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September 13, 2006

**TO:** Council Members

**FROM:** Wally Gibson

**SUBJECT:** Preliminary Review of the July 24 Extreme Temperature Event

On July 24 the region, despite earlier assessments that we had a substantial margin of resources available over loads, found itself in a position where several Northwest utilities declared NERC Alerts, signifying that all resources were operating and they were down to operating reserves with no margin left over, spot market prices spiked to the FERC cap level of \$400 per megawatt-hour (with some reportedly at higher levels) and Bonneville had to alert the TMT to the potential for violating spill requirements to enable it to meet power emergencies in California and potentially in the Northwest (though it ended up not having to do so). How did this situation come about? What was happening that day?

The Resource Adequacy Forum Steering Committee asked for a review of those events and an analysis of any implications they might have for the summer capacity adequacy standard that is currently under development.

A team, consisting of staff from the Council and Bonneville, with the assistance of members of the Resource Adequacy Forum Technical Committee and the Northwest Power Pool, has prepared a preliminary review of the events of July 24 and attempts to answer those questions. The investigation is still continuing and we intend to have a full written report to present to the Steering Committee and the Council in the future. The preliminary report, conveyed in the slides in the packet (which were prepared by that team), provides much of the explanation for what happened and is being used by the Forum to fine-tune the capacity standard.

The slide may be further revised before the presentation to the Council, though we do not expect major revisions. If so, they will be provided to the Council as soon as they are available.