

PacifiCorp Capacity Sale

Record of Decision

BONNEVILLE POWER ADMINISTRATION
RECORD OF DECISION
ON THE
PACIFICORP CAPACITY SALE



1. DECISION

The Bonneville Power Administration (BPA) has decided to enter into a new long-term surplus firm capacity contract with PacifiCorp, a private utility in the Pacific Northwest. Environmental impacts of this contract were examined in the PacifiCorp Capacity Sale Final Environmental Impact Statement (PacifiCorp EIS). This contract would facilitate efficient electric power coordination between BPA and PacifiCorp by taking advantage of the complementary characteristics of each system. The contract would aid BPA in achieving positive net revenues, meet BPA's obligations under the Northwest Power Act to protect, mitigate and enhance fish and wildlife, and reduce potential adverse environmental impacts by facilitating thermal resource displacement and deferring need for new generating resources.

2. DESCRIPTION OF CONTRACT

The transaction between PacifiCorp and BPA is a long-term contract for surplus peaking capacity. The proposed contract replaces a previous 20-year contract with PacifiCorp that expired August 31, 1991. The proposed contract would expire August 31, 2011. The terms of the contract are for BPA to supply PacifiCorp with 1100 megawatts (MW) of contract demand, limited to no more than 50 megawatthours (MWh) per week per MW of contract demand. Returns of replacement peaking energy normally are to be made by PacifiCorp within 168 hours of delivery. Additionally, operational provisions in the contract permit BPA to limit hourly rates of return of replacement peaking energy in the months of March through October. PacifiCorp must preschedule deliveries each workday for each hour of the following day or days until the next regular workday. PacifiCorp has the right to change these schedules within 30 minutes notice but the total changes from prescheduled deliveries during heavy load hours would be limited to six hours per day.

The price for the capacity is \$4.92 per kilowatt and will escalate to reflect the changes in BPA's average system costs as determined in each BPA general rate case.

3. ENVIRONMENTAL ANALYSIS IN THE PACIFICORP EIS

3.1. Alternatives Studied and Environmentally Preferable Alternative

The PacifiCorp EIS examined the environmental impacts of a range of contract scenarios and compared them to the No Action alternative. The alternatives are described in the attachment to this ROD. BPA considers the Preferred Alternative (i.e., the Proposed Action) to be the environmentally preferred alternative, because it would make more coordinated and efficient use of the hydro and thermal systems of both BPA and PacifiCorp. Additionally, the Preferred Alternative provides PacifiCorp with the capacity it needs, and could defer the need to build new thermal resources in the study area in the absence of the contract, thereby avoiding air, land and water impacts from these additional resources.

3.2. Environmental Impacts of the Preferred Alternative

The preferred alternative is expected to result in a net decrease in air, land and water impacts relative to the No Action alternative largely due to the potential avoidance of the need to build new thermal resources in the study area on the part of PacifiCorp. Additionally, the contract will enable efficiencies to be gained in the operation of PacifiCorp's largely thermal system by supplying capacity from BPA's hydro system, thereby avoiding rapid load swings which thermal systems are less efficient in performing.

BPA expects to serve the proposed contract with surplus capacity from its resources 96 to 98 percent of the time. BPA would need additional capacity to meet the contract only in winter months and only for relatively short periods of time. BPA would make up shortfalls with resources beginning with those of lowest cost, such as conservation acquisitions, efficiency improvements and purchased surplus energy and/or capacity available from California and the Inland Southwest. Meeting shortfalls in this way defers the long-term acquisition of generation resources by BPA, and thus avoids air, land and water impacts from such resources.

4. THE PREFERRED ALTERNATIVE MEETS STATEMENT OF PURPOSE AND NEED

The PacifiCorp EIS statement of purpose and need for action states that BPA must respond to the need for power as represented by PacifiCorp's request for a long-term supply of firm capacity. BPA is obligated to this action under the terms of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). Proposed actions must meet this need and serve all the stated purposes in the best overall way possible. In the PacifiCorp EIS, BPA identified the following purposes:

- Assist PacifiCorp in meeting its need for long-term firm peaking capacity.
- Use surplus capacity available on the BPA system to raise revenue to enhance BPA's ability to repay its debt, and to help hold down electric power rates.
- Take advantage of the complementary characteristics of the largely hydro-based BPA system and PacifiCorp's largely thermal-based system
- Protect BPA's ability to serve its existing contractual obligations and remain able to meet the needs of its customers in accord with the Northwest Power Act as existing contracts expire.
- Meet BPA's obligations under the Northwest Power Act to protect, mitigate, and enhance fish and wildlife.

Under the proposed contract, BPA secures a long-term source of revenue for its surplus capacity at a price above what BPA could realize in the spot market. The proposed long-term contract would assist in keeping BPA net costs low and stable, and help assure cost recovery and

ATTACHMENT
Description of Alternatives Studied in PacifiCorp EIS

Alternative:	Features:
No Action	<ul style="list-style-type: none">• BPA does not renew a long-term contract with PacifiCorp.• BPA would market the 1100 megawatts of capacity in other ways, such as supporting short-term sales, and seasonal energy exchanges.• PacifiCorp's need for long-term capacity would need to be secured in other ways, such as another capacity purchase and/or securing additional long-term resources.
Proposed Action (Preferred Alternative)	<ul style="list-style-type: none">• A long term, 1100 megawatt capacity contract with PacifiCorp.• During heavy load hours, peaking energy is provided up to 10 MWh per day per megawatt of contract demand at a limit of no more than 50 MWh per week.• BPA can limit rates of return of replacement peaking energy by PacifiCorp from March through October to minimize light load hour return limitations on its system.• Price for the capacity is \$4.92 per kilowatt and will be adjusted to reflect changes in BPA's average system costs with each rate case.
Larger Capacity Sale	<ul style="list-style-type: none">• Long-term capacity sales totaling 2000 MW of contract demand with PacifiCorp and/or other customers.• Terms essentially identical with Proposed Action.
Stricter Return Provisions for PacifiCorp	<ul style="list-style-type: none">• Includes a provision for a 24-hour return or an end of week (Sunday) return of peaking energy replacement by PacifiCorp.• All other terms identical with Proposed Action.
Variations in Hours of Peak Demand Available to PacifiCorp	<ul style="list-style-type: none">• Increases the amount of capacity available to PacifiCorp up to 72 Mwh per week.• All other terms identical with Proposed Action.

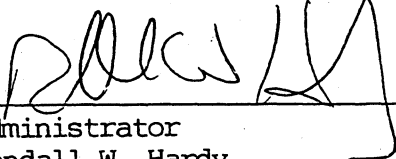
repayment to the U.S. Treasury. Additionally, the contract would secure revenue which would be used to help meet BPA's obligations for fish and wildlife.

The proposed contract increases efficient use of power resources via coordination between BPA and PacifiCorp using the diversities between their loads and resources. The flexibility provided in the proposed contract to restrict the rate of returns during certain months gives BPA flexibility to deal with problems in accepting returns during light load hours. PacifiCorp's need for generating resource development may also be deferred.

5. MITIGATION

Selection of the Preferred Alternative in which BPA enters a long-term capacity sale contract with PacifiCorp could avoid the addition of generating resources to meet PacifiCorp's power needs. Since BPA is selling capacity to PacifiCorp from its surplus, there would be no resource development impacts for BPA, except in poor water years, in which case BPA would purchase energy or capacity to meet the contract demand. Therefore, there is no need for a mitigation action plan.

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