



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

May 17, 2017

In reply refer to: A-7

To parties interested in the I-5 Corridor Reinforcement Project:

The Bonneville Power Administration has completed an extensive analysis of the need for the I-5 Corridor Reinforcement Project and decided not to build the proposed transmission line. This decision caps an intensive review that included one of the most comprehensive public engagement processes BPA has ever undertaken. Much has changed since BPA proposed the transmission line, and I have concluded that constructing the line would not fulfill our commitment to making the right investment at the right time.

BPA proposed the I-5 Corridor Reinforcement project in 2009 as a solution to preserve reliability, meet existing contract requirements, reduce curtailments, and serve demand on the transmission system – which at the time was growing. More recently, BPA considered the size, local impacts and increasing costs of the proposed project, which prompted us to take a hard look at all of our transmission practices and analytics, including a fresh look at load (electrical demand) forecasts, generation changes and market dynamics.

As a result of this comprehensive review and the inherent difficulties associated with building this line, we are taking a new approach to managing congestion on our transmission grid. My decision today reflects a shift for BPA – from the traditional approach of primarily relying on new construction to meet changing transmission needs, to embracing a more flexible, scalable, and economically and operationally efficient approach to managing our transmission system. We will also increase our reliance on advanced technology, robust regional planning, industry standard commercial practices and coordinated system operations.

Going forward, we will leverage the tools of the modern energy economy to maximize the value of federal assets for our customers and the broader region. Through the transformational efforts described below, we will maximize grid availability, use and reliability to support economic growth along this and other important transmission corridors.

To those who have been with us every step of the way, I would like to acknowledge and thank you for the time you invested in reading our material, attending meetings and providing comments as we took nearly nine years at significant cost to complete a comprehensive review of the project and its potential impacts. This was a difficult decision, compounded by many technically complex and moving parts, and I understand the uncertainty this created for the landowners and homeowners along the route alternatives. Though the process was lengthy, I simply could not risk making a decision of this magnitude without first acquiring the best possible information, and I can say with confidence today that Bonneville is making the best decision for the region.

A summary of our in-depth review

In September 2016 we convened an independent review panel of industry experts to review study assumptions, methodologies, results and assessments supporting the need for the I-5 Corridor Reinforcement Project. The panel concluded that “the proposed 500-kV line could meet the reliability needs..., but that line will add far more capacity than is required for reliability alone.” We agreed.

We also observed changes to our regional power system and transmission reliability planning standards. For example, the proposed transmission line would have helped manage the summer congestion impacts of power that flows north to south across the South of Allston flowgate – the portion of the transmission grid this project would have augmented. Contributing to this congestion is power from the coal-fired generators in Centralia, Washington, that are required by state law to close in 2020 and 2025. This should help relieve summer congestion, depending on where replacement generation is sited. Additionally, new national reliability regulations took effect in January 2016. These reliability standards changed the way line limits are calculated. This new standard will increase the potential for other regional utilities to consider infrastructure upgrades or additions that would provide additional transmission capacity and relieve congestion in this corridor.

Further, recent trends indicate that load growth has generally slowed relative to what was assumed in prior studies. However, we are also seeing the potential rapid development of large loads associated with the technology sector that could add hundreds of megawatts of baseload demand in a concentrated geographic area. Meeting the needs of such sudden and unexpected loads is a demanding task, whether through builds, technology or business changes. In this case, where we have decided against building the proposed project, Bonneville and its regional utility partners will need to maximize the use of modern approaches to grid design to meet load growth and economic development objectives.

Moving forward

We will be transforming our approach to adding transmission capacity by making more scalable and flexible investments in the federal transmission system. Focused effort will be given to integrated coordination of operations, transmission planning and commercial processes to support our product portfolio. Bonneville will need to establish a new level of risk tolerance to maximize the use of its transmission assets while meeting customer needs.

We have already put in place or are considering the following transformational approaches:

- Available transmission capacity calculations will be modified to take a more risk-informed profile, potentially enabling greater sales on the existing transmission system.
- In alignment with FERC *pro forma* tariff and industry standards, BPA will review and may modify its commercial transmission products and services.
- New state awareness tools and use of generation redispatch together with increased operational connectivity with the California Independent System Operator will ensure more effective real-time monitoring. The incorporation of real-time data and analysis into the calculation of system limitations may release excess capacity while maintaining reliability. Enhanced visibility and control of loads, resources and flows (including market flows) will

allow more accurate, effective and reliable management of the transmission system.

- Non-wires measures to manage generation and loads to reduce peak congestion will launch this summer. We also will look to use cutting-edge grid technologies such as battery storage and flow control devices to proactively manage congestion and further extend operational capacity of the existing system.
- We will work closely with the region's other utilities, regional planning organizations and economic development organizations to convey the economic and operational implications of siting loads and generation resources in different areas. We will incentivize new load centers and resources to locate in areas that will make the best use of existing transmission capacity and minimize costs to them and to the region's electricity consumers.

The decision to not build the I-5 Corridor Reinforcement Project does not mean we and others will not need to build new lines in the future to provide additional transmission capacity in the Northwest. The region inevitably will need to build new lines, as well as rebuild existing, aging lines. But through this decision today, Bonneville is committing to taking a forward-looking approach with its investment decisions, and the region can be certain that BPA will seek first to use efficiencies and build at the smallest scale possible to meet our customers' needs, ensuring Bonneville remains a reliable engine of economic prosperity and environmental sustainability in the Northwest.

Understanding the certainty of business dealings our customers require, I want to reinforce Bonneville's commitment to offering terms and conditions of transmission service that align with FERC's *pro forma* tariff as much as possible; and indeed, we will be moving closer to that paradigm.

Work is already underway to craft solutions and design our way forward. Within a month, we expect to begin discussing these new approaches with our transmission customers and other stakeholders. During these discussions, Transmission Services will explain how we will advance our strategy and provide options for those seeking service across the South of Allston flowgate.

Thank you again for working with us as we take steps toward a more innovative transmission grid, updated business practices and improved regional coordination. This work is indicative of our commitment to working collaboratively with all of our stakeholders to deliver the best value for the region.

Sincerely,

/s/ Elliot E. Mainzer, May 17, 2017

Elliot E. Mainzer
Administrator and Chief Executive Officer