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November 6, 2002

MEMORANDUM

TO: Council Members

FROM: Steve Crow and Jim Tanner

SUBJECT: Council Budget Process Report to Congress

Background:

The Congressional House Appropriations Committee has included language in the report that accompanies the Energy and Water Appropriations bill that requests the Council to provide information on its most recent budget formulation. Because the Council is funded from Bonneville ratepayer revenues, the committee questions whether the Council's independence is diminished in matters pertaining to major capital funding decisions by Bonneville.

The report was due by November 1st however, since the legislation has passed the Committee but not yet been passed out of the House, the due date has been deferred until the end of November.

Council staff is working on the draft report. It will be sent under separate cover when it is completed prior to the Council meeting.

Action:

At the Council meeting, staff will review the proposed organization and content of the report. While the committee requested budget formulation information, staff believe this is also a unique opportunity to attempt to resolve problems with the funding formula that frequently disadvantage the Council's independent planning capability. Information will be proposed for inclusion in the report that addresses this issue.

The proposed outline of the report follows:

I. Introduction.

- Brief description of Council's responsibilities.
- 1996 amendment, additional F&W responsibilities.
- Areas of mutual oversight between Council and Bonneville.

II. Council Funding.

- Funding Formula.
- Summary of Council budget levels.
- Council budget growth and inflation since 1985.

III. Bonneville Agreement--Fiscal guidelines with Council.

- Responsibilities of each entity.
- Conditions for funding.
- Conditions for paying Council expenses.
- Schedule for providing firm sales forecast, consultations and budget submittal.

IV. Council budget formulation process.

- Strategic planning.
- Workplans.
- Firm sales forecast.
- Draft budget.
- Public comment/consultations.
- Budget submittal to Bonneville.
- Zero-based budget reviews.
- Negotiated budget limitation agreements with Bonneville.

V. Firm power sales volatility.

- Residential exchange.
- Load curtailment.
- Economic effects.
- Future role of Bonneville.

VI. Problems with the funding formula.

- Cost-effective conservation.
- F&W responsibilities.
- Inflation.

VII. Conclusion.

- Short term issues.
- Long term issues.
- Council/Bonneville roles and responsibilities.