission service to the SILS

customers' loads, the B2H line will provide important benefits to the region and generally enhance the connectivity to and within Idaho.

I have included additional background and the rationale for my decision in Attachment A.

Thank you to the stakeholders who provided feedback and support for this final decision.

Sincerely,



John Hairston  
Administrator and Chief Executive Officer

Attachment A: Final Decision to Execute Definitive Contracts for B2H with Transfer Service

## ATTACHMENT A

### Final Decision to Execute Definitive Contracts for B2H with Transfer Service

#### A. Background and Prior Letters to the Region

The background on BPA's negotiation of the B2H with Transfer Service plan of service primarily is described in two regional letters - a January 18, 2022, letter (Term Sheet Letter) and a January 9, 2023, letter (Final Contracts Letter). These letters, public workshop materials, customer and stakeholder feedback and BPA's responses to that feedback, and other documentation are all available on BPA's website, [Southeast Idaho Load Service - Bonneville Power Administration \(bpa.gov\)](https://www.bpa.gov)

The Term Sheet Letter announced BPA's signature of a non-binding Term Sheet that clarified BPA's role in Idaho Power's and PacifiCorp's progress toward the future construction of the B2H project. The letter included a detailed description of the history of BPA's service to the SILS customers and BPA's concerns that the current approach for serving the SILS customers' loads would not be reliable or cost-effective in the long-term. BPA described its initial consideration to construct and become a future partial owner of the B2H project. This initial consideration included a transfer of assets between BPA, Idaho Power, and PacifiCorp (this approach was referred to as "B2H with Asset Transfer"), which could allow BPA's transmission system to be directly connected to the SILS customers' loads. BPA encountered many challenges and complexities with this approach and, in 2019, began to reconsider B2H with Asset Transfer as well as potential future ownership of the B2H project without the accompanying asset transfer. In 2019, BPA explored a transfer service-based plan of service (B2H with Transfer Service), rather than a B2H ownership-based plan of service.

The Term Sheet Letter described the agreements BPA, Idaho Power, and PacifiCorp intended to negotiate, including the OATT services each party would take from each other. The letter also included a high-level overview of BPA's business case for B2H with Transfer Service. BPA opened an initial comment period on the terms for B2H with Transfer Service, held a stakeholder workshop in February of 2022 to answer questions about the Term Sheet, and provided written responses to comments. Overall, BPA received supportive comments for B2H with Transfer Service and proceeded to negotiate definitive contracts based on the Term Sheet.

On January 9, 2023, BPA released the Final Contracts Letter announcing conclusion of negotiations and BPA's proposal to execute definitive contracts for B2H with Transfer Service. The Final Contracts Letter described the key terms, conditions, and evaluation considerations for each contract. BPA also provided a detailed description of BPA's business case for B2H with Transfer Service and the other benefits associated with the plan of service (the business case and benefits are described in Section C). BPA opened a second comment period on BPA's

proposal to execute definitive contracts and held a stakeholder workshop on January 23, 2023 to answer questions. Concurrent with this Closeout Letter, BPA is posting responses to each comment BPA received on BPA's website. The comments are discussed generally in Section B.

*B. Stakeholder feedback*

BPA appreciates the supportive customer and stakeholder feedback for the B2H with Transfer Service plan of service. The comments recognize the significant value provided by this plan of service.

BPA received several questions regarding the network integration transmission service (NITS) BPA will take under Idaho Power's OATT, including access to capacity to serve load growth and the terms for serving that load growth. In the response to comments available on BPA's website, BPA explains that the service for the SILS customer's load growth, including access to transmission capacity for that load growth, will be pursuant to Idaho Power's OATT. BPA will continue to work with customers to update and submit 10-year load and resource forecasts for each customer to Idaho Power. Consistent with Idaho Power's NITS tariff obligations, Idaho Power would use these forecasts for system planning. BPA will work with Idaho Power to ensure Idaho Power follows its OATT and honors its network integration transmission service agreement (NITSA) obligations.

BPA also received several comments seeking additional information regarding BPA's transfer service policies post-2028, including access for non-federal resources, comparability between BPA's transfer and non-transfer customers, and rate design and billing treatment. Additionally, several customers requested BPA to confirm that the transfer service provided through the NITSA's with Idaho Power will not limit BPA or customers' abilities to participate in future organized markets. BPA appreciates this feedback; however, the post-2028 transfer service policies and future market opportunities are out of scope for the B2H with Transfer Service final decision. BPA is holding public workshops and intends to make decisions regarding post-2028 transfer service through the Provider of Choice process. BPA encourages customers and stakeholders to participate in that effort. Information about Provider of Choice workshops and how to submit comments are available at [Provider of Choice - Bonneville Power Administration \(bpa.gov\)](https://www.bpa.gov). Transfer service rate design and billing treatment is a rates issue that will be addressed in the rate case in which costs are incurred.

Finally, BPA will continue to work with its NITS customers to address their service needs across the Federal Columbia River Transmission System, including planning for forecasted load growth and forecasted network resources. BPA encourages its NITS customers to participate in the NT Annual Load and Resource Forecasting Process. Customers should contact their Transmission Account Executive with specific questions associated with their NITS service with BPA.



C. Rationale for this Final Decision

As recognized in many of the comments BPA received, B2H with Transfer Service provides significant value to BPA and its customers. First and foremost, the plan of service satisfies BPA's core objective of attaining a long-term, firm, reliable and cost-effective plan of service for the SILS customers' loads. This plan is supported by a strong business case. The NITSA's BPA will enter into with Idaho Power are for an initial twenty year term and will have rollover rights under Idaho Power's OATT. These contracts facilitate BPA's ability to deliver resources from the BPA transmission system to the SILS customer's loads for many years to come.

Additionally, the NITS BPA will take over Idaho Power's system is firm, as opposed to conditional firm currently utilized under the interim plan of service. Conditional firm is a type of point-to-point (PTP) transmission service that can be curtailed more readily than firm service under certain system conditions. Idaho Power may review, including increase, the conditions for curtailment every two years. One of BPA's critical concerns with continued reliance on conditional firm PTP for the interim plan of service is the risk of additional conditions for curtailment of BPA's PTP service over time. With Idaho Power's construction of B2H, BPA would receive firm NITS that is dispatched after all other conditional firm and non-firm services are curtailed. The NITSA's will substantially reduce BPA's risk of curtailments in service to its loads.

B2H with Transfer Service is cost effective. As compared to the current interim plan of service, B2H with Transfer Service provides substantial cost savings – approximately \$720 million over a 30-year period as compared to the interim plan of service. Purchasing a single wheel of transmission service beyond the BPA transmission system to serve the SILS customers' loads as opposed to relying on two wheels as under the interim plan of service delivers substantial savings.

Another source of substantial savings as compared to the interim plan of service is BPA's reduced reliance on market power from the desert Southwest, which carries with it resource adequacy considerations and negative implications for the carbon content of BPA's fuel mix. This delivers value through lower overall energy costs and generally reduces BPA's cost risk in a region where resource retirements loom and BPA has already observed reduced liquidity.

On top of the cost savings, B2H with Transfer Service brings incremental revenue for BPA associated with providing 500 MW of PTP service to Idaho Power. In addition, the transmission service BPA will provide to PacifiCorp includes conversion of legacy service to PTP service, which achieves BPA's strategic objectives of converting legacy service to standard OATT service.

B2H with Transfer Service delivers additional benefits to BPA's other existing customers in Idaho. The B2H project will increase the resilience and capacity of Idaho Power's transmission system, which will enhance BPA's ability to serve its other 15 preference customers and

irrigation customers currently served by NITSAs over Idaho Power's system. The completion of the B2H project would alleviate potential congestion limiting power deliveries over Idaho Power's transmission system to these customers. Additionally, the B2H project would provide additional capacity on Idaho Power's system that could be used to serve future load growth for these customers. After the B2H project is energized, these existing NITSAs would be updated to include a new B2H point of receipt that BPA can use to deliver resources from the BPA transmission system to BPA's customers located on Idaho Power's system.

Lastly, B2H with Transfer Service avoids the considerable complexities and complications associated with federal participation in joint ownership and asset swaps originally considered in the B2H with Asset Swap proposal. Without the asset swaps, BPA's potential partial joint ownership of the B2H project did not satisfy BPA's cost-effectiveness objective because BPA would still have needed to purchase two legs of transmission service to get from Hemingway (the eastern terminus for the project) to the SILS customers' loads located on PacifiCorp's Idaho transmission system.

#### *D. National Environmental Policy Act Analysis*

Consistent with the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq.*, BPA has assessed the potential environmental effects that could result from proceeding with executing contracts for the B2H with Transfer Service plan of service. The decision to execute contracts for B2H with Transfer Service is primarily a business and strategic decision to enable BPA to better serve customers in Southeast Idaho.

B2H with Transfer Service provides a plan of service beyond the BPA transmission system for six statutory preference customers currently served using PacifiCorp's Idaho transmission system. This plan of service is intended to increase reliability and cost-effectiveness of electrical service for the SILS customers. BPA will execute the definitive contracts for B2H with Transfer Service. As described further in Section E below, BPA will execute a Purchase, Sale, and Security Agreement with Idaho Power to transfer BPA's permitting interest in the B2H project to Idaho Power and make a security payment. BPA will also execute two NITSAs with Idaho Power and various PTP and related agreements with Idaho Power and PacifiCorp.

The proposed contracts are generally administrative and financial in nature. These agreements are not expected to result in any physical changes in the environment from BPA actions, and would not cause the development of any new generation resources or the operation of existing generation sources outside of normal limits. As such, implementation of B2H with Transfer Service is not expected to result in reasonably foreseeable environmental effects.

Accordingly, BPA has determined that executing contracts for B2H with Transfer Service falls within certain classes of actions excluded from further NEPA review pursuant to U.S.

Department of Energy NEPA regulations, which are applicable to BPA. More specifically, the B2H with Transfer Service contracts fall within categorical exclusions B4.4, *Power marketing services and activities*, and B4.8, *Electric transmission agreements*, both found at 10 C.F.R § 1021, subpt. D, app. B. BPA has prepared a categorical exclusion determination memorandum that documents this categorical exclusion from further NEPA review, which is available at the BPA website: <https://www.bpa.gov/learn-and-participate/public-involvement-decisions/categorical-exclusions>.

In addition to executing the contracts described above, BPA will continue evaluating the transmission arrangements required for the proposed interconnection of the B2H project to BPA's proposed Longhorn substation, the removal and replacement of a segment of BPA's Boardman-to-lone Line and development of replacement service for Columbia Basin (see Section E below). BPA is currently evaluating these actions in accordance with BPA business practices and is not making final decisions on these actions as part of B2H with Transfer Service. BPA will conduct appropriate NEPA analysis for these activities in the future, as planning, engineering, and project-related details are available.

*E. Execution of Definitive Contracts for B2H with Transfer Service*

Commensurate with this final decision, BPA will execute the definitive contracts for B2H with Transfer Service. As described in the Final Contracts Letter, BPA will execute a Purchase, Sale, and Security Agreement with Idaho Power to transfer BPA's permitting interest in the B2H project to Idaho Power and make an additional \$10 million security payment. Idaho Power would make installment payments to BPA for the purchase, sale, and security after B2H energization.

BPA will also execute two NITSA with Idaho Power providing long-term transmission service with rollover rights to the SILS customers' loads pursuant to Idaho Power's OATT. Additionally, BPA will execute an agreement with PacifiCorp committing BPA to redirect and assign BPA's conditional firm PTP service over Idaho Power's transmission system to PacifiCorp upon energization of B2H.

BPA will execute a PTP service agreement with Idaho Power providing transmission service over BPA's transmission system to the proposed B2H interconnection at the Longhorn substation. BPA will also execute PTP agreements with PacifiCorp reflecting the redirect of existing transmission service paired with the conversion to OATT service of PacifiCorp's legacy scheduling rights in central Oregon. In addition, BPA and PacifiCorp will execute a related amendment to the legacy contract to reflect the conversion of PacifiCorp's scheduling rights to the PTP service. Pursuant to a separate agreement between BPA and PacifiCorp, PacifiCorp would fund and construct the Meridian series capacitor project.

Concurrent with BPA's execution of contracts, Idaho Power and PacifiCorp will enter into agreements for the continued permitting, construction, and joint ownership of the B2H project, which will include installation of a Midline series capacitor project. To facilitate Idaho Power's ability to provide the NITS to BPA, PacifiCorp and Idaho Power will enter into an agreement to transfer PacifiCorp assets to Idaho Power upon B2H energization. With this asset transfer, BPA's SILS loads currently served on PacifiCorp's southeast Idaho transmission system would now be within Idaho Power's transmission system. The asset transfer allows BPA to receive firm transmission for its SILS customers' loads using a single wheel of transmission service as opposed to two wheels, as under the current interim plan.

In addition to executing the contracts described above, BPA will continue evaluating the transmission arrangements required for Idaho Power's and PacifiCorp's construction of the B2H project. These arrangements, which are described in the Final Contracts Letter, are associated with the proposed interconnection of the B2H project to BPA's proposed Longhorn substation, the removal and replacement of a segment of BPA's Boardman-to-lone Line and development of replacement service for Columbia Basin, and development of an operational agreement with Idaho Power and PacifiCorp.

With regard to the proposed interconnection of the B2H project to BPA's proposed Longhorn substation, the Final Contracts Letter explained that BPA would not be making the final decision to construct the Longhorn substation or to interconnect the B2H project as part of B2H with Transfer Service. BPA intends to make the final decision to construct Longhorn substation in response to a line and load interconnection request submitted by Umatilla Electric Cooperative, because technical studies were complete and BPA is in the process of completing environmental review (environmental review is the last study to complete for BPA's final decision). BPA is presently studying the proposed interconnection of the B2H project to Longhorn substation and intends to offer additional funding and construction agreements in accordance with BPA's line and load interconnection practices.

#### *F. Conclusion*

This final decision concludes BPA's involvement in the permitting of the B2H project and exploration of potential future ownership in the B2H line. BPA appreciates the support and feedback of customers and stakeholders. BPA looks forward to discussing important post-2028 transfer service policies and commitments in the Provider of Choice forum.