



Department of Energy

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

POWER SERVICES

January 9, 2023

In reply refer to: P-6

To parties interested in B2H and Southeast Idaho Load Service:

This notice announces that the Bonneville Power Administration, Idaho Power, and PacifiCorp have concluded negotiations on final agreements that memorialize and effectuate the Boardman to Hemingway, or B2H, with Transfer Service plan of service to southeast and southern Idaho loads. The proposed plan of service would deliver significant benefits for BPA and its customers, including essential congestion relief and removal of the dependence on conditional firm point-to-point service; consolidation of network integration transmission service from a single transfer service provider for all of BPA's deliveries to southeast and southern Idaho loads; and improved costs compared with today's interim service approach.

BPA now proposes to execute the contracts for the B2H with Transfer Service plan of service. Before making a final decision to execute the contracts, BPA is providing regional stakeholders with more information about the contracts and an opportunity to comment.

Attachment A includes background information, an overview of the contracts that BPA is proposing to execute for the B2H with Transfer Service plan of service, and information for how to submit comments.

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

Sincerely,

Kim Thompson
Vice President, NW Requirements Marketing

Michelle Manary
Vice President, Transmission Marketing

Attachments

ATTACHMENT A

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

I. Background

In a Letter to the Region dated January 18, 2022 (“2022 Letter”), BPA announced its signature of a non-binding term sheet (“Term Sheet”) that clarified and updated BPA’s role in Idaho Power and PacifiCorp’s potential future construction of their new transmission line from Boardman, Oregon to Hemingway, Idaho (the “Boardman to Hemingway Project” or “B2H”). The 2022 Letter provided background on the B2H negotiations, the history of BPA’s load service to the six preference customers in Idaho (“Southeast Idaho Load Service” or “SILS customers”), and challenges with the current interim plan of service to these customers’ loads. BPA explained how the proposed B2H project could provide BPA a long-term plan of service for the SILS customers that includes BPA taking network transfer service from Idaho Power (“B2H with Transfer Service”). BPA also explained the related challenges associated with BPA’s long term service to the 15 preference customers in Southern Idaho, many located near Burley, Idaho, and the benefits that the B2H with Transfer Service plan of service provides to these customers. BPA noted that Idaho Power, PacifiCorp, and BPA intended to negotiate binding contracts to memorialize and effectuate the B2H with Transfer Service plan of service. The 2022 Letter and the Term Sheet are available at [Southeast Idaho Load Service - Bonneville Power Administration \(bpa.gov\)](https://www.bpa.gov/Southeast-Idaho-Load-Service-Bonneville-Power-Administration).

BPA is pleased to share that negotiations have concluded. BPA now proposes to execute binding contracts for the B2H with Transfer Service plan of service. Before making a final decision to execute the contracts, BPA is providing regional stakeholders with more information about the contracts and an opportunity to comment. BPA is also conducting appropriate National Environmental Policy Act (“NEPA”) processes before making a final decision.

Under the B2H with Transfer Service plan of service, BPA’s role as permitting partner and potential future partial owner of the B2H project would be removed from the B2H ownership structure. BPA would transfer its B2H permitting interest share to Idaho Power in a Purchase, Sale, and Security Agreement. Idaho Power and PacifiCorp would jointly own and construct the B2H project pursuant to separate agreements between them. To serve the SILS customers’ loads, BPA would enter into a network integration transmission service agreement (“NITSA”) with Idaho Power under its Open Access Transmission Tariff (“OATT”) for service to the five SILS customers in the Goshen area and a second NITSA for service to Idaho Falls. These NITSA’s would provide BPA with a single leg of network integration transmission service (“NITS”) from Idaho Power to deliver resources from the BPA transmission system to the SILS customers’ various points of delivery.

To facilitate Idaho Power’s ability to serve the SILS customers’ loads as network loads, PacifiCorp would transfer assets to Idaho Power in an agreement between PacifiCorp and Idaho Power. This asset transfer allows the SILS customers’ loads currently served on PacifiCorp’s southeast Idaho transmission system to be served fully on Idaho Power’s transmission system. In consideration of PacifiCorp transferring assets to Idaho Power and with other stipulations, BPA would provide point-to-point (“PTP”) transmission service in central Oregon to PacifiCorp

through the redirect of existing PTP service paired with a conversion of legacy scheduling rights in central Oregon to PTP service. Additionally, BPA would provide Idaho Power with PTP service to the B2H interconnection at the proposed BPA Longhorn substation near Boardman, Oregon. PacifiCorp and Idaho Power would take and pay for the PTP services pursuant to BPA's OATT and rate schedules. BPA would also enter into contracts with Idaho Power and PacifiCorp associated with the B2H interconnection at the proposed BPA Longhorn substation.

For BPA, the construction of B2H by Idaho Power and PacifiCorp in conjunction with the transfer of assets between Idaho Power and PacifiCorp means that BPA would receive firm network transmission service for its SILS customer loads using only one wheel of transmission beyond the BPA transmission system (as opposed to two wheels, which is part of the current interim plan of service). By stepping out of the B2H ownership structure, BPA also avoids the complexity and foregone revenue of other previously considered plans of service.

This letter announces the final terms of the B2H with Transfer Service plan of service. Section II describes the agreements that BPA proposes to execute. Section III provides an explanation of BPA's business case for this plan of service, including the quantitative and qualitative benefits. Key benefits include elimination of today's reliance on conditional firm PTP service for deliveries of BPA resources to the SILS customers' loads, migration of SILS customer loads to firm network transmission service, financial benefits of having a single wheel of transmission for service to the SILS customer and incremental revenues from new PTP sales, congestion relief that benefits BPA's deliveries for all Southern and Southeast Idaho customers, and eliminating today's interim service's reliance on market purchases that carry cost, availability, and carbon-content risks.

Finally, this letter initiates the start of a public comment period that will conclude on February 9, 2023. Section IV provides information for how stakeholders may submit comments. BPA will answer stakeholder questions and discuss aspects of the business case associated with the B2H with Transfer Service plan of service at the January 23, 2023, workshop. BPA intends to make a final decision regarding whether to execute the agreements for the B2H with Transfer Service plan of service in a Closeout Letter to the region on or about March 23, 2023.

II. Final Terms for the B2H with Transfer Service Plan of Service

A. Arrangements to effectuate long-term firm transfer service for the SILS customers' loads

Under the B2H with Transfer Service plan of service, BPA would not become an owner or participate in the construction of the B2H project. Instead, BPA would sell its B2H permitting interest share (around 24%) and its right to future ownership in B2H to Idaho Power. Together with Idaho Power's existing rights to the B2H project, this sale of BPA's permitting interest would allow Idaho Power to fund construction and hold a 45.45% ownership share in the B2H project. PacifiCorp would continue to fund construction and hold a 55.55% ownership share in the B2H project.

To serve the SILS customers' loads after the B2H project is constructed, BPA would purchase long-term firm NITS from Idaho Power. Currently, service to the SILS customers' loads uses transmission facilities that are owned by PacifiCorp. In order to facilitate Idaho Power's ability to serve the SILS customers' loads entirely from its transmission system after the B2H project is constructed, PacifiCorp would transfer an ownership interest to Idaho Power in the PacifiCorp facilities that are presently used to serve BPA's SILS loads (the "asset exchange"). In addition, BPA would pay Idaho Power \$10 million upon execution of the NITSAs as security for Idaho Power's construction of the B2H project to provide BPA with the NITS service. The security would allow Idaho Power to provide assurances to its regulatory bodies that its retail rate payers were insulated from risk associated with Idaho Power purchasing BPA's share of the B2H permitting interest.

Following execution of the Term Sheet, Idaho Power and BPA merged the terms for the sale of BPA's permitting interest and the NITSA security payment into a single agreement, the Purchase, Sale, and Security Agreement, because the subject matters were interrelated. The key provisions of the Purchase, Sale, and Security Agreement, NITSAs, and agreements between Idaho Power and PacifiCorp needed to serve the SILS loads are described below. If BPA's final decision is to proceed with the B2H with Transfer Service plan of service, BPA would execute these agreements concurrent with issuing the Closeout Letter.

1. Purchase, Sale, and Security Agreement

In the Purchase, Sale, and Security Agreement, BPA would transfer its permitting interest share to Idaho Power in exchange for payment to BPA for the costs BPA incurred towards permitting the B2H project (around \$30 million). BPA would also pay Idaho Power the \$10 million security payment. The payment for the value of the permitting interest and the security is the Purchase Price. The agreement sets forth the requirements associated with the reimbursement of the Purchase Price to address the risks and uncertainties associated with Idaho Power taking on a larger ownership share in the B2H project and constructing a major new transmission line to provide BPA with NITS service.

If Idaho Power successfully completes construction and energization of the B2H project by the milestones in the Purchase, Sale, and Security Agreement, Idaho Power would return the \$10 million security to BPA within 60 days of energization of the B2H project. The remaining amount of the Purchase Price would be paid in installments based on a 20 year payment schedule. The first installment of the Purchase Price payment would begin 10 years after B2H is energized, provided that BPA takes the NITS service from Idaho Power during those 10 years. Additionally, during those 10 years of NITS service, BPA's NITS loads must reach 400 MW or more on the hour of Idaho Power's transmission system peak on a twelve-month rolling average basis. If BPA's NITS loads do not reach the 400 MW threshold during the initial 10 years of service, Idaho Power would begin repaying BPA the Purchase Price on the next year after the 400 MW threshold is met.

The Purchase, Sale, and Security Agreement also addresses reimbursement of the Purchase Price to BPA if problems arise with Idaho Power completing construction and energization of the B2H project:

- If Idaho Power does not receive the necessary governmental authorizations and, as a result, cannot complete the B2H project to provide NITS service to BPA, Idaho Power would not be obligated to pay the Purchase Price to BPA. BPA is agreeing to accept this financial risk because Idaho Power would be funding a higher percentage of B2H costs in order to provide BPA with NITS service under the B2H with Transfer Service plan of service.
- If Idaho Power does not receive governmental authorization by January of 2025, and has not commenced construction by January of 2026, or other timeline as mutually agreed to by BPA and Idaho Power, BPA would have the option to terminate the NITSAs. The option to terminate the NITSAs allows BPA to pursue an alternative plan of service for the SILS loads if there is substantial risk that the B2H project would not be completed.
 - If BPA exercises the option to terminate the NITSAs and Idaho Power ultimately receives governmental authorizations and completes the B2H project, Idaho Power would return the security to BPA and pay the remaining amount of the Purchase Price. If Idaho Power does not complete the B2H project, then Idaho Power is relieved of the obligation to pay BPA the Purchase Price.
 - If BPA does not exercise the option to terminate the NITSAs and Idaho Power ultimately completes the B2H project, then Idaho Power would pay BPA the Purchase Price based on the installment payment schedule described above.
- If Idaho Power receives all necessary governmental authorizations by January of 2025, but decides to no longer proceed with constructing and energizing the B2H project, Idaho Power would return the security to BPA. Additionally, Idaho Power must attempt to market the transferred permitting interest. Idaho Power would then pay BPA for its proportional share of the sale proceeds.

The Purchase, Sale, and Security Agreement generally reflects the deal and structure envisioned in the Term Sheet. The 400 MW limit is a new term that the parties negotiated after execution of the Term Sheet to allow Idaho Power to provide assurances to its regulatory bodies that its retail ratepayers were insulated from risk associated with Idaho Power purchasing BPA’s share of the B2H permitting interest. The Term Sheet also contemplated that Idaho Power would return security amounts as credits offsetting BPA’s NITSA bills. The Purchase Price payments will be independent of the NITSA billing.

2. NITS Agreements with Idaho Power

For the B2H with Transfer Service plan of service, BPA would enter into two new long-term firm NITSAs with Idaho Power. One new NITSA would provide for service to the Goshen area customers (Lower Valley, Soda Springs, Fall River, Lost River, and Salmon River) (“Goshen NITSA”). A second new NITSA would provide service for Idaho Falls (“Idaho Falls NITSA”). The Goshen and Idaho Falls NITSAs, together with the asset exchange between Idaho Power and PacifiCorp, would allow BPA to deliver energy to the SILS customers’ loads from BPA’s

transmission system on a single leg of firm network transmission service across Idaho Power's system as opposed to relying on the conditional firm service under the interim plan of service. Finally, BPA would update three existing NITSAs that support service to BPA's Southern Idaho customers.

Service under the Goshen and Idaho Falls NITSAs would commence after two conditions precedent are satisfied. First, Idaho Power must complete construction and energization of the B2H project. Second, Idaho Power and PacifiCorp must exchange assets sufficient to enable Idaho Power to deliver resources from the BPA transmission system across the Idaho Power system on a single leg of transmission to the SILS customers' loads (see subsection 3 below). Commensurate with the asset exchange, the SILS customers' loads under the Goshen NITSA would move from the PacifiCorp Balancing Authority Area to the Idaho Power Balancing Authority Area. Arrangements for the Idaho Falls NITSA are described below.

After these conditions precedent are met, service under the Goshen and Idaho Falls NITSAs would commence upon energization of B2H, or a later date if specified by the Federal Energy Regulatory Commission (Idaho Power must obtain regulatory approval from the Commission for the NITSAs). Service under the NITSAs would terminate on July 1, 2046, and could be rolled over for additional terms consistent with Idaho Power's OATT.

The NITSAs also include an assignment provision that would allow BPA to request assignment of some or all of the service under the NITSA to the wholesale customers that are served by the NITSA. Idaho Power may not unreasonably withhold its consent to such assignment, provided the wholesale customer qualifies as an Eligible Customer consistent with Idaho Power's OATT and assumes BPA's rights and obligations under the assigned NITSA.

Idaho Falls would be served under a separate NITSA because of its unique supply arrangements with other parties. Idaho Falls currently purchases BPA's slice/block product and is responsible for managing its hourly balancing needs. Idaho Falls contracts with Utah Associated Municipal Power Systems ("UAMPS") for this balancing service, which UAMPS provides under a legacy transmission service agreement with PacifiCorp to balance the Idaho Falls load in the PacifiCorp Balancing Authority Area. Due to this unique arrangement and after discussion with Idaho Falls, BPA determined that it was reasonable to negotiate a separate NITSA for Idaho Falls. One of BPA's objectives in negotiating the Idaho Falls NITSA was to ensure that there was no impact to the existing relationship between Idaho Falls and UAMPS, or the legacy agreement between UAMPS and PacifiCorp. Accordingly, the Idaho Falls NITSA would only serve the portion of Idaho Falls load served by BPA resources.

With regard to the updates to existing NITSAs, BPA has three existing NITSAs with Idaho Power. BPA uses these NITSAs to serve 15 preference customers, including the customers in the Burley area, and to deliver reserve power to the United States Bureau of Reclamation and irrigation customers. Idaho Power has identified transmission constraints associated with serving increased loads under these NITSAs. One of the key benefits associated with the completion and energization of the B2H project is that B2H increases the capacity on Idaho Power's system that could be used to serve future load growth for these customers. After B2H is energized, these existing NITSAs would be updated to include a new B2H point of receipt that BPA can use to

deliver resources from the BPA transmission system to BPA's customers located on Idaho Power's system.

3. Agreements between Idaho Power and PacifiCorp

As noted above, concurrently with BPA executing the Purchase, Sale, and Security Agreement to divest BPA of any interest in the B2H project, Idaho Power and PacifiCorp would enter into agreements for the continued funding of the B2H project, including permitting, preconstruction, and construction (with Idaho Power funding 45.45% of all further costs associated with the B2H project). Idaho Power and PacifiCorp would also enter into other agreements necessary for ownership and the ongoing operation and maintenance of the B2H project. In addition, Idaho Power and PacifiCorp would proceed with obtaining all state and federal regulatory approvals applicable to them.

With regard to the asset exchange that is a key feature of the B2H with Transfer Service plan of service, Idaho Power and PacifiCorp would enter into an agreement to transfer Goshen area assets from PacifiCorp to Idaho Power. In many instances, these assets are already jointly owned by Idaho Power and PacifiCorp, so the asset exchange would adjust the ownership share of the jointly owned facilities to increase Idaho Power's share. The asset exchange would commence upon the energization of B2H and the NITSAs between BPA and Idaho Power.

BPA is not a party to the agreements between Idaho Power and PacifiCorp. If BPA's final decision is to proceed with B2H with Transfer Service, Idaho Power and PacifiCorp would execute the contracts they would be party to concurrent with BPA executing the contracts that BPA would be party to. Questions or comments about the agreements between Idaho Power and PacifiCorp or about the permitting and construction of the B2H project should be directed to Idaho Power and PacifiCorp. For more information about Idaho Power and PacifiCorp's B2H transmission line project, please visit [Boardman to Hemingway - Idaho Power](#).

B. Transmission Agreements with PacifiCorp and Idaho Power

Under the B2H with Transfer Service plan of service, BPA would provide PTP transmission service to PacifiCorp and Idaho Power pursuant to BPA's OATT and rate schedules. Additionally, BPA would enter into other transmission arrangements with Idaho Power and PacifiCorp related to the interconnection of the B2H project with the proposed BPA Longhorn substation. This section describes these transmission arrangements.

1. BPA providing PTP service to PacifiCorp

The 2022 Letter explained that, in consideration for PacifiCorp transferring its Goshen assets to Idaho Power, BPA and PacifiCorp would evaluate options for BPA to provide PacifiCorp with 680 MW of firm PTP service at or near the 230kV side of the Ponderosa substation (Ponderosa 230) in central Oregon. BPA's evaluation would be consistent with BPA's OATT and business practices and would consider a 2021 joint study. The preferred option included conversion of PacifiCorp's legacy bidirectional scheduling rights over BPA's Buckley-Summer Lake line to PTP service. The transmission capacity associated with the conversion would be combined with

PacifiCorp requesting to redirect existing PTP service. PacifiCorp would pay for the PTP service pursuant to BPA’s OATT and posted transmission rates. The second, back-up, option involved changes to how PacifiCorp scheduled the legacy bidirectional scheduling rights with other limitations.

As noted above, the Term Sheet provided that BPA’s evaluation would take into consideration a 2021 joint study performed by BPA, Idaho Power, and PacifiCorp as well as two series capacitor projects identified in the study that Idaho Power and PacifiCorp intended to install. For one of the projects, Idaho Power and PacifiCorp would install a series capacitor around the midpoint of the B2H line and develop a remedial action scheme (“Midline Series Capacitor Project”). For the other project, PacifiCorp would upgrade the existing series capacitor at the Meridian substation or install an electrically equivalent series capacitor (“Meridian Series Capacitor Project”). The joint study demonstrated that these series capacitor projects would improve performance of the transmission system with B2H in service and would allow BPA to accommodate the PTP service PacifiCorp sought as compared to the existing system configuration. The Midline and Meridian Series Capacitor Projects enhance system stability and allow flows to be shifted from more constrained transmission facilities to less constrained parallel facilities. Both of these factors help to optimize the utilization of the overall transmission system. The 2021 joint study provides useful information, but does not serve as a replacement for PacifiCorp submitting transmission requests and BPA evaluating those requests consistent with BPA’s OATT and applicable business practices. Therefore, the Term Sheet specified that PacifiCorp would need to submit transmission service requests so that BPA could do the OATT evaluation.

Following execution of the Term Sheet, BPA and PacifiCorp aligned on the details for the PTP redirect requests that would be paired with the conversion of the legacy scheduling rights under the preferred option. The second, back-up option was determined to be unworkable and did not receive further consideration. In April and June, 2022, PacifiCorp submitted the PTP redirect requests over BPA’s OASIS. The following table describes the requests:

Parent (Existing) Reservation	Redirect Reservation
70 MW from Garrison 500 to Buckley 500	70 MW from Garrison 500 to Ponderosa 230
70 MW from McNary 230 to Buckley 500	70 MW from McNary 230 to Ponderosa 230
200 MW from Big Eddy 500 to Buckley 500	200 MW from Big Eddy 500 to Ponderosa 230
120 MW from Ponderosa 500 to Ponderosa 230	120 MW from Summer Lake 500 to Ponderosa 230
190 MW from Ponderosa 500 to Pilot Butte 230	190 MW from Summer Lake 500 to Pilot Butte 230
30 MW from Ponderosa 500 to Pilot Butte 230	30 MW from Summer Lake 500 to Pilot Butte 230

BPA evaluated the redirect requests consistent with its OATT and the standard evaluation processes, which are described in BPA’s business practices including the Transmission Service Request Evaluation Business Practice. BPA’s standard evaluation processes take into consideration existing obligations and higher queued requests. BPA evaluated the availability of

capacity to accommodate the conversion of the scheduling rights to PTP service based on the existing bidirectional capacity over the Buckley-Summer Lake line that PacifiCorp has been scheduling under the legacy contract (340 MW in the north-to south direction and 340 MW in the south-to-north direction). In order to pair the conversion with the redirect requests, BPA applied this bidirectional capacity to the redirected service. BPA then considered whether there were other impacts to the transmission system not reflected in the redirect and conversion analysis. Finally, BPA's consideration took into account the 2021 joint study and the installation of the series capacitor projects.

BPA concluded that the PTP service (the preferred option) can be accommodated with stipulations that are consistent with the Term Sheet. The PTP stipulations include the energization of the B2H project to include the Midline Series Capacitor Project, the installation of the Meridian Series Capacitor Project pursuant to a construction agreement between PacifiCorp and BPA, the transfer of the Goshen area assets between PacifiCorp and Idaho Power, and the commencement of BPA's Goshen and Idaho Falls NITSAs with Idaho Power.

Accordingly, BPA is proposing to execute several agreements with PacifiCorp concurrent with the issuance of the final decision in the Closeout letter. The PTP agreements with PacifiCorp reflect the service shown in the Redirect Reservation column of the table above and include conditions precedent to reflect the PTP stipulations. After the conditions precedent have been met, the service would commence upon energization of B2H. BPA also would execute an amendment to the legacy agreement with PacifiCorp to remove PacifiCorp's bidirectional scheduling rights upon commencement of the PTP service (as noted, this amendment reflects the conversion to the PTP service). PacifiCorp is required to file the amendment to the legacy agreement with the Commission for approval. Finally, BPA would execute a construction and coordination agreement with PacifiCorp which sets forth PacifiCorp's obligations to design, coordinate with BPA, and install at its sole expense the Meridian Series Capacitor Project.

Following the February 8, 2022 workshop, several stakeholders asked how the proposed PacifiCorp transmission service would affect the constrained transmission system in central Oregon. Customers also asked whether BPA was considering additional upgrades in central Oregon as part of the B2H negotiations and, if so, whether there was an opportunity for BPA's customers to share the costs and benefits for those upgrades. As BPA explained in its April 1, 2022, response to the workshop comments, the conversion paired with the redirected service does not affect the transmission service BPA provides to other customers in central Oregon. As described above, BPA evaluated the service consistent with its business practices which take into account existing obligations and higher queued requests. Further, the 2021 joint study undertaken by BPA, PacifiCorp, and Idaho Power identified the Midline and Meridian Series Capacitor Projects as upgrades that would improve system performance with B2H in service. However, these projects and the B2H project do not increase the capacity available to BPA's other customers in central Oregon.

2. BPA providing PTP Service to Idaho Power

The 2022 Letter explained that, in lieu of a previously considered asset exchange between BPA and Idaho Power under the B2H with Asset Swap proposal, Idaho Power would acquire 500 MW

of PTP service from BPA for delivery of northwest resources to the B2H connection at the proposed BPA Longhorn substation. Before execution of the Term Sheet, Idaho Power submitted a transmission request seeking this service. BPA evaluated the request as part of the 2021 TSEP Cluster Study. Following the study, BPA determined that the request could be accommodated with stipulations. The stipulations include the energization of the B2H project and the interconnection of the B2H project to the proposed BPA Longhorn substation (see subsection 3 for discussion about the proposed B2H interconnection). Idaho Power would pay for the PTP service pursuant to BPA's OATT and posted transmission rates. BPA is proposing to execute the PTP agreement with conditions precedent reflecting these stipulations concurrent with the issuance of the final decision in the Closeout letter.

3. B2H Interconnection to the Proposed BPA Longhorn Substation

The northern terminus for the B2H project and the point of interconnection with BPA's system would be BPA's proposed Longhorn substation near Boardman, Oregon. The 2022 Letter explained that to facilitate the B2H interconnection at the proposed BPA Longhorn substation, BPA, Idaho Power, and PacifiCorp would develop line and load interconnection and related funding and construction agreements. In February of 2022, Idaho Power as project manager for the B2H project, submitted a line and load interconnection request (L0515) for the B2H interconnection. BPA is currently studying this request, which will include environmental review, and intends to offer additional agreements and make decisions on design, advance funding, and construction in accordance with BPA's line and load interconnection business practice.

BPA is not making a final decision to construct the proposed Longhorn substation as part of B2H with Transfer Service decision. Prior to Idaho Power's B2H interconnection request L0515, Umatilla Electric Cooperative ("UEC") submitted a load interconnection request (L0482) ("UEC project") and the construction of the proposed Longhorn substation has been identified as a need for the UEC project. At this time, the UEC project is further along in the study process than the proposed B2H interconnection. BPA has completed the technical studies for the UEC request and is currently in the process of completing environmental review of the potential impacts to the human and natural environments (*e.g.*, physical, biological, and cultural resources) under NEPA. The NEPA documentation for the UEC interconnection request will be made available to the public on BPA's website. After BPA completes the environmental studies, which is expected in February, 2023, BPA will make a final decision about the construction of the Longhorn substation in response to the UEC interconnection request. Accordingly, BPA's decision to construct the proposed Longhorn substation would be in response to the UEC request and would not be driven by the final decision for the B2H with Transfer Service plan of service.

While BPA's final decision to construct the Longhorn substation will be in response to the UEC request and not the B2H with Transfer Service plan of service, BPA would design the proposed Longhorn substation to accommodate the B2H interconnection request and other future interconnection requests. Equipment specific to the UEC project and the B2H interconnection request, such as an additional 500 kV terminal for the proposed B2H interconnection, 500/230 kV transformers, and a 230 kV yard for the UEC project, would be designed, funded, and developed in accordance with BPA's line and load interconnection business practice. BPA

anticipates allocating advance funding responsibilities between the UEC project and the B2H interconnection in accordance with BPA's line and load interconnection business practices. Consistent with the Term Sheet in recognition of the benefits exchanged, BPA would require advance funding from the B2H project, subject to repayment through transmission credits on OATT service, for costs associated with the B2H interconnection at the proposed BPA Longhorn substation.

4. Removal of a segment of BPA's Boardman-to-Ione transmission line

A portion of BPA's Boardman-to-Ione 69-kV transmission line is located in a right-of-way crossing the U.S Navy's ("Navy") Naval Weapons Systems Training Facility Boardman Property in Umatilla County, Oregon. BPA uses this line to serve Columbia Basin Electric Cooperative, Inc. ("Columbia Basin"). Idaho Power and PacifiCorp need a segment of this right-of-way for B2H construction. For B2H to be constructed on the right-of-way, BPA's Boardman-Ione transmission line must be removed first. Additionally, BPA would need to find an alternative to serve Columbia Basin.

In 2019, BPA decided to enter into an amended Boardman-to-Ione transmission line land use agreement with the Navy to allow for the removal of the line from the Navy property so that the B2H project could repurpose a segment of the right-of-way, with the remaining segment to be removed to the benefit of cultural and natural resources in the area. See Bonneville Power Administration, Record of Decision, Boardman-to-Ione 69kV Transmission Line (May 13, 2019), available at <https://www.bpa.gov/-/media/Aep/efw/nepa/active/boardman-to-hemingway/board-ione-lua-nepa-rod-05-13-2019-final.pdf>. BPA's decision was contingent on multiple considerations, including BPA entering an agreement with Idaho Power and PacifiCorp to ensure that BPA would be reimbursed in full for all costs associated with removing the Boardman-to-Ione line and providing an alternative to service Columbia Basin's load. In the event the B2H project is not constructed, BPA will retain its right-of-way on the Navy property.

On March 18, 2020, BPA, Idaho Power, and PacifiCorp executed an agreement for PacifiCorp and Idaho Power to pay or reimburse BPA for its costs associated with removing and replacing the Boardman-to-Ione line if the B2H project is constructed. BPA's costs include providing replacement service for Columbia Basin's loads, which would include studies and design, environmental review, building a step down substation, tap line and tap, and other necessary construction or reconfigurations to accommodate the removal. These reimbursement commitments were acknowledged in the section of the Term Sheet describing Idaho Power and PacifiCorp's intent for the B2H construction funding agreement. The commitments have also been incorporated into agreements with Idaho Power, as project manager for B2H, associated with BPA's removal and replacement of the Boardman-to-Ione line.

With regard to BPA finding an alternative to serve Columbia Basin, BPA intends to request transmission service from UEC to serve Columbia Basin's load. As an initial step, BPA has submitted a line interconnection request to UEC. This request starts the process for BPA to construct a new step down substation and transmission facilities to connect the UEC end point of service to Columbia Basin's system. At this time, BPA is siting, designing, and studying these proposed facilities. As planning progresses, BPA would conduct environmental review of the

potential impacts to the human and natural environments that could be expected from implementing the Boardman-to-Ione line relocation. As noted above, pursuant to the March 18, 2020, agreement, BPA will recover costs associated with the Boardman-to-Ione line relocation from PacifiCorp and Idaho Power. Energization of the proposed alternative service would need to be completed by spring of 2025, to allow time to remove the old line and build the new B2H line by spring of 2026.

5. Operational agreement with Idaho Power and PacifiCorp

The 2022 Letter described BPA, Idaho Power, and PacifiCorp's intent to 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 500kV), and the Northwest AC Intertie. Following execution of the Term Sheet, BPA, PacifiCorp, and Idaho Power prioritized negotiation of the contracts described above. Negotiation of the operational agreement will begin this winter.

C. Assignment Agreement with PacifiCorp

The 2022 Letter explained that BPA currently purchases 200 MW of conditional firm PTP service from Idaho Power to wheel power over Idaho Power's system for ultimate delivery to SILS customers on PacifiCorp's system. With the construction of the B2H project, the NITSAs, and associated asset exchanges between Idaho Power and PacifiCorp, BPA will no longer need to procure these conditional firm PTP services. The 2022 Letter described BPA's intent to assign its conditional firm PTP service agreements on Idaho Power's system to PacifiCorp, subject to certain stipulations. Prior to the assignment, BPA would submit redirect requests to the points of receipt and points of delivery selected by PacifiCorp. PacifiCorp would be responsible for all costs associated with the redirect and assignment. This redirect and assignment is to PacifiCorp's benefit for the B2H deal, but would not result in any increased costs to BPA.

Following execution of the Term Sheet, BPA and PacifiCorp negotiated a Letter Agreement setting out the terms for the future redirect and assignment of BPA's conditional firm PTP service. BPA is proposing to execute the Letter Agreement concurrent with issuing the final decision in the Closeout Letter. Pursuant to the Letter Agreement, BPA would submit redirect requests pursuant to Idaho Power's OATT for the two conditional firm service agreements on Idaho Power's system. BPA would request the redirected service to commence following the energization of B2H and commencement of BPA's NITSAs with Idaho Power. PacifiCorp would reimburse BPA for all study costs and fees assessed by Idaho Power.

Following Idaho Power's evaluation of the redirect requests, PacifiCorp would determine if the redirected service, including any conditions Idaho Power might assess, is acceptable to PacifiCorp. If the service is acceptable to PacifiCorp, then BPA would confirm the requests and assign the redirected reservations to PacifiCorp. If PacifiCorp determined that the redirected service was not acceptable, then BPA would withdraw the requests and, if directed by PacifiCorp, submit alternative redirect requests. If B2H is energized and BPA's NITSAs have commenced but PacifiCorp has not yet accepted assignment of the conditional firm PTP service agreements, PacifiCorp would reimburse BPA for all rates and charges that Idaho Power assesses to BPA for the two 100 MW conditional firm PTP service agreements, until such time as the service is assigned to or waived by PacifiCorp.

III. Business Case for the B2H with Transfer Service Plan of Service

The 2022 Letter described BPA's business case for the B2H with Transfer Service plan of service at a high level, noting that the proposal would provide a firm, stable, and long-term transmission path to deliver resources from the BPA transmission system to the SILS customers' loads at an economical cost. During the February 8, 2022, workshop, BPA explained that the estimated benefits of B2H with Transfer Service is a 35% to 52% improvement in net present value ("NPV") over the interim plan of service. Now that contract negotiations are complete, BPA has updated the assumptions in the business case. This letter provides an overview of BPA's business case.

Quantitatively, BPA analyzed the costs associated with the B2H with Transfer Service plan of service and the current interim plan of service using a NPV methodology over a 30-year horizon and with a discount rate of 2.81%. Notably, there are significant uncertainties associated with the assumptions used for a 30-year period. Therefore, BPA evaluated numerous rate, cost, and revenue assumptions to determine a range of cost savings that could be expected over a 30-year period. On average over 30 years, the B2H with Transfer Service plan of service yields an estimated cost of around \$520 million. Over that same time period, the continuation of the current interim plan of service yields an estimated cost of around \$1.24 billion. Accordingly, the B2H with Transfer Service provides an estimated \$720 million of cost savings as compared to the interim plan of service.

Each of the scenarios evaluated in the business case includes significant complexity, with many factors driving cost, savings, and relative value. However four primary drivers account for the majority of the significant financial benefit associated with the B2H with Transfer Service plan of service over the current interim plan of service. First, the B2H with Transfer Service plan of service eliminates the need to acquire two legs of transmission that BPA currently uses to serve the SILS customers' loads. Eliminating one leg of transmission yields an expected value of approximately \$250 million in cost savings over the 30-year period.

Second, Idaho Power is expected to have lower rates for NITS as compared to PacifiCorp's rates for NITS under the interim plan of service. As such, taking NITS from Idaho Power is expected to have a lower cost compared to the PacifiCorp NITS costs BPA anticipates if BPA were to continue the current interim plan of service. BPA's analysis of Idaho Power's expected rates took into account projected increases following its construction of B2H, as well as the implications of such rate increases on BPA's costs under the existing NITSAs for service to

BPA's other preference customers in southern Idaho. The NITS service from Idaho Power is expected to yield approximately \$190 million in cost savings over the 30-year period.

Third, BPA expects \$45 million in lower overall Energy Costs over the 30-year period by reducing BPA's reliance on market power in the vicinity of the SILS customers.

Lastly, the B2H with Transfer Service plan of service yields incremental revenue for BPA associated with 500 MW of PTP service that BPA would provide to Idaho Power. This PTP service is estimated to yield an expected value of approximately \$200 million in revenue over a 30-year period.

BPA also expects \$40 million in the recovery of sunk cost (the sunk cost is the Purchase Price for the sale of BPA's permitting interest, which includes the payment of the \$30 million BPA incurred towards permitting plus the \$10 million security). BPA anticipates the costs associated with purchasing transmission service from UEC to serve Columbia Basin's load to be modest.

In addition to these quantitative financial benefits, BPA expects other substantial benefits. As noted above, BPA's current interim plan of service relies on a leg of transmission over Idaho Power's system that is "conditional firm" PTP service. Conditional firm PTP service is a type of transmission service that can be curtailed more readily under certain system conditions. The conditions associated with this service are reviewable by Idaho Power every two years, increasing the risk of additional conditions for curtailment of BPA's PTP service over time. With Idaho Power's construction of B2H, BPA would receive long-term firm network transmission to serve its southeast Idaho loads. Network transmission is redispached rather than curtailed like PTP, substantially reducing BPA's risk of service to its loads.

Additionally, the increase in transmission capacity across Idaho Power's system from the construction of B2H would enhance BPA's ability to serve its other existing preference customers currently served by NITSAs over Idaho Power's transmission system. BPA uses these existing NITSAs to serve 13 preference customers in the Burley, Idaho area, Oregon Trail Electric Cooperative in eastern Oregon, and the City of Weiser in western Idaho. BPA also uses an existing NITSA to deliver reserve power from the federal system to the United States Bureau of Reclamation and irrigation customers. The completion of the B2H project would create capacity on Idaho Power's system that could be used to serve the load growth of these existing customers. Accordingly, potential transmission system congestion on federal power deliveries to these customers over Idaho Power's system would be alleviated.

The B2H with Transfer Service plan of service also reduces BPA's reliance on market power in the vicinity of the SILS customers. The current interim plan of service has BPA sourcing market power from the desert Southwest, which carries with it resource adequacy considerations and negative implications for the carbon content of BPA's fuel mix. Reduced market reliance alleviates these negative effects and generally reduces BPA's cost risk in a region where resource retirements loom and BPA has already observed reduced liquidity.

Additionally, while providing PacifiCorp with PTP service in central Oregon would not result in additional revenues for BPA because it reflects the redirect of existing PTP service that

PacifiCorp currently pays for, that aspect of the B2H with Transfer Service arrangement works to achieve BPA's strategic objectives of converting legacy service to standard OATT service. Idaho Power and PacifiCorp would also fund the series capacitor projects that improve system performance when B2H is in service. Lastly, the B2H with Transfer Service plan of service avoids the complexities and complications of joint ownership and asset swaps originally considered in the B2H with Asset Swap proposal (a description of the B2H with Asset Swap proposal was provided in the 2022 Letter).

IV. Public Process and Next Steps

BPA is proposing to proceed with the B2H with Transfer Service plan of service and execute binding contracts with Idaho Power and PacifiCorp. Public participation and input on the B2H with Transfer Service plan of service is important to BPA. Before BPA makes a final decision, BPA is seeking public comment through February 9, 2023. Comments should be submitted [here](#). BPA will hold a workshop to answer questions about the B2H with Transfer Service plan of service on January 23, 2023. Please find details of that workshop [here](#). BPA is also conducting appropriate NEPA processes. If BPA decides to proceed, BPA will issue a Closeout letter to the region on or about March 23, 2023, describing its reasoning and responding to comments.

If BPA's final decision is to proceed, BPA would execute the Purchase, Sale, and Security Agreement, the two NITSAAs with Idaho Power, the PTP agreements and other related transmission agreements with PacifiCorp and Idaho Power, and the Letter Agreement with PacifiCorp concurrent with issuing the Closeout letter to the region. The decision to execute agreements associated with the proposed B2H interconnection to the BPA Longhorn substation and the removal and replacement of BPA's Boardman-to-Ione transmission line would be in accordance with BPA's line and load interconnection processes.