



# Insufficiency Provision Follow Up

June 2024



# Section 5(b) Firm Power Sales

- Section 5(b) of the Northwest Power Act requires the Administrator to offer a contract for the sale of “electric power” whenever requested by a public body, cooperative, or investor-owned utility.
- Section 6 authorizes the Administrator to acquire resources if necessary to meet his electric power sales obligation.
- Section 11(b)(6) of the Transmission System Act authorizes the Administrator to make purchases on a short-term basis to meet temporary deficiencies in electric power which he is obligated by contract to supply.

# Electric Power Supply

- In addition to supplying customers with power from the federal dams, Bonneville supplies non-federal power from the Columbia Generating Station, Cowlitz Falls dam, Klondike III and Stateline wind projects, and a variety of market purchases.
- Section 5(b) of the Northwest Power Act uses the term “electric power,” which more accurately describes the resource mix marketed by the Administrator. The term “federal power” will be updated to “electric power” in the definition of Firm Requirements Power and other sections of the Provider of Choice contract including the insufficiency provision.

# Insufficiency and Allocations

- Northwest Power Act section 5(b)(5) directs the Administrator to include an insufficiency and allocation provision in power sales contracts entered into pursuant to section 5(b).
- Section 5(b)(6) describes elements of such an insufficiency and allocation contract provision.

# Insufficiency and Allocations

- Bonneville included the same insufficiency provision in Regional Dialogue and Subscription contracts based on the Federal Register Notice methodology, which replaced the 1981 contract provision and detailed allocation exhibit.
- The provision specifies that any restriction “shall take effect no sooner than five years after BPA provides notice” to the customer.

# Northwest Power Act Section 5(b)(5)

Section 5(b)(5) of the Northwest Power Act provides:

The Administrator shall include in contracts executed in accordance with this subsection provisions that enable the Administrator to restrict his contractual obligations to meet the loads referred to in this subsection in the future if the Administrator determines, after a reasonable period of experience under this Act, that the Administrator cannot be assured on a planning basis of acquiring sufficient resources to meet such loads during a specified period of insufficiency.

Any such contract with a public body, cooperative, or Federal agency shall specify a reasonable minimum period between a notice of restriction and the earliest date such restriction may be imposed.

# Northwest Power Act Section 5(b)(6)

Section 5(b)(6) provides:

Contracts executed in accordance with this subsection with public body, cooperative, and Federal agency customers shall--

- 5.(b)(6)(A) provide that the restriction referred to in paragraph (5) shall not be applicable to any such customers until the operating year in which the total of such customers' firm loads to be served by the Administrator equals or exceeds the firm capability of the Federal base system resources;
- 5.(b)(6)(B) not permit restrictions which would reduce the total contractual entitlement of such customers to an amount less than the firm capability of the Federal base system resources; and

# Insufficiency and Allocations

- 5(b)(6)(C) contain a formula for determining annually, on a uniform basis, each such customer's contractual entitlement to firm power during such a period of restriction, which formula shall not consider customer resources other than those the customer has determined, as of the effective date of this Act, to be used to serve its own firm loads.

The formula referred to in subparagraph (C) shall obligate the Administrator to provide on an annual basis only firm power needed to serve the portion of such customer's firm load in excess of the capability of such customer's own firm resources determined by such customer under paragraph (1) of this subsection to be used to serve its firm load.



# Insufficiency and Allocations

- Section 5(b)(5) insufficiency provisions apply to existing “contractual entitlements to firm power.”
- The Administrator will issue an insufficiency notice if he projects an insufficiency on a “planning basis.”
- Any potential notice of insufficiency and allocation must include “a reasonable minimum period between a notice of restriction and the earliest date such restriction may be imposed.”

# Historic Insufficiency Notices

- In 1967, BPA issued a notice of insufficiency to IOUs based on lack of power to serve all customers.
- In June 1976, BPA issued a notice of insufficiency to public customers with notice for the year beginning July 1983-June 1984.
- The projected insufficiency prompted legislative action resulting in the Northwest Power Act and its inclusion of the Administrator's ability to acquire resources.
- 1980 House committee testimony discusses a reasonable period of notice of a potential insufficiency, and how the provision is not meant to address operational deficiencies but rather insufficiencies projected on a planning basis.

# BPA's Insufficiency and Allocation Methodology

- BPA's insufficiency and allocation methodology was published in the Federal Register on March 20, 1996, 61 Fed. Reg. 11386.
- BPA's obligation will be no less than an amount equal to the Federal base system firm peaking capability and firm energy capability.
- The methodology establishes formulas for distribution of FBS supply among customer classes.

# Insufficiency & Tier 2 Elections

- BPA's insufficiency obligations apply to existing contractual obligations irrespective of rates.
- BPA's inability to secure power to serve additional load at Short-Term Tier 2 rates would not be a projected insufficiency— a projected insufficiency would be an inability to serve loads for which the Administrator has a pre-existing contractual commitment.
- By electing the Short-Term Tier 2 path, customers take on some risk that BPA may be unable to acquire additional power to serve those loads.

# BPA's Resource Program

- BPA's Resource Program would identify any projected insufficiency on a planning basis.
- BPA updates the White Book and its 10-year projection of loads and resources each year.
- Information on BPA's resource program is available at: [Resource Planning - Bonneville Power Administration \(bpa.gov\)](https://www.bpa.gov/energy-and-services/power/resource-planning) <https://www.bpa.gov/energy-and-services/power/resource-planning>

# BPA's Insufficiency Provision

## 23.2 Insufficiency and Allocations

If BPA determines, consistent with section 5(b) of the Northwest Power Act and other applicable statutes, that it will not have sufficient resources on a planning basis to serve its loads after taking all actions required by applicable laws then BPA shall give «Customer Name» a written notice that BPA may restrict service from Federal base system resources to «Customer Name».

Such notice shall be consistent with BPA's insufficiency and allocations methodology, published in the Federal Register on March 20, 1996, and shall state the effective date of the restriction, the amount of «Customer Name's» load to be restricted and the expected duration of the restriction. BPA shall not change that methodology without the written agreement of all public body, cooperative, federal agency and investor-owned utility customers in the Region purchasing electric power from BPA under section 5(b) of the Northwest Power Act.

Such restriction shall take effect no sooner than five years after BPA provides notice to «Customer Name». If BPA imposes a restriction under this provision then the amount of Firm Requirements Power that BPA is obligated to provide and that «Customer Name» is obligated to purchase pursuant to section 3 and Exhibit C shall be reduced to the amounts available under such allocation methodology for restricted service.