

United States Government

Department of Energy
Bonneville Power Administration

memorandum

DATE: December 20, 1999

REPLY TO
ATTN OF: KECP-4

SUBJECT: Supplement Analysis for the Business Plan EIS (DOE/EIS-0183/SA-01)

TO: Garry Thompson – PSE/Spokane
Account Executive

The attached Supplement Analysis for the Business Plan EIS finds that the existing General Transfer Agreement (GTA) with Okanogan County PUD (OK PUD) for service to Okanogan Electric Cooperative, Inc. (OK CEC) is covered under BPA's Initial Northwest Power Sales Contracts and Business Plan EISs and accompanying Records of Decision. BPA is not proposing to take or enable a major federal action that may significantly affect the human environment. In addition, there is not significant new information, a change in circumstances, or a change in the ongoing marketing of power to OK CEC that would require BPA to supplement one or more of the existing EISs that cover the power marketing activities under the GTA with OK PUD, or to prepare a new EIS. Therefore, no further NEPA documentation is required.

/s/ Katherine S. Pierce
Katherine S. Pierce
Environmental Project Lead

CONCUR: /s/ Thomas C. McKinney
Thomas C. McKinney
NEPA Compliance Officer

DATE: 12/20/99

Attachment:
Supplement Analysis to the Business Plan EIS

Cc:
C. Borgstrom – EH-25

**Supplement Analysis for the Business Plan EIS
(DOE/EIS-0183/SA-01)
Service to Okanogan Electric Cooperative, Inc.**

Proposed Action:

Public Utility District No. 1 of Okanogan County, Washington, (OK PUD) has planned to construct a 115-kilovolt (kV) electric power transmission line for increased reliability and capacity between Pateros and Twisp. In addition, OK PUD will construct a 0.4-mile (0.7-km) line from its Twisp Substation to BPA's Winthrop 115-kV tap line. OK PUD will switch from providing BPA transmission service over the Loup Loup transmission line to the new line between Pateros and Twisp.

Proposing Entity:

Public Utility District No. 1 of Okanogan County.

Location:

Methow Valley, Washington.

Description of Proposed Action:

OK PUD is planning a 115-kV electric Power transmission line for increased reliability and capacity between Pateros and Twisp in north central Washington. BPA currently uses OK PUD transmission service to serve the Okanogan Electric Cooperative, Inc. (OK CEC) over the Loup Loup line. The outages Loup Loup experiences drop its reliability below the allowable industry and BPA standards, and its capacity is too limited to serve the growing load of both OK PUD and OK CEC. OK PUD plans to remedy these reliability and capacity problems by construction a new 26-mile (43-km) transmission line between Pateros and Twisp. Loup Loup would be maintained as a back-up transmission path to help ensure greater reliability. OK PUD would also construct a 0.4-mile (0.7-km) line from its Twisp Substation to BPA's Winthrop 115-kV tap line to make OK CEC power deliveries from the new Pateros to Twisp line. BPA is undertaking this supplement analysis to determine whether this action triggers the National Environmental Policy Act (NEPA) and, if so, what level of NEPA compliance would be appropriate.

Historically, BPA and other regional utilities cooperated extensively to provide power in a cost-effective, reliable manner. A pivotal concept in this cooperative effort was the notion that power should be marketed as if there were one utility for the region. When applied to transmission system development, this meant that if one utility had a customer and service to that customer required either construction of new transmission or use of another utility's existing transmission system, then the utilities would choose to use the existing facilities. This choice reduced construction costs, inefficiencies, and environmental impacts from unnecessary transmission lines. To make the one-utility concept a reality, utilities executed contracts typically called general transfer agreements

(GTAs). The GTAs addressed transmission access as a means of moving power economically around the Region and not duplicating facilities.

BPA has had a GTA with OK PUD for approximately fifty years. Prior to OK PUD forming in the 1940s, BPA contracted with the Washington Water Power Company to provide GTA service to OK CEC, a full requirements customer since 1939. The load to be served for BPA over the Pateros-Twisp line is not new; it is the same load served currently over the Loup Loup line.

The GTA allows BPA to use the OK PUD's transmission system to deliver power to its customer without having to build a delivery path that duplicates that already owned by the OK PUD. Using a formula that is standard in the utility industry, the OK PUD bills BPA for the transmission services the OK PUD provides. The formula has three multipliers. First, the parties determine the OK PUD's principal, or investment, in the portion of the OK PUD's transmission system used to service BPA's load. Second, this number is multiplied by a composite number that reflects the OK PUD's administrative costs, annual operation and maintenance costs, and the principal amortized over fifty years. Third, the resulting product is then multiplied by the percentage of the transmission capacity used to serve BPA's load. The result is the annual amount BPA owes the OK PUD for transmission services. The three multipliers are revisited annually to correct for changes that may have arisen. Thus, BPA is charged only for the service provided by the OK PUD; that is, for the equipment and facilities of the OK PUD's transmission system used to serve BPA's load.

Section 10(b) of the existing GTA provides for BPA to reimburse OK PUD "for Bonneville's portion of the new facilities." In practice this means the annual payment calculations under the GTA will reflect such new construction and BPA's use of it. Section 10(b) does not mean that BPA has an obligation to repay the OK PUD for the construction costs at the time of construction or even after BPA reduces or eliminates its use of the facilities. The gist of section 10(b) is that it ensures the formula used to calculate BPA's payment for services rendered by the OK PUD will be the same for new or existing facilities.

BPA signed the current GTA with OK PUD as a fully integrated agency in 1990. Subsequently, in response to utility industry deregulation, BPA separated its Power Business Line (PBL) from its Transmission Business Line (TBL). Because GTAs facilitate BPA power sales, BPA's obligations under its GTAs were assumed by PBL.

BPA's PBL purchases transmission service from OK PUD. The transmission system used is owned and operated by OK PUD. OK PUD considers its own needs and those of its customers, including BPA, when making transmission construction, maintenance, and operation decisions. However, the OK PUD has no obligation beyond those stated in the current GTA to construct or operate its transmission system to meet BPA's needs.

BPA has no proprietary interest in the OK PUD's transmission system. BPA is participating in load forecasts and system planning with the OK PUD as if OK CEC will

continue to purchase power from BPA. Nevertheless, if the OK CEC reduces or eliminates its power purchases from BPA in 2001 when its contract expires, BPA PBL would proportionately reduce or eliminate its repayment obligations to the OK PUD for the transmission facilities constructed, including the Pateros-Twisp transmission line.

The BPA TBL has no obligations under the GTA with OK PUD. For those customers such as OK CEC who may diversify their power suppliers and need transmission services for the portion of their load that is served by non-federal power, BPA TBL is proposing to include in its upcoming rate case a set-aside up to \$6.5 million a year to pay GTA customers' expenses for non-federal transmission services in the fiscal year (FY) 2002-2006 period. This unique, one-time proposal has not been adopted as a final agency action by the Administrator, nor has it undergone subsequent FERC review and approval.

Existing NEPA Coverage for the OK PUD GTA

This load was contemplated in BPA's Initial Northwest Power Act Power Sales Contract Environmental Impact Statement (EIS) and Record of Decision (ROD). This is also the same load BPA included as part of its overall power marketing effort studied in the 1995 Business Plan EIS. Under the market-driven approach selected in the Business Plan ROD, BPA plans and develops its transmission facilities on the basis of planned customer and regional loads and a commitment to provide an efficient, "one-utility" regional transmission system. BPA's transmission system is planned to meet Western Systems Coordinating Council and BPA reliability criteria for service quality. This market-driven approach reduces adverse environmental impacts by maintaining service to its historical loads, thus lessening the amount of new power plant construction and avoiding the adverse impacts of those developments. In BPA's recent Power Subscription Strategy and ROD, PBL committed to continue existing GTA service through the next rate period from FY 2002 to FY 2006. BPA viewed that decision as "the continuation of a longstanding commitment to accommodate deliveries for existing preference load." Because the opportunity to sign Subscription power sales contracts ends 120 days after the conclusion of BPA's ongoing power rate case, BPA may not know until September 2000 whether the OK CED will continue to be a BPA customer after 2001.

Information Reviewed

OK PUD, SEPA Checklist Twisp/Pateros Transmission Line and Substation (August 17, 1998) (prepared by Duke Engineering & Services, Inc.).

OK PUD, Response to Comments and Additional Information of the SEPA Checklist and Determination of Non-Significance for Twisp/Pateros Transmission Line and Substation (February 17, 1999) (prepared by Duke Engineering & Services, Inc.).

Phone calls, as well as letters of June 4 and August 5, 1999, and their attachments, from the Washington Forest Law Center regarding the applicability of NEPA to the 115-kV Pateros to Twisp transmission line. Ross v. FHA, 162 F3d 1046 (10th Cir. 1998) studied at Mr. Toby Thayler's suggestion.

Washington Forest Law Center, Petition for Writ of Review, Declaratory Judgment, and Injunctive Relief From a SEPA Determination of Non-Significance, in the Superior Court of Washington for Okanogan County, No. 99-2-00304-9 (July 2, 1999).

Washington Forest Law Center, People for Alternatives et. al. v. Okanogan Co. PUD, et. al., Petitioners' Opening Brief, No. 99-2-00304-9 (Nov. 12, 1999).

Telephone calls to OK PUD attorney Glen Amster discussing issues raised by petitioners during hearings in People for Alternatives v. OK PUD.

Phone call to William Schurger/James Fisher, Bureau of Land Management, Wenatchee Resource Area, to discuss BLM's role in project, NEPA compliance, and environmental impacts.

BPA, Initial Northwest Power Act Sales Contracts Final EIS and Record of Decision, DOE/EIS-0131 (January 1992).

BPA, Business Plan Final EIS and Records of Decision, DOE/EIS-0183 (June 1995).

Transfer Agreement executed by the U.S. Department of Energy acting by and through BPA and OK PUD, No. DE-MS79-93BP92638.

Analysis and Findings

BPA is not proposing or enabling a major federal action. It is simply operating as planned under a long-standing contractual relationship that has already been reviewed under NEPA. To check the veracity of this conclusion, BPA posed and answered questions regarding a hypothetical proposed action.

- Is BPA proposing to serve new or additional load not already examined in an EIS? No, this load was in the Initial Northwest Power Act Power Sales Contract EIS and ROD.
- Is BPA planning to serve new or additional load in the future that has not already been examined in an EIS? No, that was done in the Business Plan EIS and a ROD.
- Is BPA exploring its options for how to serve the OK CEC load? No, the OK CEC is a preference customer, so BPA must by law serve it. BPA has no options.
- Would OK PUD build the Pateros-Twisp line if BPA did not serve OK CEC? Yes. OK PUD has its own need for almost half of the proposed line, that portion from Pateros to Gold Creek. In addition, OK CEC's load is growing and cannot continue to be met fully by service over the Loup Loup line. Regardless of what entity serves OK CEC load, service to the Methow Valley needs improved reliability and additional capacity.

- Is BPA deciding how to improve reliability of service of OK CEC load? Is BPA essentially choosing a Pateros-Twisp project over Loup Loup modifications? No. BPA has noted a customer service problem: we have a preference customer whose load is growing and who is served over a line that is subject to weather outages and brownouts that exceed industry and BPA standards. BPA has worked with OK PUD to address these problems, and the PUD has proposed to address them with construction of the Pateros-Twisp line. BPA supports the PUD's proposal. The only existing transmission path able to serve the OK CEC's load is Loup Loup, so to reinforce it or build parallel to it would be very dangerous because the line would have to be de-energized to be safe during construction. This would interrupt power delivery to Methow Valley. Moreover, the resulting line would still not solve the reliability problem. OK PUD's proposal appears to have fewer and less harmful impacts than other alternatives.
- Does BPA have discretion to exercise its market power—as a customer using half of the OK PUD's system capacity to Twisp—to compel the PUD to consider other means of increasing capacity and reliability for the OK CEC load? No, BPA could try, but the results would probably be unremarkable. Even supposing BPA pressured the OK PUD to make one choice over another, the transmission system is still owned and controlled by the OK PUD. If the OK PUD disregarded BPA's demands, BPA still has little recourse but to serve this load over the OK PUD's system because this is a preference load, which must be served, and there is no other economical means of serving that load. The OK PUD may be the smaller entity here, but it is the owner and keeper of the gate through which BPA must pass.

Determination

The existing GTA is covered under BPA's Initial Northwest Power Sales Contracts and Business Plan EISs and accompanying Records of Decision. BPA is not proposing to take or enable a major federal action that may significantly affect the human environment. In addition, there is not new information, a change in circumstances, or a change in the ongoing marketing of power to OK CEC that would require BPA to supplement one or more of the existing EISs that cover the power marketing activities under the GTA with OK PUD, or to prepare a new EIS. No further NEPA documentation is required.

Public Availability

This determination and related Supplement Analysis will be available in BPA's Public Reading Room at 905 NE 11th, Portland, Oregon 97232, (800) 282-3713.