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October 30, 2007

## MEMORANDUM

**TO:** Power Committee

**FROM:** Terry Morlan

**SUBJECT:** Bonneville Non-Major Resource Consistency Proposal

The Power Committee will discuss a proposed process for the Council to receive information about resource acquisitions that Bonneville is considering and to make a determination of whether the acquisition is consistent with the Council's power plan. This process does not replace the Section 6(c) determination for major resource acquisitions. It is intended to be used for smaller (non-major) resource acquisitions, which may characterize many of Bonneville's future acquisitions and offers the Council an opportunity that it did not have before to review non-major resource acquisitions.

The objectives of this proposed process are:

- To accomplish the goals and objectives of the Council's plan and the business transactions of Bonneville in a cooperative and non-confrontational process;
- To provide the Council an opportunity to express concerns about individual, or an accumulation of, non-major resource acquisitions;
- For Bonneville to be able to check for any Council concerns about a proposed acquisition before a final commitment is made;
- To do this expeditiously so that Bonneville can move opportunistically if necessary without the delays inherent in a formal review;
- To allow Bonneville to share commercially sensitive data about proposed acquisitions with the Council staff through confidentiality agreements.

Bonneville has already asked for a staff opinion about a specific acquisition and provided information about it under a confidentiality agreement. The staff response to Bonneville is attached as an example of the type of finding that might be produced through this process. In addition, we have modified the proposal in response to Council discussion at the October Power Committee meeting. The revised proposal is attached. The Council packet has a decision memorandum. It is the staff's recommendation to keep the process simple, informal, and nonadversarial by having Council members respond to an email consistency recommendation, rather than having to reach formal agreement in a Council meeting.

Bonneville has suggested that major resource acquisitions are not out of the question in the future. Bonneville and the Council still may want to revisit our respective 6(c) policies as included in Action Item Mon-9 of the Fifth Power Plan prior to implementing the Regional Dialogue contracts.

Attachments

## **Proposed approach for Council evaluation of Bonneville non-major resource acquisition consistency**

Bonneville expects to be acquiring some additional generation resources over the next several years to augment the Federal Base System under the regional dialogue policy. The individual acquisitions are unlikely to meet the Act's threshold for a formal 6(c) process for the acquisition of a "major" resource. Nor do we have reason, at least not yet, to declare a set of proposed acquisitions a coordinated acquisition program triggering 6(c) review under the existing 6(c) policy. But even if no "major" resources are involved, the Act still imposes on Bonneville an obligation to acquire resources consistent with the Council's Power Plan (with carefully limited exceptions).

Unlike the situation with major resources and Section 6(c), the Act does not specify any particular role and process for the Council to review these proposed non-major acquisitions for consistency with the Council's power plan. However, Bonneville has stated that it does want to work with the Council to make sure that Bonneville's acquisitions can be considered to be consistent with the Power Plan.

To reiterate, the review process proposed here does not replace the Section 6(c) determination for major resource acquisitions. It is intended to be used for smaller (non-major) resource acquisitions, which may characterize many of Bonneville's future acquisitions. The objectives of the proposed process are:

- To accomplish the goals and objectives of the Council's plan and the business transactions of Bonneville in a cooperative and non-confrontational process;
- To provide the Council an opportunity to express concerns about individual, or an accumulation of, non-major resource acquisitions;
- For Bonneville to be able to check for any Council concerns about a proposed acquisition before a final commitment is made;
- To do this expeditiously so that Bonneville can move opportunistically, if necessary, without the delays inherent in a formal review;
- To allow Bonneville to share commercially sensitive data about proposed acquisitions with the Council staff through confidentiality agreements;
- To move one or more proposed acquisitions into a 6(c) review process, *if* information developed in the course of these reviews indicates that is the more appropriate review.

The proposed approach is for the appropriate Council staff to review all the information on a proposed acquisition, including any confidential proprietary information. Bonneville and the Council have developed a confidentiality agreement that will allow Bonneville to provide confidential information on proposed acquisitions to select members of the staff (in most cases, only Terry Morlan, Jeff King and Maury Galbraith). We expect that the staff assessment will consider not only the proposed acquisition by itself, but also the accumulation of foregoing acquisitions of efficiency and generation resources as the context for any individual consistency determination.

Following its review, the staff will make a recommendation to the Council as to whether the proposed acquisition appears to be consistent (or not) with the Power Plan. The staff recommendation, a summary of the information about the proposed acquisition, and reasons for the staff's recommendation would be sent to the Council by email. The full background information, including the confidential information, would not go to the Council unless issues are raised that require Council review of the detailed information. Council members would be given a set time to respond if they agree with the staff recommendation or if they have concerns. The intent is to allow the Council to raise any concerns before the final acquisition is completed, but without unduly delaying the commercial transactions.

If the acquisition appears to be consistent with the Council's Power Plan and there are no Council member objections, staff would inform Bonneville of the fact. If there are concerns raised in the staff recommendations or by Council members, Bonneville would be informed about those concerns. On a case by case basis, the Council can decide whether to pursue the issues in other ways that may be open to it.