

August 27, 2012

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Submitted Electronically to [Comment@BPA.gov](mailto:Comment@BPA.gov)

Re: Southeast Idaho Load Service

## **INTRODUCTION**

The following are Northwest Requirements Utilities' comments regarding BPA Southeast Idaho Load Service. NRU is a trade association of 50 Load Following customers of BPA and all of our members have long-term Network Transmission (NT) service contracts. In particular our membership includes Lower Valley Energy, which is served under the South Idaho Exchange (SIE), as well as a number of customers in southeast Idaho that are within PacifiCorp's balancing authority area. NRU has been following this issue closely. We have briefed our membership on the overall transmission/power policy issues involved here, and the potential approaches to resolving them. While these are staff comments, we believe they are consistent with the Board's direction. We encourage all of the interested NRU members to submit individual comments regarding the alternatives that BPA has presented for discussion.

## **GENERAL COMMENTS**

BPA has done an excellent job within a very constrained timeframe assessing the options for southeast Idaho Load Service, given PAC's notification that the current SIE agreement will expire in July of 2016. The Agency ran a public process where it received strong support from public power to participate with Idaho Power and PacifiCorp in the studies of the Boardman to Hemingway (B2H) transmission line, as well as exploring other options, such as participation in the Mountain States Transmission Intertie (MSTI) project. BPA has also investigated options for linking Hemingway to southeast Idaho. In addition, it has explored potential new generation sources in the area. The August 6<sup>th</sup> supporting documentation and the August 16<sup>th</sup> public meeting were extremely helpful.

NRU has previously expressed both support for BPA participation in the B2H studies, and the pressing need to find a long-term solution for firm NT service for our members. Those comments stand, and for purposes of brevity are not restated in this document. It is time for BPA to move forward with a long-term solution for transmission service, even if interim measures may be required between the time of expiration of the SIE and the operational date of any solution.

We note that in the Capital Investment Review (CIR) process BPA stated that in its Initial Proposal, no specific capital funds were included for participation in B2H and related service into southeast Idaho. In our CIR comments, NRU supported inclusion of funds for B2H and strongly

recommended that third party lease financing be used to the maximum extent possible so as to mitigate the potential impact of requests for project financing on the Agency's remaining U.S. Treasury borrowing authority. We agree with BPA's focus on using third party lease financing, so as to not to force B2H to compete in FY 2014 – FY 2015 with other large capital investments for Treasury borrowing authority.

## **ASSESSMENT OF THE OPTIONS**

**NRU staff supports BPA's participation in B2H, with a 24.24% ownership, in conjunction with asset swaps with PacifiCorp and Idaho Power that would facilitate BPA receiving ownership of portions of existing assets from Hemingway substation in SW Idaho to loads in SE Idaho. This would include a temporary "bridge" between July of 2016 and the in service date. BPA needs to move forward expeditiously to achieve this result.**

Given the assumptions used in BPA's August 16<sup>th</sup> briefing materials (page 20 summary of Cost Estimates) B2H plus transmission asset swaps is, from a financial perspective, the most attractive option through the period illustrated, 2014 – 2028. The B2H plus transmission swaps generally cost in the range of \$24 - \$27 million per year. In contrast, all of the other options, using BPA's assumptions, are double or more in cost on average over the term of the projections. We believe the chosen solution must simultaneously address three key variables:

- Certainty and durability of the transmission solution over time
- Lowest cost approach that achieves a durable solution meeting NT service requirements
- Maintain and enhance reliable transmission service in south Idaho as a whole

To achieve this result, in addition to B2H participation, BPA needs to solidify the particulars of the asset swaps that will allow for firm transmission service from Hemingway to SE Idaho. First, BPA management needs to move forward with swaps of federal transmission assets for other non-federal assets as a preferred strategy, where these make economic sense, and where the swap facilitates overall transmission improvements for both parties. The Agency needs to quickly proceed with the negotiation and related documents of the specific swaps with PacifiCorp and/or Idaho Power that would both enable the swap to occur, and that could be used by all parties to analyze the anticipated economic impact in greater detail. Asset swaps of existing resources may need to be used in conjunction with BPA funding of a small portion of new facilities, for example the 3% of Gateway West for westbound transfer, or improvements to Idaho's system for eastbound service.

While we highly recommend the B2H transmission build in conjunction with the proposed asset swaps, in the event the swaps could not be achieved, and so that a fallback is available, we would look to B2H combined with OATT service as needed. This would be a solution, but clearly more expensive, with the projected costs in the \$50 million range annually. Perhaps portions of the OATT costs could be reduced by small scale transmission builds as needed.

The options for construction of a BPA 500 kV or BPA 230 kV line do not appear particularly attractive. The 500 kV line is the most expensive option presented, while the 230 kV line would only provide about 400 MW of capacity, so power purchases would also be needed. Equally important, we are very skeptical that BPA acting unilaterally could muster the political support,

overcome potential land acquisition issues, or permitting requirements, such that customers can rely with reasonable assurance that this is a viable alternative.

We have a number of concerns regarding MSTI. BPA would need only 550 MW of capacity in a southbound direction. However, the total capacity is estimated to be 1,500 MW southbound and 1,100 northbound. BPA reports, *“At this time, none of the capacity that would be provided by the construction of MSTI has been committed. Northwestern has not identified a need for MSTI capacity to meet their native load service needs.”* Absent BPA participation, the load and related financial support at this time seems to be highly speculative. We would strongly discourage BPA from further consideration of MSTI unless all other reasonable long-term solutions turn out to be unworkable.

Finally, BPA also explored the cost of power purchases in conjunction with the cost of PacifiCorp OATT service. Clearly this does not represent a long-term, durable solution. We view power purchases and OATT service as a potential stopgap measure between July 2016 and the time any durable solution is in place. While the cost of power purchases through 2028 is a matter of great speculation, it is still a relatively small component of the overall cost, which is driven by the cost of PacifiCorp’s OATT service.

## **CONCLUSION**

NRU staff strongly endorses BPA moving forward with B2H and transmission asset swaps as the preferred strategy for securing long-term NT service into southeast Idaho and as a replacement for the South Idaho Exchange. The BPA financial analysis clearly supports this conclusion. Equally important, PacifiCorp and Idaho Power are mobilized and committed through mutual agreements with BPA to do the initial permitting and environmental work for B2H and to address service from Hemingway to southeast Idaho. Transmission assets are long-term, capital intensive undertakings and it makes good business sense to pursue them jointly with strong business partners. This is far more preferable to BPA trying to construct major transmission facilities on its own, or committing to potential projects where the loads and financing sources are at best speculative. Most important, BPA needs to move forward now, and meet schedules and deadlines that have been agreed to by the B2H funding partners.

Thank you for the opportunity to comment.

Best regards,



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Chief Executive Officer

CC: Members of NRU  
Scott Corwin, Public Power Council  
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