

United States Government
memorandum

Department of Energy
Bonneville Power Administration

DATE: September 22, 2009

REPLY TO
ATTN OF: KEC-4

SUBJECT: Supplement Analysis for the Business Plan EIS (DOE/EIS-0183/SA-07) Service to Direct Service Industries

TO: Gregory K. Delwiche
Vice President, Environment, Fish and Wildlife

This Supplement Analysis (SA) for the Business Plan Environmental Impact Statement (DOE/EIS-183, June 1995) was prepared to review any changes in BPA's business practices or other new developments relative to BPA's service to the Direct Service Industries (DSIs) since publication of the Business Plan EIS. Under U.S Department of Energy (DOE) National Environmental Policy Act (NEPA) regulations (10 C.F.R. § 1021.314(c)), DOE departmental elements such as BPA may prepare an SA to assist the agency in determining whether there is a need for a supplemental or new EIS. The two factors to be considered in a SA for making this determination, pursuant to the regulations, are:

- Whether there are substantial changes in an EIS's proposed action that are relevant to environmental concerns; or
- Whether there are significant new circumstances or information relevant to environmental concerns and bearing on the proposed action or its impacts.

10 C.F.R. § 1021.314(c)(1); see also 40 C.F.R. §1502.9(c). The consideration of these factors informs the determination by BPA of whether the agency needs to prepare a supplemental or new EIS, or whether no further NEPA documentation is required.

Background:

BPA's Business Plan EIS provides an analysis of the potential environmental effects that could result from BPA's policy-level business decisions. The Business Plan EIS was prepared in response to BPA's need for an adaptive business policy that would allow BPA to be more responsive to the evolving and increasingly competitive wholesale electricity market, while still meeting its business and public service missions. BPA designed the Business Plan EIS to support its overall business direction and associated business decisions, which include power and transmission service to DSIs.

To accomplish this, BPA evaluated six alternative business directions in the Business Plan EIS: Status Quo (No Action); BPA Influence; Market-Driven (Proposed Action); Maximize Financial Returns; Minimal BPA; and Short-Term Marketing. Each alternative provides policy direction for deciding 19 major policy issues that fall into five broad categories: Products and Services, Rates, Energy Resources, Transmission, and Fish and Wildlife Administration. Four policy options, or modules, also were developed in the Business Plan EIS to allow variations of the alternatives in key areas including service to the DSIs.

The Business Plan EIS also contains revenue response strategies for changing market conditions that allow BPA the operational flexibility to best meet its financial, public service, and environmental obligations, while remaining competitive.

The Business Plan EIS showed that environmental impacts are determined by the responses to BPA's marketing actions, rather than by the actions themselves. These market responses, discussed in section 4.2 of the Business Plan EIS, are: resource (including conservation) development; resource operation; transmission development and operation; and consumer behavior. As summarized in Tables 4.4-19 and 4.4-20 of the Business Plan EIS, differences in total environmental impacts among the alternatives are relatively small.

With respect to DSIs, the analysis of impacts in the Business Plan EIS focuses on the effects on BPA loads (and the resulting impacts of resource development and operations), and not on the impacts of DSI plant operations. The Business Plan EIS assumed the same load for all alternatives and that all of the DSIs would operate at a similar capacity, whether served by BPA or non-BPA suppliers. In recognizing the importance of DSIs to the region and the impact to BPA's revenue and operation, BPA evaluated 5 policy modules that focused on service to DSIs: Renew Existing DSI Power Contracts; Firm DSI Power in Spring Only; Declining Firm Service; No New Firm DSI Power Sales Contracts; and 100-Percent Firm Service. Table 2.3-2 in the Business Plan EIS identifies which of these modules are intrinsic to certain EIS alternatives, which are considered to be variable for certain alternatives, and which are not applicable to a particular alternative.

In BPA's Business Plan Record of Decision (BP ROD, August 15, 1995), the BPA Administrator adopted the Market-Driven Alternative from the Business Plan EIS. Under the Market-Driven Alternative, BPA fully participates in the competitive market for power, transmission, and energy services, and uses success in the market to ensure the financial strength necessary to fulfill its mandates. The Market-Driven Alternative includes the DSI module of Declining Firm Service as intrinsic to this alternative, with the other four DSI modules being variable for this alternative. Under the Declining Firm Service module, the amount of DSI firm load served by Tier 1 power would decline over time. Part of the rationale for selecting the Declining Firm Service module was that "increased competition in the generation market, increased access to BPA's transmission system, low natural gas prices and improved efficiency of combustion turbines has made purchasing power from other suppliers or self-generation an increasingly attractive option for the DSIs" (Section 4.5.3 of the Business Plan EIS).

BPA has previously completed a separate SA for the Business Plan EIS to assess whether this EIS still provides an adequate evaluation, at a policy level, of environmental impacts that may result from BPA's current business practices, and whether these practices are still consistent with the Market-Driven alternative. This previous SA, which was completed in April 2007, evaluated changes that have occurred in the electric utility market and the existing environment, as well as developments that have occurred in BPA's business practices and policies.

This previous SA describes how BPA's decision to continue to ramp-down service to the DSIs for the 2007-2011 period and to provide the DSIs with power or monetized benefits at rates no lower than rates paid by BPA's public preference customers, and under contractual terms no better than those offered to other customers, is a direct application of the Market-Driven Alternative because this decision continues the implementation of the DSI module intrinsic to the Market-Driven Alternative discussed in Section 2.2.3 of the Business Plan EIS.

Analysis:

Changes in the Proposed Action: As indicated above, the Proposed Action is the Market-Driven Alternative, and the Declining Firm Service module is an intrinsic part of this alternative. While DSIs historically accounted for a significant percentage of BPA's load, a recent analysis in the 2010 Rate Case found that DSI loads have substantially decreased, from an averaged of 2,671 aMW during calendar years (CY) 1985- 2000 to average of 378 aMW during CY 2001-2007 (WP-10-E-BPA-14, Risk Analysis and Mitigation). In 1995, BPA had 10 industrial customers with nearly 3,000 aMW of load, accounting

for approximately 25% of BPA's load. Today, there are only 3 DSIs with approximately 400 to 600 aMW, which represents approximately 4% of BPA's load.

The decline in service to the DSIs in recent years is consistent with the Declining Firm Service module from the Business Plan EIS, which is an intrinsic part of the Market-Driven Alternative. BPA's actions in this area thus are consistent with what BPA anticipated would occur under the Market-Driven Alternative. Accordingly, BPA continues to engage in business activities consistent with the Market-Driven Alternative, and there have been no substantial changes in the proposed action relevant to environmental concerns.

New Circumstances or Information: BPA has reviewed whether the new circumstances and information related to the DSIs since publication of the Business Plan EIS are significant and relevant to environmental concerns.

Although the percentage of BPA's load dedicated to DSIs has decreased over the last twenty years, DSIs still provide several important operational and planning benefits to BPA; namely distribution benefits, power system reserves, system operation flexibility, and revenue benefits. DSIs provide distribution benefits because there are limited points of delivery required to serve DSI loads compared to other comparable loads. Therefore the cost of distributing electric power to multiple points of delivery is substantially reduced. Continuing to serve existing DSI load would not be expected to result in physical changes in the existing transmission grid or result in other environmental affects not considered in the Business Plan EIS.

DSIs also provide BPA with power system reserves. DSI power and transmission service contracts are structured to allow for the interruption of a portion of the power supply. This interoperability is important when the system experiences an outage of major resources/transmission lines or after system disturbances by reducing the potential for a blackout that could affect a large number of customers. Because of the flexibility of DSI loads, the power system reserves they offer continue to be a particularly valuable resource to BPA consistent with the Market-Driven Alternative.

DSI loads are relatively consistent thru peak and off-peak hours. This consistency in load has historically helped reduce the need to spill water to maintain required flows resulting in generation loss. This enhances BPA's system operational flexibility and facilitates power exchange arrangements and load shaping services consistent with the Market-Driven Alternative. Power exchange arrangements and load shaping services continue to provide revenue benefits to BPA.

Although DSIs have historically accounted for a significant percentage of BPA's load, those loads have substantially decreased since the Business Plan EIS ROD was signed in August 1995. Though the reduction in load is primarily attributed to the closing of many of the DSI operations, the overall reduction in load due to market conditions is still consistent with the Declining Firm Service module of the Market-Driven Alternative in the Business Plan EIS.

BPA has reevaluated service to DSIs consistent with the Market-Driven Alternative on several occasions since the development of the Business Plan EIS (e.g. contracts and rate cases). Although the amount of DSI load has significantly decreased since the Business Plan EIS ROD was signed in August 1995, DSIs still provide distribution benefits, power system reserves, system operation flexibility, and revenue benefits. There are no new circumstances or information that would make BPA's business practices relative to DSIs inconsistent with the Market-Driven Alternative. In the event that BPA enters into new contracts with a DSI, currently under consideration, the power sales contracts would primarily involve keeping the possibility open that the existing situation of providing power to an already existing and operating load would be maintained.

As such, there are no significant new circumstances or information relevant to environmental concerns and bearing on the proposed action or its impacts associated with serving DSI loads.

Findings: This Supplement Analysis finds that: 1) there are no substantial changes in the proposed action that are relevant to environmental concerns; and 2) there are no significant new circumstances or information relevant to environmental concerns and bearing on the proposed action or its impacts, within the meaning of 10 C.F.R. § 1021.314(c)(1) and 40 C.F.R. §1502.9(c). Therefore, preparation of a supplemental or new EIS is not required.

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CONCUR:

/s/ Katherine S. Pierce
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NEPA Compliance Officer

DATE: September 22, 2009