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April 7, 2020

MEMORANDUM

TO: Council Members

FROM: John Shurts

SUBJECT: Background presentation on Bonneville's statutory responsibilities with regard to power sales and resource acquisitions

At the April Council meeting, Tim Johnson from the Bonneville General Counsel's office will give a background presentation by webinar on Bonneville's statutory responsibilities and authorities with regard to power sales and resource acquisitions. We feel this will be good background for the members as you head into the power plan. We have asked Tim for a presentation that will cover the following topics:

- Basic statutory structure for Bonneville in terms of power sales obligations and resource acquisition authorities and requirements
- Current agency construct under these statutes: contractual obligations; related cost/rate structure; resources – to 2028
- Post 2028 – situation; legal context; opportunities; limits

When we get a set of presentation slides or a more detailed outline from Tim, I will send it around.



Reviewing BPA's Authority to Market Power and Acquire Resources

Office of General Counsel

April 15, 2020



Need Based Acquisition Authority

“Need” based acquisition authority to supply contractual/operational need.

If no need exists then no basis to acquire.

Loads vs. resources

Planning basis

Council’s Plan

White Book/Resource Program



Northwest Power Act: Contracts and firm power load obligation

- Section 5(b)(1): Publics, coops, IOUs
 - Preference and Priority
 - Firm Power Load
 - Electric Power (peaking capacity, energy)
 - Net Requirements

- §§ 5(b)(1)(A) & (B)

Firm Power Load Obligation

- Section 5(c) Residential Purchase and Exchange Sales
- Section 5(d) Direct Service Industrial firm power sales

Add 5(b) + 5(c) + 5(d)

= Firm power load obligation
aka Regional load

Acquisition of Resources: § 6

- Council's Power Plan—guidance to Administrator
 - In general the Administrator determines which resource(s) are consistent with the plan [§§6(a)(1); 6(b)(2)&(3)]
 - Cost effective
- #1 Conservation, #2 renewable resources, #3 resources using cogen or high fuel conversion efficiency, #4 all other

Determining Need

- Forecast of firm power load obligations and generation produced by resources:
 - Federal Base System
 - Exchange Resources
 - Transmission Act §11(b)(6)(i) purchases
 - Conservation
- If load is greater than resources, then need to acquire “sufficient resources to meet [Administrator’s] contractual obligations”

Economic Operations

- The Past: Shaped water—coordination to optimize the system (PNCA)
- 1990's Deregulation
 - Market develops
 - Power products/services unbundle
 - Customers and parties = competition
 - Surplus power/EFP
- WORLD CHANGED

Managing resource risk

- Since 1995 Business Plan: Market Driven

- Competition
- Risk of acquiring for long-terms
- Customer load uncertainty
- Shape of hydro generation 8x4

“Only one type of resource fully fits these conditions: spot market purchases.”

- §11(b)(6)(i) short term purchase authority (“short-term” = 5 years or less. See H. Rep. 96-976, Part II, 96th Cong., 2d Sess. at 37 (1980)).

Firm Power Sales Contracts That Fit the Time

- Evolution from the 1981 PSC to current Regional Dialogue contract
- Balancing risk between the parties
- Tiered rates
- Resource decisions/obligations

Post-2028: Looking Forward

- Statutes Remain the Same
 - Statutory entitlements (Preference)
 - Load Service Obligations
 - Resource Priorities
- Regional Contracts Expire
- Res Exch. Settlement Expires
- Post-2028 To Be Determined

B O N N E V I L L E P O W E R A D M I N I S T R A T I O N

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