

Northwest Energy Review Transition Board

Draft Work Plan

Charge to Transition Board from Comprehensive Review

The Comprehensive Review report described the role of the Transition Board as follows:

“To ensure public accountability, regional acceptance and prompt implementation of the Committee’s recommendations, the governors should appoint a high-level board. This board shall be known as the Northwest Energy Review Transition Board. The Board should remain in place until the recommendations of the Review are implemented or 2001, whichever is sooner.

The Board will work with regional interests and Bonneville in a public process to oversee the subscription process and provide liaison with the Northwest congressional delegation and affected constituencies. The Board periodically should determine whether Bonneville and its customers are making adequate progress on the subscription process or, if they are not likely to succeed on a timely basis, whether another approach is necessary. The Board should periodically report its findings to the governors.

The Transition Board would review Bonneville’s progress on the development of procedures for offering and pricing products and services, and Bonneville’s role in the competitive market. The Board also would assist the region in responding to federal legislation.

In addition, the Board should be responsible for making recommendations to assist in implementation of the Review’s recommendations.”

In its discussion of the role of Bonneville in a competitive market, the report further described the Board’s review role:

“Bonneville should plan to achieve sufficient net revenues from un-subscribed products to meet Treasury payments and maintain cost-based rates to subscribers. Speculative risk to Treasury and subscribers should be minimized. To the extent consistent with its obligation to repay Treasury, Bonneville should return to its historic role of marketing power generated by the Federal Columbia River Power System, rather than becoming an aggressive marketer of products and services in the emerging competitive power market. A quantitative plan for marketing should be presented to the transition board . . . reporting to the four Northwest governors.”

Work Plan

This document is intended to be a working document, reflecting the Transition Board's current expectations about the progress and direction of implementation of the Comprehensive Review's recommendations. It is likely to be modified from time to time as external events dictate.

General Oversight and Coordination

The Transition Board will:

- Provide monitoring and coordination of the implementation of the Comprehensive Review's report.
- Work with regional interests, Congress, the federal Administration, the state legislatures and state and local utility commissions to achieve consistency with the recommendations of the Comprehensive Review.
- Ensure that any conflicts in timing or other aspects of implementation of various parts of the report are addressed and, if possible, resolved.

Subscription and Bonneville Marketing

Goals

The goals are a successful subscription process and definition of a Bonneville marketing plan consistent with the recommendations of the Comprehensive Review

Timing

The timing of the subscription process needs to meet two conflicting goals. The first is to be fast enough to demonstrate progress to Congress and to the Administration, which currently appear to view the Review's proposals favorably. It should also move along at a pace that would allow legislation to be passed if it is found necessary for the subscription process to proceed as desired and finish soon enough before contract expiration in October 2001 to avoid putting either Bonneville or the customers at a disadvantage. The second goal is to move forward at a sufficiently deliberate pace to ensure that the issues are given measured consideration and adequate resolution.

- The Board will work with Bonneville and the customers and other interested parties, to establish a schedule that will allow sufficient clarity on the resolution of the major issues by the end of 1998 such that the Board will be able to determine whether the subscription process will be successful or whether other approaches to the problem must be sought. A preliminary checkpoint in mid 1997 and a subsequent checkpoint in late 1997 would allow assessments of any legal problems posed by the Review's recommendations and time to draft remedies for the 1998 session of Congress.
- The Board will work with Bonneville, the customers and other interested parties to devise a system of milestones or other measures of progress toward the final subscription. The Board will review progress against these milestones to ensure that the process is timely. The parties

need to recognize that events in Congress may require a change in the pace of progress to ensure that the interests of the region are protected.

Critical Path Issues

- The Board requests that Bonneville, the customers and other interested parties develop an initial list of critical issues, along with a work plan for resolving them, and present them to the Board for review within the next two months. Examples of such critical path issues could include:
 - The nature of any relief from take or pay obligations;
 - Resale rights;
 - Amount and payment of option fees;
 - Definition of stranded costs and stranded cost obligations;
 - Resolution of bilateral resource acquisitions and Bonneville's requirements obligations under the Northwest Power Act;
 - Ability of small customers to place load growth on Bonneville;
 - Definition of the makeup, role and operation of the Customer Advisory Committee; and
 - Definition of the products being subscribed.

- Bonneville and the customers have begun work facilitated by the Pacific Northwest Utilities Conference Committee (PNUCC). This group has prepared a preliminary scope of work covering their activities implementing the Review's federal power marketing subscription recommendations. The approach is divided into two phases. The first is a collaborative process in which Bonneville and the customers, with the participation of other interested parties, discuss and define their respective business interests. The second is a period of bilateral negotiations ultimately leading to subscriptions. This approach has been incorporated in this work plan. The Bonneville/customer group scope of work is attached as Appendix A.

Activities

The Transition Board will:

- Monitor Bonneville and customers working together with other interested parties to establish subscription process and resolve issues.

- Provide a forum for regular reporting by participants, and public comment, on status of issues and their resolution.

- Provide feedback to participants on consistency with goals and direction from the Comprehensive Review.

- Work with Bonneville, customers and others to assess the need for legislation to accomplish the goals of the review and, if necessary, work with these parties, the Delegation and the Administration on such legislation.

- Ensure that the process is moving methodically and on a timely basis toward a conclusion.
- Review Bonneville's marketing plan for consistency with the report of the Comprehensive Review.

Transmission

Goals

The goals are successful establishment of independent grid operator and separation of Bonneville generation and transmission consistent with the recommendations of the Comprehensive Review.

Activities - Independent Grid Operator

The Transition Board will:

- Maintain active liaison with efforts to establish an independent grid operator with Bonneville as a participant.
- Request regular briefings by the IGO participants on the status of issues before them, focusing particularly on the issues raised by Bonneville participation, including possible need for legislation.

Activities - Bonneville transmission and generation separation

The Transition Board will:

- Convene interested parties to identify and work on resolution of the issues involved in a single regionally supportable piece of legislation providing for legal separation.
- Work with Administration and Northwest delegation to support goals of Comprehensive Review in separation legislation.
- Hold regular briefings at which public comment would be solicited and guidance provided to aid in incorporating the Review's goals.

Consumer Access and Conservation, Renewable Resources and Low Income Energy Services

Goals

The goals are state and local actions to address consumer access and conservation, renewable resources and low income energy services consistent with the recommendations of the Comprehensive Review. In the area of conservation, renewable resources and low income energy services, the intent of the Comprehensive review was to allow the greatest possible local authority while providing an assured minimum level of investment. With respect to consumer access the goal is to provide access to the market for consumers with necessary conditions in place by a date certain.

Timing

The Comprehensive Review sets forth a time line for implementation of its consumer access and conservation, renewable resources and low income energy services recommendations. The Review recommends that local utilities be given the opportunity to meet minimum standards for investment in conservation in renewables and the provision of low income energy services in the manner most appropriate to their situation. The Review also recommends that each state enact legislation which sets forth a minimum standard for retail distribution utility investments in conservation and renewable resources and the provision of low-income weatherization and energy-efficiency services. This standard is to take effect not later than July 1, 1999. If this standard is not met, the state legislation should provide for the assessment of a uniform systems benefits charge that ensures the collection and investment of funds for these purposes. Finally, the Review also recommends that by July 1, 1997, each utility meet the minimum investment standard of at least 3 percent of its retail revenues for conservation and renewable resources and low-income weatherization. If utilities representing at least 90 percent of the regional end-use loads do not, then the Review recommends that the region seek a federal backup to take effect July 1, 1999.

For consumer access, the Review recommends that beginning July 1, 1999, all retail distribution utilities offer open retail market access for those customers that desire direct market access. Key conditions for assuring fair and effective competition are part of the recommendation. The possibility of a phase-in of market access is acknowledged. The review recommends that the timing of the implementation of the minimum investment standard for conservation, renewable resources and low income energy services be directly linked to the timing of open retail market access.

To accomplish these recommendations, the Montana and Oregon legislatures will have two sessions and Idaho and Washington legislatures will have three legislative sessions.

Activities

The Transition Board will:

- Communicate recommendations of Comprehensive Review to state legislatures, state regulatory commissions and local utilities.
 - Develop concise guidelines or principles based on the regional consensus contained in the Comprehensive Review report.
 - Consult with legislative leaders and utility commissions regarding recommendations.
- Maintain a repository of all legislative and regulatory proposals brought before states in the region and of developments by states outside the region.
 - Provide summaries of proposals.
 - Make summaries and proposals accessible to interested parties through web site, newsletter, etc.
 - Maintain repository of legislative and regulatory proposals and actions by other states outside of the Northwest.
- Analyze restructuring proposals

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- Analyze proposals for content and consistency with Comprehensive Review recommendations.
 - Compare various proposals within and between states in the region.
 - Share findings with legislative or regulatory leadership, bill sponsors, and other regional interests.
- Provide testimony as requested and needed.
 - Facilitate coordination among policy makers in the northwest states to promote policy consistency.
 - Follow utility pilot programs for consumer access
 - Evaluate the structure and results of pilot programs to test consumer retail market access.
 - Make findings from pilots available to decision makers throughout the region.
 - Work with regional utilities and others to develop a mechanism to determine consistency with the recommendations for local implementation of consumer access and conservation, renewable resources and low income energy services.
 - Monitor federal legislative initiatives for consistency with the Comprehensive Review's recommendations and, if necessary, work with Delegation achieve consistency and to incorporate backup mechanism called for by the Review.

Liaison with Northwest Delegation and Administration on Federal Legislation

Activities

The Transition Board will:

- Develop, in consultation with regional interests, list of key regional concerns for national legislation consistent with Comprehensive Review recommendations and communicate with delegation.
- Maintain repository of summaries of Federal legislation or regulation introduced and their status.
- Analyze proposed legislation or regulations for consistency with Comprehensive Review recommendations.
- Communicate issues of concern to delegation and Administration.

FISH & WILDLIFE / RIVER GOVERNANCE

Goals

This work plan is designed to address the Fish and Wildlife and River Governance issues with the

goal of reaching agreement on decision processes that are capable of : 1) providing adequate certainty on a timely basis regarding the cost and production levels of the Federal hydroelectric system; and 2) providing greater certainty regarding the measures that can be undertaken to meet fish and wildlife goals. Achieving an adequate level of certainty on fish and wildlife costs and hydro production is critical to the success of the subscription process that is central to the Comprehensive Review's recommendations on federal power marketing. Similar certainty is required before a stable and effective fish and wildlife recovery effort can be achieved. The best that can be achieved is a process in which decisions on specific actions are made on a timely basis, the decisions provide relative certainty for as long a period as possible, the process for making those decisions is efficient and inclusive, and the burdens are shared. To accomplish this, the Transition Board needs to promote an inclusive process to establish the roles and responsibilities of the participants and decision makers.

Timing

Consistent with the Comprehensive Review's recommendations, Bonneville and its customers are developing a proposed time frame for the negotiation of future power sales contracts to effect the Review's subscription process. A level of certainty regarding the direct fish and wildlife costs that must be borne by Bonneville and the amount hydro generation that can be counted upon is necessary before final negotiations can begin on a subscription process between Bonneville and its customers. In major part, customers are going to make decisions whether to subscribe or not on the basis of whether Bonneville's costs, including fish recovery costs, are above or below market. This suggests that reliable projections of direct fish and wildlife costs and hydro generation for the post-2001 period are necessary by early to mid- 1999. Moreover, because the Review's recommendations favor subscriptions of as long a term as possible, the projections of fish and wildlife costs and hydro production need to provide relative certainty for extended periods, certainly not less than 5 years.

It may be useful to think of the problems associated with fish and wildlife/river governance and certainty for power subscription in terms of three parts, each with an increasing order of difficulty. They are: 1) determination of 5 year budgets for *direct funding* of fish and wildlife activities; 2) determination of a *strategy* for determining river operations for fish and wildlife over five year periods during which the nature and timing of major system configuration changes or major changes in reservoir and river operations are known; and 3) a process for reaching decisions on whether to make major system configuration changes or to dramatically change reservoir and river operations for fish and wildlife.

If decisions calling for major changes to system configuration and reservoir and river operations can be put into effect during the 2001-2006 period, these decisions need to be made in time to be able to define direct fish and wildlife costs and river operations in the 2001-2006 period by mid-1999. This suggests that decisions regarding major system configuration changes or dramatic changes in reservoir and river operations for fish and wildlife would need to be made by early 1999. If it is determined that such decisions could not be put into effect during the 2001-2006 time frame, these decisions could be put off somewhat. However, since these decisions could affect costs and system output post-2006, they would need to be made in time to support providing five year estimates of costs and system performance for the years following 2006 on a rolling annual basis.

Activities

The Governors should see that responsible parties are tasked with carrying out the following activities:

- Prepare and disseminate a summary of existing legal responsibilities and authorities, institutional roles, and processes.
- Facilitate a broadly-based regional forum involving the federal government, states, Tribes and other interests to solicit alternatives for fish and wildlife and river governance decision making. If it is determined to be useful, the alternatives should be address the three major problem areas described above. Examples of alternatives that have been proposed include the status quo; lead authority ceded to the states, possibly through the Northwest Power Planning Council; deference to federal agencies; dual customer governing board/river governing board; the Executive Committee/memorandum of agreement/Independent Scientific Advisory Board; and a Board of Sovereigns.
- Prepare and disseminate descriptions of the of the alternatives.
- Facilitate a regional consultative process involving the federal government, states, Tribes and other interests regarding the alternatives and their pros and cons with the objective of developing recommendations for improved decision processes for fish and wildlife/river governance.
- Prepare recommendations from the consultative process to the Governors, Congress, the Administration and responsible agencies as appropriate.
- Work with appropriate entities to implement the recommendations on a timely basis to support the Bonneville subscription process and fish and wildlife goals.

The responsible parties could be the offices of the Governors, the Northwest Power Planning Council, the Transition Board, or some other entities the Governors determine to be appropriate.

Timelines

The timelines for the major activities under federal power marketing; transmission; consumer access and conservation, renewable resources and low income energy services; and fish and wildlife and river governance are attached as Figures 1 through 4.

