



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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POWER SERVICES

January 18, 2022

In reply refer to: P-5

To parties interested in Southeast Idaho Load Service:

This notice announces Bonneville Power Administration's (BPA) recent signature to a non-binding term sheet (Term Sheet) that clarifies and updates BPA's role in Idaho Power's and PacifiCorp's progress towards the potential future construction of their new transmission line from Boardman, Oregon to Hemingway, Idaho (the "Boardman to Hemingway Project" or "B2H"). Also included is background information on the development of the current proposal, an overview of the proposal in the Term Sheet, and information about how to engage with BPA before it makes a decision.

The B2H transmission line, if constructed by Idaho Power and PacifiCorp, would, provide significant benefits to the region, and enable long-term, firm power and transmission service to BPA's customers currently served through PacifiCorp's southern Idaho transmission system ("Southeast Idaho Load Service" or "SILS customers") as well as generally enhance connectivity to and within Idaho. The included Term Sheet, provided in Attachment C, is the product of almost a decade of evaluation and negotiation, and reflects a significant step towards BPA's objective of providing firm and reliable power and transmission service to its customers at a reasonable cost.

Since 2011, Idaho Power and PacifiCorp, with participation from BPA, have been evaluating B2H as a potential solution to their respective regional needs for transmission. While initially BPA considered being a joint owner of the B2H transmission line, the Term Sheet captures a modified B2H ownership structure that removes BPA's role as a permitting partner and future partial owner of B2H, with BPA's share transferred to Idaho Power. Instead, BPA would acquire transmission service from Idaho Power under its Open Access Transmission Tariff (OATT). PacifiCorp would transfer assets to Idaho Power so that BPA's SILS loads currently served on PacifiCorp's southeast Idaho transmission system would now be within Idaho Power's transmission system. For BPA, the construction of B2H in conjunction with this transfer of assets between Idaho and PacifiCorp means BPA will receive firm transmission for its SILS customer loads using only one wheel of transmission (as opposed to two wheels, which is a part of the current plan of service). BPA also avoids the complexity and foregone revenue of an asset exchange and joint ownership. This proposal, described in this letter as the "B2H with Transfer Service" proposal, presents a unique opportunity for BPA and other regional parties to work collaboratively together to support their respective goals of delivering firm, reliable, cost-effective power and transmission service for their customers.

How to Comment

Public participation and input on the B2H with Transfer Service proposal are important to BPA as it begins negotiations on the formal agreements discussed in the Term Sheet. The signing of the Term Sheet does not bind any party to proceed with the B2H with Transfer Service arrangement and does not constitute BPA's final decision to proceed with the project. BPA is seeking public feedback and input on the proposal as described in the Term Sheet. Comments on the Term Sheet are requested by **Feb. 18, 2022**. Comments should be submitted here: [Public Comments \(bpa.gov\)](https://www.bpa.gov/public-comments). BPA will host a workshop to answer questions about the Term Sheet on **Feb. 1, 2022**. BPA will present its business case describing potential benefits and the overall value proposition for B2H with Transfer Service at a subsequent workshop.

To assist stakeholders in understanding the context, history, and terms of the B2H with Transfer Service proposal, BPA has provided a detailed Letter to the Region as **Attachment A**. The detailed Letter to the Region includes background information on the development of the current proposal, an overview of the Term Sheet, including the additional transmission and financial commitments BPA intends to make to support the modified proposal, a summary of the benefits of the proposal, and a description of the public process that will enable stakeholders to engage with BPA in its decision-making process. **Attachment B** to this letter includes a timeline for the public process with relevant deadlines, dates, and topics to be addressed at prospective workshops. **Attachment C** provides a hyperlink to the Term Sheet. **Attachment D** provides a high-level overview of the relevant geography of the proposed line and the location of BPA's SILS customers.

We look forward to continued discussions with regional stakeholders on this important topic.

Sincerely,

Kim Thompson
Vice President, Northwest Requirements Marketing

Tina Ko
Vice President, Transmission Marketing and Sales

Attachments

ATTACHMENT A

Detailed BPA Letter to the Region re: B2H and Southeast Idaho Load Service

I. BACKGROUND

BPA's Historic Service to its SILS Customers

BPA provides federal power to six statutory preference customers¹ served using PacifiCorp's Idaho transmission system. These customers include four electric cooperatives (Fall River Rural Electric with members in Idaho's southeast region and in southern Montana, Lost River Electric and Salmon River Electric in Idaho's central region, and Lower Valley Energy in eastern Idaho and western Wyoming) and two municipalities (the Cities of Idaho Falls and Soda Springs both in southeast Idaho). BPA began serving SILS preference customers in 1963, when service to these and other public utilities was assigned from the Bureau of Reclamation to BPA. Initially, power generation from local Bureau of Reclamation projects was sufficient to meet these customers' loads. A combination of BPA transmission and the transmission of the local private utility (Utah Power & Light at the time, now PacifiCorp) were used to deliver federal power from the Bureau projects to the SILS loads.

By the 1970s, BPA's SILS customers' loads grew beyond the capability of local federal generation. To meet the Administrator's power supply obligation, power from the main federal system was needed. Because of limited connectivity between BPA's main transmission system and PacifiCorp's southeast Idaho service area, BPA arranged wheeling through Idaho Power's system. Throughout the 1970s and 1980s, BPA entered into a variety of power exchanges and wheeling agreements with Idaho Power and PacifiCorp to ensure continued firm federal deliveries to BPA's SILS customers. The last of these agreements was an exchange and associated wheeling agreement for service over local facilities executed in 1989 with PacifiCorp, in which PacifiCorp agreed to serve BPA's SILS customers' loads while BPA returned energy to PacifiCorp's loads in Western and Central Oregon.

Notice of Termination of the 1989 Agreements and Development of the B2H with Asset Swap Concept

In 2011, PacifiCorp gave BPA five year notice that it intended to terminate the 1989 exchange and associated wheeling agreement. With this notice, BPA had until 2016 to find a new, long-term solution for delivering federal power to its SILS customers' loads. Multiple options were considered, including new transmission builds and resource acquisitions. In the fall of 2011, Idaho Power approached BPA and PacifiCorp with an opportunity to participate in the permitting and construction of B2H, a new high voltage 500 kV transmission line beginning in Boardman, Oregon and terminating at Hemingway,

¹ The term "statutory preference customers" refers to entities that are entitled by statute to preference and priority to the power sold by BPA. See 16 U.S.C. § 832c(a); 16 U.S.C. § 839c(a).

Idaho. Under the proposal, the line would be built and jointly owned by Idaho Power, PacifiCorp, and BPA, with PacifiCorp holding 54.55% share, Idaho Power 21.21%, and BPA 24.24%.

In January 2012, after a supportive public comment period, BPA entered into a Joint Permitting Agreement with PacifiCorp and Idaho Power that committed BPA to fund permitting costs through various stages of the project. The permitting agreement did not obligate BPA (nor any participant) to construct B2H, but preserved B2H as an option while BPA and the other parties more deeply assessed service options. In August 2012, BPA informed stakeholders of its preliminary evaluation of available options for meeting its long-term service obligations to its SILS customers served on PacifiCorp's system. Among other options considered, BPA included Idaho Power's B2H proposal. In BPA's explanation of the alternatives, BPA noted that the B2H line would provide firm transmission capacity from BPA's main transmission system to Hemingway, Idaho. To get federal power from Hemingway all the way to BPA's SILS loads, additional facilities would be needed. Thus, the B2H plan would need either supplemental tariff service or an associated asset exchange, wherein BPA, Idaho Power, and PacifiCorp would swap assets on their respective systems. This proposal (known as "B2H with Asset Swap") would give BPA a firm transmission path from its main transmission system to its SILS customers' loads.

After receiving stakeholder comments on the August 2012 alternatives, BPA notified the region in October 2012 that it intended to prioritize the B2H with Asset Swap proposal in its pursuit of long-term service solutions for its SILS customers. In this notice, BPA made clear that its "prioritization" of B2H with Asset Swap was not a decision, that many options continued to remain on the table, and that further development of the B2H with Asset Swap proposal was needed.

Starting in the fall of 2012, consistent with the permitting agreement, PacifiCorp, Idaho Power, and BPA worked collaboratively to obtain necessary permits, develop appropriate plans for the design of B2H, and negotiate the B2H Joint Permitting Agreement setting out the high level framework and terms necessary to permit B2H.

The Interim Plan of Service

Because the permitting and planning phase of the B2H line was expected to take a number of years, B2H would not be available for load service in June 2016 when the 1989 exchange and wheeling agreements with PacifiCorp terminated. As such, BPA developed and implemented an "interim" plan of service to ensure continued firm power deliveries to its SILS customers. The interim solution had BPA acquiring network transmission service from PacifiCorp under its Open Access Transmission Tariff (OATT). To get firm power deliveries to PacifiCorp's southeast Idaho system, BPA utilized a combination of transmission service over existing paths between BPA and PacifiCorp, conditional firm point-to-point (PTP) transmission over Idaho Power's system, and purchases of power from local markets.

Since 2016, the interim plan of service has proved successful in providing near-term firm transmission and power service to BPA's customers. For the long term, though, BPA is concerned about the risks of relying on the interim plan of service. The cost of this plan is high, with BPA purchasing two legs of transmission to deliver the bulk of power required to serve load from the main federal power system to its loads (a leg over PacifiCorp's system and a leg over Idaho Power's system). BPA must also rely on local dynamic energy markets to partially support power service to its loads. In addition, a central feature of this service – point-to-point transmission over Idaho Power's system – is reassessment conditional firm. This type of service contains conditions which allows Idaho Power certain rights to curtail service during certain months, and permits Idaho Power to revisit the curtailment conditions (such as increasing or decreasing the number of curtailment hours or months) every two years. Thus, while the interim service plan has provided acceptable near-term service, it remains a temporary solution to serve BPA's SILS customers.

Changed Approach for Service to SILS Customers: B2H with Transfer Service

In 2019, changes to the B2H with Asset Swap alternative began to be considered by the joint parties. The reason for the reconsideration are multifaceted, but paramount among the issues was the complexities involved with the joint ownership of land and assets by federal and non-federal parties. Simplification of the arrangement and clarification of roles and responsibilities of the parties became key considerations. The discussions continued into 2020, where a modified ownership structure of B2H was proposed. This modified proposal would remove BPA's role as permitting partner, and eliminate BPA's participation in the construction or future ownership of the B2H project (transmission line, roads or other assets or right of ways), with BPA's share transferred to Idaho Power. As such, Idaho Power and PacifiCorp would construct and own B2H, with Idaho Power holding a 45% share and PacifiCorp continuing to hold a 55% share. BPA would acquire network transmission service from Idaho Power under its OATT. Additionally, PacifiCorp would transfer assets to Idaho Power so that BPA's SILS loads currently served using PacifiCorp southeast Idaho transmission would be all within Idaho Power's system. This would result in BPA only having to acquire one wheel of transmission to serve its customers (not two), and BPA could avoid the complexity and foregone revenue of an asset exchange and joint ownership. BPA, in turn, would provide PacifiCorp with transmission service in central Oregon in exchange for PacifiCorp providing its transmission assets to Idaho Power and meeting other conditions. This new approach to long-term service became known as "B2H with Transfer Service."

Because BPA no longer intended to offer its assets to PacifiCorp and Idaho Power or to participate in the construction or ownership of the B2H project, and with Idaho Power taking on a larger share of the project, other adjustments to the original B2H with Asset Swap proposal were needed. Throughout 2020 and into 2021, the parties considered these adjustments. Following extensive discussions, the parties executed the attached non-binding Term Sheet on January 18, 2022 to reflect their collective intent to work collaboratively together to develop formal, binding agreements. A summary of these terms, including an overview of the major components of the B2H with Transfer Service proposal, are provided below.

II. The B2H with Transfer Service Term Sheet

The Term Sheet provides the general outline of terms, conditions, obligations, and agreements that BPA, Idaho Power, and PacifiCorp intend to negotiate to finalize the B2H with Transfer Service arrangement. It is non-binding and creates no legal or other obligation on the parties. *See* Term Sheet, Introduction. The Term Sheet is broken up into three primary sections. Section 3(a) identifies the major agreements, along with their primary terms or topics, that the parties intend to draft to address the parties' respective transmission needs in light of the B2H with Transfer Service arrangement. Section 3(b) addresses terms related to the Transfer Service portion of the B2H project, inclusive of financial security for the new transmission service. Section 3(c) addresses the roles and responsibilities for operating and maintaining B2H. BPA is not party to this section. Section 3(d) identifies the roles of the parties and terms regarding construction of B2H. BPA is party to this section only as it pertains to the proposed interconnection of the B2H project with the proposed BPA Longhorn substation and to actions BPA committed to make in the Administrator's Record of Decision for the Boardman to Ione 69kV Transmission Line (May 14, 2019).

At a high level, BPA's obligations in B2H with Transfer Service includes terms and agreements that cover the areas described below. These descriptions are intentionally broad, are not exhaustive, and do not reflect other conditions and limitations. The Term Sheet is the source of reference for the definite terms.

- BPA would transfer all of its interests in the permitting agreement to Idaho Power. 3(b)3. Following the transfer of these interests, and in consideration of the New Network Integration Transmission Service Agreement (NITSA) terms (described below), Idaho Power would fund 45% of all further costs associated with B2H. 3(a)14. BPA would not be an owner of the B2H project.
- Idaho Power and PacifiCorp would enter into a construction funding agreement for the B2H project as well as a transfer of assets. 3(a)7, 3(d). The construction of the B2H project and the completion of the asset transfer between PacifiCorp and Idaho Power would enable BPA to (1) acquire a single leg of network transmission service with Idaho Power for service to BPA's SILS loads and (2) terminate the two legs of transmission service BPA currently utilizes, which includes termination of the network transmission service contracts with PacifiCorp and the conditional firm PTP service with Idaho Power (via assignment to PacifiCorp). Sections 3(a)3, 3(a)7 3(a)11. In concert with the transfer of assets between PacifiCorp and Idaho Power, the parties also agree to use best efforts to develop a one-wheel transmission service arrangement for Idaho Falls. 3(a)7.
- With regard to the new network service agreements for service to the SILS customers now in Idaho Power's system:

- BPA would enter into two new, 20-year term, network service agreements (New NITSAs) with Idaho Power for service to BPA's SILS customers' loads. One of the New NITSAs would be for service for Idaho Falls; the other would be for service to the remaining SILS customers. The New NITSAs would be assignable to the SILS customers provided certain conditions were met. 3(b)1.
- In concert with the New NITSAs with Idaho Power, BPA would provide financial security to Idaho Power in a security agreement (NITSA Security Agreement). The NITSA Security Agreement requires BPA to provide an additional \$10 million to Idaho Power to mitigate the risk associated with taking on BPA's share of constructing B2H. This \$10 million, along with the value of BPA's permitting interest, would be returned prospectively to BPA if B2H is energized. If Idaho Power does not receive certain regulatory approvals and certificates for B2H, which results in B2H not being constructed, the \$10 million payment would be returned to BPA, and BPA would pay Idaho Power for a fixed percentage of the permitting and preconstruction costs incurred by Idaho Power. Further, if Idaho Power receives all necessary permits and approvals, but is unable to proceed with the project for other reasons, Idaho Power would return the \$10 million provided by BPA and would attempt to sell the permitting interests in B2H. The proceeds of that sale would be distributed between BPA and Idaho Power. 3(b)2.
- With regard to the termination of BPA's existing transmission services with PacifiCorp and Idaho Power:
 - BPA and PacifiCorp would terminate their existing network service agreements upon completion of the asset transfer between PacifiCorp and Idaho Power and the commencement of NITSA service under Idaho Power's OATT. 3(a)(3)
 - BPA would assign its conditional firm point-to-point transmission service on Idaho Power's system to PacifiCorp, subject to certain conditions. 3(a)11.
- In consideration for PacifiCorp transferring assets with Idaho Power and transferring BPA's SILS load service to Idaho Power, BPA would evaluate options to convert certain PacifiCorp grandfathered scheduling rights over the Buckley-Summer Lake line to OATT service in combination with PacifiCorp requesting to redirect existing point-to-point services to the Ponderosa substation. The options would provide PacifiCorp with a total of 680 MW of firm point-to-point transmission service under BPA's OATT to the Ponderosa substation in central Oregon after energization of B2H, provided other conditions are met. Additionally, the 680 MW of firm point-to-point transmission service is conditioned upon the installation and energization of the B2H Midline Series Capacitor project with the B2H project. 3(a)1.

- In lieu of an asset exchange with BPA, Idaho Power would acquire new point-to-point transmission service on BPA's system under BPA's OATT associated with the proposed Longhorn substation. 3(a)8.
- Other terms between BPA, Idaho Power, and PacifiCorp include:
 - To facilitate the interconnection of B2H to the proposed BPA Longhorn substation, BPA, Idaho Power, and PacifiCorp would develop line and load interconnection and related funding and construction agreements. 3(a)4. Additionally, Idaho Power and PacifiCorp would reimburse BPA for actions BPA committed to make in the Administrator's Record of Decision for the Boardman to Lone 69kV Transmission Line.
 - Idaho Power and PacifiCorp would fund and install the B2H Midline Series Capacitor project concurrent with construction of B2H as well as reimburse BPA for the removal of a BPA transmission line from a right-of-way, which the B2H project would then utilize. 3(a)12.
 - BPA, Idaho Power, and PacifiCorp would develop an operational agreement covering various facilities and agreements that affect Path 14 (Idaho to Northwest, the WECC transmission Path that will include B2H), Path 75 (Hemingway – Summer Lake), and the Northwest AC Intertie. 3(a)2.

III. Benefits of B2H with Transfer Service

The B2H with Transfer Service proposal presents a unique opportunity for BPA and other regional parties to work collaboratively together to support their respective goals of delivering firm, reliable, cost-effective power and transmission service for their customers. The expected benefits of B2H with Transfer Service to the region in general, and BPA specifically, are multifaceted.

Regionally, B2H would increase the resiliency of the regional transmission system, including during severe weather conditions and during outages of other transmission facilities. Moreover, the combination of the B2H project (including the Midline Series Capacitor Project) along with other provisions in the Term Sheet would help to address existing operational issues involving transmission facilities in Oregon and Idaho. BPA also believes that the B2H project could support public policy objectives of bringing renewable resources to the region by reducing east to west transmission congestion between renewable resources located in Wyoming and Idaho and load centers on the west coast. Finally, it would also provide an additional outlet for surplus non-emitting resources from Washington and Oregon to displace remote emitting resources at certain times of the year.

For BPA specifically, the B2H with Transfer Service proposal would provide firm, stable, long-term transmission path to deliver federal power to BPA's SILS customers at an economical cost. The proposal would eliminate the double-wheel arrangement BPA

currently uses to reach its loads, substantially reduce the risk of curtailments, and save BPA transmission and power purchase costs that occur under the interim plan. The B2H with Transfer Service proposal also avoids the complexities and complications of joint ownership and asset swaps originally considered in the B2H with Asset Swap proposal. Finally, B2H with Transfer Service results in greater projected transmission revenues for BPA as Idaho Power wheels over the federal transmission system to get to B2H. BPA will present its business case describing these savings and revenue projections and the overall value proposition for B2H with Transfer Service at a future workshop.

Additionally for BPA, the building of B2H will provide reinforcement for the Idaho-to-Northwest transmission path, also known as WECC Path 14. The substantial expansion of capacity across this path would likely be able to support reliable and cost effective long-term firm transmission service to several BPA customers, including BPA's other power customers currently located in Idaho Power's service territory. The increase in capacity at Path 14 would ensure these customers' access to federal power using the BPA network as well as the transmission capacity from the owners of the B2H project for their future load growth for years to come.

IV. Public Process and Next Steps

As noted before, the Term Sheet is not binding and BPA has not made a final decision to proceed with the project in its new form. Over the next few months, BPA, Idaho Power, and PacifiCorp intend to continue their work to negotiate and finalize the agreements that comprise the B2H with Transfer Service arrangement. Before BPA makes a final decision on whether to proceed with the B2H with Transfer Service arrangement, BPA intends to engage with stakeholders through noticed public meetings, opportunities for comments, and responses to stakeholder inquiries. BPA also will conduct National Environmental Policy Act (NEPA) processes as appropriate before making a final decision to proceed. If BPA decides to proceed, BPA will issue a Close-out Letter describing its reasoning and responding to stakeholder comments.

The schedule for this engagement process is provided below as **Attachment B**. This timeline begins with a workshop to answer questions on the Term Sheet, which is then followed by an initial public comment period on the Term Sheet. Public comments should be submitted here: [Public Comments \(bpa.gov\)](https://www.bpa.gov/public-comments). As the topics in the Term Sheet are in active negotiation, BPA will schedule a follow-on public meeting at a later time to provide an update to regional stakeholders. Prior to making a final decision, BPA will provide stakeholders with an updated Term Sheet or other document that identifies the primary elements of the final arrangement (to the extent they are different from the Term Sheet in **Attachment C**), and a final business case. A public comment period will then open for 30 days. BPA will then make its formal decision to proceed (or not) with the B2H with Transfer Service proposal in a Close-out Letter to the region in mid-summer of 2022. If the decision is to adopt the proposal, BPA will execute the formal agreements concurrent with issuing the Close-out letter to the region.

ATTACHMENT B

Public Process Timeline

Day	Event	Description
January 18, 2022	Release Letter to Region on B2H with Transfer Service and Term Sheet	
February 1, 2022	Workshop meeting on B2H with Transfer Service Term Sheet	<ul style="list-style-type: none"> • Answer stakeholder questions regarding the Term Sheet, B2H public process and any other matters.
February 18, 2022	Initial comment period closes	<ul style="list-style-type: none"> • Initial comments on Term Sheet. • Comments should be submitted here: Public Comments (bpa.gov).
TBD	Business Case	<ul style="list-style-type: none"> • Present initial business case for B2H with Transfer Service
TBD*	Workshop Update on B2H Final Terms	<ul style="list-style-type: none"> • Provide final terms of B2H with Transfer Service; • Final BPA business case
TBD*	Formal Comment Period Closes	30 days from date above
TBD*	BPA Issues Letter to Region	
TBD*	BPA signs agreements (if decision is to proceed)	Term Sheet currently projects signing agreements in Calendar Year Q3 (July-Sept).

*Dependent on status of negotiations.

January 18, 2022

ATTACHMENT C

Link to Term Sheet

www.bpa.gov/goto/SoutheastIdahoLoadService

RELEVANT PROJECTS FOR BPA SE IDAHO LOAD SERVICES

LEGEND

- SUBSTATION
- BPA SUBSTATIONS
- BPA TRANSMISSION LINES
- PREFERENCE CUSTOMERS SERVED BY PACIFICORP TRANSFER
- PREFERENCE CUSTOMERS SERVED BY IDAHO POWER TRANSFER
- ▨ IDAHO POWER COMPANY
- ▨ PACIFICORP
- BOARDMAN TO HEMINGWAY (B2H)
- PACIFICORP TO IDAHO POWER ASSET TRANSFER (APPROXIMATE)
- EXISTING IDAHO POWER TRANSMISSION SERVICE TO BPA

Attachment D

