

Council Business Meeting

Date: March 1, 2022

Agenda Item	Purchase of Mountain Avenue Substation	
From	Tom McBartlett	Electric Director
Contact	thomas.mcbartlett@ashland.or.us 541-488-5357	

SUMMARY

Staff is seeking authorization for the City Manager to execute a contract with the Bonneville Power Administration (BPA) for the purchase of the Mountain Avenue substation.

POLICIES, PLANS & GOALS SUPPORTED

This purchase is one of the recommendations from the Electric Utility 10-year planning study that was first presented to Council in August 2014.

Being centrally located and designed with room for increased capacity, the Mountain Ave. substation can play an important role in meeting the City's CEAP goals of carbon reductions through fuel switching and EV adoption. City ownership will allow for the increased capacity to be constructed ahead of the anticipated demand.

Increased capacity at Mountain Ave. would add resiliency to the City's Utility, if one of the Pacific Power owned substations went offline for any reason, the load from them could then be easily transferred to Mountain Ave.

PREVIOUS COUNCIL ACTION

March 19, 2019, Council approved a contract with Knife River to install the conduit and vaults down Hersey St. that will be necessary to integrate expanded capacity from Mountain Ave. That project was completed in July of 2019.

FISCAL IMPACTS

BPA has agreed to a sale price of \$895,109 for the substation which includes all the equipment in the station and the land that it is on.

Currently the City is charged a Utility Delivery Charge (UDC) for energy delivered to the city, through the BPA station, but if the City owned the station this charge would be eliminated. Currently the UDC charge is just under \$177,000 annually, and the simple payback on the purchase would be just over five years if BPA's rate stayed flat. The UDC charge is one of the more volatile components of BPA's transmission rates, so the actual payback period is likely shorter.

Funds are available for this purchase and were included in the current biennium budget.

STAFF RECOMMENDATION

Staff recommends that Council authorize the City Manager to execute a contract with the Bonneville Power Administration for the purchase of the Mountain Avenue substation.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

I move to authorize the City Manager to execute a contract with BPA for the purchase of Mountain Avenue substation at a price of \$895,109.

REFERENCES & ATTACHMENTS

Memorandum of proposed sale from BPA

March 19, 2019 Council [Communication](#)
[10-year planning study](#)

United States Government

Department of Energy
Bonneville Power Administration

memorandum

DATE: January 19th, 2022

REPLY TO
ATTN OF: TPC/TPP-4

SUBJECT: Proposed Bonneville Power Administration's (BPA) sale of Mountain Avenue substation to City of Ashland.

TO: Mr. Tom McBartlett, Director of Electric Utilities
City of Ashland
20 E Main Street
Ashland, OR 97520

Dear Mr. Schacher,

Bonneville Power Administration (BPA) wishes to formally notify City of Ashland that BPA is interested in pursuing the sale of BPA's Mountain Avenue Substation to the City of Ashland.

Mountain Avenue Substation is a Utility Delivery (<34.5 kV) substation. BPA first instituted the Utility Delivery Charge, intended to recover the costs of owning, operating, and maintaining low-voltage facilities, as part of the 1996 Rate Case. As part of the Transmission Rates and Terms and Conditions Settlement Agreement (Transmission Settlement Agreement) entered into by BPA and the parties to BPA's 1996 rate case, BPA was obligated to adopt a policy that gives customers the right to buy or lease, and commits BPA to sell or lease, BPA's Delivery Facilities. In addition to and contemporaneous with the 1996 Rate Case, BPA decided that it was appropriate to move away from low-voltage delivery. To accomplish this, BPA is focused on selling as many of its facilities rated below 34.5 kV as possible. Now that BPA is down to a few remaining facilities, BPA is generally selling them at their present depreciated book value. The present depreciated book value of Mountain Avenue substation is \$895,109.

This letter confirms BPA's interest in commencing discussions to sell said BPA facilities and associated equipment. Such purchase/sale shall be subject to environmental review, and execution of a mutually satisfactory terms and agreement. Neither party will have any legal obligation to the other regarding purchase of Mountain Avenue Substation until a definitive agreement is executed by both parties.

Sincerely,

Kelly G. Johnson
Manager
Customer Service Engineering

cc:

T. Simpson – TSE/TPP-2

K. Johnson – TPC/TPP-4

J. Largo – TPCV/TPP-4

R. Morris – TPCV/TPP-4

J. Lewis – TPCF/REDMOND

V. Hitchens – TPCV/MEAD-GOB

K. Baker – TPCV/TPP-4

Customer File – TPC/TPP-4 (City of Ashland)