

# 1995 Pacific Northwest Loads and Resources Study Administrator's Record Of Decision

## I. Introduction

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The 1995 Pacific Northwest Loads and Resources Study (White Book) establishes the Bonneville Power Administration (BPA) planning basis for supplying electric power to BPA customers. The White Book includes Federal system loads and resources and regional loads and resources with detailed technical appendices. This White Book updates the 1994 Pacific Northwest Loads and Resources Study, published in December 1994. As in past years, BPA staff developed a draft of the 1995 White Book. BPA then took public comment upon the draft. The draft was issued November 29, 1995, and a public workshop was held December 11, 1995. In addition, written comments were submitted during a 22-day comment period. BPA received 16 comments from its customers and others. Many comments questioned some proposed changes in methodology.

The 1995 White Book has generated substantial interest on the part of BPA's utility customers who want to reduce their power purchased from BPA over the remaining five years of their 1981 power sales contracts. Several issues were raised in this year's comments regarding BPA's method of calculating its loads and resources. As discussed in the Response to Customer Comment section, page 122, BPA's methodology takes into account some major changes in the hydro resources operation on the Columbia and Snake Rivers due to the 1995 National Marine Fisheries Service (NMFS) Biological Opinion. However, BPA's methodology for this White Book remains substantially the same as for previous loads and resources studies.

Due to the extensive nature of the comments, BPA has decided to prepare this Record of Decision for the purpose of summarizing customer concerns and BPA positions on specific issues, evaluating these positions, and providing a decision on the data and planning assumptions used to prepare the final 1995 White Book. This Record of Decision addresses the comments BPA received from its utility customers and others as part of BPA's determination of its loads and resource planning which meet in part its statutory obligations under sections 2, 5, and 6 of the Northwest Power Act. BPA deems this Record of Decision to be the final action for purposes of judicial review under Northwest Power Act section 9(e)(5).

## II. Statutory Background

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With the passage of the Northwest Power Act in December 1980, Congress directed BPA to assure the Pacific Northwest an adequate, efficient, economical, and reliable power supply. 16 U.S.C. 839(2). In order to carry out this mandate, BPA was directed by Congress to offer new power sales contracts to its firm power customers and to plan and acquire firm resources sufficient to meet these firm power loads. 16 U.S.C. 839e(9).

## **A. Northwest Power Act Section 5 Obligation to Serve Utility and Federal Agency Loads**

Whenever requested, BPA is directed by section 5(b)(1) of the Northwest Power Act to offer to sell to its utility customers and Federal agency customers electric power sufficient to meet the firm peak and energy loads of such customers. BPA is to provide firm power to meet firm regional loads of a customer in excess of the firm resources which the customer dedicates to serve its own firm loads under subsection 5(b)(1)(A) and (B). 16 U.S.C. 839e(b)(1). BPA is also to provide electric power for those loads which were served by a customer's dedicated resources if those resources are no longer available to serve loads due to obsolescence, retirement or loss of resource, or loss of contract rights. Customers were required to dedicate those firm resources which they used or planned to use in the year prior to enactment of the Act. However, customers could choose whether to dedicate other, later acquired, resources. Because the Northwest Power Act requires that the Administrator meet the firm peak and energy loads of its utility customers in excess of the firm resources dedicated to serve such loads by the customer, BPA must have certainty in order to be able to efficiently and reliably plan the use of its own resources to meet its obligations.

## **B. Northwest Power Act Section 6 Obligation to Plan and Acquire Resources**

The Northwest Power Act creates a direct obligation on BPA to acquire resources on a planning basis to meet its contract obligations. Under section 6(a)(2) of the Act, the Administrator is directed to acquire sufficient resources to meet, in addition to its other obligations, BPA's contractual obligations. Such obligations include BPA's obligations to provide firm electric power to its utility customers for their regional firm loads, as well as BPA's contract obligations to provide firm power to its direct service industrial (DSI) customers. 16 U.S.C. 839c(b); 839c(d). BPA's contracts with its utility and DSI customers contain provisions implementing these statutory directives.

## **III. Relationship of the White Book to 1981 Utility Power Sales Contracts and Current DSI Contracts**

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### **A. Uses of the White Book**

The White Book is a source of information on projections of regional and Federal system load and resource capabilities. It incorporates information on forecasted loads derived from regional economic planning models (supported by current signed power sales contracts and exchange agreements) and resource capability obtained from public agency utility customers and investor-owned utility (IOU) customers through the annual data submittals to the Pacific Northwest Utilities Conference Committee, the Pacific Northwest Coordination Agreement (PNCA) Operating Committee, and analysis of the Federal hydroelectric power system. Verifiable changes to individual utility service obligations as evidenced by the annual submissions to BPA of a utility's Firm Resource Exhibits (FREs) under the power sales contract with BPA are also included. The White Book also serves as the referenced load-resource document under certain BPA contracts with extraregional purchasers.

The White Book does not serve as a Federal system operational planning guide. Operation of the Federal Columbia River Power System (FCRPS) is based on a set of criteria different from that used for this multi-year resource planning study or other resource

decisions. Operational planning criteria is dependent upon real-time and near-term knowledge of system conditions, including expectations of river flows and runoff, market opportunities, availability of reservoir storage, energy exchanges, and other factors affecting the dynamics of operating a power system. In contrast, the information in the White Book is based upon a different and less variable set of assumptions regarding loads, hydro capabilities, and contractual obligations.

## **B. Power Sales Contracts**

In 1981, pursuant to section 5(g) of the Northwest Power Act, BPA and its utility, Federal agency, and DSI customers entered into 20-year power sales contracts. Section 5(b)(1) directed BPA to sell electric power for the firm load requirements under contracts with its public utility and electric cooperative customers and IOUs. 16 U.S.C. 839c(b)(1). BPA also entered into requirements power sales contracts with its DSI customers under section 5(d). 16 U.S.C. 839c(d)(1). The 1981 utility and DSI power sales contracts contain provisions that implement those provisions of the Northwest Power Act regarding BPA sales of electric power for the requirements loads of its customers.

The 1981 utility requirements power sales contracts establish the terms and conditions for BPA's sales of electric power to meet its Pacific Northwest utility customers' firm power loads in excess of their dedicated resources. The recently executed new requirements power contracts between BPA and its DSI customers establish BPA's firm power load obligations to those customers. The utility power sales contracts have a remaining term of 5 years, expiring on June 30, 2001. The new DSI contracts are also 5 years in duration, expiring September 30, 2001. BPA's White Book shows an estimate of firm loads and obligations for a 10-year planning period and is based on certain assumptions regarding the amount of load obligation BPA will have after expiration of the above agreements.

Certain provisions of the utility power sales contract address BPA's planning. Section 10(a) and (d) require BPA to exchange long-term planning and load information with its customers. Customers are to provide BPA with any planned changes in their loads. Section 8 of the contract requires the customers to inform BPA of any new large loads planned to be served by the customer. Section 5(a) of the power sales contract restates BPA's statutory obligation to plan and acquire sufficient resources in order to meet firm power load obligations to its customers. BPA's obligation to provide electric power to serve its customers' loads is not contingent upon any specific action taken by its customers to provide resources.

If BPA is unable to obtain or acquire sufficient firm power or resources on a planning basis to meet its obligations under its contracts with utility customers, BPA would have to determine whether there is a planning "insufficiency". In the event of an insufficiency, BPA must allocate the amount of Federal power available to each of its customers in accordance with section 7 of the contracts and pursuant to a formula. These provisions implement Northwest Power Act subsections 5(b)(5) and (6), and subsections 5(e) and (g) regarding the declaration of an insufficiency in firm resources on the Federal system to meet BPA's firm load obligations under its contracts. 16 U.S.C. 839c(b)(5); 839c(b)(6); 839c(e); 839c(g). Finally, section 12 of the utility contract contains provisions regarding the need for BPA and the customer to know what firm resources the customer will dedicate to its firm load over a planning period; the additions or removal of resources; and the terms for

notice. These provisions enable both BPA and the customer to know their respective service obligations and have certainty for their load and resource planning obligations.

The White Book is the resource planning and load forecast document used by BPA to determine those firm loads it must serve over the planning period and the Federal system resources available to meet those loads. Under section 12 of the 1981 utility power sales contracts, the customer must submit a Firm Resource Exhibit (FRE) which BPA reviews and either changes or accepts. The FRE declares the utility's dedicated resources it will use to serve its regional firm load over a 7-year period. The customer must update the seventh year of the FRE each year, which provides BPA with 7 years' notice for changes in the amounts of firm energy resources the customer will use to serve its firm energy load. The customer may make changes in the intervening six years only to the extent such changes are consistent with the notices required. Different notice periods are applicable to specific conditions or for specific types of resources.

Presently, customers are most focused on section 12(b)(7) and this White Book. Under subsection 12(b)(7) of the contract, the notice period is based on BPA's loads and resources study. BPA is to receive 7 years' notice for the addition of a firm resource to be dedicated by the customer to its load if BPA has a surplus of firm resources over the firm power loads BPA is to serve. BPA is to receive 6 months' notice if BPA has a deficit of firm resources over firm loads. BPA's calculation of surplus or deficit is based on its loads and resource study. BPA's calculations of amounts of firm resources and load are based on an average annual amount for energy (annual megawatt-hours) and megawatts for capacity. This provision also states that in making its calculation of surplus or deficit, BPA can only consider its firm commitments for the purchase of power.

Apart from its general use in planning, the White Book is the basis for BPA to make determinations of the notice required under section 12(b)(7) and (8) of the power sales contract, when a customer requests a change in its FRE. Under the terms of section 12, customers may not add or remove firm resources without giving BPA notice within the required period. The notice period provides planning certainty to BPA as to how much power a customer will continue to purchase from BPA for meeting its firm loads. In the event BPA is showing an annual resource deficit, customers may dedicate additional firm resources under their FREs and thus reduce the firm loads served from BPA. Such reductions are only up to the amount of the deficit in resources shown, and are made on a first-come, first-served, basis.

## **IV. Response To Customer Comment**

### **Issue 1: Whether BPA Provided Customers Sufficient Documentation To Allow Reasonable Evaluation Of The Draft Analytical Results Of The White Book.**

#### **Summary of Comments:**

The information BPA included in its November 29, 1995, mailing was inadequate to allow meaningful comments by customers on the draft results of the White Book analysis. (Clark Public Utilities; Clatskanie PUD; Benton PUD; Tacoma Public Utilities; Springfield Utility Board; Benton REA; Clearwater Power Company; Public Power Council)

**Response:**

BPA provided its most current draft of its White Book assumptions and calculations for the customers to review and comment upon. As with the past White Books, not all the data or assumptions may have been comprehensive, particularly those assumptions which might be changed or modified for use in the study. Given the high level of interest on the part of some customers, BPA sought input from customers as early as possible prior to completing the analysis in the White Book. The information provided by BPA in its November 29, 1995, mailing to its utility customers provided preliminary calculations and the assumptions used, including information on specific changes to the White Book analysis:

BPA recognizes that the information was not comprehensive, in that associated technical appendices were not completed at that time and that such information would be finalized at the time the White Book is published. The mailing provided the information which would usually be contained in an executive summary and sought to highlight those changes and assumptions of interest to customers. The summary gave customers an opportunity to consider the assumptions and calculations which impact Federal loads and resources planning and any proposed changes. The mailing was not intended to be a final draft of the White Book.

**Issue 2: Whether BPA Should Include Or Exclude As Federal Resource Capability Terminated Resources, Or Resources That Were Planned To Be Acquired But For Which BPA Will Not Now Exercise Acquisition Rights.****Summary of Comments:**

Resources that BPA had planned to acquire, or had exercised acquisition rights for project output, but which are now not being acquired, or are being terminated, should be excluded from the White Book analysis. (Seattle; Tacoma; Grant; Douglas; Pend Oreille; Eugene Water & Electric Board; Franklin; PPC).

**Response:**

BPA agrees with the comment made. We have not included in our evaluation of Federal resource capability any of the planned output of any resources BPA had intended to acquire, but is now electing to not acquire.

In last year's analysis, BPA did include the gas-fired resources of Tenaska and SDS Lumber. Since that analysis, BPA determined that it will not acquire the output of resources under the Tenaska and SDS Lumber agreements; therefore, those projects have been removed from the 1995 White Book.

In addition to the above modification on Federal resources, we have made the following changes to customer resources based on changes in FREs agreed to between BPA and its customers after the publication of the 1994 White Book. BPA granted an FRE waiver to Clatskanie for its James River plant at Wauna as a 5(b)(1)(B) dedicated Firm resource, reducing Clatskanie's firm power load served by BPA. Emerald PUD requested a 5-average megawatt FRE addition for firm resources and BPA granted a waiver of the required notice. However, BPA could not determine a Firm resource as the source for the firm power and did not include it in this study.

### **Issue 3: Whether BPA Addressed The Return Of Canadian Entitlement As A Loss Of Resources.**

#### **Summary of Comments:**

The draft White Book does not address the return of the Canadian Entitlement. Under treaty obligations with Canada, Bonneville is obligated to return energy beginning in April 1998. The return of the Federal portion should show up as a loss of resources ("transfers out") in the White Book. There should also be a load increase due to loads placed on BPA by its customers who are affected by Canadian return obligations. (Franklin; Canby; Clatskanie)

#### **Response:**

The Federal system delivers the Federal, public agency, and IOU shares of the Canadian Entitlement Return to Canada beginning in April 1998. This obligation is shown in the Federal System Exports as deliveries to Canada. See Table 2, page 9. As to the additional portions of firm load which may be served by BPA, BPA has not had any notice under section 12(b)(8) of the contract from those customers which are losing their Columbia Storage Power Exchange (CSPE) rights and thereby requesting BPA to replace those Firm resources.

#### **Decision:**

The White Book will show the expiration of the CSPE resources, but BPA will not assume an increase in load served by BPA under the utility contract.

### **Issue 4: Whether BPA Understated The Direct Service Industry Loads By 250 To 500 Average Megawatts.**

#### **Summary of Comments:**

BPA has understated DSI loads by 250 to 500 average megawatts. (Clark) Public comments made by the Administrator state that BPA will serve 2,100 average megawatts of DSI load. The information in the November mailing indicates BPA will serve between 1,448 and 1,889 average megawatts of aluminum industry load. (Clatskanie; Canby)

#### **Response:**

The amount of DSI load that BPA will serve over the planning horizon is correctly stated in the final White Book. The numbers stated by the Administrator and in the preliminary study were early estimates of the size of DSI load. They also did not take into account the shape of the load placement from the DSI over the next five years. The final quantities of DSI loads are shown in Exhibits 1 through 4 and 6 through 8, lines 4 and 5, pages 44 through 63 in the 1995 White Book. They represent the aggregate of signed contract amounts associated with aluminum and non-aluminum DSI customers that had executed 5-year power sales contracts through December 31, 1995.

The levels of DSI service increase over the 5-year period. The values shown in the White Book are by operating year (OY)—which is different than fiscal year (FY) amounts as

reported by the Administrator. The fiscal year amounts for the DSIs are contracted for 1,588 average megawatts in FY 1996-97, increasing to 2,042 average megawatts in FY 2001.

**Federal DSI Power Sales Contracts  
Signed Through December 31, 1995**

Shown in Fiscal Year Format <sup>1/</sup>  
Energy in Average Megawatts

Fiscal Year	1997	1998	1999	2000	2001
Federal DSI Loads	1,588	1,865	1,914	1,962	2,042

<sup>1/</sup> Fiscal year is the 12-month period October 1 through September 30. For example, fiscal year 1997 is October 1, 1996 through September 30, 1997.

The corresponding DSI power sales contracts in OY 1996-97 total 1,560 average megawatts, increasing to 2,079 average megawatts in OY 2000-01.

**Federal DSI Power Sales Contracts  
Signed Through December 31, 1995**

Shown in Operating Year Format <sup>2/</sup>  
Energy in Average Megawatts

Operating Year	1997	1998	1999	2000	2001
Federal DSI Loads	1,560	1,774	1,940	2,004	2,079

<sup>2/</sup> Operating year is the 12-month period August 1 through July 31. For example, operating year 1997 is August 1, 1996 through July 31, 1997.

The Administrator's reference to DSI sales of 2,100 average megawatts includes BPA's sales to third parties who in turn sell to the DSIs, and additional DSI sales that were not signed by December 31, 1995. The White Book Federal DSI load forecast does not include those third party sales; they are included in Federal Contracts Out, Exhibits 1 through 4 and 6 through 8, line 10, pages 44 through 63 in the 1995 White Book.

**Issue 5: Whether It Is Reasonable For BPA To Provide Aggregate DSI Load Information, But Not Amounts Associated With Individual Companies.**

**Summary of Comments:**

Declaring DSI aggregate load information as "commercially sensitive" is untenable. (Benton PUD) BPA may be understating the DSI load numbers by excluding SP (surplus power) sales; however, it is impossible to confirm this because BPA has alleged individual DSI load information constitutes "commercially sensitive information." (PPC)

**Response:**

BPA has determined that individual DSI contract load information constitutes confidential commercial information. This determination was reached in the 1996 Wholesale Power Rate Case regarding information found to be exempt from public disclosure under the Freedom of Information Act (FOIA). Pursuant to Exemption 4 of the FOIA and Department of Energy (DOE) regulations, BPA may withhold "trade secrets and commercial or financial information obtained from a person and privileged or confidential." If released, competitors to the DSI customers could use the contract load numbers to their advantage in planning the timing of their production increases and release of such information could injure future individual DSI customer negotiations with suppliers of production inputs.

**Decision:**

This information has been found to constitute confidential commercial information exempt from public disclosure under the FOIA and DOE regulations. Because BPA is withholding this information for purposes of FOIA and DOE regulations in the 1996 Wholesale Power Rate Case, it will not disclose it for purposes of the White Book analysis.

**Issue 6: Whether Resources That BPA Has Not Made A "Commitment" To Purchase Should Be Included In The Amounts Of Federal Resources Available To Serve Firm Load.****Summary of Comments:**

Specifically, the use of "option" energy purchases from various California contracts, which have been included among White Book firm energy resources, do not constitute "commitments" under the power sales contract and should be excluded. (Tacoma; Clatskanie; Grant; Douglas; Pend Oreille; Eugene; PNGC)

Some comments state that unless BPA has an obligation to purchase the energy, supplemental and option energy should not be counted as a firm resource. (Tacoma; Clark; Franklin; Clatskanie; Benton; PNGC; PPC; Grant; Douglas; Pend Oreille; Eugene) They claim that the firm right to purchase is not the same as the obligation to purchase. Some comments indicated that BPA should not include these options because they were not economic and would tend to increase BPA's rates. (Seattle; PNGC)

**Response:**

Section 12(b)7 of the power sales contract requires the exclusion of any purchase that BPA has not made a commitment to purchase.

Section 12(b)(7) of the contract reads, in pertinent part, as follows:

Bonneville's expected firm load-resource balance will be determined from the then latest publication of Bonneville's firm loads and planned firm resources issued by Bonneville; provided, however, that purchases by Bonneville which are shown in such publication but which Bonneville has not at the time of such determination



made a commitment to purchase shall be removed from Bonneville's resources before such determination is made.

The term "commitment" means a pledge or agreement to do something in the future. BPA has made a commitment to purchase the resources of the supplemental or "option" energy by making a binding agreement with its Pacific Southwest customers that they have the obligation to deliver firm power to BPA when BPA requests it. The terms for delivery are certain, as are the terms for price, quality of power, and amount of power. These are all binding terms and create a commitment on BPA to purchase firm power when needed. Furthermore, the customer's obligations to provide such energy can not be excused except on conditions of force majeure. These contract resources are fully like firm generation on any utility system which may be economically dispatched until it is needed.

Regarding the customers' comment that BPA should not include these firm contracts in its resources due to the price of the resources, there is no standard in section 12 regarding "commitments" which uses price as a condition in considering a resource as a firm resource for planning.

#### **Decision:**

BPA's right to purchase supplemental energy and other energy under executed contracts with its Pacific Southwest customers will be included. SCE (Southern California Edison) and BGP (the cities of Burbank, Glendale, and Pasadena) contracts are executed and fully enforceable. The SCE contract has both supplemental energy and option energy. The BGP contracts provide for BPA's purchase of supplemental energy. BPA has the right to purchase supplemental and option energy up to amounts pre-agreed in the contracts and at prices already determined under these contracts. Such rights are commonly relied upon by other utilities for service to loads and are distinguishable from an "option" to negotiate and enter into an agreement to acquire new resources. In addition, BPA has the obligation to exercise this right if it determines that it cannot otherwise meet its firm load obligations to Pacific Northwest customers. It is reasonable to consider this amount of energy as a firm commitment of BPA to supply it to Northwest customers and to use it in planning to meet their firm loads.

Such treatment of this right is consistent with section 12(b)(7), which requires that purchases BPA plans to use as firm resources must be committed to prior to publication of the White Book. Both the SCE and BGP contracts are firm rights to purchase power and are commitments made prior to publication of the 1995 White Book. BPA's right to exercise its right to purchase energy from SCE and BGP is a commitment for planning purposes because there is no ability of the power supplier to refuse to deliver the energy.

#### **Issue 7: Whether BPA Should Convert The Power Sale Contract and Capacity/Energy Exchange Agreement With BGP And SCE From The Power Sale Mode To The Capacity/Energy Exchange Mode.**

#### **Summary of Comments:**

Section 12(b)(7) requires that BPA only include purchases committed to prior to the publication of the White Book. BPA has not committed to converting those contracts to the exchange mode, therefore the energy can not be included as a firm resource. (Clark)

Converting those contracts to a capacity for energy exchange is a change from the 1994 White Book. This approach is not economically feasible since power is available in the marketplace at lower cost. (PNGC)

**Response:**

All of BPA's contracts with its Pacific Southwest purchasers are agreements binding in accordance with their terms upon both BPA and the customers under section 5 (a) of the Bonneville Project Act. Each of those contracts for the sale of Federal energy contains provisions for the termination of deliveries of Federal energy (recall) to the purchaser upon 60 days' notice. Such termination may be exercised by the Administrator at any time during the term of those contracts when the Administrator determines there is a need for the energy to meet its firm power requirements, including its obligations to supply firm power to meet BPA's regional utility load obligations. Such provisions are operative notwithstanding any other provision in those contracts. Such provisions are required and consistent with directives of P.L. 88-552 and section 9(c) of the Northwest Power Act.

The Administrator's ability to exercise his right to terminate delivery to the extraregional customers upon 60 days' notice is consistent with statute, and makes that energy available for use in the Pacific Northwest to meet firm load obligations at any time during an operating year and certainly makes such firm energy available for meeting firm load on a planning basis. This assumption is not only consistent with the statutes, but is consistent with the purposes of such statutes. Additionally, BPA's prior White Books have considered such contracts as firm resources "committed" by statute to serve Northwest loads when needed in the Administrator's judgment. Nothing in the utility power sales contract is inconsistent with this assumption.

The contracts with SCE and BGP also contain an alternative to the termination of deliveries (recall). That alternative is conversion of the sale transaction to a seasonal energy exchange. A seasonal energy exchange may provide greater benefit to BPA and its customers than planned termination of delivery. Seasonal energy exchange provides more firm energy when needed on BPA's system to meet firm load obligations. Energy exchanges are a common utility means of meeting firm load, and P.L. 88-552 recognizes seasonal exchanges with the Pacific Southwest as a beneficial means of meeting loads in both regions. Today, exchanges permit BPA to use thermal resources of another system to create a greater ability to shape amounts of its monthly surplus energy into months when it has a deficit.

The use of exchanges for firm planning is wholly appropriate. These contracts are executed contracts under which the parties have firm rights and obligations. The contracts may move from a power sale into a capacity/energy exchange pursuant to the terms of those contracts. Under the contracts, BPA has the firm right to convert them from power sales to capacity/energy exchanges prior to each operating year if BPA needs the energy to meet its firm obligations. Likewise, both SCE and BGP have rights to request conversion to meet their needs.

BPA's decision to convert is made based on both planned loads needs and annual operational needs of the Federal system. When deciding whether to convert a contract for a specific operating year, BPA considers its ability to meet loads and the expected market price of energy for the upcoming operating year. The decision is based upon BPA's energy

requirements and what makes economic sense at the time the decision is made. For the last several years, BPA has shown the contracts in the power sale mode; however, in studies prior to 1990, these contracts were shown as power sales that converted to capacity/energy exchanges within the study period. Regardless of whether BPA elects to use the alternative of conversion or exercises its right to recall, the contracts are firm resources for use in meeting BPA firm loads on a planning basis. BPA has also shown these contracts in capacity/energy exchange mode in annual operating submittals to the Northwest Power Pool Operating Program.

**Decision:**

Under the BGP and SCE contracts, BPA may exercise its right to terminate deliveries or to convert them from the power sales mode to a capacity/energy exchange mode. For planning purposes, BPA has chosen to use the alternative of conversion for its planning purposes in order to provide operational flexibility for the Federal system.

**Issue 8: Whether It Is Reasonable For BPA To Change The Resources Methodology To A 12-Month Annual Average Approach Based Upon An 8-Month Critical Water Period And Remove The May And June Columbia River Flow Augmentation Energy As Part Of The Federal Capability.**

**Summary of Comments:**

For OY 1996-97, the 12-month average resources compared with 12-month firm loads would be reasonable. (Seattle)

BPA should not adopt the proposed 12-month average approach that includes excess hydro capability for May and June. (Tacoma; Grant; Pend Oreille; Douglas; EWEB) Current hydro system management circumstances require a monthly rather than annual basis. (Benton; Clatskanie; McMinnville; Flathead Electric; Franklin; PPC)

Removing the May and June Flow Augmentation results in an overstatement of Federal capability in excess of 400 average megawatts. Due to the inability to shape the surplus, it should continue to be made to reflect zero on an annual basis. (Tacoma; Grant; Douglas; Pend Oreille; Eugene; Clark; Franklin; Clatskanie; Benton; Canby; McMinnville; Flathead)

Rather than eliminate the flow-augmentation, it should be increased to reflect the fact that extra energy output associated with the fish-flush is dump energy. It is not legitimate for BPA to claim it would use Canadian storage to convert dump energy into firm energy in other months of an Operating Year because BPA has allowed its Canadian storage contract to expire. (Benton REA, Springfield, Clearwater)

**Response:**

The White Book establishes the firm capability of all Federal resources and contracts. However, changes mandated by the 1995 NMFS Biological Opinion required BPA to make a new assessment of the firm energy resource capability of the Federal hydro system. These changes, in turn, require BPA to change the way the hydro system is operated for producing power for the Federal system in two ways. First, the Biological Opinion mandated quantities of spill to be achieved between the months of April through July. Second, as a

result of this change in Federal hydro-generation operations, regional power planning bodies moved from the traditional 42-month critical period to an 8-month critical period.

The firm capability of the Federal system includes the generating capability of all resources and contracts for all months in any operating year--including any surpluses in the months of May and June. This approach is consistent with the Northwest Power Pool's Coordination Contract Committee decision for the 1996 Pacific Northwest Coordination Agreement Operating Program. That decision treats the firm hydro system capability in the months outside the 8-month critical period as firm resources based on their assured capability to meet firm loads. The White Book is an estimate of firm resources on an annual planning basis for BPA's multi-year study of loads and resources and not an operational study. In calculating an annual average of firm energy, it would be unreasonable not to use an annual shape for assured capability of resources and thereby understate firm generating capability on the system in excess of loads from those months with highest streamflows. BPA's use of a 12-month average is consistent with PNCA planning and allows for the equal treatment of all surpluses and deficits in any operating year. This provided the rationale for removing May and June Flow Augmentation from the 12-month annual average.

Inclusion of energy capability for May and June is consistent with the treatment by the PNCA of the assured capability for generation in those months. It also more accurately reflects annual Federal system generation capability.

The comments made that BPA no longer has storage agreements with Canada are in error. BPA has several agreements in place with Canada that provide BPA with off-system storage and flexibility. BPA has a general storage agreement with B.C. Hydro at the Williston hydro project. In addition, BPA has non-Treaty storage at Mica Dam through June 30, 2003.

BPA is also exploring ways to further increase its off-system "storage" operations with the Pacific Southwest. This off-system storage would meld Pacific Northwest energy surplus in the spring and summer to serve the Pacific Southwest peak energy demand. In return, the Pacific Southwest would provide energy to the Pacific Northwest to serve winter time peak energy demand.

**Decision:**

The methodology used to calculate the annual firm hydro capability of the Federal system will reflect the 12-month annual average of energy, including the full firm energy capability for the months of May and June.

**Issue 9: Whether The Parties To The Contract Should Agree Upon A New Method For Determining Surplus/Deficit Post Operating Year 1996-97.**

**Summary of Comments:**

For operating year 1996-97, the 12-month average is reasonable (using PNCA monthly firm resource estimates), but after operating year 1996-97 a new method for determining surplus/deficit should be agreed upon by BPA and all of BPA's affected customers. (Seattle)

Current hydrosystem management circumstances require a monthly rather than annual basis. (Benton; Clatskanie; McMinnville; Flathead Electric; Franklin; and PPC)

**Response:**

We will continue to use the assumptions that result in an annual planning estimate for firm energy and firm capacity on the Federal system for both loads and resources. This is a reasonable assumption and is consistent with past practices and methods. No specific method, such as using monthly deficits or surpluses for annual planning, is required by the contract. In fact the use of monthly deficits, which could permit a utility to reduce its load on BPA for 12 months when BPA has a single month in which a deficit may occur, shows the unreasonableness of that approach. The consequence would be that BPA could have huge surpluses in resources in those months unless the customer was only permitted to take its load off in the month of the deficit. This is a new approach to multi-year planning which was not provided for in the current contract. BPA is under no obligation to negotiate a change in its White Book methodology with its customers but is willing to have them review future White Books and provide comment.

BPA recognizes that regional markets are changing and customers may be desirous of negotiating new contractual arrangements for firm power service with BPA. We agree that a regional dialogue on a new method for determining resource surpluses/deficits would be appropriate for a new contract and would be valuable. BPA may engage in a regional dialogue over the changes that have occurred to power planning and system operations in the Northwest as part of such a negotiation. Certainly the 1995 NFMS Biological Opinion monthly streamflow requirements, and the reduced ability on the Federal system to shift and shape water among certain months of the year, indicates consideration to developing a different basis for annual estimations of generation may be desirable. If new contracts are executed between BPA and its utility customers, then the parties may provide for a different basis upon which the annual loads and resources may be analyzed. For example, one approach may be a monthly, or a probabilistic basis, as a way to fully review and analyze generation capability, and reliability.

**Decision:**

BPA will use a 12-month average of generation capability and loads consistent with its prior planning assumptions used for this study and consistent with the PNCA operating committee determination of assured capability for system generation for this year, and apply that assumption for an annual energy and peak numbers in this study as a basic assumption.

## V. Conclusion

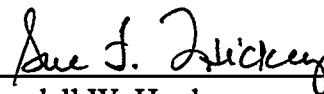
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BPA has prepared this 1995 White Book using a methodology for calculating loads consistent with its past White Books. It has made a modification to the methodology for calculating Federal and regional resources from the 1994 White Book by using the 12 months for average energy, rather than the 10 months used by the PNCA operating committee for 1994 planning. However, as shown in Appendix X, the use of the 12-month average energy based on the assured generating capability of hydro resources for the 4 months of March through June is consistent with this year's PNCA operating committee planning decisions. The White Book continues to use the same assumption as the PNCA planning on assured capability. This White Book also reinstates the use of Pacific Southwest contracts as committed resources available to serve firm power load obligations of BPA in the Pacific Northwest. The White Book's reflection of these contracts as a firm resource, including the supplemental energy available to BPA, is (1) required by BPA statutes regarding extraregional sales; (2) consistent with our power sales contract provisions; and (3) consistent with calculations contained in many of the prior White Books issued by BPA.

As in the past, BPA's 1995 White Book was prepared after consideration of several of our customers' issues and concerns addressed above. Given the possibility for more change in the market and in operations of both the Federal system and our utility customer systems, we expect there will be further issues to resolve. This White Book is a loads and resource study which provides BPA's best estimate of its ability to meet its existing firm power load obligations given its resources and alternatives available to it. This White Book is one part of BPA's compliance with the Congressional purpose and directives of Northwest Power Act sections 2(a), 4(h), 5(b) and 6(a) to provide an adequate, efficient, economic, and reliable power supply to our customers.

FEB 06 1996

Issued in Portland, Oregon on \_\_\_\_\_.



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Randall W. Hardy  
Administrator and  
Chief Executive Officer