



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
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POWER SERVICES

April 22, 2013

In reply refer to: PS-6

To Regional Customers, Stakeholders, and Other Interested Parties:

On March 7, 2013, the Bonneville Power Administration (BPA) issued a letter informing interested parties of Pend Oreille County Public Utility District's (Pend Oreille) request for an early change in its purchase obligation under its Regional Dialogue Power Sales Agreement (Regional Dialogue contract) from the Slice/Block product to the Block product. BPA provided its analysis of the change in purchase obligation and solicited comments from customers and other interested parties. This letter is available at:

<http://www.bpa.gov/power/pl/regionaldialogue/implementation/documents/#20yrRDcontracts>.

BPA requested parties provide comments by March 22, 2013. BPA received a total of 16 comments. These comments are available on BPA's website at:

<http://www.bpa.gov/applications/publiccomments/CommentList.aspx?ID=191>.

BPA reviewed and considered the comments prior to making its decision. The majority of comments received from parties were very supportive of allowing Pend Oreille to exercise early its one-time right to change its purchase obligation. Parties found a reasonable basis to grant the request made by Pend Oreille after review of information provided by BPA in its March 7, 2013 letter. Based on comments received and BPA's own analysis, BPA will allow Pend Oreille to change its purchase obligation from the Slice/Block product to the Block product, effective October 1, 2013. BPA will offer Pend Oreille an amendment to its Regional Dialogue contract, replacing all terms for the Slice/Block product with the standard Block product. Pend Oreille's Block product will be shaped monthly in accordance with its already-determined 2010 monthly shaping factors and will be delivered flat throughout the month. All Slice product terms will be removed as well as the one-time right to change purchase obligation since it has now been exercised by Pend Oreille.

In addition to the broad support by parties, BPA's decision is based on the following:

- Pend Oreille has exercised its one-time right under section 11 of the Regional Dialogue contract to change its purchase obligation. The resulting Block contract will not grant Pend Oreille an additional right to change its purchase obligation for the remaining term of its Regional Dialogue contract.
- BPA has done extensive analysis and determined that any cost shifts or risks to BPA and its customers from this change are *de minimis*. A summary of this analysis was included as an attachment to BPA's March 7, 2013 letter.

- BPA's decision on Pend Oreille's request does not set a precedent. Any future requests for an early change in purchase obligation under the Regional Dialogue contract will be evaluated on a case-by-case basis and granting such a request is by BPA consent. BPA is not obligated by the Regional Dialogue contract to grant early requests.

Regarding the Slice percentage made available by Pend Oreille changing its purchase obligation to Block, BPA will follow the obligation stated in its Regional Dialogue Load Following contracts. The unallocated Slice will be held in abeyance until Fiscal Year 2016 when customers have exercised their change option notices. BPA will consider reallocating any remaining unallocated Slice after May 31, 2016, when all requests to make a change in purchase obligation have been received by BPA.

A few parties raised specific concerns in their comments. The Western Public Agencies Group (WPAG) correctly notes that under section 11.1.2 of the Regional Dialogue contract BPA must assess whether the aggregate impact of all requests to change purchase obligations increases BPA's forecast monthly firm coincident peak loads by 300 megawatts or more, and, if so, BPA may deny the requested change(s) or defer the effective date of such change(s). WPAG recommends that BPA address this for Pend Oreille's request. BPA agrees with this comment and will take into account the impact of granting Pend Oreille's change in purchase obligation when it assesses whether the 300 megawatt aggregate impact of all requests to change purchase obligations has been exceeded, as BPA considers implementation of requests under section 11.1.2. Additional requests for an early change in purchase obligation, if any, will likewise be taken into account.

In its March 7, 2013 letter, BPA included an attachment entitled "Pend Oreille Conversion Block Analysis" summarizing BPA's rates and risk analysis based on the BP-14 Initial Proposal rates. WPAG requested that BPA "set some type of stated limit for what qualifies as *de minimis* [in BPA's analysis of the rates and risk impacts]" or otherwise explain why BPA believes the impacts are *de minimis* and give parties the opportunity to comment on this assessment. BPA appreciates WPAG's desire for BPA to state a standard. However, BPA's approach to early requests to change purchase obligations are on a case-by-case basis and individual circumstances must be reviewed at the time of the request. Therefore, BPA declines to set any stated limits for *de minimis* impacts since such limits would not provide the flexibility to look at the unique circumstances of individual requests. BPA believes it has demonstrated and explained the impacts on rates and risk regarding a change in purchase obligation for Pend Oreille. BPA provided an analysis of the impacts and gave parties an opportunity to comment on whether they felt the impacts were indeed *de minimis*.

Clatskanie Public Utility District (Clatskanie) proposed an alternative approach to Pend Oreille changing its purchase obligation to the Block product. Clatskanie proposed that “Pend Oreille swaps [its] Slice share for an equivalent amount of Block with another regional utility.” BPA appreciates the suggested alternative, but BPA’s Regional Dialogue Policy and the Regional Dialogue contracts do not allow for customers to exchange BPA Net Requirement products between each other, and could not consider Clatskanie’s proposed alternative as an option. Clatskanie’s proposed alternative is also inconsistent with section 11.1.5 of the Regional Dialogue Load Following contract because it would result in Pend Oreille’s Slice percentage being reallocated to another Slice/Block customer, instead of being reserved for any Load Following customers that may request to change to the Slice/Block product by May 31, 2016. Therefore, BPA’s preferred alternative is to grant Pend Oreille a change in purchase obligation to the Block product as discussed above and consistent with section 11.1.5 of the Regional Dialogue Load Following contract.

BPA appreciates the comments provided by parties and the interest shown by its customers and stakeholders in assisting BPA on this matter. If you have any questions, please contact your Account Executive or me at (503) 230-7640.

Sincerely,

/s/ Mark O. Gendron

Mark O. Gendron  
Vice President  
Northwest Requirements Marketing