



## Department of Energy

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

CORPORATE STRATEGY

November 12, 2010

In reply refer to: S-7

Dear Customers and Interested Parties:

We appreciate the interest expressed by Bonneville Power Administration (BPA) customers and many others in addressing periodic oversupply of generation in the Northwest power system and specifically in the BPA balancing authority area. More than 100 people attended our October 12, 2010, workshop on the subject and contributed numerous suggestions on steps BPA and others might take to manage these events in the future. A list of the ideas we heard at the October 12, 2010, meeting is attached, along with answers to questions submitted by the Public Power Council and Renewable Northwest Project.

This letter outlines what we are doing in response to your suggestions and invites you to a follow-up workshop December 3, 2010. The workshop will be held from 8:30 a.m. to 12:30 p.m. in the BPA Rates Hearing Room at BPA headquarters in Portland. The address is: 911 NE 11<sup>th</sup> Ave, Portland, OR. A draft agenda is enclosed. We look forward to your thoughtful participation.

Our immediate goal is to develop additional steps we can take over the next several spring runoff periods should over-supplies of generation occur. We also are considering additional strategies that could be implemented over a longer period. Here is a summary of the areas we're pursuing, based on your suggestions. The efforts described here respond specifically to ideas raised at the October 12, 2010, workshop. We have organized our efforts into several areas.

### Power Operations

As commenters suggested, we see offering Federal power under terms that are sufficiently attractive to economically displace thermal generation inside and outside BPA's balancing authority as one way to reduce generation oversupply. BPA is actively engaged in discussions with thermal generator owner/operators to seek creative ways to ensure achievable displacement occurs during these conditions. This is an extension of BPA's long-standing efforts to provide a regional benefit by seeking mutually beneficial fuel displacements consistent with sound inventory management of the hydro system and thermal resource operation.

BPA is intrigued by the potential of using irrigation load to absorb excess generation. Because these are existing loads, we expect the most benefit would come from the ability to systematically shift daytime irrigation into night time hours. This would provide load at night when over-generation is most severe and free up the system to meet additional daytime load

when such loads are easier to find. BPA is also doing some preliminary investigation of the feasibility of using upstream water for ground water recharge during these high flow events.

BPA's demand response team is examining the potential magnitude of the loads, barriers, and existing mechanisms to incent load shift and the potential supply in the near term. Workshop attendees suggested there may be several hundreds of additional megawatts available over the long run. For the near term, our preliminary assessment is that the magnitude of load that will be online during overgeneration conditions and moving it to night time periods would not alone suffice to address expected overgeneration.

### Transmission Operations

BPA is re-evaluating its ability to reschedule planned transmission outages away from over-generation periods. However, sometimes, BPA may not be able to move outages that were agreed upon in the Western Electricity Coordinating Council 45-day outage planning process, due to constraints for planned maintenance windows and impacts to other parties.

A number of Northwest and Southwest transmission providers are studying current use of the California-Oregon Intertie (COI), looking for ways to increase its use. This Transmission Utilization Group (TUG) is completing an initial study. It is reviewing historical data and engaging intertie users to identify market barriers to greater use, such as scheduling and reservation timeline differences between transmission providers. The TUG expects to issue a report and findings of this study early in 2011, and BPA looks forward to working with other COI owners and users to consider ways to make better use of the intertie.

Other transmission-related suggestions included increasing scheduling limits on transmission east to Wyoming and automating remedial action schemes. These would require significant technical analysis and physical equipment investments. We will examine these suggestions as potential long-term solutions.

### When every other reasonable action has been taken: environmental redispatch

If, after finding as much load as reasonably possible and exhausting all Federal Columbia River Power System flexibility, generation oversupply conditions continue to jeopardize the ability to meet FCRPS Biological Opinion and Clean Water Act objectives, BPA intends to trigger and implement an environmental redispatch procedure that will replace wind generation with FCRPS hydro generation.

A work group is being formed to develop a transparent trigger and implementation strategy to be ready for potential use by spring 2011. Those interested in participating may contact Steve Kerns at 503-230-7542 or attend a conference call on Wednesday, November 17, 2010, from 2:30 to 4:30 p.m. at 503-230-3344. Passcode for the bridge is 8776.

### Keeping parties economically whole

BPA is committed to exploring potential approaches that would reduce or eliminate the economic impact to wind generators during these conditions. We are initiating a workgroup that will allow us to begin working with others who have expressed an interest in considering legislative solutions that would allow Production Tax Credits and Renewable Energy Credits to accrue to wind energy that is environmentally redispached with carbon-free federal and non-federal hydropower when necessary to comply with the Endangered Species Act and Clean Water Act. Any legislative remedies are likely to be mid-term or long-term solutions that would not be available for spring 2011.

### Other suggestions

A few ideas on the enclosed list of suggestions at the October 12, 2010, meeting are not practical in the near term. These ideas include development of hydrogen production facility loads, development of new high-voltage inertie capability, removal of Snake River dams, and the construction of large energy storage facilities or “dummy” loads. BPA is not investigating them as part of this overgeneration management process. These types of solutions would be pursued through long-term regional planning processes that, if successful, would be followed with extensive regulatory and financing efforts.

As discussed at the workshop, high-priority objectives of the FCRPS, such as operations in support of the Biological Opinion, Clean Water Act, and flood control, will continue to take precedence over resource operation. Federal reservoir operations during the spring are not discretionary decisions made by BPA. The operations are part of a large regional coordination process involving several other federal agencies (the U.S. Army Corps of Engineers, Bureau of Reclamation, National Oceanic and Atmospheric Administration and U.S. Fish and Wildlife Service). This coordination also involves regional stakeholders such as the fish-migration Technical Management Team, tribes, states, irrigators, and recreation interests. BPA will continue to work with other Federal agencies and stakeholders to access any flexibility that may exist in these conditions.

### Please join us December 3, 2010

At the December 3, 2010, workshop, we will review our efforts to increase our overgeneration management tools for this coming spring runoff and will solicit your active participation in these efforts.

If you have any questions about this effort, please contact Steve Kerns, manager, Generation Schedule Planning, at 503-230-7542. If you would like to be added to a mailing list to receive information on our over-generation management effort in future, please write that request in an e-mail to Kurt Lynam, public involvement specialist, at [kolynam@bpa.gov](mailto:kolynam@bpa.gov)

Thank you again for your interest in this important matter.

Sincerely,

/s/ Elliot Mainzer

Elliot Mainzer  
Executive Vice President,  
Corporate Strategy

Enclosures: 1. Overgeneration Management Ideas from October 12, 2010, Meeting  
2. December 3, 2010, Agenda  
3. BPA Responses to PPC Questions  
4. Response to RNP Questions

bcc:

Admin Chron. File – A-7  
Callow,Donald E - DGF-7  
Lynam,Kurt O - DKC-7  
Baker,Lynn W - DKP-7  
Marker,Douglas R - DKR-7  
Gleason,John M - LC-7  
Miller,Todd E - LP-7  
Chan,Allen C - LT-7  
Chong Tim,Marcus H - LT-7  
Oliver,Stephen R - PG-5  
Connolly,Kieran P - PGS-5  
Kerns,Steven R - PGSP-5  
Spain,Alex J - PTF-5  
DeClerck,Angela - TSE-TPP-2  
Mainzer,Elliot E - S-7  
Berwager,Syd - SR-7  
Dillard,Diane L - SR-7  
King,Eric V - SR-7  
Thomas,Randi R - TO-DITT2  
Ellison,Richard A - TOD-DITT1  
Elizeh,Edison G - TOT-DITT2  
Enyeart,Stephen H - TPC-TPP-4  
Ehli,Cathy L - TS-DITT-2  
King,Robert D - TSP-TPP-2  
Jackson,Mark A - TSPP-TPP-2  
Official File – S-7 (EX-13)