

ENERGY EMERGENCY
Temporary
Small Resource Policy
June 25, 2001
POLICY

Under Section 2(2) of the Northwest Power Act, BPA must assure an adequate economic and reliable power supply. BPA is to provide its power service consistent with sound business principles. Present conditions for the upcoming summer and operating year indicate that an adequate supply of power to meet load in the Northwest may not be available on a timely basis. BPA intends this policy clarification to encourage use of short-term resources by its customers to help meet their load and relieve immediate supply needs in the short term.

BPA recognizes that addition of short-term resources will not precisely match load and that power may need to be resold by the customer to help manage its resources during this energy emergency. The purpose of this policy clarification is to encourage immediate addition of resources and remove a potential impediment to them by allowing excess portions of their output to be sold on the market in the short term without a reduction in BPA's requirements obligation to the customer adding the resource in the immediate period.

This policy clarification is intended to be a short-term, one-time; response to the temporary power emergency caused by the shortage of long term planned resources and the short-term market demand on the West Coast.

BPA has a projected load for the upcoming operating year to augment the FBS by 3,000 MW at a time when market prices are as high as \$350 to \$450 per MWh for power purchased for the next six-to-twelve months. BPA is also faced with stream flows that are expected to be below 60 million acre-feet (MAF). If this occurs BPA and its customers will face the second or third worst water volume flows on record. BPA also has precarious financial reserves.

BPA proposes to clarify its 5b9c Policy. This clarification will permit temporary; Small Resources to be operated for service to regional load or sold on the open wholesale market under certain conditions. The policy clarification is applicable through September 30, 2002.

BPA will take no financial stake in developing such resources, will not buy the output of the resources, and requires the developer to meet all applicable regulations and industry practices. The policy clarification will be in effect until 9/30/02 providing that any resource covered by the policy clarification may operate for a 12-month period.

- A. All resources are brought into the program with the clear understanding that this Policy is applicable only on a temporary basis. BPA is conducting a broad review of a variety of actions planned or underway to meet the energy emergency. BPA may decide as part of the broader review to modify this Policy. Any such modifications would apply only to resources added after the adoption of the modifications; modifications would not be retroactive to resources already in operation.
- B. A resource's operation may vary depending on applicable regulations for the particular resource. For example, if a state limits the number of hours a particular kind of generator may operate, monthly or annually, then that limitation applies in determining the amount of power from that resource eligible for treatment under this Policy.
- C. The developer and/or customer will be entirely responsible for all costs of development, operation and site remediation. The developer and/or customer will hold BPA harmless and indemnify BPA against all claims arising from the operation of the resource.
- D. For the duration of the emergency, customers can serve their own load with such resources without 5(b) effects on their net requirements and may export a portion of these small resources not used for their load without a reduction of BPA firm power obligation to the customer under 9(c).
- E. Developers must be able to change the operation of the resource after the 12-month period of this Policy. Customers may continue to operate the resource but it would be subject to the standard 9(c) Policy on export after the 12-month period to which this clarification applies.
- F. Any export of power from a small resource that does not meet this program's criteria, or ceases to meet the criteria, will be covered by the 5b/9c Policy as the terms of that policy apply to the larger, more permanent non-Federal resources of the customer.
- G. All temporary small resources must be separately metered in accordance with BPA's current policies on new metering arrangements.
- H. Customers and resource developers are responsible for obtaining transmission paths, as required.

- I. For the purposes of this Policy the emergency is deemed to extend from June 2001 through September 2002.
- J. Twelve months means twelve consecutive calendar months. The amount of generation accomplished during that time is expected to vary from unit to unit and customer to customer. Twelve months of generation does not mean 8,760 hours times the hourly output of the generator. If a temporary small resource comes on line with less than twelve months until September 30, 2002, that resource will only be covered by this Policy until September 30, 2002.
- K. Customers may apply for coverage under this Policy on a first come, first served basis. The Policy will apply to customers as of the date their application is received by BPA. The utility sends a letter to their BPA Customer Account Executive to apply. The letter must include:
 - 1) size of the resource,
 - 2) type of resource,
 - 3) name of resource owner
 - 4) site for the resource,
 - 5) electric pathway/transmission access,
 - 6) date contract for the resource is effective,
 - 7) duration of such contract,
 - 8) date of operation of the resource, and
 - 9) identification of compliance with Federal, state, and local regulations, and the limitation in L, M, and N below.
- L. This Policy requires the customer to meet all applicable federal, state, and local regulations and industry practices. In addition, all diesel and natural gas-fired generation units must have a maximum NOx emission rate of 3.6 lbs. per MW-hour and must fully mitigate for toxic air pollutant emissions as per section M (below). These limitations are within the range of effects described in the Business Plan EIS.
- M. All temporary small resources subject to this Policy must mitigate for the toxic air pollutants associated with the generation of electricity to be marketed on the grid. No mitigation will be required for emissions from generation used to meet 10 percent load reduction. Natural gas units must mitigate for uncontrolled volatile organic compound (VOC) emissions. Diesel units must mitigate for uncontrolled total particulate emissions (total PM). Ultra low sulfur fuel (0.0015 percent sulfur) can be used as a means to partially mitigate total PM emissions from diesel-fired units.
- N. Mitigation can be accomplished by the use of controls, by directly obtaining offsets, or via a one-time payment of \$5,000/ton to a local non-profit entity such as the BPA Environmental Foundation, or other governmental agency

that is authorized to accept mitigation funds. BPA encourages customers to direct mitigation funds for uses to monitor or reduce toxic air emissions within the air shed of the temporary small resource. Mitigation funds must be paid, and offsets in place, by September 30, 2003.

- O. This policy is not intended to address, affect or circumvent access to the BPA transmission system, which may be required for the delivery of power produced by small generation resources covered by this policy. BPA transmission customers must still initiate and arrange for transmission on BPA's transmission system under its Open Access Transmission Tariff and Transmission and Ancillary Service Rate Schedules, as amended.

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