

REGIONAL DIALOGUE TECHNICAL WORKSHOP NOTES

NLSL and DSI Issues

Wednesday morning, January 15, 2003

BPA Rates Hearing Room, Portland, Oregon

Approximately 18 people attended; two people joined by telephone.

New Large Single Load (NLSL) Policy

We started an NLSL policy effort in June 2001, but one of the issues was not resolved, Chuck Forman (BPA) explained. That issue is what we are planning to address here, he indicated.

BPA received 62 written comments on NLSL in 2001, Forman said, noting that BPA will consider those “on equal footing” with comments submitted in the current process. He offered to make copies of the previous comments available to Regional Dialogue participants. Forman also noted that BPA has “real world” questions pending on its NLSL policy. The Regional Dialogue aside, two preference customers and two DSIs have posed questions regarding our NLSL, he reported.

The issue at hand is, Forman said: “whether BPA should change its NLSL policy to allow current and former DSI customer production load served at BPA’s IP rate, or any other rate, to transfer and receive power service in 9.9 aMW increments from a public body, cooperative, or federal agency customer with power purchased at BPA’s PF rate.” The comments BPA received in 2001 ranged from, “absolutely not, to expand this further,” he stated.

According to the BPA handout, commenters asked BPA to address a more general issue, “should BPA change its NLSL policy to allow any large loads at a customer’s facility—new and existing—larger than 9.9 aMW to transfer their load service to a public body, cooperative or federal agency customer in contract increments of only 9.9 aMW and receive service at BPA’s PF rate.”

In October, we said we’d extend the consideration of this issue, and the plan is to resolve it as part of the Regional Dialogue, Forman explained.

How many customers or megawatts are we talking about? Is this a big or small issue? Steve Weiss (NWEC) asked. It’s not big in terms of the number of customers, Forman responded. But one of the options we’ll discuss is whether to expand this to any large loads, he said, noting that would increase the significance of the policy.

The issue here is how we will treat industrial load that transfers service between utilities, Tom Miller (BPA) clarified. It’s not a question of if there will be service provided, it’s at what rate, he said. In addition, there is the issue of disaggregating load service, Miller

said: can load service be disaggregated in 9.9 aMW increments? How does that affect load? And should it be allowed for industrial customers other than DSIs?

Option 1

One option is not to change the current policy, which is most clearly and completely described in the 1992 Atochem ROD, Forman continued. That decision said, “a DSI must take full 1981 Contract Demand before any production load can be served by a local utility at PF rate,” he said. Forman explained the BPA handout Scenario 1: *production load above BPA contract demand does not increase by more than 10 aMWs per year*. In this circumstance, the DSI could take service from the local utility, if it’s not more than 10 aMW a year, with the utility getting the power from BPA at the PF rate, he said.

You are mischaracterizing the Atochem decision, Paul Murphy (Golden Northwest) said. The decision did not pertain to conversion of load, and in my view, the notion that you would look at the Atochem ROD as guidance on this question is incorrect, Murphy indicated.

Miller responded that in Atochem, BPA did establish the floor “from which you measure the increase” in service. We said it is the 1981 contract demand, he said. We said that a DSI could take 9.9 MW beyond that demand – Scenario 1 shows a DSI taking its full contract demand and adding load, Miller explained.

If you adopted this policy, how would you apply it in today’s world? Jack Speer (Alcoa) asked. Today, this would mean that any new DSI load, regardless of its size, that is served by the local utility would be at the NR rate, Forman stated. He pointed to Scenario 2, which illustrates the situation in which DSIs have idle capacity, as they do today. Under the current NLSL policy, a DSI could not add 9.9 aMW and be served at the PF rate, he reiterated.

What if it a supplier other than a local utility that is serving the additional load? Michael Early (Alcoa) asked. The current policy treats the load as an aggregated single load, Miller responded. It cannot be disaggregated by contract, he said. Forman pointed out that Scenario 3 illustrates such a situation. The entire load is aggregated for purposes of the contract demand, Miller said. What are you using as the contract demand? Speer. The 1981 Contract Demand, Miller responded.

Forman pointed out that the current policy does not allow carving up production load by contract service. Regardless of whether or not the pieces are less than 9.9. aMW, all the pieces are aggregated together for NLSL purposes.

If a new facility with a capacity of less than 10 MW comes on line, it’s not an NLSL; but if the new facility is 15 MW, even if it takes 9.9 aMW from the utility and the rest from another source, the new load is considered to be 15 aMW, Terry Mundorf clarified. What if the remainder of the 15 MW is not served and is idle? Speer asked. Are you looking at

the load served or the capability of the facility? he asked. Forman pointed out that BPA uses a 12-month meter record to determine whether a load exceeds 9.9 aMW

He offered the example of International Paper, which changed its service from Central Lincoln to Douglas Electric in January 1998. While the plant exceeds 10 MW when it is in full operation, it was using only about 3 MW when it made the transfer and is not considered an NLSL, Foreman said. It is being served at the PF, not the NR rate, he said.

Miller pointed to another BPA determination in which Newmont Mining Co., served by Wells Rural Electric, wanted to install a 25 MW grinder. We said that would be an NLSL, he stated. "This policy does not ignore fact," Miller said, indicating BPA considers the installed equipment in implementing its policy. He pointed out that BPA made another NLSL determination in 1982, when Boise Cascade wanted to transfer service from PGE to Columbia River PUD. We determined if the load transferred, it would be an NLSL, Miller stated.

The question in Boise Cascade was whether a "contracted for, committed to" (CFCT) status can transfer to a different utility customer, and we said no, Forman indicated.

If International Paper operates above 9.9 aMW, the entire load becomes NLSL? Geoff Carr (NRU) inquired. We know there is installed capacity there of 27 MW, Miller said. If they bring it up to 27 MW, the entire load is at the NR rate, he said.

Are you saying that International Paper can't mechanically operate at over 9.9 aMW? Early asked. When International Paper transferred its load, we knew what the capacity was based on its service with Central Lincoln, Miller indicated. If they come back up to full load at Douglas, it's at the NR rate, he said.

If a load is over 10 MW and transfers, it's an NLSL and is served at the NR, Miller said. The only way we wouldn't count the installed load is if you take the machinery out, he added. Forman recommended the participants look at the April 2001 summary of NLSL policy.

If an industry goes back to the original utility, does it lose its CFCT status? Bob Essex (Cowlitz PUD) asked. Good question, BPA staff indicated.

Is there a difference of opinion here? Linc Wolverton (ICNU) asked. Tom would say that International Paper should be at the NR, but it's not, he pointed out. I don't understand the distinction, Wolverton stated.

If a large urban utility is purchased by a public entity, how would the load be treated? Lyn Williams (PGE) asked. We'd look at the industrial loads, and if those loads are over 10 MW when transferred, they would be NLSLs, Miller stated. It would be governed by the Boise Cascade ruling, he added.

We would know the large industrial loads that exceed 9.9 MW, and they would be served at the NR rate, Tim Johnson (BPA) stated.

Option 2

The second option is to change the requirement from “must take full 1981 Contract Demand” to “must take full amount of current BPA IP contract,” Forman said. The Atochem ROD said one facility is defined by the 1981 contract demand, and anything over that amount is “a second facility,” he went on. If the second facility is over 9.9 MW, the load is subject to the NLSL, Forman said. Under option 2, if a DSI takes its full IP contract amount and only increases production by 9.9 aMW per year, that service could be served by the local utility at the PF rate, he explained.

Mundorf posed an example under Option 2 in which a smelter (Vanalco) without a Subscription contract has 5 MW on line and the rest of the plant is idle. Vanalco could increase its load by 9.9 MW per year and be served at the PF rate? he asked. Yes, they could activate idle capacity in increments of 9.9 MW, but they could not take 9.9 MW from the local utility and more from another supplier, Forman answered. So it is power across the meter versus power from different suppliers, Mundorf clarified.

I don't see how you could differentiate between Vanalco and International Paper, Wolverton said.

Under Option 2, is it the contract demand BPA offered or the contract demand taken? Marcus Wood (PacifiCorp) asked. Forman said that had not been defined.

Options 3 and 4

Option 3 is to change the NLSL policy to allow current and former DSI production load to transfer and receive power in 9.9 aMW increments from a public body, cooperative or federal agency customer at the PF rate, Forman explained. We posed this question in June 2001, and we received a range of comments, he said. Some said this should be applied consistently between DSI and non-DSI loads, and Option 4 tries to capture the latter, Forman indicated.

Murphy posed an option in which BPA would decide to serve a certain amount of IP load, allow an additional 9.9 aMW to be placed on the local utility, and make it irrelevant how the rest is served. So you are suggesting you could have any number of other suppliers, Miller clarified. I believe Option 4 (allows for loads to be phased on to a public body, cooperative or federal agency customer in increments of 9.9 aMW) is the option set out in the statute, Murphy responded.

In the 1979-80, no one envisioned that the industry could have different suppliers – it was a single utility serving a load, Forman pointed out. Now we have a different situation, he said. There is a practical implication of allowing customers to carve up large loads by

contract, Forman pointed out. If that were allowed, over time we would have no NLSLs. It might take a number of years.

The idea behind the NLSL was to protect the dilution of the BPA resource, Speer said. The notion was that the 10 MW applies to new load placed on BPA, he said, adding that a new policy shouldn't discriminate against historic load. Another issue at the time was to prohibit the use of federal power to attract industry to the region. If you have load on BPA that shifts to a utility that is also served by BPA, it doesn't make sense to discriminate against that load, Murphy said.

Mundorf said the circumstances today call for thinking about whether BPA should increase its obligation to serve and how to assure that costs follow their source. He urged BPA to wait for feedback from customers, saying "we need imagination on this issue." None of the options proposed would be a rational NLSL policy in the context of the joint customer proposal, Mundorf said.

Weiss suggested major issues in the NLSL policy could be dealt with in the context of rates and preference-customer load growth.

The NLSL policy was intended to address the competitive advantage between IOUs and publics, Scott Brattebo (PacifiCorp) said. He pointed out that BPA's NLSL policy is a factor in decisions made by PacifiCorp's industrial customers.

Bruce McComas (Port Townsend Paper) said his company is caught in "a Catch 22" by the way the NLSL policy is applied. BPA won't sell us our 1981 contract demand amount, but if we go to the local PUD to purchase an additional 4 MW, it's at the NR rate, he said. Others can buy up to 9.9 MW at the PF rate, so we're being penalized, he contended.

Erick Johnson (PNGC) asked about a revised date for BPA releasing its draft Regional Dialogue proposal. Will it be early March? he asked. Rettenmund said the proposal will be delayed beyond January, but there is nothing to report on a new date. He indicated he would work on scheduling a future NLSL workshop.