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March 31, 2009

**To:** Power Committee Members

**From:** William Hannaford

**Subject:** Review Chapter 12. Bonneville's Obligations

### **Chapter 12. Bonneville's Obligations.**

This chapter will discuss the statutory obligations that require Bonneville's resource acquisition activities to be consistent with the Council's power plan and will describe the resource strategy the Council recommends Bonneville pursue in meeting future load growth. The chapter will identify the loads the Bonneville may be expected to face. These loads will take into account the tiered rate construct the agency has adopted as well as the recently executed Regional Dialogue contracts. It will begin with an overview of the nature of Bonneville, based on its statutory authorities and obligations related to resource acquisition. It will also describe the various public processes that have focused on the role the region and the agency expect Bonneville to serve in coming years. Summarizing the recommendations of the various regional processes, the Council will set forth its own recommendations for the future of Bonneville's resource acquisition activities.

**A. What the Act provides.** This section will describe the new role created for Bonneville under the Northwest Power Act, requiring the Administrator to meet certain loads placed on the agency and authorizing Bonneville to acquire resources to meet those loads. Bonneville functions both as a utility business, supplying both energy and transmission, and as a federal agency, with certain public purposes. Even as a utility business, Bonneville is directed to acquire resources in a statutorily preferred order.

**B. Bonneville's evolving role.** This section will discuss the various public processes that have addressed the question of Bonneville's role in resource acquisition. For the Comprehensive Review, the Joint Customer Proposal, the Council's Fifth Power Plan, and the Regional Dialogue, there will be a brief discussion of each process, how it came to be and how it was conducted, and the resulting recommendations each process offered.

Bonneville spent a good part of last year responding to direction from the Ninth Circuit, reworking its Residential Exchange Program, looking both back and forward. The agency also

revised and will implement a new Average System Cost Methodology. It has developed and is preparing to implement a Tiered Rates Methodology. In the same time-frame, the agency negotiated and signed 20-year contracts with all its public customers. Some of these policy determinations have been challenged in the Ninth Circuit. The Council is aware, then, that some further regional efforts may be required to enable the agency to assume its new role.

This section will also address the ways in which Bonneville's policy decisions have responded to the recommendations made by the various regional processes.

**C. The Administrator's requirements.** This section will describe the demand that is likely to be placed on Bonneville. Bonneville will have to meet the Tier 1 loads of customers that have signed Regional Dialogue policy contracts and will likely have to acquire new resources in order to do so. In time, Bonneville will probably have to acquire new resources to meet the Tier 2 loads of those customers who elect to have Bonneville meet their load growth.

**D. Consistency with the Power Plan.** When Bonneville acquires resources, they are to be consistent with the Council's power plan, with certain narrowly drawn exceptions. For actions related to major resources, as defined in the Act, there is a special showing required under Section 6(c) and an opportunity for the Council to determine whether a proposed action is consistent with the plan. This section will discuss the resource priorities found in the Act, outline what sorts of resources are likely to be consistent with the plan, and set out the Council's recommended strategy for meeting the resource requirements outlined in Section E, above.

**E. Council recommendations.** This section will outline the general recommendations the Council has regarding Bonneville's future role in resource acquisition.