

Springfield Utility Board TRM White Paper

Background:

One facet of the Tiered Rates Methodology clean up process has been the treatment of Pend Oreille's Box Canyon Resource. SUB has raised concerns about resource transparency throughout the Regional Dialogue process and has observed that some decisions are made without access to information. Often answers lead to further questions. This write up is intended to provide a summary of SUB's findings to date. As we move forward, there may be information which clarifies the description of the issue contained in this paper.

Boundary and Box Canyon:

The Box Canyon Dam, a hydroelectric facility owned by Pend Oreille PUD and located along the Pend Oreille River, was completed in 1955. After an interesting period of disagreement between Pend Oreille and Seattle, Seattle City Light was granted a license by the Federal Energy Regulatory Commission to build the Boundary Dam 15 miles downstream of Box Canyon to generate hydroelectric power.

Pend Oreille and Seattle signed a Memorandum of Understanding, also referred to as an Article 49 agreement which allows Pend Oreille to purchase 48 MW of power from Boundary project at cost as long as Pend Oreille supports Seattle City Light's relicensing efforts. Formerly, this Article 49 Agreement allowed Pend Oreille to purchase this power only if there was a need, but this was later amended to remove this requirement.¹ Power sold under this Article 49 is not specified for a specific end-user in the Agreement between Seattle and Pend Oreille PUD.

Pend Oreille PUD's Subscription Contract:

At the time that Pend Oreille PUD was working through its current Subscription Contract there were two, perhaps three, significant issues to note:

- 1) The PUD exercised the ability to purchase more Boundary power over the 10 year subscription contract. This power resulted in Pend Oreille's Block purchase (within Pend Oreille's Slice/Block contract) declining by ~11aMW as the Boundary power was increased and used to serve 5(b) load.
- 2) The resource characteristics of the Box Canyon resource under critical water were not as flat as the resource characteristics of using an average water year. While this increased the resource capability of Box Canyon in Pend Oreille's Exhibit C, it made the resulting net requirement more manageable.

¹ See article from Newport Miner newspaper at : <http://www.fwee.org/news/getStory?story=1333>

Pend Oreille’s Block Purchase Under Its Subscription Contract:

Contract Year	Boundary Art. 49 Entitlement (aMW)	Block Amount (aMW)
2002	31.7	12.7
2003	31.7	12.7
2004	31.7	12.7
2005	34.1	10.7
2006	43.0	1.7
2007	43.0	1.7
2008	43.0	1.7
2009	42.2	1.7
Change between 2009-2002	10.5	-11.0

Fast Forward to 2008:

Fast forwarding to 2008, BPA conducted its review of resources to be used in individual utilities for purposes of calculating high water marks. It was during this time that SUB first found that Seattle’s Boundary Resource was being adjusted with a negative adjustment and Pend Oreille’s resource was being adjusted upwards by relatively the same amount (however Pend Oreille’s resource adjustment was eventually made to zero in BPA’s calculations because the resource was being used to serve a New Large Single Load. The net effect was that Seattle’s resources were being adjusted downwards (increasing Seattle’s HWM) and there was no offsetting increase in Pend Oreille’s resources to limit the impact of the adjustment to other utilities’ HWMs.

Stated simply, SUB’s understanding of how the resources work are that as the Boundary resource go up, the Box Canyon resource used to serve the NLSL go down and the amount of Box Canyon resource used to serve POPUD’s retail load go up by an equivalent amount.

In addition while BPA’s response at the time of SUB’s original inquiry was that the treatment of Boundary was a New Large Single Load issue, SUB would observe that Box Canyon is used to serve Pend Oreille’s 5(b) load. Looking back it appears that BPA’s statement was in error to the degree that Box Canyon was ever used to serve 5(b) and would switch to serve a NLSL under any new construct proposed.

In discussions with BPA staff, there was a reference to a 1980’s document that described the treatment of Boundary and Box Canyon, but no one that SUB spoke with actually has seen the document. Perhaps it will surface in further discussions.

Box Canyon Revisited:

In this round of discussions for the TRM clean up, Pend Oreille has requested to adjust the Box Canyon resource capability based on critical water instead of average water. This would reduce Box Canyon’s capability from 32.203 aMW to 24.479 aMW and that this would be further adjusted by the change in forecasted NLSL load.

Before continuing, SUB observes the following would be helpful in the discussions:

- 1) The 1980's paper that discussed treatment of the Boundary Resource
- 2) A review of the Box Canyon Resource from 2001 through 2010 to make sure that any Box Canyon resource used to serve a 5(b) load is not being shifted to a NLSL - this would include a review of POPUD's 2010 resource mix in the Subscription Contract.
- 3) In clarifying the BPA response to POPUD, BPA's proposed construct would be to have the High Water Mark float with POPUD's NLSL load. If the NLSL goes down, POPUD's HWM goes down. If the NLSL goes up, POPUD's HWM goes up. Is BPA proposing that if the NLSL load goes up that the Box Canyon resource used to serve 5(b) load would shift to serving the NLSL?

Assuming 5(b)/Regional Dialogue issues and are resolved, a placeholder item would be a clarification of POPUD's historic load factors in the event that POPUD opts to switch to a Load Following product (using average water for the Box Canyon resource would create a different load factor than critical for the 2005-2007 period)