

BONNEVILLE
POWER ADMINISTRATION



ColumbiaGrid Planning and Expansion Functional Agreement

A BPA PERSPECTIVE

November 15, 2006



Background

- BPA has been involved with ColumbiaGrid for almost a year
- We have communicated to the public about other aspects of ColumbiaGrid – including funding the development process
- Now we have been presented with a solid functional agreement; we are excited about it and we want your comments
- Comments will be used to
 - Develop final BPA comments to ColumbiaGrid
 - Help decide whether we should sign the agreement.



Purpose of Today's Meeting

- Explain BPA's perspective on the ColumbiaGrid Proposal, including
 - BPA's Transmission Planning Objectives
 - Why BPA sees ColumbiaGrid's Planning and Expansion Functional Agreement as a vehicle to meeting those objectives
 - Risks that signing the Agreement might introduce to BPA and factors that mitigate those risks.
- Answer questions about BPA's perspective and the decision at hand

Note: Public comments can be submitted in writing to BPA as explained at conclusion of presentation



BPA Regional Planning Objectives

Ensure the timeliness and adequacy of new transmission construction in the Northwest through “one-utility” planning.

- Transmission needed to support reliable electricity delivery in the Northwest gets built.
- Transmission projects constructed are the least-cost response to transmission needs.
- Responsibility for payment for transmission projects is assigned to transmission owner(s) whose needs are met by the improvements.
- Timely coordinated responses are provided to those requesting transmission studies to expand use of the system
- Transmission needed to support economic generation gets built.
- Both transmission and non-transmission alternatives are considered.



Existing Regional Planning Forums

- **NWPP Transmission Planning Committee (TPC)**
 - Forum to share planning issues
 - Focus on supporting voluntary resolution of disputes arising from separately planned projects

- **NWPP Northwest Transmission Assessment Committee (NTAC)**
 - Created to focus on studies that support economic expansion projects
 - Increasingly used to support joint load service area studies (e.g. Mid C, South King County studies)

- **BPA Non-wires Roundtable**
 - Process to identify and ensure inclusion of non-transmission alternatives in the BPA planning process

- **NWPP Infrastructure Technical Review Committee**
 - Reviews business case justification of major BPA projects



Existing Regional Planning Forums (Cont.)

- WECC Transmission Expansion Planning Policy Committee
 - Focus on studies that support economic expansion projects

- WECC Regional Planning and Rating Procedures
 - Addresses procedures, not a planning group
 - Requires review groups for specific projects (WECC rated paths) when required to address impacts to neighboring utilities

- Northern Tier Transmission Group (NTTG)
 - Initial Meeting was held 11/8/06 in Salt Lake city
 - Establishes a cooperative planning forum which will apparently focus on economic expansion projects in the Northern Rocky Mountain area

- Ad Hoc Regional Planning Groups for specific projects
 - Instigated by someone impacted by project



Functional Gaps in Existing Planning Forums

- No formal process for developing joint plans for facilities which meet the needs of multiple parties serving existing load.
- Obtaining decisions on joint projects can be slow and cumbersome
- This is especially true when the parties find it difficult to reach agreement on cost-sharing arrangements.



Planning and Expansion Functional Agreement: Basic Provisions

- ColumbiaGrid invites parties to sign on to a Planning and Expansion Functional Agreement
 - Participants are not required to join ColumbiaGrid as members.
 - Eligible parties include entities that operate or propose to operate electric system in the Pacific Northwest.

- ColumbiaGrid proposes to produce a biennial plan with annual updates.
 - The plan will cover a 10-year planning horizon.
 - ColumbiaGrid will have its own staff to produce a participant-wide system assessment, but will rely on participants to provide inputs.

- Planning to be conducted in open processes.



Planning and Expansion Functional Agreement: Basic Provisions (cont.)

- 5 types of projects to be addressed in the biennial plan:
 - Existing Obligation Projects
 - Single System Projects
 - Requested Service Projects
 - Capacity Increase Projects
 - Expanded Scope Projects

- Non transmission alternatives will be included in plan for informational purposes.
 - Utilities to provide information about alternatives

- Forcing Mechanism:
 - Kicks in when parties can't agree to sign facilities agreements as proposed in ColumbiaGrid's regional plan
 - FERC backstop used – any affected party (not just participants) can apply
 - Only applies to Existing Obligation Projects



Planning and Expansion Functional Agreement: Planning Process

- ColumbiaGrid staff prepare a NW System Assessment. Based on this assessment, ColumbiaGrid staff develop need statements.

- ColumbiaGrid staff assemble study teams to solve each problem/need.
 - Study team to include all impacted parties.
 - Staff to monitor progress.
 - If solution can't be agreed upon, staff will step in to resolve issues/plan the project – including cost allocation.

- ColumbiaGrid to determine if there are any unmitigated negative impacts resulting from any type of new project.

- Existing Obligation Projects submitted to ColumbiaGrid Board for approval.



How the ColumbiaGrid Proposal Is Expected to Meet BPA Objectives

- Provides an independent assessment of reliability problems on the transmission systems of parties to the agreement.
- Commits Functional Agreement parties to work together in an open and transparent process in developing a regional plan.
- Delineates process for identifying system needs and assigning responsibility for transmission construction
- Provides process and forum for resolving disputes between parties.
- BPA believes the agreement may make it easier for IOUs to get state approval for transmission construction projects, as proposals are publicly vetted and developed by a body that is independent of any single transmission owner or market participant.



How the ColumbiaGrid Proposal Is Expected to Meet Objectives (cont.)

- Visibility of plans likely to raise awareness of transmission issues and exert pressure on affected parties to share investment
- Provides a mechanism to enhance the construction of multi-system reliability-related projects (transmission backstop)
- Provides a forum for sponsors of new transmission capacity projects to work with transmission owners to develop their projects
- Commits Functional Agreement parties to devise a system for creation and management of a single transmission queue
- Constitutes a pro-active regional response to national pressure for coordinated regional transmission planning



FERC's Proposed Transmission Planning Principles

FERC's OATT NOPR proposes to require *all* "public utilities, municipals, coops and other public power entities" to engage in coordinated, open and transparent planning on both local and regional levels. Proposed planning guidelines include:

1. Coordination with all transmission customers and interconnected neighbors
2. Openness to all affected parties
3. Transparency in basic criteria, assumptions/data
4. Information Exchange on projected loads and resources
5. Comparability of treatment of customers within classes
6. Dispute Resolution mechanism must be used prior to sending issues to FERC
7. Regional Participation among affected interests
8. Congestion Studies must be performed annually



Impact of ColumbiaGrid Proposal on BPA's Network Planning Processes

- BPA will still help develop solutions and implement projects to solve multi-owner load service problems – though it would be in coordination with the ColumbiaGrid process
 - BPA will still be responsible for resolving its own single system problems

- BPA will still receive and process Transmission Service and Interconnection requests
 - ColumbiaGrid will facilitate response for study requests that involve multiple owners' systems

- New planning process will reduce some BPA duties but will be offset by increased coordination requirements.

- BPA is looking for more timely decisions on multi-owner projects, not staff reductions



Primary Risks to BPA Associated with Signing Agreement

Risk of Institutional Failure:

BPA fails to meet planning objectives due to institutional failure of ColumbiaGrid

Possible Causes*:

- Backstop fails (5)
- Inadequate participation (8)
- Poor management (12,13)
- ColumbiaGrid planning process increases bureaucratic burden & impedes resolution of problems (9)
- ColumbiaGrid design does not facilitate outcomes that are better than the status quo (1,4)

**Note – numbers refer to risks listed in BPA's 10/27 "BPA Risk Reward Analysis"*



Primary Risks to BPA Associated with Signing Agreement (Cont.)

Risk of Cost Increases over Status Quo

Possible Causes*:

- ColumbiaGrid process leads to higher planning and/or construction costs (6,7)
- Forcing function leads BPA to invest unwisely (4,3)
- BPA pays more than its fair share of new construction (2,3)
- Process adds more bureaucracy to regional planning, increasing costs (9)
- Needed transmission gets built due to ColumbiaGrid process (3)

**Note – numbers refer to risks listed in BPA's 10/27 "BPA Risk Reward Analysis"*



Primary Risks to BPA Associated with Signing Agreement (Cont.)

Miscellaneous Risks

- Loss of critical BPA staff (11)
- Security of critical information is compromised (10)
- Runaway Staff (13)
- Runaway Board (12)



How Risks Have Been Mitigated in Proposed Agreement

- Go Slow approach limits magnitude of risks (1)
- Independence should engender trust and provide new solution sets. (1)
- Ability to withdraw from agreement is the ultimate risk-control (2)
- BPA has significant participation in plans - reducing probability of outcomes that do not suit the agency (3,4,7)
- Open and visible planning process limits opportunities for unfair outcomes, reduces need to use backstop (3,4,5,7)



How Risks Have Been Mitigated in Proposed Agreement

- Use of backstop mechanism is limited to projects that support reliability (4,5)
- 2-year cycle spending cap of \$4 million can't be exceeded w/o 2/3 majority vote - limiting financial risk (6,12,13)
- Open participation in ColumbiaGrid and potential FERC planning process encourages broad participation (8)
- Nothing in agreement prevents utilities from planning/building as they do today - so there is virtually no additional risk of losing the ability to build as needed (9)
- Planning process participants must sign non-disclosure agreements to protect sensitive information. (10)



Anticipated Cost of Participation

- Anticipated 2-year cost of the Planning and Expansion Functional Agreement is \$4.2 million
- BPA's share is expected to be just under 50% (approximately \$2.1 million over the 2 years)
- BPA share would go down with broader participation than currently anticipated



Environmental Review

- BPA will conduct a NEPA analysis as part of its decision as to whether to sign this functional agreement
- Because this is a policy-level business decision, BPA intends to prepare a NEPA Record of Decision (ROD) tiered to BPA's Business Plan Environmental Impact Statement and ROD
- Any comments on potential environmental effects from the proposal will be considered in BPA's NEPA analysis



Next Steps

- BPA will collect comments (due Nov. 29, 2006)
- BPA will formulate its own comments to be submitted to ColumbiaGrid by their close of comment period, Dec. 7, 2006
- ColumbiaGrid will consider comments and revise Functional Agreement if necessary
- ColumbiaGrid will offer the final Functional Agreement to the region – responses will be due 60 days thereafter
- BPA will make a final decision as to whether to sign this Functional Agreement and produce an Administrator's ROD on the decision
- Comments submitted as part of the present process will be considered in BPA's final decision making



Process for Commenting

Comments* can be submitted in the following formats:

- **Mail to:** Bonneville Power Administration, Public Affairs Office - DKC-7, P.O. Box 14428, Portland, OR 97293-4428
- **E-mail to:** comment@bpa.gov
- **Submit on-line at:** <http://www.bpa.gov/comment>
- **Fax to:** (503) 230-3285.
- **Call toll free at:** (800) 622-4519.

* Please note all comments will be posted in their entirety on BPA's external web site.

Responses due by November 29, 2006.



Discussion