

STATEMENT FOR THE RECORD
BONNEVILLE POWER ADMINISTRATION
BEFORE THE
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
JUNE 20, 2013
REGARDING
RESOURCE ISSUES IN THE KLAMATH RIVER BASIN

The U.S Department of the Interior's Bureau of Reclamation (Reclamation) has approached the Bonneville Power Administration (BPA) with a request to provide Federal power service to the Klamath Basin Irrigation Project's load. This request was made to the Administrator by letter received on August 27, 2009, requesting a contract(s) for the purchase and delivery of power to serve existing Reclamation load within the Klamath Project in Oregon. The letter noted the load was approximately 10 average megawatts and currently is served by PacifiCorp. The Klamath Basin Project load has historically been served by PacifiCorp. Reclamation also requested transmission service to an interconnection point between BPA and PacifiCorp and stated Reclamation would work directly with PacifiCorp to arrange for lower voltage service over its distribution system. Costs would be recovered from Reclamation's Klamath Project beneficiaries.

BPA markets and disposes Federal power to Federal agencies in the Pacific Northwest, including Reclamation. BPA recognizes existing service to Reclamation for Reclamation project loads as a qualified customer and as meeting our standards of service for those projects. To accommodate the requested service, Reclamation would have to demonstrate an ability to purchase and use Federal power sold for Klamath Project loads by developing a plan of service which would include the following: 1) demonstrate that PacifiCorp relinquishes its service obligation for the Klamath Project loads; 2) identify and provide details of specific loads, location, metering information, and transmission; 3) detailed information on acceptable arrangements for billing, collection, and payment for services provided. Acceptable information would allow an offer of a standard Regional Dialogue (current) BPA power sales contract for service to the Klamath Project.

BPA's response letter of November 9, 2009 pointed out additional considerations in order for BPA to accommodate Reclamation's requested service to the Klamath project, including:

1. BPA's Tiered Rates Methodology which provides Priority Firm (PF) service at Tier 1 and Tier 2 rates. Tier 1 rates are based on costs of the existing Federal system and Tier 2 rates are based on costs of additional resources or purchases needed to serve.
2. The size of the new load can affect the timing of service charged at Tier 1 rates if the load is 10 average megawatts or greater. If greater than 10 average megawatts in a rate period, service at the Tier 1 rate may be phased in over more than one rate period and other PF rates may apply to a portion of the service.
3. BPA would need a notice from Reclamation for a binding commitment to purchase power so that the power purchases may be included in load planning for BPA rates. Notice by July 1 of a forecast year (or notice 3 years in advance of the new rates being applicable if the load is 10 average megawatts or greater) would allow service at the Tier 1 rate for the next rate period based on Reclamation's BPA Regional Dialogue contract including a Contract High Water Mark.¹ Execution of a Regional Dialogue contract itself would constitute binding notice.

¹ Contract High Water Mark is a calculated amount of power expressed in average megawatts that is used to determine the service priced at BPA's Tier 1 Priority Firm Power Rate under its Tiered Rates Methodology.

4. Service from BPA at an interim rate would be available but the rate would reflect any additional incremental purchase power costs that BPA incurs to provide the power service prior to service being available at the Tier1 rate. BPA has an Unanticipated Load Service² rate for interim service under its Priority Firm Power³ rates.

Over the past four years BPA has engaged in discussion with Reclamation, PacifiCorp and irrigation water users of the Klamath project about the timing and implementation of BPA Federal power service to Reclamation. In these discussions, BPA has made Reclamation, PacifiCorp and others aware of the following points:

1. BPA has the authority, but not the obligation, to serve Federal agency loads in its marketing area, the Pacific Northwest, by providing firm power under contract pursuant to section 5(b)(3) of the Pacific Northwest Power Planning and Conservation Act of 1980, P.L. 96-501.
2. Service to Federal agency load is at the discretion of the Administrator and is provided at a priority firm power rate under section 7 of the Pacific Northwest Power Planning and Conservation Act of 1980, P.L. 96-501.
3. A Federal agency customer has to be qualified to take the power under BPA Standards for Service adopted pursuant to section 5(b)(4) of the Pacific Northwest Power Planning and Conservation Act of 1980, P.L. 96-501. A Federal agency must be ready, willing, and able to take the power provided for use in load, meaning the agency must be able to accept delivery and distribute the power to load and must have the technological capability to allow accurate metering and billing. An agency needs to have use of or access to distribution for end use but does not need to own the distribution.
4. Reclamation is currently a customer of BPA for several other end-use irrigation project loads that use nonfederal distribution or transmission to provide delivery of service, such as the ROZA project and the Minidoka project. While Reclamation is not currently a customer for the Klamath project, BPA has determined that Reclamation is a qualified customer.
5. BPA cannot provide firm power service to Reclamation for the Klamath Project loads which are outside of the Pacific Northwest. Consistent with statutes, BPA could only provide power that is sold on a surplus, recallable basis to out-of-region Klamath Project loads under the Pacific Northwest Consumer Power Preference Act, P.L. 88-552 and section 9(c) of the Pacific Northwest Power Planning and Conservation Act of 1980, P.L. 96-501. BPA surplus power is provided only when and as available and is not guaranteed service.

² Unanticipated Load Service is an amount of power that BPA provides to a qualified customer during a rate period that was not included in the load forecasts used for setting rates for that rate period. The load may be new load or load that was acquired by a customer during a rate period of which BPA did not have notice to include in its forecasts.

³ Priority Firm Power rates are rates established by BPA under section 7(b) of the Northwest Power Act of 1980 and available to BPA's preference and federal agency customers.

6. For many years BPA has had an administrative policy that it does not compete with its utility customers for retail loads served by those customers. PacifiCorp is the current serving utility and before BPA provides service for Reclamation Klamath Project loads, PacifiCorp must relinquish its service to those loads, including conclusion of any Oregon Public Utility Commission (OPUC) approval process or finding needed by PacifiCorp for this action.

To further the completion of the service to Reclamation for Klamath Project load, BPA would need to have Reclamation provide the following information and confirmations as preparation for BPA to execute contracts with Reclamation for power and transmission services to this load:

1. Reclamation must provide information identifying the exact loads, pumps and equipment and the metering locations which comprise the Klamath Project load to be served. Arrangements must be made for BPA-approved metering of these loads. The costs of metering and communications equipment necessary to aggregate and electronically access essentially real-time simultaneous demands of the Klamath Project loads are the responsibility of Reclamation. In addition, a plan of service which identifies distribution use, transmission line service and point(s) of delivery from BPA to the PacifiCorp system must be created.
2. Reclamation must confirm that the Klamath Hydroelectric Settlement Agreement (KHSA) is effective and implemented and all contingencies have been met. The KHSA provides PacifiCorp's agreement that the identified Klamath Project loads will be served by Federal power. Any OPUC approval or review must be completed. BPA will not duplicate service to these loads.
3. Transmission service for Federal power must be arranged. Reclamation must arrange Network Transmission (NT) service with BPA's Transmission Services suitable to deliver Federal power to an agreeable interconnection point on PacifiCorp's transmission system in southern Oregon. In 2010 BPA was able to assist Reclamation in obtaining a NT Service Agreement. Notwithstanding this agreement, Reclamation is aware that it cannot make a Transmission Service Request under the agreement until after Reclamation and BPA have executed a formal power sales agreement, at which time Reclamation can designate BPA's Federal power as its Network Resource to serve Klamath Project load.
4. Once there is a signed Regional Dialogue contract in place, BPA Power Services would arrange transfer service across PacifiCorp's transmission system in southern Oregon to a Point of Delivery on PacifiCorp's transmission system near the Klamath Project loads. In order to schedule Reclamation loads, BPA will need Reclamation to have a tool for aggregating all the meter data from the irrigation loads.
5. Details needed for completing negotiation of a BPA power service contract under BPA's Regional Dialogue Policy and standard contract templates, would need to be provided,

6. including binding notice of when power service would commence, identification of applicable rates and services, billing and metering processing, contact persons, and other elections of applicable terms.

Once these steps have been taken and information provided, BPA would undertake a public process on the execution of a contract for service to Reclamation. BPA's Regional Dialogue policy allows for the addition of new load service to both public agencies and Federal agencies. BPA anticipates the ability to execute a standard form firm power sales contract with Reclamation for service at BPA priority firm power rates. The rate applicable for service to Project load will depend upon the timing of the completion of these steps and Reclamation's notice of a binding commitment to purchase power. Although BPA might consider execution of a contract as early as possible, BPA Regional Dialogue Policy does not allow execution of contingent power sales contracts and execution of a contingent contract would raise an additional issue for public review and modification of current BPA power sales policy. Therefore BPA prefers to have Reclamation, PacifiCorp and other parties complete the necessary steps for the requested Federal service prior to the Administrator's final execution of a Regional Dialogue power sales contract and transmission agreements with Reclamation for service to the Klamath Project load.

Thank you for your consideration.