

Annual BPA Transmission Infrastructure Review

January 15, 2002

Purpose

This paper clarifies the procedures to be used by a review committee established by the July 18, 2001 *Agreement for Annual Review of Major BPA Transmission Investments* (attached). This paper must be read in conjunction with this underlying agreement between the Northwest investor-owned utilities and BPA. This paper is not intended to change the underlying agreement.

The basic purpose of the annual BPA Transmission Infrastructure Review is to evaluate the business and technical justifications for proposed investments by BPA in transmission for the succeeding 5 year period. To this end, an infrastructure review committee has been established. The committee is composed of representatives of BPA transmission customers and BPA. Committee members have business and technical expertise in transmission planning and operational issues.

The committee will conduct an annual review of all proposed BPA transmission investments exceeding \$10 million over the upcoming five-year budget cycle. Each subsequent year, the annual review will focus on the succeeding five-year period (see Finality, below).

The committee will evaluate proposed transmission projects based on whether they would provide appropriate business, technical and cost-effective solutions to identified problems, based on a "single utility" planning concept. The scope of this review includes load center reliability, congestion relief, transmission customer service requests, generation integration, meeting contract commitments, efficient use of capital and schedules for project completion.

BPA will investigate all the alternatives (transmission, non-transmission and do-nothing) and present the rationale for its recommended alternative. This rationale will include BPA's risk and uncertainty analysis and other decision-making criteria. Parties offering further alternatives for consideration must provide a well-developed proposal. It will then be BPA's responsibility to include and evaluate any alternatives in its analysis.

Other Transmission Review Processes

This annual BPA Transmission Infrastructure Review is in no way intended to replace or diminish any other established review processes, including the NWPP TPC Joint Planning Process and the NRTA and WSCC Regional Planning Processes. (Moreover, this paper is not intended to describe how these other important technical reviews are structured or will proceed.)

In general, the annual BPA Transmission Infrastructure Review should occur, to the extent possible, simultaneously or in tandem with other reviews of BPA project proposals. To some degree, the infrastructure review will rely on these other processes to identify technical problems and alternative solutions to be considered. At the same time, the business rationale for any BPA project must be considered in tandem with technical considerations. Therefore, the expectation is that the business review will be performed in parallel with other reviews and be complementary to them.

Product

The committee will produce an annual report describing the committee's work and whether it finds that BPA is prioritizing its transmission improvement projects in a manner that will provide the most cost-effective, reliable service for the region's consumers.

Timing

The first annual review occurred in August 2001. All parties who participated in this first annual review agree that more time is needed to perform the committee's work and produce a quality product. There is also agreement that going forward, the annual review should be performed and the final report produced in a timeframe where it will have maximum usefulness relative to the annual budget appropriations and Congressional cycle. To accomplish the maximum usefulness for the annual (next year) budget, the review will also focus on projects in the 2-5 year timeframe. This longer-term review will allow input to project planning before decisions are made in the annual budget process. Thus, going forward, the annual review should abide by a work plan that allows meaningful, substantive review to occur and a final report produced no later than May 30 each year.

To this end, the following general schedule will be followed:

February 1 -- BPA submits and presents its draft plan including all initial economic analysis and other relevant support materials to the committee. (The initial meeting will be timed to dove-tail with a TPC meeting already scheduled.)

February 15 -- The committee submits all data and clarification requests to BPA.

February 28 -- The committee reconvenes, BPA answers all data requests.

March/April -- Subsequent meetings and analysis as required by the committee.

April 30 -- The committee completes a draft report.

May 30 -- Final report is completed.

Finality

There needs to be some finality to the annual review. Members of the committee recognize the need to move to resolve pressing transmission constraints and not endlessly debate alternative solutions. At the same time, circumstances are always changing and at times a re-review of pending project proposals may be appropriate as discussed below.

Major projects that have been reviewed and approved by the annual BPA Infrastructure Review Committee will not be subject to extensive review in subsequent annual reviews, with the following two important exceptions:

- 1) Many previously recommended projects will be multi-year investments and will continue to be included in the BPA budget. In subsequent annual reviews, BPA will provide status reports on these ongoing or pending projects, upon the request of the committee. (These status reports will include all relevant factors, including changes in load and generation forecasts, cost estimates, and construction schedule.)
- 2) Notwithstanding recommendation in prior infrastructure reviews, if there is a significant change in circumstances that may implicate the business case for a specific project, the committee will undertake a full review of the project. (Examples of changes in circumstances may include significant change in project costs, changes in load or generation, alternative solutions that have surfaced and may be more cost-effective, or other changes in expectations relative to when the project was previously reviewed and recommended.)

Finally, a recommendation or endorsement of a project by the annual BPA transmission infrastructure review committee does not in any way prejudge, supplant, diminish or eliminate the importance of subjecting the project to other existing technical reviews, including the NWPP TPC Joint Planning Process and the WSCC and NRTA Regional Planning Processes. The general expectation is that projects reviewed by the infrastructure review committee will also be subject to these other review processes.

Openness

The committee will be composed of representatives of BPA transmission customers and BPA, as described above. The meetings of the committee will be open to anyone and everyone who has an interest in the proceedings.

Attachment

**Agreement for
Annual Review of Major BPA Transmission Investments
July 18, 2001**

How the review committee will work:

- An independent technical review committee ("committee") will be formed, consisting of representatives of BPA's transmission customers and BPA. Committee members shall have business and technical expertise in transmission planning and operational issues. BPA and its transmission customers agree to work together in good faith to determine a mutually agreed upon committee roster in a timely fashion.
- The initial annual review will occur during August, 2001, for the purpose of reviewing proposed BPA transmission investments over \$10 M for the next five years (2002 - 2006). Each year, the committee will review proposed transmission investment decisions for the succeeding five-year period.
- The committee will evaluate proposed transmission projects based on whether they would provide appropriate business, technical, and cost-effective solutions to identified problems, based on a "single utility" planning concept. The scope of review will include load center reliability, congestion relief, generation integration, meeting contract commitments, and schedules for project completion. The committee's scope of work is limited to transmission issues, and does not include transmission facility siting.
- The committee will work to assure that the proposed transmission investment program prioritizes BPA's transmission improvement projects in a manner that will provide the most cost-effective, reliable service for the region's consumers. The committee will produce an annual report describing the committee's work and whether it finds that BPA is prioritizing its transmission improvement projects in a manner that will provide the most cost-effective, reliable service for the region's consumers.
- The goal will be a report that enjoys the unanimous support of the committee. Failing agreement, a majority vote will determine the content. Each BPA transmission customer committee member shall have one vote. BPA will be an ex-officio member of the committee.
- BPA is not legally obligated to abide by any recommendations made by the committee.

How we will ask for the support of Congress:

- We will ask the Senate Appropriations Committee to include the following language in its report, at the point where it is discussing an increase in BPA's borrowing authority:
"The Committee is aware that BPA and many of its transmission customers have agreed to form a technical review committee to assure that BPA's transmission investments are prioritized to ensure cost-effective and reliable service for the consumers of the Northwest. The Committee fully supports the formation of this committee."