



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

FREEDOM OF INFORMATION ACT/PRIVACY PROGRAM

December 5, 2023

In reply refer to: FOIA Requests BPA-2022-01116-F, BPA-2023-00140-F, 2023-00778-F, and BPA-2023-01038-F

SENT VIA EMAIL ONLY TO: (b) (6)

Michael Deckert

(b) (6)

Dear Mr. Deckert,

This communication is the Bonneville Power Administration's (BPA) final response to your requests for agency records made under the Freedom of Information Act, 5 U.S.C. § 552 (FOIA).

Requests

As was communicated to you via email on November 29, 2022, and thereafter, the agency notes that your series of FOIA requests, BPA-2022-01116-F (Deckert) and BPA-2023-00140-F (Deckert) and BPA-2023-00778-F (Deckert), BPA-2023-01038-F (Deckert), and BPA-2023-01038-F (Deckert) all overlap in subject. As such, in the interest of conserving limited agency resources, the processed these FOIA requests in parallel:

BPA-2022-01116-F

This request was received on July 25, 2022 and formally acknowledged on August 1, 2022: "Records from 2021 and 2022 related to the funding of the Cowlitz Falls Project FERC No.P-2833 in Lewis County, WA. Relevant topics would include but not be limited to: the purpose and need for the funds; the purpose and need for funds requested by [Lewis County Public Utility District] LCPUD that BPA declined to fund; documents filed in arbitration; items in dispute including the purchase of land (approx. \$700,000) referenced in Summer Gadsby Goodwin's (BPA) email to Michael Deckert dated July 6, 2022; amendments to the power purchase agreement."

BPA-2023-00140-F

This request was received on November 9, 2022 and formally acknowledged on December 3, 2022: "Records from July 26, 2022 to November 4, 2022, related to the funding of the Cowlitz Falls Project FERC No.P-2833 in Lewis County, WA. Relevant topics would include but not be limited to: relicensing; recreation; the purpose and need for the funds; the purpose and need for funds requested by LCPUD that BPA declined to fund; documents filed in arbitration; items in dispute; amendments to the power purchase agreement."

BPA-2023-00078-F

This request was received on March 30, 2023 and formally acknowledged on April 6, 2023: “Records from November 5, 2022, to March 29, 2023, related to the funding of the Cowlitz Falls Project FERC No.P-2833 in Lewis County, WA. Relevant topics would include but not be limited to: relicensing; recreation; the purpose and need for the funds; the purpose and need for funds requested by LCPUD that BPA declined to fund; documents filed in arbitration; items in dispute; amendments to the power purchase agreement; any data, analysis, reports supporting funding requests/decisions.”

BPA-2023-01038-F

This request was received on May 26, 2023 and formally acknowledged on June 16, 2023: “Records through May 26, 2023 documenting BPA’s analysis, discussions, actions regarding the intent to not renew the Power Purchase Agreement with Lewis County Public Utility District #1, FERC Project 2833. Relevant topics include but are not limited to records that document: data, reports, cost/benefit analysis, projections, reimbursement under section 17 of the contract, and forecasts.” [Referencing] BPA 3/13/2019 Letter to LCPUD[,] "We are informing you at this time it is Bonneville's intent not to extend this Contract; however, a formal letter will be sent to Lewis as the Term Date draws near.”

Third Party Review of Records

As previously related to you, as afforded by U.S.C. § 552(b)(4), we provided Public Utility District No. 1 of Lewis County an opportunity to review records containing their data prior to public release. They reviewed their records and have no objections to public release.

Response

Subject matter experts from the agency’s Contract Generating Resources, Generation Asset Management, and General Counsel Offices collected 2063 pages of responsive records. Those pages accompany this communication with the following number of redactions made under the following exemptions:

- Ten exemptions applied under 5 U.S.C. § 552(b)(5) (Exemption 5)
- Fifty-three exemptions applied under 5 U.S.C. § 552(b)(6) (Exemption 6)

Explanation of Exemptions

The FOIA generally requires the release of all agency records upon request. However, the FOIA permits or requires withholding certain limited information that falls under one or more of nine statutory exemptions (5 U.S.C. §§ 552(b) (1-9)). Further, section (b) of the FOIA, which contains the FOIA’s nine statutory exemptions, also directs agencies to publicly release any reasonably segregable, non-exempt information that is contained in those records.

Exemption 5

Exemption 5 protects “inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency” (5 U.S.C. § 552(b)(5)). The FOIA’s Exemption 5 deliberative process privilege protects records showing the deliberative or decision-making processes of government agencies. Records protectable under this privilege must be both pre-decisional and deliberative. A record is pre-decisional if it is generated before the adoption of an agency policy. A record is deliberative if it reflects the give-and-take of the consultative process, either by assessing the merits of a particular viewpoint, or by articulating the process used by the agency to formulate a decision. Here, BPA relies on Exemption 5 here to protect the agency’s pre-decisional, deliberative comments about the LCPUD budget. Release of these comments would cause confusion to and mislead the public about the agency’s decision-making process.

Records protected by Exemption 5 may be discretionarily released. BPA has considered and declined a discretionary release of some pre-decisional and deliberative information in the responsive records set because disclosure of that information would harm the interests and protections encouraged by Exemption 5.

Exemption 6

Exemption 6 serves to protect Personally Identifiable Information (PII) contained in agency records when no overriding public interest in the information exists. BPA does not find an overriding public interest in a release of the information redacted under Exemption 6—specifically, mobile phone numbers and meeting call-in numbers, personal (non-business) email addresses, and an employee’s personal comment. This information sheds no light on the executive functions of the agency and BPA finds no overriding public interest in its release. BPA cannot waive these redactions, as the protections afforded by Exemption 6 belong to individuals and not to the agency.

Lastly, as required by 5 U.S.C. § 552(a)(8)(A), information has been withheld only in instances where (1) disclosure is prohibited by statute, or (2) BPA foresees that disclosure would harm an interest protected by the exemption cited for the record. When full disclosure of a record is not possible, the FOIA statute further requires that BPA take reasonable steps to segregate and release nonexempt information. The agency has determined that in certain instances partial disclosure is possible and has accordingly segregated the records into exempt and non-exempt portions.

Fees

There are no fees associated with processing your FOIA request.

Certification

Pursuant to 10 C.F.R. § 1004.7, I am the individual responsible for the records search and information release described above. Your FOIA requests with tracking numbers

BPA-2022-01116-F, BPA-2023-00140-F, 2023-00778-F, and BPA-2023-01038-F are now closed with all responsive agency information provided.

Appeal

Note that the records release certified above is final. Additional records releases will be forthcoming as agency resources and records volumes permit. Pursuant to 10 C.F.R. § 1004.8, you may appeal the adequacy of the records search, and the completeness of this final records release, within 90 calendar days from the date of this communication. Appeals should be addressed to:

Director, Office of Hearings and Appeals
HG-1, L'Enfant Plaza
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585-1615

The written appeal, including the envelope, must clearly indicate that a FOIA appeal is being made. You may also submit your appeal by e-mail to OHA.filings@hq.doe.gov, including the phrase "Freedom of Information Appeal" in the subject line. (The Office of Hearings and Appeals prefers to receive appeals by email.) The appeal must contain all the elements required by 10 C.F.R. § 1004.8, including a copy of the determination letter. Thereafter, judicial review will be available to you in the Federal District Court either (1) in the district where you reside, (2) where you have your principal place of business, (3) where DOE's records are situated, or (4) in the District of Columbia.


Additionally, you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows:

Office of Government Information Services
National Archives and Records Administration
8601 Adelphi Road-OGIS
College Park, Maryland 20740-6001
E-mail: ogis@nara.gov
Phone: 202-741-5770
Toll-free: 1-877-684-6448
Fax: 202-741-5769

Questions about this communication may be directed to James King, FOIA Public Liaison, at jjking@bpa.gov or at 503-230-7621. Thank you for your interest in the Bonneville Power Administration.

Sincerely,

**RACHEL
HULL**

 Digitally signed by
RACHEL HULL
Date: 2023.12.03
13:10:30 -08'00'

Rachel L. Hull
Freedom of Information/Privacy Act Officer



Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER SERVICES

June 6, 2022

- In reply refer to:
1. Bradley Ford email to Cherie Sonoda, "RE: BPA review: 15-Month Budget Adjustments", dated September 20, 2021.
 2. Bradley Ford letter to Debbie Carlson, "Operating Working Capital", dated April 22, 2022

Mr. Brad Ford, Chief Financial Officer
Public Utility District #1 of Lewis County
P.O. Box 330
Chehalis WA 98532-0330

Dear Mr. Ford:

By this letter, the Bonneville Power Administration (Bonneville) approves the Cowlitz Falls Project (CFP) 15-month Operating Year (OY) 2021 Budget as documented in your correspondence to Cherie Sonoda, dated September 20, 2021, as noted in reference #1 above, and agreed to by both parties.

On March 2, 2021, Lewis County PUD #1 (District) and Bonneville reached a Partial Settlement Agreement whereby Bonneville was required to send the District and additional \$218,140.00 to make the District "whole" for OY 2021. The District communicated to Bonneville that the amount "due" was not to be remitted, since it would increase the OY 2021 underrun amount.

The District's OY 2021 CFP Budget called for Bonneville to provide the CFP \$7,816,840.00 for the OY. On April 22, 2022, (reference #2 above) you noted an underrun in OY 2021 spending of \$812,277.00, of which \$111,762.00 was due to unreconciled differences from the budgeted amount.

The underrun of \$700,515.00 as shown on the 2021 Operating Year Financial Account Summary will be used to offset the OY 2022 CFP Budget. Bonneville understands the \$111,762.00 will be investigated by the District to determine the source of excess cash on hand. Once determined, Lewis will follow guidelines under the Power Purchase Agreement concerning excess working capital.

In Bonneville's forthcoming approval letter for the District's OY 2022 CFP Budget, Bonneville will reduce the amount requested by the District by the \$700,515.00.

Any issues concerning the CFP should be directed to Bonneville's point of contact for the CFP, Debbie Carlson at (509) 372 5751 or dcarlson@bpa.gov.

Sincerely,

**Cherie
Sonoda**

Digitally signed by
Cherie Sonoda
Date: 2022.06.06
13:53:56 -07'00'

Cherie Sonoda, Nuclear Supervisor
Contract Generating Resources

ecc:

Mr. Joe First, Lewis

Ms. Michelle Holmes, Lewis

Ms. Nichole Lantau, Lewis

Mr. Chris Roden, Lewis

Mr. Doug Streeter, Lewis

Ms. Wendy Wood, Lewis

Messrs. T. Cournyer, M. Kelly, E. Rothlin, Commissioners

ebcc:

K. Manary - FAB -6

J. Wafer - FAB-MODW

L. Aaron - FRG-2

D. Manary - LG-7

C. Sonoda - PGAC

M. Wellner - PGAF

L. Bleifuss - PSW-6

Carlson:dc:5751 5/24/2022 (W:office/correspondence/letters/2022/CFP OY 2021 Budget approval)

Supporting

/ back up

documentation

Carlson,Debbie (BPA) - PGAC-RICHLAND

From: Brad Ford <bradf@lcpud.org>
Sent: Friday, April 22, 2022 1:17 PM
To: Carlson,Debbie (BPA) - PGAC-RICHLAND
Subject: [EXTERNAL] Cowlitz Falls Project - Operating Year 2021
Attachments: 2021 Operating Year Financial Account Summary.pdf; 2021 Operating Year Financial Account Summary (a).pdf; 2021 Operating Year Financial Account Summary (b).pdf; 2021 Operating Year Working Capital Reconciliation.pdf; 2021 Exhibit F Revised 04.22.2022.pdf

↑ entire packet is up to date CFP - Budget letter, official document.

Hi Debbie,

Attached are the 2021 Operating Year Financial Account Summary (a & b are same information, different format), Working Capital Reconciliation and Revised 2021 Exhibit F documents.
Thank you again for the extension of time to complete the end of year comparison.

I'm looking forward to our meeting on Monday, April 25.

Have a great weekend!
Brad
360.740.2417

Brad Ford

Chief Financial Officer | Lewis County PUD | www.lcpud.org
o:(360) 748-9261 | d:(360) 740-2417 | e:bradf@lcpud.org
321 NW Pacific Ave | PO Box 330 | Chehalis, WA 98532-0330

Public Utility District No. 1 of Lewis County is required to comply with the Washington Public Records Act, RCW Ch.42.56. Information submitted via e-mail, including personal information may be subject to disclosure as a public record.

*\$ 700,515 see page 4 (#1)
\$ 218,140 don't remit (#2)
\$ 111,762 where is it (#3)*

(#A)

Account	Account Description	Actual						Total Actual	Total Budget	Total Variance
		7/31/2021	8/31/2021	9/30/2021	10/31/2021	11/30/2021	12/31/2021			
Project Reimbursement / Revenue										
Project Reimbursement										
REV										
2-00-456-200	CF - BPA O&M ADVANCES	(498,960)	(498,960)	(498,960)	(498,960)	(498,960)	(498,960)	(7,702,540)		(218,140)
Project Revenue										
REV										
2-00-417-000	CF - CAMPGROUND RENTAL INCOME	(18,926)	(12,789)	(966)				(314,371)	(125,000)	(10,629)
2-00-417-010	CF - CAMPGROUND REVENUES SUBJECT TO SALES TAX	(2,576)		(1,858)				(6,239)		6,239
2-00-417-300	CF - CAMPGROUND MERCHANT SERVICE FEES	2,039	1,407	926				9,620	0	(9,620)
2-00-419-000	CF - INTEREST INCOME	(950)	(348)	(337)				(4,686)	(5,000)	(314)
2-00-456-300	CF - MISC REVENUES							(4,514)	0	4,514
2-00-108-400	CF - SALES OF VEHICLES							(3,850)	0	3,850
Project Reimbursement / Revenue Total		(518,773)	(510,690)	(500,595)	(499,310)	(499,298)	(499,095)	(7,608,441)	(7,832,540)	(224,099)
Admin & General										
General										
Special O&M										
2-00-184-012	CF - EQUIP - TRANSPORTATION EXP	162	2,285	1,536				25,036	35,000	9,964
2-08-921-000	CF - OFFICE SUPPLIES AND EXPENSES	6,593	1,255	142				18,013	19,400	1,387
2-09-921-000	CF - A&G EXHIBIT F							443,018	500,000	56,982
2-08-923-000	CF - PROFESSIONAL SERVICES	10,997	4,553	38,499				27,111	238,456	97,644
2-08-924-000	CF - PROPERTY INSURANCE	1,768	17,025	4,226				17,988	259,406	(6,800)
2-08-928-000	CF - FERC PERMIT		95,344					17,735	153,450	(16,366)
2-09-539-002	SPCF - MISC. EXPENSES NON LABOR	0	306	570				1,698	10,800	5,268
2-09-542-002	SPCF - STRUCTURES NON LABOR			1,502				118	1,600	(993)
Training										
Special O&M										
2-00-925-102	CF - HEALTH, WELFARE, SAFETY - NON LABOR							7,618	16,000	7,990
2-09-921-002	SPCF - TRAVEL & TRAINING	2,044	4,876	871				2,396	76,000	(19,145)
Admin & General Total		21,564	125,643	47,345	21,679	25,244	517,638	1,265,626	1,400,950	135,324

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Account	Account Description	Actual										Total Actual	Total Budget	Total Variance		
		7/31/2021	8/31/2021	9/30/2021	10/31/2021	11/30/2021	12/31/2021									
Labor																
Wage, Benefits, & Taxes																
O&M																
Special O&M																
2-00-408-500	CF - TAXES - EMPLOYER (FICA, MEDICARE, OASD)	7,809	8,370	7,802	11,681	8,220	8,569					113,349	112,500	(849)		
2-00-242-200	CF - MISC LIABILITY EMPLOYEE VAC												0	18,750	18,750	
2-00-926-000	CF - EMPLOYEE PENSION AND BENEFITS												180	6,300	6,120	
2-00-926-100	CF - RETIREE/COBRA MED INS - PREMIUMS & CLAIMS	1,113	(63)	1,355	1,616	652	994					14,254	25,000	10,746		
2-00-926-110	CF - ACTIVE EMP MED INS - PREMIUMS & CLAIMS	11,807	5,653	22,418	12,585	17,551	29,405					379,016	481,500	102,484		
2-00-926-140	FLU SHOT CLINICS											112	500	388		
2-00-926-200	CF - PERS - EMPLOYER	10,492	10,463	9,811	14,923	10,737	12,162					165,247	151,400	(13,847)		
2-00-926-300	CF - TERM INSURANCE - EMPLOYER	92		92	92	101	110					1,209	5,100	3,891		
2-00-926-310	CF - LONG TERM DISABILITY INSURANCE - EMPLOYER	236		250	339	314	340					3,388	0	(3,388)		
2-00-926-400	CF - W-CI & W-CB - EMPLOYER (INDUSTRIAL INS)				5,262		5,186					20,691	17,800	(2,891)		
2-00-926-500	CF - WASHINGTON PAID FAMILY MEDICAL LEAVE											2,215	2,400	185		
2-00-926-600	CF - VEBA CASHOUT	155	165	176	230	153	159					16,842	6,300	(10,542)		
2-00-926-700	CF - SHORT TERM DISABILITY (EMPLOYER)		1,834	14,747								25,463	2,500	(22,963)		
2-00-926-710	CF - SICK LEAVE BANK											1,784	0	(1,784)		
2-00-926-800	CF - VEBA EMPLOYER CONTRIBUTIONS	908	977	1,105	1,456	1,048	1,186					14,153	14,100	(53)		
2-00-926-999	CF SALARIES	111,923	102,889	103,738	153,587	128,095	117,763					1,538,785	1,645,200	106,415		
2-00-926-999	ES SALARIES	52,091	51,988	52,141	77,173	47,571	40,057					841,122	1,010,200	169,078		
Labor Total		196,625	182,276	213,636	278,943	214,441	215,932					3,137,810	3,499,550	361,740		

4/22/2022

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Account	Account Description	Actual										Total Actual	Total Budget	Total Variance		
		7/31/2021	8/31/2021	9/30/2021	10/31/2021	11/30/2021	12/31/2021									
Operating Expenses																
Fish & Wildlife																
O&M																
2-08-537-010	CF - CFP FISH & WILDLIFE	208	31,752	4,864	6,374	7,940	31,614	87,004	138,600						51,596	
General																
O&M																
2-08-537-060	CF - ENDANGERED SPECIES ACT REQUIREMENTS													57	10,000	9,943
2-08-539-000	CF - MISC EXPENSES	22,449	36,144	8,560	23,204	19,301	97,416	336,086	270,000						(68,086)	
2-08-544-000	CF - MAINT OF ELECTRIC PLANT - HYDRAULIC	889	3,036	2,559	37,526	69,709	13,357	171,446	182,800						5,354	
2-08-545-000	CF - MAINT OF MISCELLANEOUS HYDRAULIC PLA	1,140	2,811	3,907	17,856	7,921	9,326	190,587	420,350						229,763	
Operating Expenses																
O&M																
2-08-535-002	CF - OPERATION, SUPERVSN, ENG. - HYDR (NON LABOR)			11,713	3,503				13,600						(4,166)	
2-08-543-000	CF - MAINT OF RESERVOIRS, DAMS & WATERWAYS	5,627	112,115	35,304	47,257	8,044	99,386	389,139	316,400						(72,739)	
CF20-128	DEBRIS BARRIER COATING & CATHODIC PROTECTION	20,243	1,972		6,261	3,933	7,081	108,742	160,000						51,258	
Recreation																
O&M																
2-08-537-020	CF - RECREATION	2,711	7,704	97,957	7,605	4,759	5,955	160,215	187,500						27,285	
2-08-545-020	CF - MAINT OF CAMP GROUNDS	6,493	1,602	80	854	10,054	8,856	46,797	35,700						(11,097)	
Transmission																
O&M																
2-08-571-002	CF - MAINT OF OVERHEAD LINES - TRANSMISSION								31,629	35,650						4,021
Operating Expenses Total		59,761	197,135	164,943	150,440	125,662	272,992	1,547,466	1,770,600						223,134	

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Account	Account Description	Actual										Total Actual	Total Budget	Total Variance	
		7/31/2021	8/31/2021	9/30/2021	10/31/2021	11/30/2021	12/31/2021								
OR&R															
Fish & Wildlife															
OR&R															
CF21-O-154	ALTERNATIVE FISHING DERBY SITE DEVELOPMENT											50,000		50,000	
2-00-330-010	CF - LAND & LAND RIGHTS - HYDRAULIC, CWIP					1,597						0		(60,385)	
General															
OR&R															
CF16-099	REPLACEMENT OF PROJECT SCADA											120,957	192,000	71,043	
CF17-104	5-TON BRIDGE CRANE (2021 CONTESTED)											1,687	0	(1,687)	
CF21-O-156	NEW FACILITY - ANALYSIS/DESIGN/SITE TESTING					3,873	5,090				3,676	30,290	36,800	6,510	
CF21-O-157	SPILLWAY HANDRAIL & GUARDRAIL					1,787						12,240	70,000	57,760	
CF21-O-158	SLUICE GATE REPLACEMENT - CFD & PHYSICAL MODEL DESIGN	31,713	7,853	3,665	15,218	76,953	109,380					244,781	330,000	85,220	
CF21-O-159	SONAR & TURBIDITY SENSORS	40,260	2,767	15,386	19,080	4,905	167					82,565	150,000	67,435	
CF21-O-160	SPILLWAY 4 RAIL EXTENSION - ALTERNATIVE ANALYSIS			55,567	41,005							121,152	135,200	14,048	
2-00-392-012	CF - TRANSPORTATION EQUIPMENT - GENERAL CWIP											62,733	0	(62,733)	
Recreation															
OR&R															
CF21-O-147	COPPER CREEK TAKEOUT SITE PARKING		38,250		22,950	35,756	7,650					104,606	135,000	30,394	
OR&R Total		71,973	50,656	75,618	103,722	122,704	120,873					841,396	1,099,000	257,604	
Taxes															
OB&M															
2-06-539-000	ECOLOGY WATER TAX											11,743	9,400	(2,343)	
2-00-408-300	CF - TAXES - BUSINESS & SALES		101	60	10	5,872						476	0	(476)	
2-06-921-000	COUNTY TAXES											550	900	350	
Taxes - Privilege															
2-00-408-200	CF - TAXES - PRIVILEGE	0	101	60	10	5,872						102,858	52,140	(50,718)	
Taxes Total		349,922	555,812	501,602	554,794	493,922	1,178,153					115,627	62,440	(53,187)	
Expense Total		(168,850)	45,122	1,007	55,484	(5,375)	679,058					6,007,926	7,832,540	924,614	
Net Total												0	0	700,515	

4/23/2022

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(#2)

Carlson,Debbie (BPA) - PGAC-RICHLAND

From: Brad Ford <bradf@lcpud.org>
Sent: Wednesday, April 13, 2022 5:34 PM
To: Carlson,Debbie (BPA) - PGAC-RICHLAND
Subject: [EXTERNAL] RE: **EXTERNAL EMAIL** FW: OY 2021 catch-up payment

Hi Debbie,

Yes, we have discussed the OY 2021 catch-up payment. My recollection is we agreed to:

- o the amount is \$218,140
- o hold any payment decision until Lewis completed the EOY actuals

Thanks,
Brad
360.740.2417

From: Carlson,Debbie (BPA) - PGAC-RICHLAND <dcarlson@bpa.gov>
Sent: Monday, April 11, 2022 11:17 AM
To: Brad Ford <bradf@lcpud.org>
Subject: **EXTERNAL EMAIL** FW: OY 2021 catch-up payment

CAUTION! This email originated from outside the organization please do not click links or open attachments unless you recognize the sender and know the content is safe!

Hi Brad –

I believe we have talked about this item previously. Usually when I have such discussion I remove (in this case) the e-mail from my “to do” list. I didn’t this time. I do not recall if I did not remove it because ---

1. holding - awaiting the EOY actuals
2. if I was going to forward you the funding (I do not think this is the case, as I have a vague memory of you “not wanting” the funds due to already having an underrun of the OY 21 CFP Budget)
3. the only thing we talked about was you agreeing to the \$218,140 number
4. we had no discussion

Thanks for your thoughts/recollection on this.

debbie

From: Carlson,Debbie (BPA) - PGAC-RICHLAND
Sent: Tuesday, January 18, 2022 3:44 PM

To: Brad Ford <bradf@lcpud.org>
Cc: Nichole Lantau <Nicholel@lcpud.org>; Joe First <joef@lcpud.org>
Subject: OY 2021 catch-up payment

Hi Brad –

Hoping to get the principles signed by Susanne Cooper “any time now”. With that in mind I was playing with the numbers for a final OY 2021 payment to Lewis – captured on the attached spreadsheet. Is that the same amount ya’ll are figuring out as well? Just thought I should start now in getting a number in place so it COULD be included with the February payment.

Appreciate your time!

debbie

Brad Ford

Chief Financial Officer | Lewis County PUD | www.lcpud.org
o:(360) 748-9261 | d:(360) 740-2417 | e:bradf@lcpud.org
321 NW Pacific Ave | PO Box 330 | Chehalis, WA 98532-0330

Public Utility District No. 1 of Lewis County is required to comply with the Washington Public Records Act, RCW Ch.42.56.
Information submitted via e-mail, including personal information may be subject to disclosure as a public record.

Lewis County
PUBLIC UTILITY DISTRICT

#3

P.O. BOX 330 CHEHALIS, WA 98532 • 321 N.W. PACIFIC AVENUE CHEHALIS, WA 98532
(800) 562-5612 • (360) 748-9261 • FAX (360) 740-2455 • www.lcpud.org

Date: April 22, 2022
To: Debbie Carlson, Cowlitz Falls Project Manager
From: Bradley Ford, CPA, Chief Financial Officer
Re: Operating Working Capital

Per Sections 9(a)(3)(A) and 9(a)(3)(B) of the AMENDATORY CONTRACT FOR POWER PURCHASE Contract No. 1 DE-MS79-91BP93212 executed between the BPA and the District dated May 23, 1991, a true up is to be performed of actual Operating Working Capital as compared to the budgeted amount for the operating year. The difference either reduces or increases the next month's BPA reimbursement by the amount of unexpended funds or over expended funds.

OY 2021 Operating Working Capital reconciliation:

Cash in Bank	12/31/2021	\$1,708,287
Add/(Subtract):		
	Due From ES	2,107
	A/P Accrual	(398,216)
	Payroll Accrual	(98,663)
	Taxes Accrual	(50,738)
	Operating Working Capital	<u>(350,500)</u>
	Excess	\$ 812,277



AMENDATORY AGREEMENT #2

to the
AMENDATORY CONTRACT FOR POWER PURCHASE
executed by the
UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
acting by and through the
BONNEVILLE POWER ADMINISTRATION
and
PUBLIC UTILITY DISTRICT NO. 1 OF LEWIS COUNTY, WASHINGTON
(Cowlitz Falls Hydroelectric Project)

This Amendatory Agreement No. 2 to the Amendatory Contract for Power Purchase (Contract), executed February 10, 2022 by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and PUBLIC UTILITY DISTRICT NO. 1 OF LEWIS COUNTY, WASHINGTON (Lewis), a public utility district organized and existing under the laws of the State of Washington (the Parties);

WITNESSETH:

WHEREAS, the Parties agreed, under Amendatory Agreement #1 executed on October 24, 2002, to amend the definition of "Operating Year" to mean any consecutive 12-month period during the Term which commences at 2400 hours, September 30, and ends at 2400 hours the following September 30 and amend the "Annual Schedules" to no later than each March 1; and

WHEREAS, Lewis has requested Bonneville to amend the definition of Operating Year to a twelve month period beginning each January 1; and

WHEREAS, Bonneville and Lewis recognize that mutual benefits may be achieved through changing the Operating Year and Annual Schedules of the Cowlitz Falls Hydroelectric Project (Project) to coincide with Lewis' budget cycle; and

WHEREAS, Lewis has adopted the Third Supplemental Cowlitz Falls Project Revenue Bond Resolution (Resolution No. 2946) to adopt the new operating year; and

WHEREAS, Bonneville and Lewis recognize ambiguities in the A&G methodology described in Exhibit F of the Contract and agree to amend and supplement Exhibit F to clarify current A&G methodology; and

WHEREAS, Bonneville and Lewis agree on the additional governing contract principles stated in the newly added Exhibit H to this Amendatory Agreement ; and

WHEREAS, this Amendatory Agreement #2 amends Amendatory Agreement #1 and further amends the Contract executed by and between the Parties on May 23, 1991;

NOW, THEREFORE, the Parties agree as follows:

1. Definition of Operating Year

Contract, Section 1, Definition (u) "Operating Year", is amended as follows:

- a. for the Operating Year beginning at 2400 hours September 30, 2020, the Operating Year will run 15 consecutive months, ending at 2400 hours, December 31, 2021.
- b. for the Operating Year beginning at 2400 hours, December 31, 2021, Operating Year means any consecutive 12-month period during the Term which commences at 2400 hours, December 31, and ends at 2400 hours the following December 31.

2. Amendment to Exhibit A: "Power Scheduling Procedures"

Contract, Exhibit A, Section 1, "Annual Schedules", is amended as follows:

Annual Schedules.

No later than each September 1, Lewis shall submit to Bonneville the following information:

- a. the schedule of maintenance for the Project for the succeeding Operating Year
- b. all other operational and maintenance information for the succeeding Operating Years which the Parties have determined to be pertinent to integrating the Project Output into the Federal Columbia River Power System (FCRPS).

3. Amendment to Exhibit F: "Cowlitz Falls Administrative and General Overhead Cost Methodology"

Contract, Exhibit F, is amended to add as follows:

- a. In the "Various Methodologies" section after "See attachment II" a new paragraph:

Fourth is the ongoing operation period following construction. During this period A&G costs will be included as part of the annual budget as a Project Cost. See Attachment III.
- b. A new Attachment III to be added:

Attachment III

1. Term

- a. This agreed upon methodology acts as the fourth period of applicability as contemplated within Exhibit F of the Contract and pertains to the operating period of the Contract until termination and shall be revisited by the parties every (3) years to accommodate any necessary changes. This methodology shall be applicable beginning with the 2021 Operating Year Budget.

2. Method

A&G Calculation – The computation used to determine the A&G cost allocation as described in Section 9(a)(7) of the Contract shall be:

- a. A&G Cost Pool - The following method will determine the A&G Cost Pool:
 - i. Electric System (ES) A&G costs (FERC accounts 921-935, excluding 926 and 929)
 - ii. Subtract - ES A&G costs providing no benefit to the Project
 - iii. Subtract - ES A&G costs directly billed to the Project
 - iv. Add - Chehalis and Morton Administrative Building Property Insurance
 - v. Equals - A&G Cost Pool
- b. Allocation Factor
 - i. An annual allocation factor shall be calculated using the most recent three-year average of the Modified Massachusetts (MA) Formula as weighted below:

Factors	Weighting	Source
Total Utility Plant	20%	Audited Financial Statement
Total Operating Revenue	40%	Audited Financial Statement
Total Wages	40%	District Data

3. Application

- a. Costs allocated shall be:
 - i. Updated every budget period.
 - ii. Reviewed quarterly within the budget period.
 - iii. Subject to annual true-up using actuals.

4. Addition of a new Exhibit H: "Additional Governing Contract Principles"

- I. Bonneville acknowledges Lewis's responsibilities as owner/operator of the Project and the necessary discretion that comes with that role.
- II. Lewis has the responsibility to operate and maintain the Project in an efficient, reliable manner at the lowest reasonable cost while maintaining it in reasonably good repair, working order, condition and providing for the longest reasonable operating life for the Project and extensions thereof. *See, e.g., Contract, Sections 7(b) and 7(c).*
- III. Lewis has the responsibility for the technical integrity and safety associated with the Project.
- IV. Lewis acknowledges that, consistent with the Northwest Power Act (16 U.S.C. § 839d(i)) and the Contract (Recitals at 3), Bonneville has a direct interest in actions and decisions affecting Project Power Costs and a right to oversee and participate in actions associated with operation of the Project as described in the Contract. *See, e.g., Contract, Sections 8 and 23.* Bonneville has an obligation to its rate paying customers to perform due diligence on costs that impact rates.
- V. The Parties will make good faith efforts to reach mutual agreement on the Project budget within the timeline set forth in the Contract. These efforts shall include:
 - a. Lewis shall perform appropriately scaled analysis on all proposed expenditures over \$100k (including Project Full Time Employee increases) in alignment with industry standard asset management practices for similarly-sized non-federal projects, to ensure sufficient information is available to make informed and sound business decisions.
 - b. The Parties agree that Lewis must promptly provide information, analysis, and documentation concerning the Project as described under Contract Section 8(a)(1).
 - c. If the project analysis meets the standards set forth above, the Parties will accept the results.
- VI. The CFP budget is governed by the PPA and the specific needs of the Project and should not be influenced by external financial considerations of either party.

The Additional Governing Contract Principles identified above supplement rather than replace or supersede the existing Contract Principles under Section 7 of the Contract (the "Existing Contract Principles"). The Parties shall exercise their rights and discharge their duties set forth in the Contract in a manner consistent with both the Existing Contract Principles and the Additional Governing Contract Principles. References in the Contract to the principles set forth in Section 7 shall be construed to include reference to the Additional Governing Contract Principles set forth in this Exhibit H.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendatory Agreement #2 in counterparts.

PUBLIC UTILITY DISTRICT NO. 1 OF
LEWIS COUNTY, WASHINGTON

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By: _____

By: _____

Title: _____

Title: [Senior Vice President, Power Services](#)

Date: _____

Date: _____



Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER SERVICES

November 9, 2021

In reply refer to: DRAFT OY 2022 CFP Budget

Mr. Brad Ford, Chief Financial Officer
Public Utility District #1 of Lewis County
P.O. Box 330
Chehalis WA 98532-0330

Dear Mr. Ford:

Reference is made to your e-mail dated October 8, 2021, "2022 DRAFT Budget V.3", whereby on behalf of the Cowlitz Falls Project (CFP) you provided version 3 of the CFP Operating Year (OY) 2022 Budget. The Bonneville Power Administration (Bonneville) agrees to a portion of the Budget and desires additional information on the remaining items.

Bonneville continues to share the Public Utility District #1 of Lewis County (Lewis) commitment to prioritizing the safe, efficient, and reliable operation of the CFP consistent with the Power Purchase Agreement (PPA) and prudent business operating practices.

On October 14, 2021, update on October 19 and 27, Bonneville provided Lewis a listing of agreed to items from the Draft CFP OY 2022 Budget. These items are listed in Enclosure 1, with the remaining items listed in Enclosures 2 and 3. Enclosures 2 and 3 consist of items Bonneville has not yet reached mutual agreement with Lewis. During the October 19, 2021 OY 2022 Budget meeting, Bonneville verbally provided an explanation as to why we are unable to fund items. Those reasons are reiterated in Enclosure 2. Enclosure 3 is a list of line items specifically requiring a Justification Sheet (JS) and notes the reasoning behind why the associated project will not be receiving agreement in funding at this time. This is based on communications via email and JS meetings through October 29, 2021. In regards to projects listed in Enclosure 3, the funding will change as phases of on-going projects are completed.

Bonneville would like to note that it is our desire to work together to reach agreement on remaining non-mutually agreed upon items in Enclosures 2 and 3, prior to the deadline of November 30, 2021, but feel it is important to document our current position on the complete CFP OY 2022 Budget that has been presented by Lewis and CFP staff at this time.

Bonneville would be remiss in not expressing our appreciation to the Lewis team (Joe First, Brad Ford, Michelle Holmes, Nichole Lantau, Doug Streeter and Wendy Woody) for their diligence in working through the CFP OY 2022 Budget. Bonneville looks forward to the Lewis team's continued efforts on the items not yet agreed to.

Any issues concerning the CFP OY 2022 Budget or the Cowlitz Falls Project should be directed to Bonneville's CFP manager Debbie Carlson at (509) 372 5751 or dcarlson@bpa.gov.

Sincerely,

**Cherie
Sonoda** Digitally signed
by Cherie Sonoda
Date: 2021.11.09
11:07:33 -08'00'

Cherie Sonoda, Nuclear Supervisor
Contract Generating Resources

3 Enclosures (as stated)

ecc:

- Mr. Joe First, Lewis
- Ms. Michelle Holmes, Lewis
- Ms. Nichole Lantau, Lewis
- Mr. Chris Roden, Lewis
- Mr. Doug Streeter, Lewis
- Ms. Wendy Wood, Lewis

OY 2022 CFP Partial Budget Approval letter - November 9, 2021

Approved Budget Line Items

Description: Enclosure 1 is a list of Operating Year (OY) 2022 Budget line items the Bonneville Power Administration has approved as of October 29, 2021.

updated 10/27 @ 10:23PM		
OY 2022 Budget Line Item	OY 2022 10/8/2021	Notes:
Creel Study	\$18,000	
Fish & Wildlife Contracts Service (RTL Consulting)	\$10,000	
Fish Gate Position Indicators	\$32,000	
Habitat & Fish Recovery Services (WDFW)	\$10,000	
Habitat Management; Fertilizer, Spraying, Plants	\$9,000	
Kids Trout Derby	\$5,400	
Mitigation Trout Program	\$45,000	
Noxious Weed Control Contractor	\$9,300	
Derby Site Reinforcement / Habitat Enhancement	\$30,000	
Mower	\$22,000	
Vehicle	\$15,000	
Auditing	\$21,300	
Communications Fiber - User Fee	\$48,500	Bonneville approves this item, but has not received response from Lewis regarding how this charge is assessed. This question is referenced in action item B-21 of "BPA & LCPUD Process Tracking" sheet that the meeting facilitator maintains.
FERC Annual Fee	\$100,000	
Insurance - Cyber/Crime/Public Officials	\$7,200	
Insurance - Excess Liability	\$25,000	
Insurance - Liability	\$10,500	
Insurance - Property	\$200,000	
Port Blakely Road Access Agreement	\$30,000	
USGS Gauging Station Fees	\$41,600	
CF Vehicle and Equipment Fuel	\$16,000	
CF Vehicle Maintenance	\$12,000	
Dam Safety Consultant	\$6,200	
Fire District Payment	\$19,500	
Legal Services (BiOp & FERC Issues)	\$24,200	
Legal Services (General Issues)	\$20,000	
Office Supplies	\$9,300	
WECC & NERC Consultants	\$65,000	
ARC Flash Study	\$35,000	
Buffer Zone Management	\$3,200	
CAD Software Licensing	\$4,500	
Computer Software	\$2,000	
Construction Management Software	\$12,000	
Contract Crane Inspections	\$12,600	
Contract Diesel Generator Maintenance	\$10,000	

OY 2022 CFP Partial Budget Approval letter - November 9, 2021

Approved Budget Line Items

Contract Drafting Services	\$50,000
Contract Maintenance Elevator	\$15,200
Control Room Paperless Recorders	\$42,000
Dam Instrumentation	\$2,200
Debris Removal - Trash Rake Debris Box	\$6,000
Diesel Generator Connection to Spillway Gates 2 & 3	\$14,000
Diesel Generator Load Bank	\$8,500
Diving Services	\$16,500
Drainage System	\$300
Electrical Parts	\$5,400
Equipment Rental	\$17,000
Governor	\$4,000
HVAC	\$3,200
Instrumentation Parts	\$5,400
Investigate Draft Tube Liner Issues	\$25,000
Log Bronc Maintenance	\$1,000
Maintenance Management System	\$15,000
Maintenance Supplies for Electric Plant	\$5,400
Mechanical and Piping	\$9,000
Mechanical Parts	\$10,600
Metal	\$10,000
North Rock Wall Scaling	\$75,000
Painting & Special Coatings	\$3,200
Piezometer Pressure Transmitters	\$18,000
Plant Lighting	\$1,000
Plant Water Wells & Testing	\$1,200
SCADA Network Support	\$10,700
Sedimentation Report	\$50,000
Seismic Study	\$150,000
Service Air Compressor	\$1,000
SMAG Power Connection & Cable	\$4,500
Smoke Detectors & Fire Water Systems	\$2,600
Spillway Gates	\$5,000
Trunnion Friction Testing	\$65,000
Turbidity Sensor Communication	\$1,000
Sonar & Turbidity Sensors	\$15,000
Turbine Shaft Seals	\$30,000
Unit Control Board Meter Replacement	\$42,000
Unit Turbine Gage Board Inputs into SCADA - Design	\$4,000
Lathe	\$18,000
Mobile Diesel Generator & Log Bronc Cover	\$25,000
Roadway Gates	\$12,000
Roadway Lighting	\$20,000

OY 2022 CFP Partial Budget Approval letter - November 9, 2021

Approved Budget Line Items

CEATI Membership	\$36,000
CEATI Projects	\$30,000
CF Project Telephones	\$7,000
CFP Cell Phones	\$1,600
Communications (Radios, etc)	\$7,900
Electric Utilities - Secondary Power Feed	\$11,500
FERC Dam Movement Survey	\$8,400
Garbage Service	\$2,400
NWHA Membership	\$800
Operator Remote SCADA Communications	\$8,000
Security/Plant Locks	\$300
Sedimentation Survey	\$5,200
Subscriptions, Prints, Copies and Maps	\$2,200
Server/Cameras/Office Machines/Computers	\$25,400
Consumable First Aid Supplies	\$3,200
Consumable Janitorial Supplies	\$1,300
Consumable Safety Supplies & PPE	\$6,500
Fall Protection Equipment	\$6,000
FR Clothing	\$95,000
Building Maintenance	\$3,200
Campground Hosts	\$120,000
Campground Internet	\$3,000
Campground Reservation Software	\$5,000
Campground Telephone	\$1,300
Contract Septic and Water Services	\$27,000
Contract Services (Dock Installation and Removal)	\$2,500
D-Loop Electrical Design & Feed Replacements	\$30,000
Electric Utilities	\$6,400
Garbage Service	\$6,400
Ground Maintenance	\$3,200
Noxious Weed Control	\$5,000
Operation Supplies	\$2,200
Park Equipment Repairs	\$3,200
Port Blakely Road Maintenance	\$13,500
Portable Restrooms	\$2,300
Portable Water and Septic System Testing	\$2,000
Repairs & Supplies	\$10,000
Sewer & Water System Maintenance	\$6,400
Sign Replacement	\$2,200
Tools & Equipment	\$3,000
Campground Restroom Improvements	\$30,000
County Taxes	\$700
Ecology Water Tax	\$7,500

OY 2022 CFP Partial Budget Approval letter - November 9, 2021

Approved Budget Line Items

Privilege Tax	\$56,900
ROW Maintenance	\$60,000
Transmission Line Corridor Planting	\$3,000
Accountant WPUDA/APPA/NWPPA Training	\$4,000
ADSO Conference	\$2,500
American Fisheries Society Meeting	\$1,500
American Governor Analog Gov Training	\$7,000
AVO Electrical Series	\$4,350
CEATI Annual Meeting	\$3,000
CEATI DSIG Meeting	\$2,200
Computer Training	\$800
EPTC Generation Series	\$3,600
EPTC System Operations Personal Grounding	\$1,260
EPTC Fundamentals of Electricity	\$7,200
EPTC Transmission Series	\$3,600
Fall Protection Training	\$8,000
HIS Online Training	\$800
HydroVision	\$3,000
NW Hydro Forum	\$800
NWHA Annual Meeting	\$800
NWHA Workshop	\$500
NWPPA Admin Asst Training	\$2,400
NWPPA Leadership Training	\$3,400
Operator Training Development	\$180,000
Pesticide Application Training	\$1,600
Rope Access Training	\$8,000
TPC Electrical Workshop	\$4,350
TPC Mechanical Fundamentals and Troubleshooting	\$2,390
Water / Wastewater Training	\$1,200
Wildlife Classes	\$4,000
WPUDA Admin Roundtable	\$600
UPDATED 10/19 @ 1136	
Long Range Plan Analysis	\$35,000
Rotor Braided Jumpers	\$10,000
Service Water Drainage System	\$2,500
Elevator Roof Access - Design	\$10,000
Revenue Meters	\$24,000
Rope Access Gear	\$3,000
Advertising	\$3,000

OY 2022 CFP Partial Budget Approval letter - November 9, 2021

Approved Budget Line Items

UPDATED 10/27 @ 1807		
Safety Equipment – Non PPE	\$5,000	renamed from "Safety Improvements"
Tools & Equipment	\$15,000	
Shelving & Furniture	\$7,000	reduced from \$46K
Campground fire pits graveling	\$500	
Campground wood chips	\$500	
Boat Launch Sediment Removal	\$5,000	
Automatic Transfer Switch Grouting	\$1,000	
Repaint Elevator Shaft Exterior	\$1,500	
Recoat Top Deck Above Control Room	\$3,500	
Sandblast and Coat Draft Tube Platform Brackets	\$3,000	
Drainage Pump Handrail	\$2,500	
Repaint stairwell interior	\$500	
Wildlife Society Membership	\$83	
UPDATED 10/29		
Take Out Site Improvements	\$1,600,000	This is a FERC Ordered project which encompasses three projects – the Copper Canyon Creek (CCC) take-out site along with two alternative sites (one near the debris barrier moorage site and the other the unfinished boat launch near the CFD). The completed 60% drawings went out for public review (closed October 15); comments will be reviewed and incorporated in the 90% drawings; 100% drawings are due out by the end of CY 2021 with construction to start in the CCC area in the spring of CY 2022; Bonneville has been told some of the work at the tree sites will be done concurrently.
SCADA Support	\$120,000	CFP crew will install the following inputs: Turbine Gauge Board USGS River Gauge Data <ul style="list-style-type: none"> o River Turbidity Data o Revenue Meter Data o Battery Charger Information o Clean/Dirty Oil Tank Level Indication, Pump Status, Oil Pressure o Unit Brake Air Pressure o Service Air Compressor Status <ul style="list-style-type: none"> • General SCADA support for the HMI and control system • Systems Interface will modify the program and HMI screens
South Downstream Abutment Wall Handrail	\$27,000	This handrail would be an extension of the rail already in place; it is located just below the 300 Road whereby the public can easily use that road and get direct access to a part of the CFD; 10/27 – the amount of this effort is a "guess"
Security Improvements	\$50,000	Work includes: <ul style="list-style-type: none"> • Add perimeter lighting at CFP • Add security signage at the CFP

OY 2022 CFP Partial Budget Approval letter - November 9, 2021

Approved Budget Line Items

		<ul style="list-style-type: none"> • Add hardened chains and locks at CFP for vehicle gates, switchyard entrances, equipment cabinets • Add access control for the top deck man gate, records room door, 6th floor deck man gate, and 3rd floor shop • Add intrusion detection for the 4th floor exterior door • Add interior motion detection for entrances and critical areas in the dam. <p>10/18 – Joe has indicated the items on the “Security List” are all relatively low dollar items and can be accomplished in OY 2022 (the list was drawn from the recently completed security assessment).</p> <p>Note: Bonneville staff did attend a briefing and have been told we would not be “allowed” to review the document, a violation of the PPA, section 8(a)(1)(d).</p>
Total Approved	\$4,638,233	

CFP OY 2022 Partial Budget Approval letter – November 9, 2021

Unapproved Budget Line Items

Description: Enclosure 2 is a list of budget line items which have yet to be approved (as of October 29, 2021) and for which no JS was needed or required. Bonneville is still reviewing these items internally.

OY 2022 Budget Line Item	OY 2022 10/8/2021	Notes:
Wildlife Mitigation Land	\$700,000	Bonneville questions whether this is an appropriate Project cost and believed it should be an ES cost. It is Bonneville's request to have Lewis and Bonneville's legal team review these items jointly prior to funding.
A&G Exhibit F	\$371,600	A final review meeting took place on October 21; Bonneville is waiting on final comments from Lewis that will be documented in revision of PPA. Bonneville agrees to this expenditure, but are awaiting final documentation to be completed.
Total	\$1,071,600	

OY 2022 Budget Staffing	OY 2022 10/8/2021	Notes:
Fish & Wildlife Technician	\$125,724	Lewis has provided a position description, but has not provided how the need for this position was determined.
Purchasing Buyer (CFP)	\$126,433	Lewis has provided a position description, but has not provided how the need for this position was determined.

Enclosure 2

CFP OY 2022 Partial Budget Approval letter – November 9, 2021

Unapproved Budget Line Items

CFP IS/IT Support	\$111,622	LCPUD has provided position a description, but has not provided how the need for this position was determined.
Total	\$363,779	

Note: Bonneville is in agreement with the CFP staffing levels and Lewis support staffing percent allocations and positions identified in the Phase 1, FY21 Settlement agreement. Under that agreement, LCPUD was to track staff time so that this data could inform if changes needed to be made. Without sufficient time to track this information to have obtain an accurate data sampling, BPA does not agree that any changes from this agreement would be prudent at this time.

CFP OY 2022 Partial Budget Approval letter, November 9, 2021

Justification Sheet Line Item Tracking

Description: Enclosure 3 is a list of line items specifically requiring a "completed" justification sheet (JS). Enclosure 3 will also track approved funding and provide reasoning for why a project has not received full funding, as of October 29, 2021. At the time of this partially approved budget letter, Bonneville will provide funding for the current phase (study/alternative analysis, design, or construction) of a "justifiable" project. A "justifiable" project is the right project alternative being selected for completion at the right time for the right cost. Once the current phase of a particular project has been completed, Lewis will provide Bonneville with documentation showing the completion of the current phase and an updated JS indicating any changes as a result of the previously completed phase (i.e. alternatives analysis, quote, inspection results). Lewis and Bonneville will work to ensure a "completed" JS. The term "completed" means all questions/concerns have been answered, but does not automatically indicate approval of the project by Bonneville. In instances where it is anticipated the study/alternative analysis, design, and/or construction phase of a project will be accomplished in the same OY, Bonneville will ensure the project continues to be "justifiable" prior to providing funding for the next phase of the project. We believe the process for performing these project reviews will result in a minimum amount of effort to both our Agencies.

Background: The JS are a key document supporting Bonneville's budget review in that they provide the reasoning for the work and funding requirements of a project. We sincerely appreciate CFP staff engagement and commitment to this process and truly believe it will support more reliable, efficient, and cost effective operations at the CFP. The current process starts with the origination of the JS from CFP staff for projects over \$50,000. Once the JS is generated or updated, CFP sends it to Bonneville. A joint team from both CFP and Bonneville will review the JS sheets until "completed". For projects having multiple phases within a given OY, the JS status will be flagged as "in-progress" until the JS can be "completed" for the last phase in the OY. The results, or data within, the JS are what determine if the project is "justifiable." If a project does not have a "completed" or "in-progress - satisfactory" JS, that particular project will not be considered for funding by Bonneville during the current OY.

Budget Line Item	CFP OY 2022 Budget Request	Bonneville Approval	Remaining	Reasoning
Debris Barrier Coating & Cathodic Protection - Design	\$60,000	-\$2,277	\$0	Bonneville supports Lewis continuing forward with the design as long as final efforts to complete JS are accomplished. The latest JS is indicating the overall project will require less funding than what is being requested in the OY 2022 Budget plus previous actuals and future costs. Lewis needs to verify how much funding is required to finish design.

CFP OY 2022 Partial Budget Approval letter, November 9, 2021

Justification Sheet Line Item Tracking

				<p>Note: Assuming approval of the 15-month OY 2021 settlement, this project will have already been funded for \$160K for design. The OY 2022 Bonneville Approval amount will be the OY 2021 approved amount (\$160K) subtracted from the requested OY 2022 amount (\$60K) plus OY 2021 actuals (\$97.723K, as of November 1, 2021). For final budget letter, Bonneville is looking for confirmation on funding already approved and actuals to finalize this approval number.</p> <p>Bonneville is supportive of this project.</p>
Boat Barrier Replacement – Alternative Analysis & Design	\$65,000	\$35,000	\$30,000	<p>Funding for the study (\$35K) will be approved as long as final efforts to update the JS are accomplished. Once the study/alternative analysis has been completed, Lewis will need to update the JS with the latest cost and alternatives, and discuss path forward with Bonneville. As long as project is still justifiable, Bonneville would approve design funding (\$30K).</p> <p>Bonneville is supportive of the study and design. Based on information provided in the JS process and collaboration with Lewis, Bonneville believes that procurement/installation should wait until failure.</p>
Control Room / Office Area Repairs	\$300,000	\$7,500	\$292,500	<p>Funding for the design (\$7.5K) will be approved as long as final efforts to update the JS are accomplished. Once the design has been completed, Lewis will need to update the JS and discuss a path forward with Bonneville. As long as project is still justifiable, Bonneville would approve construction funding (\$292.5K).</p>

CFP OY 2022 Partial Budget Approval letter, November 9, 2021

Justification Sheet Line Item Tracking

				<p>Note: Assuming approval of the 15-month OY 2021 settlement, this project will have already been funded for \$40K. As of October 20 2021, Lewis has spent \$39.5K on this project. For final budget letter, Bonneville is looking for confirmation on funding already approved and actuals to finalize this approval number.</p> <p>Bonneville is supportive of this project.</p>
GSU Transformer #1 Metering CT Replacement	\$98,000	\$0	\$173,000	<p>The JS needs to be updated and completed as it currently is indicating the overall project will require more funding than what was present in the OY 2022 Budget.</p> <p>Bonneville is supportive of this project.</p>
GSU Transformer Maintenance	\$45,000			
Transformer Oil Processing & Testing	\$30,000			
Temporary Offices	\$200,000	\$0	\$811,300	<p>The JS needs to be updated (latest November 3, 2020).</p> <p>Additionally, Lewis is waiting for a water permit from Lewis County. Lewis needs to provide Bonneville the cost of test drills and ultimately the cost of a new well. Once the water permit has been granted, Lewis should approach Bonneville for funding to move the project forward.</p> <p>Note: Assuming approval of the 15-month OY 2021 settlement, this project will have already been funded for \$250K (temporary offices) and \$36.8K (new facility). The total OY 2022 Bonneville Approval amount would be the OY 2021 approved amount (\$286.8K) subtracted from the</p>
New Facility – Site Preparation	\$898,100			

CFP OY 2022 Partial Budget Approval letter, November 9, 2021

Justification Sheet Line Item Tracking

				<p>requested OY 2022 (\$1,098.1K) amount plus OY 2021 actuals (none reported at this time). For final budget letter, Bonneville is looking for confirmation on funding already approved and actuals to finalize this approval number.</p> <p>Bonneville is supportive of this project.</p>
Warehouse Repairs	\$60,000	\$64,000	\$0	<p>Full funding for this project will be approved as long as final efforts to complete the JS are accomplished. The current JS is indicating the OY 2022 amount will require more funding (\$64K) than what is being requested in the OY 2022 Budget (\$60K).</p> <p>Bonneville is supportive of this project.</p>
Exciter Brush Dust Vacuum System	\$92,200	\$0	\$92,200	<p>If approved, all work will be completed in OY 2022. This project is still under review. Due to the unique application of this system and incorporation of new information from industry, Bonneville has requested Lewis provide benchmarking of other hydro facilities.</p>
2ea 5-Ton Bridge Cranes	\$650,000	\$0	\$638,000	<p>The JS needs to be updated as the current one is indicating the overall project will require slightly less funding (\$638K) than what is budgeted (\$650K).</p> <p>Though this project would assist with safely performing more routine maintenance, Bonneville is hesitant about this investment and whether this is correct path forward. Bonneville requested information on other alternative costs (3 ton vs 5 ton) and weight of components needing to be lifted. Additionally, Bonneville has requested NPV for this project.</p>

Generator Hatch Cover Seals & Drains	\$240,000	\$0	\$240,000
Sluice Gate Replacement – CFD & Physical Model Design	\$200,000	-\$271,512	\$485,000
Sluice Gate Replacement – Design 1	\$485,000		

CFP OY 2022 Partial Budget Approval letter, November 9, 2021

Justification Sheet Line Item Tracking

Generator Hatch Cover Seals & Drains	\$240,000	\$0	\$240,000	<p>The JS needs to be updated. Project costs doubled without any explanation. Lewis is obtaining quotes for work being accomplished and will update the JS afterward.</p> <p>Note: BPA would like confirmation that this project has not already been funded for \$120K as a non-contested item in the OY 2021 Budget. If already funded, the OY 2022 Bonneville Approval amount would be the OY 2021 approved amount (\$120K) subtracted from the requested OY 2022 amount (\$240K). For the final budget letter, Bonneville is looking for confirmation on funding already approved to finalize this approval number.</p> <p>Bonneville was supportive of this project in OY 2021; however, costs have since doubled without justification.</p>
Sluice Gate Replacement – CFD & Physical Model Design Sluice Gate Replacement – Design 1	\$200,000 \$485,000	-\$271,512	\$485,000	<p>BPA supports Lewis continuing the CFD Physical Model Design (model). Once the model has been completed, Lewis will need to update the JS and discuss alternatives with Bonneville. As long as the project is still justifiable, Bonneville would approve design funding (\$485K).</p> <p>Note: Assuming approval of the 15-month OY 2021 settlement, the CFD Physical Model Design (model) portion of this project will have already been funded for \$330K which is the entire estimated cost of model portion. The OY 2022 Bonneville approval model amount will be the OY 2021 approved model amount (\$330K) subtracted from the OY 2021 actuals (\$58.488K, as of</p>

CFP OY 2022 Partial Budget Approval letter, November 9, 2021

Justification Sheet Line Item Tracking

				<p>November 1, 2021). For final budget letter, Bonneville is looking for confirmation on funding already approved and actuals to finalize this approval number.</p> <p>Bonneville is supportive of this project.</p>
Spillway 4 Rail Extension – Design	\$525,000	\$0	\$270,000	<p>The JS needs to be updated. Currently the JS indicates the overall project will require less funding (\$270K) than what is budgeted (\$525K). Bonneville obtained additional information from the alternatives analysis/study which is being reviewed.</p> <p>Bonneville is hesitant about approving this project, but continues to review documents. Additionally, Bonneville has requested NPV for this project.</p>
Spillway Gate Hoist Covers	\$120,000	\$0	\$120,000	<p>The JS needs to be updated. Lewis needs to complete the study (out of their own funds) prior to obtaining design and construction funds from Bonneville. Lewis and Bonneville should discuss alternatives and have better accuracy of project costs prior to moving forward with design (\$25K) and construction (\$95K).</p> <p>Bonneville is supportive of this project.</p>
Trash Rake Alternative Analysis	\$85,000	\$85,000	\$0	<p>Funding for continuing the study/alternatives analysis (\$85K) will be approved as long as final efforts to complete JS are accomplished.</p> <p>Bonneville is supportive of this project.</p>

CFP OY 2022 Partial Budget Approval letter, November 9, 2021

Justification Sheet Line Item Tracking

Spillway Handrail & Guardrail	\$92,000	\$0	\$22,000	<p>The JS needs to be updated with more information on the guardrail. As of October 28 2021, the currently JS indicates the overall project will require more funding (\$150K) than what is budgeted (\$92K). Lewis to provide more information on what has been completed to date (including costs) and path forward from Lewis.</p> <p>Note: Assuming approval of the 15-month OY 2021 settlement, this project will have already been funded for \$70K. The OY 2022 Bonneville Approval amount will be the OY 2021 approved amount (\$70K) subtracted from the requested OY 2022 amount (\$92K). For final budget letter, Bonneville is looking for confirmation on funding already approved and actuals to finalize this approval number.</p> <p>Bonneville is supportive of this project.</p>
Trash Removal System – Alternative Analysis	\$130,000	\$0	\$130,000	<p>A JS needs to be created.</p> <p>Lewis is aware the JS needs to be completed. Alternative analysis/study increased from \$50K to \$130K without any explanation.</p>
Recreation Assessment	\$75,000	\$0	\$75,000	<p>The JS needs to be updated. This line item only required a brief JS but still requires additional information.</p>

Enclosure 3

CFP OY 2022 Partial Budget Approval letter, November 9, 2021

Justification Sheet Line Item Tracking

Campground Fishing Pond Assessment & Design	\$85,000	\$0	\$85,000	The JS needs to be updated. This line item only required a brief JS but still requires additional information.
TOTAL	\$4,535,300	-\$82,289	\$3,464,000	Note: The \$1,153,589 difference between column "OY 2022" total and summation of columns "BPA Approval" and "Remaining" is due to a combination of: (1) the difference between the funding proposed in the OY 2022 Budget and on the JS, and (2) reductions to OY 2022 budget due to funds being approved in OY 2021 Settlement.

From: Carlson,Debbie (BPA) - PGAC-RICHLAND
Sent: Fri Jun 25 13:19:08 2021
To: Chris Roden (chris@lcpud.org)
Cc: Brad Ford; Joe First; 'Stacy Davis'
Subject: Bonneville response to Lewis June 9 Right to Act notices
Importance: High
Attachments: Response to Right to Act notices (Crane Sediment Study Handrail) 06.25.2021.pdf

Hi Chris:

Attached is Bonneville's response to Lewis' three "Right to Act Notices" letters from June 9.

Please let me know if you have questions/concerns.

debbie



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER SERVICES

June 25, 2021

In reply refer to: PG-5

Mr. Chris Roden
General Manager
Lewis county PUD
PO Box 330
Chehalis, WA 98532

RE: Right to Act Notices regarding 5-Ton Bridge Crane, 1D Sediment Transport Study, and Spillway Handrail and Guardrail

Dear Mr. Roden:

The Bonneville Power Administration (Bonneville) has received your notices, regarding each of the FY2021 budget items above. This letter responds to all three notices.

Lewis County PUD (Lewis) placed all three of these items into arbitration proceedings on October 28, 2020 by invoking the arbitration provision of the Power Purchase Agreement and including these items on the list of issues to be arbitrated. Since that time, Bonneville has worked in good faith to resolve the dispute over these and other budget items.

In December 2020, Bonneville initiated global settlement discussions for all items on the arbitration list. Lewis preferred, instead, to approach the settlement in two phases. Bonneville obliged, and worked with Lewis to settle, in Phase I, several of the major FY2021 budget items. Bonneville's understanding from Lewis was that the parties would get "the hardest" issues settled in Phase I, then turn to the remaining items in Phase II. However, once the Phase I settlement was finalized in March 2021, Lewis declined to pursue any further settlement discussions and reiterated its desire to arbitrate the remaining items, including the three in question here.

Since that time the parties have been preparing to arbitrate, and, as you are aware from your phone call with Bonneville Administrator John Hairston, and as counsel for Bonneville has conveyed to counsel for Lewis, the arbitration will proceed as soon as the parties are in agreement on the issues (which, in turn, requires that the parties first review each other's evidence). While the arbitration timeline may not prove to be faster than a settled outcome, it is the path Lewis has chosen.

As to the merits of each of these three items, Bonneville has repeatedly made clear that the information Lewis provided to justify and support the amounts requested for each item is insufficient and outdated. To remedy this, Bonneville provided justification sheet templates for Lewis to use to better explain, document, and justify its requests. During the summer and early fall of 2020, prior to Lewis initiating arbitration, Bonneville staff were engaged in regular and productive meetings with Lewis staff to assist them in filling out and revising these sheets. With sufficient justification, financial rigor, and proper timing, from Bonneville's perspective these items could have been suitable for approval. However, upon initiation of arbitration these collaborative meetings were no longer possible as the items were under active litigation.

Bonneville notes that you have raised safety concerns in your letters on the Bridge Crane and Handrail. The Bridge Crane and Handrail are actively being litigated in the arbitration, therefore Bonneville takes no position on them in this letter. Bonneville has consistently made clear that we will not compromise safety; we look forward to reaching resolution on these items through the arbitration process.

In conclusion, the notices you have provided under section 8(d)(1) of the PPA are effectively moot. These three items have been placed in active arbitration proceedings by Lewis, and Bonneville's position has not changed. These three items are not suitable for funding in FY2021 because Lewis's justification for them is insufficient and relies on outdated information. Accordingly, when the parties have not reached agreement on items such as these, the PPA provides that the only way such items can become a Project Power Cost is if the Arbitrator so determines.¹ Consequently, if Lewis proceeds with expenditures on these items it does so at its own risk that the Arbitrator may not award them as expenditures that can be included in the FY2021 budget. Lewis will be solely responsible for any FY2021 expenditures that are not awarded by the Arbitrator, and Bonneville will not entertain requests for reimbursement of such expenditures in future budgets.

Sincerely,

Kieran P. Connolly
Vice President, Generation Asset Management
Bonneville Power Administration

¹ PPA section 34.

From: Brad Ford
Sent: Thu Oct 14 14:43:11 2021
To: Sonoda,Cherie D (BPA) - PGAC-RICHLAND
Cc: Carlson,Debbie (BPA) - PGAC-RICHLAND; Joe First; Nichole Lantau; Kevin Kytola (kkytola@sapereconsulting.com)
Subject: [EXTERNAL] FW: **EXTERNAL EMAIL** BPA review: 15-Month Budget Adjustments
Importance: Normal
Attachments: 2021 V.2 Budget Proposal - Adjustment Summary.pdf; 2021 V.2 Budget Proposal - Categories.pdf; 2021 V.2 Budget Proposal - Comparison.pdf; 2021 V.2 Budget Proposal - Contested Item Report.pdf; 2021 V.2 Budget Proposal - Detail.pdf; 2021 V.2 Budget Proposal - OR&R Detail.pdf; 2021 V.2 Budget Proposal 15 Month Summary.pdf

Hi Cherie,

As requested, I've forwarded the email thread that included the 15-month FY 2021 V.2 Budget documents.

Please confirm that these are the documents we agreed upon.

Please call or email me with any questions.

Thank you,
Brad
360.740.2417

From: Brad Ford
Sent: Monday, September 20, 2021 11:41 AM
To: 'Sonoda,Cherie D (BPA) - PGAC-RICHLAND' <csonoda@bpa.gov>
Cc: Kevin Kytola <kkytola@sapereconsulting.com>; Doug Streeter CPA <dougst@lcpud.org>; Nichole Lantau <Nicholel@lcpud.org>; Wendy Woody <wendyw@lcpud.org>; Wellner,Michael T (BPA) - PGA-6 <mtwellner@bpa.gov>; Carlson,Debbie (BPA) - PGAC-RICHLAND <dcarlson@bpa.gov>
Subject: RE: **EXTERNAL EMAIL** BPA review: 15-Month Budget Adjustments

Hi Cherie,

Attached is an updated 15-Month FY 2021 Budget for your review.

Looking forward to discussing the updated budget this afternoon.

Thank you,
Brad

From: Sonoda,Cherie D (BPA) - PGAC-RICHLAND <csonoda@bpa.gov>
Sent: Wednesday, September 15, 2021 3:12 PM
To: Brad Ford <bradf@lcpud.org>
Cc: Kevin Kytola <kkytola@sapereconsulting.com>; Doug Streeter CPA <dougst@lcpud.org>; Nichole Lantau <Nicholel@lcpud.org>; Wendy Woody <wendyw@lcpud.org>; Wellner,Michael T

(BPA) - PGA-6 < mtwellner@bpa.gov>; Carlson,Debbie (BPA) - PGAC-RICHLAND < dcarlson@bpa.gov>

Subject: **EXTERNAL EMAIL** BPA review: 15-Month Budget Adjustments

CAUTION! This email originated from outside the organization please do not click links or open attachments unless you recognize the sender and know the content is safe!

Brad,

There are a few items that need to be addressed concerning the concurrence of LCPUD's proposed 15-month budget with the adjustments noted in your attachment sent on September 8th, 2021. They are as follows:

1. This concurrence does not extend to the 5-ton Bridge Crane, Spillway 4 Rail Extension, 1D Sedimentation study, or Packwood. BPA does not agree to funding these items as outlined in BPA's response to the proposed settlement.
2. The Exhibit F needs to be adjusted. This was discussed in our "Part 2" discussions, but not reflected on the 15-month adjustment spreadsheet. BPA's proposal is to honor the Phase 1 settlement of \$400k for 12-months and add costs for Oct.- Dec. resulting in a total of \$500k for 15-months. As part of this agreement, it will be trued up once the Exhibit F methodology is finalized.
3. After LCPUD/BPA review and discussions, CFP/LCPUD agreed no increase was required for the engineering consultants and fire district payments. This was in the "Part 2" discussions. These items need to be reduced to reflect the agreement of \$30k for engineering consultants and \$19k for fire district payments.
4. It is our assumption that if a line item that was budgeted in the original 12-month budget, but has a zero dollar amount in LCPUD's proposed 15-month FY21 settlement, funding is no longer needed and will not be funded.
5. BPA's review and concurrence process for this budget is not precedential. There are items that we are stepping outside of our normal process due the specific nature of this being part of a settlement for FY21.

Contingent on LCPUD's concurrence to the above, we agree to the budget adjustment of \$134,450 that will reduce the originally proposed 15-month FY21 budget. Details outlined below.

\$61,450 items noted by LCPUD's Sept. 8th correspondence/spreadsheet
\$37,700 reduction in Exhibit F costs to align with the Phase 1 settlement
\$35,000 reduction in engineering consultants
\$ 300 reduction in fire department payments
\$134,450

It is our understanding that with concurrence of the above, the next step is for LCPUD to make these adjustments and provide BPA a clean and updated 15-month FY21 budget to be memorialized along with principles as part of the FY21 settlement.

V/R,
Cherie

From: Brad Ford <bradf@lcpud.org>
Sent: Wednesday, September 8, 2021 6:15 PM
To: Sonoda,Cherie D (BPA) - PGAC-RICHLAND <csonoda@bpa.gov>
Cc: Kevin Kytola <kkytola@sapereconsulting.com>; Carlson,Debbie (BPA) - PGAC-RICHLAND <dcarlson@bpa.gov>; Wellner,Michael T (BPA) - PGA-6 <mtwellner@bpa.gov>; Joe First <joeff@lcpud.org>; Nichole Lantau <Nicholel@lcpud.org>; Wendy Woody <wendyw@lcpud.org>; Doug Streeter CPA <dougst@lcpud.org>
Subject: [EXTERNAL] 15-Month Budget Adjustments

Hi Cherie,

The attached contains the accounts discussed during our recent meetings that need adjustment to the three month additional time period of LCPUD's Proposed 15-month FY 2021 Budget. Please call or email me with any questions or comments.

Thank you,
Brad

Brad Ford

Chief Financial Officer | Lewis County PUD | www.lcpud.org
o:(360) 748-9261 | d:(360) 740-2417 | e:bradf@lcpud.org
321 NW Pacific Ave | PO Box 330 | Chehalis, WA 98532-0330

Public Utility District No. 1 of Lewis County is required to comply with the Washington Public Records Act, RCW Ch.42.56. Information submitted via e-mail, including personal information may be subject to disclosure as a public record.

From: Stacy Davis
Sent: Wed Oct 28 15:53:42 2020
To: Connolly,Kieran P (BPA) - PG-5
Cc: Todd,Wayne A (BPA) - PGA-6; Sonoda,Cherie D (BPA) - PGAC-RICHLAND; Carlson,Debbie (BPA) - PGAC-RICHLAND; Brad Ford; Joe First; Chris Roden; Matt Samuelson; Doug Streefer CPA
Subject: [EXTERNAL] Notice of Arbitration
Importance: Normal
Attachments: LCPUD-BPA Arbitration Notice 10-28-2020.pdf

Microsoft Exchange Server;converted from html;
Mr. Connolly,
Attached is Public Utility District No. 1 of Lewis County's notice to Bonneville Power Administration invoking binding arbitration pursuant to Section 31(c)(1) of the Amendatory Contract for Power Purchase, Contract No. DE-MS79-91BP93212.

Sincerely,
Stacy Davis
Executive Assistant

Stacy Davis
Executive Assistant | Lewis County PUD | www.lcpud.org
o:(360) 748-9261 | d:(360) 740-2412 | e:Stacy@lcpud.org
321 NW Pacific Ave | PO Box 330 | Chehalis, WA 98532-0330

Public Utility District No. 1 of Lewis County is required to comply with the Washington Public Records Act, RCW Ch.42.56. Information submitted via e-mail, including personal information may be subject to disclosure as a public record.

Lewis County
PUBLIC UTILITY DISTRICT

P.O. BOX 330 CHEHALIS, WA 98532 • 321 N.W. PACIFIC AVENUE CHEHALIS, WA 98532
(800) 562-5612 • (360) 748-9261 • FAX (360) 740-2455 • www.lepud.org

October 28, 2020

Mr. Kieran Connolly
Vice President
Generation Asset Management
Bonneville Power Administration
PO Box 3621
Portland, OR 97208-3621

RE: PGAC/Richland - Notice of Invocation of Binding Arbitration Under Section 31 of
Amendatory Contract for Power Purchase, Contract No. DE-MS79-91BP93212 (the
"Contract")

Dear Mr. Connolly:

Despite our collective best efforts, the Public Utility District No. 1 of Lewis County (the "District") and the Bonneville Power Administration ("BPA") have failed to agree on the FY 2021 Annual Operating Budget for the Cowlitz Falls Project (the "Project") prior to the start of the FY 2021 operating year. This represents the third consecutive year where the District and BPA have not reached an agreement on the budget before the start of the Project's operating year (let alone thirty (30) days prior to the beginning of the operating year as required under Section 9(a)(1) of the Contract). Indeed, in recent years, considerable portions of the operating year have elapsed before the District and BPA have reached agreement on the Annual Operating Budget. For example, the FY 2019 Annual Operating Budget was not agreed to until over five (5) months into the operating year. For FY 2020, more than six (6) months of the operating year was over before an agreement was reached.

The current cycle of starting each operating year without an agreed to budget is unsustainable and putting the long-term safe and reliable operation of the Project at risk. The District develops its budget proposals for the Project based on the assumption that it will have the entire operating year in which to implement them. Budget uncertainty that extends into the middle of the operating year due to a failure to reach agreement inevitably delays execution of the hiring of needed staff, the preparation and implementation of large projects and routine maintenance, and the acquisition of necessary equipment and inventory until that uncertainty is resolved. The District's experience from prior years is that, the longer into the operating year it takes to reach agreement on the Annual Operating Budget, the more likely critical projects will be deferred in the final Annual Operating Budget due to the District's practical need of getting a budget in place. Good stewardship of the Project demands that the District and BPA break this cycle.



It is for the above reasons that the District hereby invokes binding arbitration pursuant to Section 31(c)(1) of the Contract. Further discussions without a neutral third-party are unlikely to bridge the funding gap between the District and BPA proposals for the FY 2021 Annual Operating Budget in a timely manner. In addition, by invoking binding arbitration for the FY 2021 Annual Operating Budget, the District also hereby invokes the right under Section 31(e) of the Contract to have an arbitrator standing ready to apply the principles of Sections 7(a)-(i) of the Contract to help resolve issues that may arise as part of the budgeting process for FY 2022 and future operating years. We see this as an absolute necessity going forward to help ensure that the FY 2022 and future Annual Operating Budgets are in place thirty (30) days prior to the start of the operating year as required under Section 9(a)(1) of the Contract.

Attached as Attachment 1 is a list of the 68 issues arising from the FY 2021 Annual Operating Budget that the District has identified for arbitration. The issue list is based on each of the budget line items where (1) the District's budget proposal of September 24, 2020, as shown in the budget summary and detail attached as Attachment 2 to this letter, and BPA's budget proposal of October 9, 2020, as shown in the budget summary and detail attached as Attachment 3 to this letter, differed in amount; and (2) the District has determined to not accept BPA's proposal.

The timelines for the arbitration process under the Contract are short and will be on the parties quickly. For the benefit and ease of both the District and BPA, the District has identified the process steps below as well as the date each step must be completed in accordance with the Contract. Unless otherwise indicated, all dates shown are counted from the date of this notice, which is also the day the notice was mailed and emailed to BPA. Please have a representative from BPA contact me at their earliest convenience so we can begin the process of identifying a mutually agreeable arbitrator, which the Contract requires to be done within fifteen (15) days from the date of this notice.

Contract Sec.	Arbitration Step	Due Date
31(c)(1)	District's Notice of Invocation of Binding Arbitration	October 28, 2020
31(c)(2)	BPA's Notice of Additional Issues due	November 07, 2020
31(c)(3)	Parties to mutually agree upon an arbitrator	November 12, 2020
31(c)(4)	If unable to agree upon an arbitrator, each party to designate a representative	November 22, 2020
31(c)(5)	Party representatives to send notice to parties identifying the arbitrator the representatives have mutually selected	December 02, 2020
31(c)(7)	Parties submit to the arbitrator their written proposals for resolution of issues submitted for arbitration	20 days after the appointment of arbitrator
31(c)(10)	Arbitrator issues written opinion deciding each issue submitted for arbitration	30 days after written submittals

In closing, the District appreciates the efforts BPA staff has put forward in trying to reach a mutually agreeable budget for the FY 2021 operating year. This year's process was an improvement over prior years with better coordination and communication on both sides. The District nonetheless believes that annual cycle of agreeing to an Annual Operating Budget after the beginning of the subject operating year is not sustainable and that invoking binding arbitration is the best way to put it to an end. We remain committed to our role as the stewards of the Project and look forward to hearing from BPA soon in order to coordinate the remaining steps of the arbitration process.

Sincerely,

C. Roden

Chris Roden
General Manager
Public Utility District No. 1 of Lewis County

ATTACHMENT 1

List of District's Issues for Arbitration

<u>Issue No.</u>	<u>Budget Line Item</u>	<u>LCPUD Proposal for FY 2021</u>	<u>BPA Proposal for FY 2021</u>
Admin & General – General			
1.	A&G Exhibit F	\$537,700	\$100,000
2.	Engineering Consultants	\$65,000	\$16,200
3.	Legal Services (General Issues)	\$20,000	\$15,000
4.	Misc.	\$5,400	\$2,700
Admin & General – Training and Travel			
5.	Computer Training	\$800	\$0
6.	WPUDA Admin Roundtable	\$600	\$0
7.	WPUDA Records Roundtable	\$300	\$0
Operating Expenses – Fish & Wildlife			
8.	Alternative Fishing Derby Site Development (OR&R Project)	\$50,000	\$0
9.	Habitat Management; Fertilizer, Spraying, Plants	\$8,700	\$8,400
10.	Kid's Trout Derby	\$5,200	\$2,400
Operating Expenses – General			
11.	230 kV Circuit Breaker Maintenance	\$45,000	\$0
12.	5-Ton Bridge Crane (OR&R Project)	\$500,000	\$0
13.	Buffer Zone Management	\$2,000	\$1,000
14.	CEATI Projects	\$15,000	\$0
15.	CF Project Telephones	\$7,000	\$3,300
16.	Cooling Water Valves	\$8,000	\$0
17.	Electrical Contractors	\$45,000	\$20,000
18.	Electrical Parts	\$14,000	\$8,000
19.	Instrumentation Parts	\$10,000	\$8,000
20.	Mechanical Contractors	\$45,000	\$20,000
21.	Mechanical Parts	\$14,000	\$8,000
22.	New Facility – Analysis/Design/Site Testing (OR&R Project)	\$45,000	\$36,722
23.	Radio/Pager System Improvements	\$25,000	\$0
24.	Smoke Detectors & Fire Water Systems	\$2,600	\$1,600
25.	Spillway Handrail & Guardrail (OR&R Project)	\$140,000	\$70,000
26.	Structure Maintenance; Concrete, Fencing	\$20,000	\$10,000
27.	Tools & Equipment	\$15,000	\$6,000
Operating Expenses – Operating Expenses			
28.	1D Sediment Transport Study	\$100,000	\$0
29.	Dam Instrumentation	\$6,000	\$4,000
30.	Diving Services	\$12,500	\$12,000
31.	Equipment Rental	\$30,800	\$18,900

32.	Mechanical & Piping	\$9,000	\$6,600
33.	Metal	\$12,000	\$3,000
34.	Sedimentation Survey	\$5,200	\$2,700
35.	Spillway 4 Rail Extension – Alternative Analysis (OR&R Project)	\$45,000	\$0
36.	Spillway Gates	\$5,000	\$3,000
Operating Expenses – Recreation			
37.	Campground Internet	\$3,000	\$1,500
38.	Contract Services (Backhoe, Gravel)	\$7,000	\$2,000
39.	Copper Creek Take Out Site Parking	\$75,000	\$0
40.	Ground Maintenance	\$3,200	\$0
41.	Open/Close Packwood Gate	\$2,600	\$0
42.	Portable Restrooms	\$2,200	\$2,100
43.	Repairs & Supplies	\$9,000	\$8,200
44.	Sewer & Water System Maintenance	\$6,400	\$4,400
Operating Expenses – Transmission			
45.	ROW Maintenance	\$60,000	\$50,000
Labor - Wage, Benefits, & Taxes			
46.	Employee Medical Insurance	\$411,400	\$2,727,218
47.	Employer PERS	\$131,400	
48.	ES Support Overhead	\$439,200	
49.	ES Support Wages	\$627,900	
50.	Flu Shot Clinics	\$400	
51.	L&I - Employer	\$16,200	
52.	Long Term Disability	\$3,200	
53.	Misc Pension & Benefits, CDL, Medical Exam, etc	\$5,000	
54.	OT Benefits	\$7,000	
55.	OT Taxes	\$4,000	
56.	OT Wages	\$52,000	
57.	Paid Family Leave Benefit	\$2,100	
58.	PCORI ACA Requirement	\$100	
59.	PL Cash Out	\$15,000	
60.	Retiree/COBRA Med Ins - Premiums & Claims	\$20,000	
61.	Short Term Disability	\$2,000	
62.	Social Security Medicare	\$100,400	
63.	Standby Pay	\$37,100	
64.	Term Ins Benefit	\$1,400	
65.	VEBA Benefit	\$12,200	
66.	VEBA Cash Out	\$5,000	
67.	Wages	\$1,312,500	
68.	*Debt Funding	\$0	\$0

*Financing proceeds and the associated payment structure have been removed per BPA's request as depicted in the budget response letter.

ATTACHMENT 2

District Summary and Detailed Budget Proposal of September 24, 2020
2021 Cowtliz Falls Budget Summary

	2021
Admin & General	\$ 1,383,300
General	\$ 1,302,500
Training & Travel	\$ 80,800
Operating Expenses	\$ 3,515,900
Fish & Wildlife	\$ 143,900
General	\$ 1,822,100
Operating Expenses	\$ 1,186,100
Recreation	\$ 293,800
Transmission	\$ 70,000
Labor	\$ 3,205,500
Wage, Benefits, & Taxes	\$ 3,205,500
Debt	\$ (1,525,600)
Interest Expense	\$ 45,000
Principal	\$ 61,700
Intercompany Loan Proceeds	\$ (1,632,300)
Taxes	\$ 65,100
Taxes	\$ 8,200
Taxes - Privilege	\$ 56,900
Project Reimbursement / Revenue	\$ (6,644,200)
Project Reimbursement	\$ (6,565,200)
Project Revenue	\$ (79,000)
Wheeling	\$ -
Wheeling	\$ -
Total (\$0 is Balanced)	\$ -
Project Expenditures	\$ 8,276,500
BPA Reimbursement	\$ (6,565,200)
Intercompany Loan Proceeds	\$ (1,632,300)
Other Project Revenue	\$ (79,000)
Total (\$0 is Balanced)	\$ -

2021 CFP 2021 Budget Detail	
	2021
Admin & General	\$ 1,383,300
General	\$ 1,302,500
A&G Exhibit F	\$ 537,700
Auditing	\$ 20,900
Bank Fees	\$ 1,000
CF Vehicle and Equipment Fuel	\$ 16,000
CF Vehicle Maintenance	\$ 12,000
Communication Services	\$ 3,300
Communications Fiber - User Fee	\$ 6,500
Computer Services	\$ 5,600
Consumable First Aid Supplies	\$ 3,200
Consumable Janitorial Supplies	\$ 1,300
Consumable Safety Supplies & PPE	\$ 5,400
Dam Safety Consultant	\$ 84,000
Engineering Consultants	\$ 65,000
Excess Liability Insurance	\$ 19,000
FERC Fixed Fees	\$ 65,000
Fire District Payment	\$ 19,000
Labor Consultant	\$ 1,000
Legal Services (BiOp & FERC Issues)	\$ 24,200
Legal Services (General Issues)	\$ 20,000
Liability Insurance	\$ 10,000
Licenses & Permits	\$ 6,400
Long Range Plan Analysis	\$ 50,000
Misc	\$ 5,400
Office Supplies	\$ 9,000
Other	\$ 3,000
Port Blakely Easement	\$ 17,500
Project Analysis	\$ 20,000
Property Insurance	\$ 170,000
Small Tools	\$ 2,500
USGS Gauging Station Fees	\$ 40,600
WECC & NERC Consultants	\$ 58,000
Training & Travel	\$ 80,800
American Fisheries Society Meeting	\$ 1,500
AVD Circuit Breaker Maintenance	\$ 2,400
CEATI Annual Meeting	\$ 2,200
Computer Training	\$ 800
Confined Space Training	\$ 8,000
HydroVision	\$ 2,000
NW Hydro Forum	\$ 400
NWAHA Annual Meeting	\$ 500
NWAHA Workshop	\$ 600
NWPPA Admin Asst Training	\$ 2,400
NWPPA Leadership Training	\$ 3,400
Operator Training Development	\$ 45,000
Pesticide Application Training	\$ 800
Records Training	\$ 700
Rope Access Training	\$ 8,000
Water / Wastewater Training	\$ 1,200
WPUA Admin Roundtable	\$ 600
WPUA Records Roundtable	\$ 300
Operating Expenses	\$ 3,515,900
Fish & Wildlife	\$ 143,900
Alternative Fishing Derby Site Development	\$ 50,000
Creel Study	\$ 18,000
Fish & Wildlife Contract Services (RTL Consulting)	\$ 10,000
Habitat Management; Fertilizer, Spraying, Plants	\$ 8,700
Kid's Trout Derby	\$ 5,200
Mitigation Trout Program	\$ 43,000
Noxious Weed Control Contractor	\$ 9,000
General	\$ 1,822,100
230 kV Circuit Breaker Maintenance	\$ 45,000
5-Ton Bridge Crane	\$ 500,000
AVR Testing	\$ 60,000

2021 CFP Budget Detail

2021 CFP 2021 Budget Detail	
	2021
Buffer Zone Management	\$ 2,000
CEATI Membership	\$ 36,000
CEATI Projects	\$ 15,000
CF Project Telephones	\$ 7,000
CFP Cell Phones	\$ 1,600
Communications (Radios, etc)	\$ 5,900
Computer Software	\$ 2,000
Contract Crane Inspections	\$ 12,600
Control Room / Office Area Repairs	\$ 40,000
Convert Engineering Drawings to AutoCAD	\$ 20,000
Cooling Water Valves	\$ 8,000
Drainage System	\$ 3,000
Electric Utilities - Secondary Power Feed	\$ 11,200
Electrical Contractors	\$ 45,000
Electrical Parts	\$ 14,000
Fall Protection Equipment	\$ 1,500
FR Clothing	\$ 8,000
Garbage Service	\$ 2,300
Generator Hatch Cover Seals & Drains	\$ 120,000
Generator Parameter Validation Testing	\$ 160,000
Habitat & Fish Recovery Services (WDFW)	\$ 10,000
HVAC	\$ 3,200
Inspections	\$ 2,200
Instrumentation Parts	\$ 10,000
Maintenance Supplies for Electric Plant	\$ 5,400
Mechanical Contractors	\$ 45,000
Mechanical Parts	\$ 14,000
New Facility - Analysis/Design/Site Testing	\$ 45,000
NWHA Membership	\$ 800
Operator Remote SCADA Communications	\$ 8,000
Plant Lighting	\$ 1,000
Plant Water Wells & Testing	\$ 1,200
Radio / Pager System Improvements	\$ 25,000
Rope Access Gear	\$ 1,500
Safety Improvements	\$ 5,000
Security Assessment	\$ 85,000
Security/Plant Locks	\$ 1,500
Server/Cameras/Office Machines/Computers	\$ 5,400
Shelving & Furniture	\$ 2,000
Smoke Detectors & Fire Water Systems	\$ 2,600
Spillway Handrail & Guardrail	\$ 140,000
Structure Maintenance; Concrete, Fencing	\$ 20,000
Subscriptions, Prints, Copies and Maps	\$ 2,200
Temporary Offices	\$ 200,000
Tools & Equipment	\$ 15,000
Transformer Oil Processing & Testing	\$ 1,000
Turbine Maintenance Seals	\$ 50,000
Operating Expenses	\$ 1,186,100
1D Sediment Transport Study	\$ 100,000
Contract Diesel Generator Maintenance	\$ 10,000
Contract Maintenance Elevator	\$ 15,000
Contract Operators	\$ 70,000
Dam Instrumentation	\$ 6,000
Debris Barrier Coating & Cathodic Protection - Design	\$ 160,000
Debris Barrier Corrosion Inhibitor	\$ 10,000
Debris Barrier Parts	\$ 1,000
Debris Removal	\$ 6,000
Diving Services	\$ 12,500
Equipment Rental	\$ 30,800
FERC Dam Movement Survey	\$ 8,400
Governor	\$ 4,000
Governor 3D CAM	\$ 40,000
Log Bronc Maintenance	\$ 1,000
Mechanical & Piping	\$ 9,000
Metal	\$ 12,000

2021 CFP Budget Detail

2021 CFP 2021 Budget Detail	
	2021
Painting & Special Coatings	\$ 3,200
SCADA Support	\$ 50,000
Sedimentation Survey	\$ 5,200
Seismic Study	\$ 100,000
Service Air Compressor	\$ 1,000
Sluice Gate Replacement - CFD & Physical Model Design	\$ 330,000
Sonar & Turbidity Sensors	\$ 150,000
Spillway 4 Rail Extension - Alternative Analysis	\$ 45,000
Spillway Gates	\$ 5,000
Turbidity Sensor Communication	\$ 1,000
Recreation	\$ 293,800
Advertising	\$ 3,000
Building Maintenance	\$ 3,200
Campground Hosts	\$ 115,400
Campground Internet	\$ 3,000
Campground Reservation Software	\$ 5,000
Campground Telephone	\$ 1,300
Contract Septic and Water Services	\$ 25,000
Contract Services (Backhoe, Gravel)	\$ 7,000
Contract Services (Dock Installation and Removal)	\$ 2,500
Copper Creek Take Out Site Parking	\$ 75,000
Electric Utilities	\$ 6,200
Garbage Service	\$ 6,200
Ground Maintenance	\$ 3,200
Noxious Weed Control	\$ 5,000
Open/Close Packwood Gate	\$ 2,600
Operation Supplies	\$ 2,200
Park Equipment Repairs	\$ 3,200
Portable Restrooms	\$ 2,200
Potable Water and Septic System Testing	\$ 2,000
Repairs & Supplies	\$ 9,000
Sewer & Water System Maintenance	\$ 6,400
Sign Replacements	\$ 2,200
Tools & Equipment	\$ 3,000
Transmission	\$ 70,000
ROW Maintenance	\$ 60,000
Transmission Line Corridor Planting	\$ 10,000
Labor	\$ 3,205,500
Wage, Benefits, & Taxes	\$ 3,205,500
Employee Medical Insurance	\$ 411,400
Employer PERS	\$ 131,400
ES Support Overhead	\$ 439,200
ES Support Wages	\$ 627,900
Flu Shot Clinics	\$ 400
L&I - Employer	\$ 16,200
Long Term Disability	\$ 3,200
Misc Pension & Benefits, CDL, Medical Exam, etc	\$ 5,000
OT Benefits	\$ 7,000
OT TAXES	\$ 4,000
OT WAGES	\$ 52,000
Paid Family Leave Benefit	\$ 2,100
PCORI ACA Requirement	\$ 100
PL Cash Out	\$ 15,000
Retiree/COBRA Med Ins - Premiums & Claims	\$ 20,000
Short Term Disability	\$ 2,000
Social Security Medicare	\$ 100,400
Standby Pay	\$ 37,100
Term Ins Benefit	\$ 1,400
VEBA Benefit	\$ 12,200
VEBA Cash Out	\$ 5,000
Wages	\$ 1,312,500
Wages - Capitalized	\$ -
Debt	\$ (1,525,600)
Interest Expense	\$ 45,000
2021 CFP Intercompany - Interest	\$ 45,000

2021 CFP Budget Detail

2021 CFP 2021 Budget Detail	
	2021
Principal	\$ 61,700
2021 CFP Intercompany - Principal	\$ 61,700
Intercompany Loan Proceeds	\$ (1,632,300)
2021 Intercompany Proceeds	\$ (1,632,300)
Taxes	\$ 65,100
Taxes	\$ 8,200
County Taxes	\$ 700
Ecology Water Tax	\$ 7,500
Taxes - Privilege	\$ 56,900
Privilege Tax	\$ 56,900
Project Reimbursement / Revenue	\$ (6,644,200)
Project Reimbursement	\$ (6,565,200)
BPA Project Reimbursement	\$ (6,565,200)
Project Revenue	\$ (79,000)
Campground Revenue	\$ (75,000)
Interest Income	\$ (4,000)
Wheeling	\$ -
Wheeling	\$ -
Transmission Wheeling - Offset Entry	\$ 746,000
Transmission Wheeling - Rev Entry	\$ (746,000)
	\$ -

ATTACHMENT 3

BPA Summary and Detailed Budget Proposal of October 9, 2020

BPA Proposed FY21 Budget	
A&G	\$890,400
Oper Exp	\$1,665,400
OR&R	\$759,022
Labor and O/H FY20	\$2,420,600
3% labor increase FY21	\$72,618
Increase (Support labor)	\$234,000
Taxes	\$65,100
Total budget	\$6,107,140
FY19 Carryover	\$90,804
Project Revenue	\$79,000
BPA Reimbursement	\$5,937,336

Enclosure 2 of 2

BPA Proposed FY21 CFP Budget	FY 2020	LCPUD FY 2021	BPA FY 2021	Comment
ADMIN & GENERAL				
A&G Exhibit F		\$537,700	\$100,000	Working jointly to establish agreed upon methodology and amend PPA. This amount is a placeholder. BPA understands the actual may be more or less than amount noted.
Auditing	\$21,000	\$20,900	\$20,900	
Bank Fees	\$1,000	\$1,000	\$1,000	
Communications Fiber - User Fee	\$6,000	\$6,500	\$6,500	
Consumable First Aid Supplies	\$3,200	\$3,200	\$3,200	
Consumable Janitorial Supplies	\$1,300	\$1,300	\$1,300	
Consumable Safety Supplies & PPE	\$5,400	\$5,400	\$5,400	
Excess Liability Insurance	\$13,000	\$19,000	\$19,000	
FERC Fixed Fees	\$65,000	\$65,000	\$65,000	
Liability Insurance	\$22,500	\$10,000	\$10,000	
License & Permits	\$6,400	\$6,400	\$6,400	
Other	\$0	\$3,000	\$3,000	Insurance
Port Blakely Easement	\$16,000	\$17,500	\$17,500	
Property Insurance	\$158,500	\$170,000	\$170,000	
USGS Gauging Station Fees	\$37,300	\$40,600	\$40,600	
American Fisheries Society Meeting	\$0	\$1,500	\$1,500	
AVO Circuit Breaker Maintenance	\$0	\$2,400	\$2,400	Training for operators. Prudent due to new staff.
CEATI Annual Meeting	\$0	\$2,200	\$2,200	
CF Vehicle and Equipment Fuel	\$16,000	\$16,000	\$16,000	
CF Vehicle Maintenance	\$12,000	\$12,000	\$12,000	
Communication Services	\$5,600	\$3,300	\$3,300	
Computer Services	\$5,600	\$5,600	\$5,600	
Computer Training	\$0	\$800	\$0	Ability for CFP to defer.
Confined Space Training	\$0	\$8,000	\$8,000	
Dam Safety Consultant	\$84,000	\$84,000	\$84,000	

Engineering Consultants	\$16,200	\$65,000	\$16,200	300% increase from FY20. Based on actuals as of August, FY20 amounts are adequate. The scope of work consultants will be utilized on has yet to be solidified. BPA holding to FY20 amount due to no quantifiable reasoning to increase from the CFP.
EPTC Elect. Fundamentals	\$0	\$0		CFP removed.
Fire District Payment	\$17,700	\$19,000	\$19,000	7% increase from FY20
HydroVision	\$0	\$2,000	\$2,000	
Labor Consultant	\$1,000	\$1,000	\$1,000	
Legal Services	\$16,000	\$24,200	\$24,200	Increase for FERC historic summary
Legal Services	\$15,000	\$20,000	\$15,000	33% increase from FY20. Actual estimates and scope of work for increase not given.
Long Range Plan Analysis	\$103,000	\$50,000	\$50,000	
Misc.	\$2,700	\$5,400	\$2,700	Drivers for increase not based on prior year actuals or increased work.
NW Hydro Forum	\$0	\$400	\$400	
NWHA Annual Meeting	\$0	\$500	\$500	
NWHA Workshop	\$0	\$600	\$600	
NWPPA Admin Asst. Training	\$0	\$2,400	\$2,400	
NWPPA Leadership Training	\$0	\$3,400	\$3,400	
Office Supplies	\$8,000	\$9,000	\$9,000	
Operator Training Development	\$0	\$45,000	\$45,000	Development of operator training program.
Pesticide Application Training	\$0	\$800	\$800	
Project Analysis	\$0	\$20,000	\$20,000	
Records Training	\$0	\$700	\$700	
Rope Access Training	\$0	\$8,000	\$8,000	
Water/Wastewater Training	\$0	\$1,200	\$1,200	
WECC & NERC Consultants	\$55,000	\$58,000	\$58,000	5.5% increase from FY20

WPUDA Admin Roundtable	\$0	\$600	\$0	CFP has ability to defer
WPUDA Records Roundtable	\$0	\$300	\$0	CFP has ability to defer
Small Tools & equipment	\$5,500	\$5,500	\$5,500	
**cost of debt financing	\$0	\$106,700	\$0	BPA declining debt option.
TOTALS	\$750,300	\$1,493,000	\$890,400	
OPERATING EXPENSES				
1D Sediment Transport Study	\$0	\$100,000	\$0	The 1D study is not required by ecology. This study may help support sedimentation plan but not essential/information provided in detailed study over 2017-2019 is sufficient. Conclusion from this study will not support an alternative plan. Money better spent to address sluice gate operations which identified as concern to properly operating for better sedimentation management.
230kV Circuit Breaker Maintenance	\$0	\$45,000	\$0	HydroAmp score 6.9 (good); Black&Vetch suggests replacement in 2022;item can wait for LRP and future assessments.
Advertising	\$3,000	\$3,000	\$3,000	
AVR Testing	\$0	\$60,000	\$60,000	Prudent to perform in FY21 based on current condition and testing freq. requirements.
Buffer Zone Management	\$1,000	\$2,000	\$1,000	100% increase from FY20. FY20 allocation sufficient and not essential to increase.
Building Maintenance	\$3,200	\$3,200	\$3,200	

Campground Hosts	\$4,000	\$115,400	\$115,400	
Campground Internet	\$1,500	\$3,000	\$1,500	100% increase. Reason for increase from FY20 not provided. FY20 allocation sufficient. Increase not essential.
Campground Reservation Software	\$4,800	\$5,000	\$5,000	
Campground Telephone	\$1,300	\$1,300	\$1,300	
CEATI Membership	\$36,000	\$36,000	\$36,000	
CEATI Projects	\$0	\$15,000	\$0	
CF Project Telephones	\$3,300	\$7,000	\$3,300	112% increase. Reason for large increase from FY20 not provided. FY20 allocation sufficient.
CFP Cell Phones	\$1,600	\$1,600	\$1,600	
Computer Software	\$0	\$2,000	\$2,000	
Contract Crane Inspections	\$12,600	\$12,600	\$12,600	
Contract Diesel Generator Maintenance	\$10,000	\$10,000	\$10,000	
Contract Maintenance Elevator	\$14,800	\$15,000	\$15,000	
Contract Operators	\$0	\$70,000	\$70,000	Head hunter fee
Contract Septic and Water Services	\$25,000	\$25,000	\$25,000	
Contract Services (Backhoe, Gravel)	\$4,000	\$7,000	\$2,000	75% increase from FY20. Backhoe use should be attributed to a specific project. BPA is no longer able to fund backhoe services to Packwood ballpark.
Contract Services (Dock Installation and F	\$0	\$2,500	\$2,500	
Convert Engineering Drawings to AutoCA	\$20,000	\$20,000	\$20,000	
Cooling Water Valves	\$0	\$8,000	\$0	HydroAMP 5.7; move to FY 2022
Cooper Creek Take Out Site Parking	\$0	\$75,000	\$0	Project scope and deadline unknown at this time. Project appropriate for Reserve fund use if scope definitive in FY21.
Creel Study	\$0	\$18,000	\$18,000	BiOp requirement

Dam Instrumentation	\$4,000	\$6,000	\$4,000	50% increase from FY20. This line item is not based on actuals of previous years or based on instrumentation for planned work.
Debris Barrier coating & Cathodic Protect	\$30,000	\$160,000	\$160,000	Funds for design.
Debris Barrier Corrosion Inhibitor	\$0	\$10,000	\$10,000	Work scheduled to be done in FY22-coating the inside of the debris barrier
Debris Barrier Parts	\$0	\$1,000	\$1,000	
Debris Removal	\$1,000	\$6,000	\$6,000	
Diving Services	\$12,000	\$12,500	\$12,000	
Drainage System	\$3,000	\$3,000	\$3,000	
Electric Utilities	\$6,000	\$6,200	\$6,200	
Electric Utilities - Secondary Power Feed	\$10,900	\$11,200	\$11,200	
Electrical Contractors	\$0	\$45,000	\$20,000	Mechanical and electrical contractors fall into the GL 2.08.544.000 (which includes other items as such as parts, etc.). FY20 August SOB has a total of all expenditures in this category of \$55,339. Bases on these actuals, approximately \$20K should be sufficient for misc. work for contractors. Our expectation is contract services for specific projects be included in the cost of associated project and this category is for misc. work.

Electrical Parts	\$8,000	\$14,000	\$8,000	75% increase from FY20. This is not based on actuals or estimates based on trending.
Equipment Rental	\$18,900	\$30,800	\$18,900	63% increase. Scope/work estimates not driving increase. Reduced work under BPA budget proposal will reduce equipment need. FY20 levels sufficient.
Fall Protection Equipment	\$1,500	\$1,500	\$1,500	
FERC Dam Movement Survey	\$8,400	\$8,400	\$8,400	
Fish & Wildlife contract Services (RTL con	\$10,000	\$10,000	\$10,000	
FR Clothing	\$8,000	\$8,000	\$8,000	
Garbage Service	\$8,200	\$8,500	\$8,500	
Generator Parameter Validation Testing	\$0	\$160,000	\$160,000	
Governor	\$4,000	\$4,000	\$4,000	
Governor 3D CAM	\$10,000	\$40,000	\$40,000	\$10k of FY20 used, \$50k total project cost.
Ground Maintenance	\$2,200	\$3,200	\$0	Funding for equipment is covered in small tools. Labor is covered by resource workers and summer help. Estimated increase not driven by actual scope of work increases.
Habitat & Fish Recovery Services (WDFW	\$10,000	\$10,000	\$10,000	
Habitat Management; Fertilizer, Spraying	\$8,400	\$8,700	\$8,400	
HVAC	\$3,200	\$3,200	\$3,200	
Inspections	\$2,200	\$2,200	\$2,200	
Instrumentation Parts	\$8,000	\$10,000	\$8,000	25% increase. Quantifiable drivers of increase not provided. This is not based on actuals or estimates based on failure trending.

Kid's Trout Derby	\$0	\$5,200	\$2,500	This is for prizes and advertising- there is room for reduction of both these items.
Log Bronc Maintenance	\$1,000	\$1,000	\$1,000	
Maintenance Supplies for Electric Plant	\$5,400	\$5,400	\$5,400	
Mechanical & Piping	\$6,600	\$9,000	\$6,600	36% increase from FY20. This line item is not based on actuals of previous years or based on instrumentation for planned work based on instrument trending.
Mechanical Contractors	\$0	\$45,000	\$20,000	See line item for electrical contractors.

Mechanical Parts	\$8,000	\$14,000	\$8,000	75% increase from FY20. This line item is not based on actuals of previous years or based on instrumentation for planned work.
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Metal	\$3,000	\$12,000	\$3,000	300% increase from FY20. This line item is not based on actuals of previous years or based on instrumentation for planned work.
Mitigation Trout Program	\$40,500	\$43,000	\$43,000	
Noxious Weed Control	\$5,000	\$5,000	\$5,000	
Noxious Weed Control Contractor	\$8,800	\$9,000	\$9,000	
NWHA Membership		\$800	\$800	
Open/Close Packwood Gate	\$2,500	\$2,600	\$0	BPA has informed LCPUD that we unfortunately cannot support goodwill items due to cost pressures by the region.
Operation Supplies	\$2,200	\$2,200	\$2,200	
Operator Remote SCADA Communication	\$8,000	\$8,000	\$8,000	
Painting & Special Coatings	\$3,200	\$3,200	\$3,200	
Park Equipment Repairs	\$3,200	\$3,200	\$3,200	
Plant Lighting	\$1,000	\$1,000	\$1,000	
Plant Water Wells & Testing	\$1,200	\$1,200	\$1,200	
Portable Restrooms	\$2,100	\$2,200	\$2,100	
Potable Water and Septic System Testing	\$0	\$2,000	\$2,000	
Radio / Pager System Improvements	\$2,000	\$25,000	\$0	Project deferred to perform in conjunction with District to insure continuity.
Repairs & Supplies	\$8,200	\$9,000	\$8,200	
Rope Access Gear	\$1,500	\$1,500	\$1,500	
ROW Maintenance	\$50,000	\$60,000	\$50,000	20% increase. FY20 levels sufficient. Quantifiable reason for increase not performed.
Safety Improvements	\$6,000	\$5,000	\$5,000	
SCADA Support	\$0	\$50,000	\$50,000	Support for new SCADA system completed in FY20.
Security Assessment	\$0	\$85,000	\$85,000	
Security /Plant Locks	\$1,500	\$1,500	\$1,500	

Sedimentation Survey	\$2,700	\$5,200	\$2,700	93% increase. FY20 levels sufficient. Quantifiable reason for significant increase not provided.
Seismic Study	\$0	\$100,000	\$100,000	
Sewer & Water System Maintenance	\$4,400	\$6,400	\$4,400	45% increase. Not based on actuals. Quantifiable reasoning for increase from FY20 not provided.
Shelving & Furniture	\$2,000	\$2,000	\$2,000	
Sign Replacements	\$2,200	\$2,200	\$2,200	
Smoke Detectors & Fire Water Systems	\$1,600	\$2,600	\$1,600	
Spillway Gates	\$3,000	\$5,000	\$3,000	
Structure Maintenance; Concrete, Fencin	\$10,000	\$20,000	\$10,000	100% increase for FY20. FY20 levels adequate for misc. expenses associated with this GL.
Subscriptions, Prints, Copies and Maps	\$2,200	\$2,200	\$2,200	
Temporary Offices	\$40,000	\$200,000	\$200,000	Provides adequate space for all CFP staff and contractors to address requested extra space for staff and security reasons.
Tools and Equipment	\$6,000	\$15,000	\$6,000	150% increase. Increase not based on actuals or quantifiable reasoning. Large increase not based on proposed work or tending of current equipment.
Transformer Oil Processing & Testing	\$1,000	\$1,000	\$1,000	
Transmission Line Corridor Planting	\$20,000	\$10,000	\$10,000	
Turbidity Sensor Communication	\$1,020	\$1,000	\$1,000	
Turbine Maintenance Seals	\$0	\$50,000	\$50,000	Prudent to perform in FY21 based on current condition of seals.
TOTALS	\$587,020	\$2,080,600	\$1,665,400	

Alternate Fishing Derby Site Developmen	\$0	\$50,000	\$0	Current site sufficient. Ability to defer. Old fishing derby site is available. Defer so alternatives can be looked at.
*5-ton Bridge Crane	\$0	\$500,000	\$0	Needs additional study and scoping to determine need, benefit, and alternatives;This is for two cranes - one over each unit. There are questions still outstanding and CFP needs to look into alternatives. The estimates are from several years ago as well as initial information and scope. This project is at high risk for going over budget and over schedule.
*Communications (Radios,etc)	\$5,900	\$5,900	\$5,900	
*Control Room/Office Area Repairs	\$0	\$40,000	\$40,000	
*Generator Hatch Cover Seals & Drains	\$0	\$120,000	\$120,000	Seals are showing wear and warrants as an essential project for FY21.
*New Facility-Analysis/Design/Site Testin	\$0	\$45,000	\$36,722	CFP indicated at least \$8,278 of work was performed in FY20. The FY21 amount may be lower than BPA proposed based on FY20 actuals.
*Server/Cameras/Office Machines/Comp	\$5,400	\$5,400	\$5,400	
*Service Air Compressor	\$1,000	\$1,000	\$1,000	
*Sluice Gate Replacement - CFD & Physic	\$0	\$330,000	\$330,000	This is an essential project and noted as needing to be addressed in recent assessments.
Sonar & Turbidity Sensors	\$0	\$150,000	\$150,000	Ecology requirement.

*Spillway 4 Rail Extension - Analysis	\$0	\$45,000	\$0	Refine estimates; analysis needed. CFP has as ability to defer.
Spillway Handrail & Guardrail	\$0	\$140,000	\$70,000	Replace hand rails only. Need handrail costs. Jersey barriers in place sufficient for safety- handrails seem prudent.
Wages - capitalized	\$0	\$200,000	\$0	Labor allocation for capital
TOTALS		\$880,300	\$1,432,300	\$759,022

From: Olive,J Courtney (BPA) - LP-7
Sent: Mon Nov 09 19:50:44 2020
To: Sonoda,Cherie D (BPA) - PGAC-RICHLAND; Todd,Wayne A (BPA) - PGA-6; Kyna Alders; Carlson,Debbie (BPA) - PGAC-RICHLAND; Wellner,Michael T (BPA) - PGA-6
Cc: Manary,David (BPA) - LG-7
Subject: FW: Bonneville's Reply to the Notice of Arbitration
Importance: Normal
Attachments: CFP Nov. 9 Reply Letter 11.9.2020.pdf

Microsoft Exchange Server;converted from html;
fyi

From: Manary,David (BPA) - LG-7
Sent: Monday, November 9, 2020 3:49 PM
To: allen@vanderstoep.com; Ryan Neale
Cc: Olive,J Courtney (BPA) - LP-7 ; Blecker,Stephanie F (BPA) - LG-7
Subject: Bonneville's Reply to the Notice of Arbitration

Allen and Ryan,

Attached please find Bonneville's reply to the Notice of Arbitration as required by Section 31(c)(2) of the Amendatory Contract for Power Purchase, Contract No. DE-MS79-91BP93212. I apologize for not getting the letter to you earlier this afternoon but the final review took a little longer than we expected. We look forward to speaking with you at 4:00.

Dave Manary
Attorney Advisor
Bonneville Power Administration
Office of General Counsel - LG-7
905 NE 11th Avenue
Portland, OR 97232
(503) 230-3363 – office
(b)(6) – mobile



Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER SERVICES

November 9, 2020

RE: Notice of Invocation of Binding Arbitration Under Section 31 of Amendatory Contract for Power Purchase, Contract No. DE-MS79-91BP93212 (the "Contract")

Mr. Chris Roden, Manager
Public Utility District #1 of Lewis County
P. O. Box 330
Chehalis, WA 98532

Dear Mr. Roden:

I received your letter dated October 28, 2020, notifying the Bonneville Power Administration ("Bonneville") that the Public Utility District No. 1 of Lewis County (the "District," together with "Bonneville" referred to as the "Parties") is invoking binding arbitration to resolve disagreements related to the FY 2021 Annual Operating Budget for the Cowlitz Falls Project (the "Project"). While it is unfortunate that we were unable to agree on all items of the FY 2021 Operating Budget, we recognize that Section 31 of the Contract provides for binding arbitration for disputes of this nature. We share your hope that a neutral third-party will facilitate constructive and efficient resolution of the remaining points of contention.

I. Additional Items for Arbitration

Included in the District's October 28 letter was a list of 68 budget line items that the District is raising as issues for the arbitrator to decide. Per Section 31(c)(2) of the Contract, Bonneville must respond within 10 days to identify any additional items for inclusion.¹ Bonneville does not request inclusion of any additional items. However, we do propose a different way of framing issues 46-67.

Issues 46-67 fall under a grouping of expenses associated with labor costs (wages, medical benefits, overtime costs, and taxes). Presumably, the amount of each of these items depends on the staffing composition at the Project. Assuming that is true, then arbitrating issues 46-67 individually would likely lead to inconsistent and confusing outcomes. If the District prevailed on some items and Bonneville on others there would be no consistent logic behind the labor costs since different lines would rely on different staffing assumptions. It is clear the dispute between Bonneville and the District is not based on the calculation of individual labor costs, but rather the underlying staffing composition assumed in the costs.

¹ The District's and Bonneville's counsel agreed that any deliverables that fall on a weekend or holiday per the schedule in Section 31 of the Contract will become due the following business day.

Therefore, Bonneville proposes that issues 46-67 be reframed as a question of the appropriate staffing composition for the Project. Specifically, issues 46-67 should be replaced by one issue: The arbitrator should decide the number and types of additional positions (both on-site at the Project and off-site positions related to the Project) that are appropriate for inclusion in the FY 2021 Operating Budget. This will yield a decision from the arbitrator that more appropriately addresses the actual dispute on this issue.

II. Proposed Timeline

Bonneville acknowledges the District's interest in quick resolution to facilitate FY 2021 planning and budget execution but is concerned that the expedited schedule provided in Section 31 of the Contract does not set the Parties up for a successful outcome, particularly considering the unique COVID-19 constraints the Parties are dealing with. While the Contract offers rules for arbitration that may apply to a broad range of issues, a well-run arbitration will, at some level, be custom-tailored to meet the circumstances of the particular case. The intent should be to have an efficient process and a durable outcome in which both Parties feel heard and can be satisfied with the outcome.

To balance process and business priorities, Bonneville proposes the following modifications to the timeline:

- Nov 19 – Agree on appointment of Arbitrator. This provides one extra week from the current schedule to allow for joint interviews, internal discussions, and reaching agreement.
- December 18 – Parties submit written proposal, rationale, and exhibits to Arbitrator. This provides nine extra days from the current schedule. If an Arbitrator is appointed before November 19, the Parties' written submittal will remain due on December 18. If an Arbitrator is not appointed by November 19, the Parties' written submittal will be due 29 days after appointment of the Arbitrator.
- 35 days after written submittals, Arbitrator issues decision. This provides five extra days from the current schedule to account for intervening holiday season.

Bonneville believes these modest extensions (adding roughly one month beyond the current schedule) will facilitate a more successful process, relieve pressure on the arbitrator to make a decision close to the Holidays, and not create undue burden on the District for execution of the FY 2021 Operating Year Budget. The issues would be resolved in January, well before the Project typically ramps up its budget execution. Additionally, to assist the District in moving forward quickly, if the arbitration results in any additional funding Bonneville commits to providing a retroactive true-up within two weeks of the arbitrator's decision. The remaining monthly payments for FY 2021 would then be increased to account for the arbitration award.

III. Section 31(e) of the Contract

The District stated in its Notice of Invocation of Arbitration that it was “hereby invok[ing] the right under Section 31(e) of the Contract to have an arbitrator standing ready . . . to help resolve issues that may arise as part of the budgeting process for FY 2022 and future operating years.” Bonneville agrees that the Contract contemplates possible usage of an arbitrator in future years. However, Bonneville wishes to clarify that it will not agree to arbitrate issues as they arise throughout each annual budget process. The Contract states that the Parties will agree on an arbitrator “for issues arising out of Sections 9(a) or (b) of this Contract.” Thus, arbitration will not be appropriate until *after* the Parties have performed all budget steps described in Sections 9(a) and (b). It is Bonneville’s expectation that development of an agreed-upon long-range plan and detailed budget justifications will allow us to reach agreement on future budgets without turning to arbitration.

IV. Maximum Amount of Arbitration Award

Under the Administrative Disputes Resolution Act of 1996, 5 U.S.C. §§ 571-584 (ADRA) Bonneville cannot agree to binding arbitration unless the Parties agree on a maximum amount that may be awarded by the arbitrator. In this matter, Bonneville understands the District’s requested FY 2021 reimbursement to total \$8,197,500 and Bonneville’s proposal to be \$5,937,336. The difference between these is \$2,260,164, so it appears that this represents the maximum amount that may be awarded by the arbitrator. Pursuant to ADRA, before Bonneville can agree to proceed with binding arbitration, the District will need to confirm in writing that this is the maximum amount.

Counsel for Bonneville will continue to be in touch with your Counsel to discuss this letter and to work toward an agreed list of issues, timeline, and maximum award amount.

Sincerely,

Kieran P. Connolly
Vice President, Generation Asset Management

Ecc:
Mr. Joe First, Lewis
Mr. Brad Ford, Lewis
Mr. Doug Streeter, Lewis
Mr. Tim Courmyer, Commissioner – Lewis
Mr. Ben Kostick, Commissioner – Lewis
Mr. Ed Rothlin, Commissioner – Lewis

OR&R Asset Life			
	Asset Life	Budget Proposal	Budget Proposal V.2
Alternative Fishing Derby Site Development	100	\$ 50,000	\$ 50,000
Communications (Radios, etc)	10	\$ 5,900	\$ 5,900
Copper Creek Take Out Site Parking	100	\$ 135,000	\$ 135,000
New Facility - Analysis/Design/Site Testing	50	\$ 36,800	\$ 36,800
Replacement of Project SCADA	10	\$ 192,000	\$ 192,000
Server/Cameras/Office Machines/Computers	5	\$ 6,800	\$ 6,800
Sluice Gate Replacement - CFD & Physical Model Design	50	\$ 330,000	\$ 330,000
Sonar & Turbidity Sensors	7	\$ 150,000	\$ 150,000
Spillway 4 Rail Extension - Alternative Analysis	50	\$ 87,000	\$ 135,200
Spillway Handrail & Guardrail	100	\$ 70,000	\$ 70,000
TOTAL		\$ 1,063,500	\$ 1,111,700

FY 2021 15 Month Budget Summary		
	Budget Proposal	Budget Proposal V.2
Admin & General		
General	\$ 1,323,000	\$ 1,308,950
Training & Travel	\$ 92,000	\$ 92,000
Labor		
Wage, Benefits, & Taxes	\$ 3,499,550	\$ 3,499,550
Operating Expenses		
Fish & Wildlife	\$ 146,800	\$ 138,600
General	\$ 892,950	\$ 870,450
Operating Expenses	\$ 598,700	\$ 490,000
Recreation	\$ 232,250	\$ 223,200
Transmission	\$ 35,650	\$ 35,650
OR&R		
Fish & Wildlife	\$ 50,000	\$ 50,000
General	\$ 878,500	\$ 926,700
Recreation	\$ 135,000	\$ 135,000
Project Reimbursement / Revenue		
Project Reimbursement	\$ (7,816,840)	\$ (7,702,540)
Project Revenue	\$ (130,000)	\$ (130,000)
Taxes		
Taxes	\$ 10,300	\$ 10,300
Taxes - Privilege	\$ 52,140	\$ 52,140
Grand Total	\$ -	\$ -

FY 2022 Cowlitz Falls Hydroelectric Project New Positions

IT Technician/Network Administrator I

There has been an increase in Cowlitz Falls employees. This increase in employees has led to more hardware and software to manage. The daily work load for the small hardware and software issues is larger. There is an increase in time spent for patching and support of the business network. There is an increase in purchasing new equipment at Cowlitz Falls that has a communication and network component that requires input and work performed from an IT Tech. We are looking to expand the role of the IT Tech to include managing the security cameras, SCADA network administration (configure and support the SCADA network, maintain the virtual environment, VMware server management, Vspher server management, firewalls, and hardware and software upgrades), assistance with connections to the business network for such items as the weather station, turbidity and sonar sensors, Mitel phone support, and managing the CF SharePoint site. With the expanded duties the new title of this position will be Network Administrator I.

Bio Technician

The Recreation & Wildlife Supervisor has expanded job duties overseeing the recreation facilities and supervising the resource workers. There is increase time devoted to participating in the environmental review of projects at Cowlitz Falls, recent examples are the temporary office, debris barrier coating and cathodic protection, take-out site improvement projects. Additional duties also include the water and wastewater maintenance and reporting and FERC recreational reporting requirements. There is less time for her to perform field work. We are losing internal employee with wildlife area management experience and his replacement will not have this expertise.

There are several activities that we want to place increased effort to meet our compliance goals. These include maintaining wood duct boxes, maintaining our wildlife meadows, eliminating terrestrial and aquatic noxious weeds, maintaining our buffer zones, water quality monitoring (TDG and turbidity), improve terrestrial and aquatic habitat. These are activities that would be accomplished with the addition of a Bio Tech position.

Purchasing Buyer

There is an increasing number, size, and complexity of projects occurring at Cowlitz Falls. This will require additional work that includes general purchase orders, contract development and review, invitations to bid, request for proposals, requests for qualifications, requests for quotations, project close out, and tracking deliveries. The addition of a new purchasing buyer position will enable us to tackle the increased volume of new work.

Project Engineer

We will defer this position to a future year.

8/10/2021

PARTIAL SETTLEMENT AGREEMENT

THIS PARTIAL SETTLEMENT AGREEMENT (“Agreement”) is made and entered into this ____ day of March 2021, by and between the Bonneville Power Administration (“Bonneville”) and the Public Utility District No. 1 of Lewis County (“Lewis”), and where indicated collectively (the “Parties”).

I. RECITALS

A. Lewis owns and operates a hydroelectric project on the Cowlitz River known as the Cowlitz Falls Project (the “Project”).

B. Bonneville and Lewis are parties to that certain Amendatory Contract for Power Purchase (DE-MS79-91BP3212) dated May 08, 1991, (the “Contract”) wherein Lewis agreed to sell all of the Project Output during the Term of the Contract to Bonneville, and Bonneville agreed to pay Lewis during each Operating Year of the Term of the Contract a mutually agreed upon amount equal to the Project Power Costs as set forth in the Contract.

C. Section 9(a) of the Contract requires the Parties to develop a mutually agreeable Annual Operating Budget prior to the start of each Operating Year.

D. The Parties were unable to develop a mutually agreeable Annual Operating Budget prior to the start of the Fiscal Year (FY 2021) Operating Year.

E. On or about October 28, 2020, Lewis delivered the Notice of Invocation of Binding Arbitration Under Section 31 of the Contract to Bonneville attached hereto as Exhibit 1 (the “Arbitration Notice”) and submitting 68 issues arising for the FY 2021 Annual Operating Budget for binding arbitration.

F. The Parties have found it mutually beneficial to discuss the issues identified in the Arbitration Notice prior to formal commencing the arbitration. These discussions resulted in the Parties coming to agreement on some of the issues identified in the Arbitration Notice. Before continuing negotiations or moving forward with arbitration on the remaining unsettled issues, the Parties desire to enter this Agreement to formally settle and memorialize their resolution of the issues for which they have come to agreement.

II. SETTLEMENT AGREEMENT

1. Definitions. Unless otherwise indicated herein, all capitalized terms in this Agreement shall have the same meaning as shown in the Contract. References to “Issue No. ____” or “Issue Nos. ____” shall refer to the issue numbers assigned to the issues subject to arbitration in Attachment 1 of Lewis’s Arbitration Notice.

2. Neutral Facilitator. The Parties agree to identify and hire a mutually agreeable neutral facilitator (the “Facilitator”) to assist the Parties with the FY 2022 Annual Operating Budget process within the earlier of (i) 30 days of resolution of all issues listed in Attachment 1 of

the Arbitration Notice by either settlement or arbitration or (ii) April 1, 2021. The Facilitator shall also assist the Parties in developing a mutually agreeable Administrative and General Overhead Cost Methodology (“A&G Methodology”) in accordance with Section 3 below.

The Parties estimate the cost of the Facilitator will be \$25,000. For purposes of settlement only and with no precedent for future budget discussions beyond FY 2022, the Parties agree to split the cost of the Facilitator evenly with Bonneville agreeing to add \$12,500 to the FY 2021 Annual Operating Budget to fund Bonneville’s half of the estimated cost of the Facilitator as a Project Power Cost. The other \$12,500 of the estimated cost will be paid directly by Lewis without reimbursement from BPA for purposes of settlement only and without precedent for future years. The service agreement with the Facilitator shall include a “not to exceed amount” of \$25,000. In the event the Facilitator notifies the Parties that the cost will or will soon exceed that amount, the Parties shall meet to determine whether to continue with the Facilitator and, if so, how to share the additional cost. The Parties may request a Facilitator’s assistance in resolving matters in addition to the FY 2022 Annual Operating Budget and the A&G Methodology, including possible future Annual Operating Budgets, as they may mutually agree from time to time.

3. **Administrative and General (“A&G”).** The Parties agree to settle Issue No. 1 by including \$400,000 in the FY 2021 Annual Operating Budget for purposes of assigning A&G costs to the Project in accordance with Section 9(a)(7) of the Contract. Said amount shall be for settlement purposes only and shall not be precedential for future Annual Operating Budgets. The Parties shall work with the Facilitator to develop and complete a mutually agreeable A&G Methodology within 60 days of the Facilitator’s selection. Upon completion, Exhibit F of the Contract will be amended to reflect the newly agreed upon methodology. In addition, the \$400,000 FY 2021 A&G settlement amount identified herein shall be subject to an end of year true-up using the newly agreed upon methodology.

4. **Labor – Wage, Benefits, & Taxes.** The Parties hereby settle Issue Nos. 46-67, subject to the following:

4.1 **Direct Labor.** The FY 2021 Annual Operating Budget shall include a total of \$2,094,400 consistent with the direct labor detail shown in the attached hereto **Exhibit 2** incorporated herein by this reference, which covers the direct labor positions listed in the attached **Exhibit 3** and incorporated herein by this reference. This includes a new Engineer for the Project to be hired during FY 2021. The advertisement for the Engineer position must state that (i) the successful applicant will have experience with hydroelectric facilities; and (ii) a PE is strongly preferred, but the selected candidate must, at a minimum, have a Bachelor of Engineering degree from an ABET accredited engineering program. The Parties further agree that the part-time records position is removed from the FY 2021 Annual Operating Budget and will be discussed in the FY 2022 Annual Operating Budget process.

4.2 **Support Labor - Budgeted Reimbursement Amount.** The FY 2021 Annual Operating Budget shall include a total of \$808,200 to reimburse Lewis for the costs of support labor and overhead provided to the Project during FY 2021, which amount includes funding of a new accountant position for the Project at a budgeted amount of

\$126,000. The total reimbursement amount for support labor and overhead provided herein is for purposes of settling the FY 2021 Annual Operating Budget only; shall have no precedent for future budget discussions; and shall not be subject to or part of any kind of end of year true-up, whether under Section 13(b) and/14(b) of the Contract or otherwise. The Parties further agree to discuss inclusion of an IT support position dedicated to the Project as part of the FY 2022 Annual Operating Budget process.

4.3 **Support Labor – Tracking.** For purposes of this Agreement, support staff includes any employee whose position is listed on the attached hereto **Exhibit 4** incorporated herein by this reference and/or any other non-direct labor employee whose time is attributed to the Project. The Parties mutually agree on the following method for tracking and reporting on support labor allocated to the Project.

4.3.1 Lewis shall track support costs in a way that demonstrates what specific projects or tasks Lewis employees are charging to the Project. Specifically, Lewis support staff will track what functional area of the Project’s work they are supporting and provide a brief written description of the length of specific tasks worked on and reason for the work. This information needs to be auditable, transparent, and verifiable in order to justify the appropriate level of indirect staff support. The Parties agree that support staff will track their time and activities in accordance with the categories and methods set forth in the example provided in Exhibit 7. For employees tracking time, time will be tracked in half-hour increments. Time will be rounded up or down to the nearest half-hour increment and tasks requiring less than 15 minutes will be considered de minimis and not counted against the Project.

4.3.2 For positions that the Parties agree will not be required to track support costs under 4.3.1, Lewis shall provide a rationale deemed sufficient by Bonneville to support forgoing collection of support labor data. Parties must mutually agree to any increase of budget allocation percentage over the prior year’s allocation percentage for any position not required to track support costs under this section and Bonneville reserves the ability to revisit and/or renegotiate whether such positions should be time-tracked by Lewis in subsequent budget years.

5. **Settled De Minimis Items.** The Parties hereby agree that to settle the issues listed in **Exhibit 5** attached hereto and incorporated herein by this reference for the amounts shown therein for purposes of setting the FY 2021 Annual Operating Budget.

6. **Uncovered Matters.** The Parties do not settle any issues listed in Attachment 1 to the Arbitration Notice that are not expressly identified or incorporated by reference in Section 1 through 5 of this Agreement (the “Unsettled Issues”). A list of the Unsettled Issues is attached hereto as **Exhibit 6** incorporated herein by this reference. Upon mutual execution of this Agreement, the attorneys for the Parties shall meet to determine whether to continue with settlement discussions for purposes of attempting to resolve some or all of the Unsettled Issues or

instead move such Unsettled Issues into arbitration. In addition, except as otherwise expressly provided herein, this Agreement (i) does not settle or resolve any matter or claim not related to the FY 2021 Annual Operating Budget that either Party may have against the other and (ii) shall not be deemed to be a release or waiver by either Party of any such matter or claim.

7. **Adjustment to Monthly Payments.** Commencing with the month immediately following mutual execution of this Agreement, Bonneville shall adjust the monthly payments made to Lewis under the Contract for FY 2021 to \$498,960/month to account for the agreement reached within Section 1 through Section 5 above. Bonneville shall continue to pay said monthly amount until such time as the Unsettled Issues are finally resolved, whether by settlement or binding arbitration, after which time the monthly payment amount will again be adjusted if it is necessary to account for such additional final resolution(s). In addition, contemporaneously with making the first adjusted monthly payment required under this Section, BPA shall make a one-time true-up payment to Lewis in the amount of \$472,704 to account for the agreement reached under Section 1 through Section 5 with respect to the month of mutual execution of this Agreement and prior months in FY 2021. The Parties further acknowledge that additional true-up(s) may become necessary following final resolution of the Unsettled Issues.

8. **Governing Law.** This Agreement shall be construed and interpreted in accordance with the Governing Law - Section 32 of the Contract.

9. **Counterparts.** This Agreement may be executed in counterparts, each of which is an original and all of which, taken together, constitute one and the same instrument.

Bonneville Power Administration

Signature: _____

Signatory: _____

Title: _____

Date: _____

Public Utility District No. 1 of Lewis County

Signature: CRC

Signatory: CHRIS RODEN

Title: MANAGER

Date: 3.16.21

Exhibit 1

Copy of Arbitration Notice

Partial Settlement Agreement

Lewis County
PUBLIC UTILITY DISTRICT

P.O. BOX 330 CHEHALIS, WA 98532 • 321 N.W. PACIFIC AVENUE CHEHALIS, WA 98532
(800) 562-5612 • (360) 748-9261 • FAX (360) 740-2455 • www.lcpud.org

October 28, 2020

Mr. Kieran Connolly
Vice President
Generation Asset Management
Bonneville Power Administration
PO Box 3621
Portland, OR 97208-3621

RE: PGAC/Richland - Notice of Invocation of Binding Arbitration Under Section 31 of
Amendatory Contract for Power Purchase, Contract No. DE-MS79-91BP93212 (the
"Contract")

Dear Mr. Connolly:

Despite our collective best efforts, the Public Utility District No. 1 of Lewis County (the "District") and the Bonneville Power Administration ("BPA") have failed to agree on the FY 2021 Annual Operating Budget for the Cowlitz Falls Project (the "Project") prior to the start of the FY 2021 operating year. This represents the third consecutive year where the District and BPA have not reached an agreement on the budget before the start of the Project's operating year (let alone thirty (30) days prior to the beginning of the operating year as required under Section 9(a)(1) of the Contract). Indeed, in recent years, considerable portions of the operating year have elapsed before the District and BPA have reached agreement on the Annual Operating Budget. For example, the FY 2019 Annual Operating Budget was not agreed to until over five (5) months into the operating year. For FY 2020, more than six (6) months of the operating year was over before an agreement was reached.

The current cycle of starting each operating year without an agreed to budget is unsustainable and putting the long-term safe and reliable operation of the Project at risk. The District develops its budget proposals for the Project based on the assumption that it will have the entire operating year in which to implement them. Budget uncertainty that extends into the middle of the operating year due to a failure to reach agreement inevitably delays execution of the hiring of needed staff, the preparation and implementation of large projects and routine maintenance, and the acquisition of necessary equipment and inventory until that uncertainty is resolved. The District's experience from prior years is that, the longer into the operating year it takes to reach agreement on the Annual Operating Budget, the more likely critical projects will be deferred in the final Annual Operating Budget due to the District's practical need of getting a budget in place. Good stewardship of the Project demands that the District and BPA break this cycle.



It is for the above reasons that the District hereby invokes binding arbitration pursuant to Section 31(c)(1) of the Contract. Further discussions without a neutral third-party are unlikely to bridge the funding gap between the District and BPA proposals for the FY 2021 Annual Operating Budget in a timely manner. In addition, by invoking binding arbitration for the FY 2021 Annual Operating Budget, the District also hereby invokes the right under Section 31(e) of the Contract to have an arbitrator standing ready to apply the principles of Sections 7(a)-(i) of the Contract to help resolve issues that may arise as part of the budgeting process for FY 2022 and future operating years. We see this as an absolute necessity going forward to help ensure that the FY 2022 and future Annual Operating Budgets are in place thirty (30) days prior to the start of the operating year as required under Section 9(a)(1) of the Contract.

Attached as Attachment 1 is a list of the 68 issues arising from the FY 2021 Annual Operating Budget that the District has identified for arbitration. The issue list is based on each of the budget line items where (1) the District's budget proposal of September 24, 2020, as shown in the budget summary and detail attached as Attachment 2 to this letter, and BPA's budget proposal of October 9, 2020, as shown in the budget summary and detail attached as Attachment 3 to this letter, differed in amount; and (2) the District has determined to not accept BPA's proposal.

The timelines for the arbitration process under the Contract are short and will be on the parties quickly. For the benefit and ease of both the District and BPA, the District has identified the process steps below as well as the date each step must be completed in accordance with the Contract. Unless otherwise indicated, all dates shown are counted from the date of this notice, which is also the day the notice was mailed and emailed to BPA. Please have a representative from BPA contact me at their earliest convenience so we can begin the process of identifying a mutually agreeable arbitrator, which the Contract requires to be done within fifteen (15) days from the date of this notice.

Contract Sec.	Arbitration Step	Due Date
31(c)(1)	District's Notice of Invocation of Binding Arbitration	October 28, 2020
31(c)(2)	BPA's Notice of Additional Issues due	November 07, 2020
31(c)(3)	Parties to mutually agree upon an arbitrator	November 12, 2020
31(c)(4)	If unable to agree upon an arbitrator, each party to designate a representative	November 22, 2020
31(c)(5)	Party representatives to send notice to parties identifying the arbitrator the representatives have mutually selected	December 02, 2020
31(c)(7)	Parties submit to the arbitrator their written proposals for resolution of issues submitted for arbitration	20 days after the appointment of arbitrator
31(c)(10)	Arbitrator issues written opinion deciding each issue submitted for arbitration	30 days after written submittals

In closing, the District appreciates the efforts BPA staff has put forward in trying to reach a mutually agreeable budget for the FY 2021 operating year. This year's process was an improvement over prior years with better coordination and communication on both sides. The District nonetheless believes that annual cycle of agreeing to an Annual Operating Budget after the beginning of the subject operating year is not sustainable and that invoking binding arbitration is the best way to put it to an end. We remain committed to our role as the stewards of the Project and look forward to hearing from BPA soon in order to coordinate the remaining steps of the arbitration process.

Sincerely,

C. Roden

Chris Roden
General Manager
Public Utility District No. 1 of Lewis County

ATTACHMENT 1

List of District's Issues for Arbitration

<u>Issue No.</u>	<u>Budget Line Item</u>	<u>LCPUD Proposal for FY 2021</u>	<u>BPA Proposal for FY 2021</u>
Admin & General – General			
1.	A&G Exhibit F	\$537,700	\$100,000
2.	Engineering Consultants	\$65,000	\$16,200
3.	Legal Services (General Issues)	\$20,000	\$15,000
4.	Misc.	\$5,400	\$2,700
Admin & General – Training and Travel			
5.	Computer Training	\$800	\$0
6.	WPUDA Admin Roundtable	\$600	\$0
7.	WPUDA Records Roundtable	\$300	\$0
Operating Expenses – Fish & Wildlife			
8.	Alternative Fishing Derby Site Development (OR&R Project)	\$50,000	\$0
9.	Habitat Management; Fertilizer, Spraying, Plants	\$8,700	\$8,400
10.	Kid's Trout Derby	\$5,200	\$2,400
Operating Expenses – General			
11.	230 kV Circuit Breaker Maintenance	\$45,000	\$0
12.	5-Ton Bridge Crane (OR&R Project)	\$500,000	\$0
13.	Buffer Zone Management	\$2,000	\$1,000
14.	CEATI Projects	\$15,000	\$0
15.	CF Project Telephones	\$7,000	\$3,300
16.	Cooling Water Valves	\$8,000	\$0
17.	Electrical Contractors	\$45,000	\$20,000
18.	Electrical Parts	\$14,000	\$8,000
19.	Instrumentation Parts	\$10,000	\$8,000
20.	Mechanical Contractors	\$45,000	\$20,000
21.	Mechanical Parts	\$14,000	\$8,000
22.	New Facility – Analysis/Design/Site Testing (OR&R Project)	\$45,000	\$36,722
23.	Radio/Pager System Improvements	\$25,000	\$0
24.	Smoke Detectors & Fire Water Systems	\$2,600	\$1,600
25.	Spillway Handrail & Guardrail (OR&R Project)	\$140,000	\$70,000
26.	Structure Maintenance; Concrete, Fencing	\$20,000	\$10,000
27.	Tools & Equipment	\$15,000	\$6,000
Operating Expenses – Operating Expenses			
28.	ID Sediment Transport Study	\$100,000	\$0
29.	Dam Instrumentation	\$6,000	\$4,000
30.	Diving Services	\$12,500	\$12,000
31.	Equipment Rental	\$30,800	\$18,900

32.	Mechanical & Piping	\$9,000	\$6,600
33.	Metal	\$12,000	\$3,000
34.	Sedimentation Survey	\$5,200	\$2,700
35.	Spillway 4 Rail Extension – Alternative Analysis (OR&R Project)	\$45,000	\$0
36.	Spillway Gates	\$5,000	\$3,000
Operating Expenses – Recreation			
37.	Campground Internet	\$3,000	\$1,500
38.	Contract Services (Backhoe, Gravel)	\$7,000	\$2,000
39.	Copper Creek Take Out Site Parking	\$75,000	\$0
40.	Ground Maintenance	\$3,200	\$0
41.	Open/Close Packwood Gate	\$2,600	\$0
42.	Portable Restrooms	\$2,200	\$2,100
43.	Repairs & Supplies	\$9,000	\$8,200
44.	Sewer & Water System Maintenance	\$6,400	\$4,400
Operating Expenses – Transmission			
45.	ROW Maintenance	\$60,000	\$50,000
Labor - Wage, Benefits, & Taxes			
46.	Employee Medical Insurance	\$411,400	\$2,727,218
47.	Employer PERS	\$131,400	
48.	ES Support Overhead	\$439,200	
49.	ES Support Wages	\$627,900	
50.	Flu Shot Clinics	\$400	
51.	L&I - Employer	\$16,200	
52.	Long Term Disability	\$3,200	
53.	Misc Pension & Benefits, CDL, Medical Exam, etc	\$5,000	
54.	OT Benefits	\$7,000	
55.	OT Taxes	\$4,000	
56.	OT Wages	\$52,000	
57.	Paid Family Leave Benefit	\$2,100	
58.	PCORI ACA Requirement	\$100	
59.	PL Cash Out	\$15,000	
60.	Retiree/COBRA Med Ins - Premiums & Claims	\$20,000	
61.	Short Term Disability	\$2,000	
62.	Social Security Medicare	\$100,400	
63.	Standby Pay	\$37,100	
64.	Term Ins Benefit	\$1,400	
65.	VEBA Benefit	\$12,200	
66.	VEBA Cash Out	\$5,000	
67.	Wages	\$1,312,500	
68.	*Debt Funding	\$0	\$0

*Financing proceeds and the associated payment structure have been removed per BPA's request as depicted in the budget response letter.

Exhibit 2

Direct Labor Detail

Issue No.	Description	Amount
46	Employee Medical Insurance	\$385,200
47	Employer PERS	\$121,100
50	Flu Shot Clinics	\$400
51	L&I - Employer	\$14,200
52	Long Term Disability	\$ 2,900
53	Misc Pension & Benefits, CDL, Medical Exam, etc	\$ 5,000
54	OT Benefits	\$7,000
55	OT Taxes	\$4,000
56	OT Wages	\$52,000
57	Paid Family Leave Benefit	\$1,900
58	PCORI ACA Requirement	\$100
59	PL Cash Out	\$15,000
60	Retiree/COBRA Med Ins - Premiums & Claims	\$20,000
61	Short Term Disability	\$2,000
62	Social Security Medicare	\$90,000
63	Standby Pay	\$37,100
64	Term Ins Benefit	\$1,200
65	VEBA Benefit	\$11,300
66	VEBA Cash Out	\$5,000
67	Wages	\$1,176,000
70	Hydro Engineer	\$143,000
71	Part Time Records	\$0
	Total:	\$2,094,400

Exhibit 3

List of Direct Labor Positions

<TO BE ADDED>

2021 Cowlitz Falls Direct Labor Report

FY 2021

CF

CF Admin. Assistant
Generation Manager
Recreation & Wildlife Supervisor
Resource Worker
Resource Worker - Lead
Sr. Journeyman Operator-Maintenance
Hydro Engineer
Generation Superintendent 1
Generation Superintendent 2
Journeyman Operator-Maintenance 1
Journeyman Operator-Maintenance 2
Journeyman Operator-Maintenance 3
Journeyman Operator-Maintenance 4
Summer Seasonal 1
Summer Seasonal 2
Summer Seasonal 3
Summer Seasonal 4

Exhibit 4

List of Support Staff Positions

Dept.	Role	Basis
ACCT	Staff Accountant (CFP)	Allocated %
ADMIN	Commissioners	Allocated %
ENG	GIS Analyst	Allocated %
ENG	GIS Supervisor	Allocated %
ENG	System Engineering Supervisor	Allocated %
ENG	Utilities Specialist	Allocated %
HR	HR Manager	Allocated %
IS	IS & Telecom Manager	Allocated %
OPS	Line Superintendent	Allocated %
OPS	Mechanic	Allocated %
OPS	Mechanic Foreman	Allocated %
OPS	Operations Admin. Asst.	Allocated %
OPS	Operations Manager	Allocated %
OPS	Operations Superintendent	Allocated %
OPS	Tree Supervisor	Allocated %
PP/ES	Power Supply/Energy Services Analyst	Allocated %
ADMIN	General Manager	Task Tracking
ADMIN	Executive Assistant	Task Tracking
ADMIN	General Manager	Task Tracking
ADMIN	Public Affairs Manager	Task Tracking
ACCT	CFO	Task Tracking
ACCT	Controller	Task Tracking
ACCT	Financial Analyst	Task Tracking
ACCT	Procurement and Risk Supervisor	Task Tracking
ACCT	Purchasing Buyer	Task Tracking
ACCT	Senior Accountant	Task Tracking
ACCT	Staff Accountant I	Task Tracking
ACCT	Staff Accountant II	Task Tracking
ENG	Engineering Manager	Task Tracking
HR	HR Generalist	Task Tracking
HR	HR Specialist	Task Tracking
IS	IT Technician	Task Tracking
IS	Records Retention Specialist	Task Tracking
IS	Network Supervisor	Task Tracking
IS	Sr. Database Administrator	Task Tracking
OPS	Safety and Meter Superintendent	Task Tracking
PP/ES	Manager of Power Planning	Task Tracking

Exhibit 5

List of Settled De Minimis Items

Issue No.	Description	Amount
4	Misc.	\$ 5,400
5	Computer Training	\$ 800
6	WPUDA Admin Roundtable	\$ 600
7	WPUDA Records Roundtable	\$ 300
10	Kid's Trout Derby	\$ 5,200
34	Sedimentation Survey	\$ 5,200
36	Spillway Gates	\$ 5,000
9	Habitat Management; Fertilizer, Spraying, Plants	\$ 8,400
13	Buffer Zone Management	\$ 1,000
19	Instrumentation Parts	\$ 8,000
24	Smoke Detectors & Fire Water Systems	\$ 1,600
29	Dam Instrumentation	\$ 4,000
30	Diving Services	\$ 12,000
32	Mechanical & Piping	\$ 6,600
37	Campground Internet	\$ 1,500
42	Portable Restrooms	\$ 2,100
43	Repairs & Supplies	\$ 8,200
44	Sewer & Water System Maintenance	\$ 4,400
22	New Facility – Analysis/Design/Site Testing (OR&R Project)	\$ 36,800

Exhibit 6

List of Unsettled Issues*

<u>Issue No.</u>	<u>Budget Line Item</u>	<u>LCPUD Proposal for FY 2021</u>	<u>BPA Proposal for FY 2021</u>
Admin & General – General			
1.	A&G Exhibit F	\$537,700	\$100,000
2.	Engineering Consultants	\$65,000	\$16,200
3.	Legal Services (General Issues)	\$20,000	\$15,000
4.	Misc.	\$5,400	\$2,700
Admin & General – Training and Travel			
5.	Computer Training	\$800	\$0
6.	WPUDA Admin Roundtable	\$600	\$0
7.	WPUDA Records Roundtable	\$300	\$0
Operating Expenses – Fish & Wildlife			
8.	Alternative Fishing Derby Site Development (OR&R Project)	\$50,000	\$0
9.	Habitat Management; Fertilizer, Spraying, Plants	\$8,700	\$8,400
10.	Kid's Trout Derby	\$5,200	\$2,400
Operating Expenses – General			
11.	230 kV Circuit Breaker Maintenance	\$45,000	\$0
12.	5-Ton Bridge Crane (OR&R Project)	\$500,000	\$0
13.	Buffer Zone Management	\$2,000	\$1,000
14.	CEATI Projects	\$15,000	\$0
15.	CF Project Telephones	\$7,000	\$3,300
16.	Cooling Water Valves	\$8,000	\$0
17.	Electrical Contractors	\$45,000	\$20,000
18.	Electrical Parts	\$14,000	\$8,000
19.	Instrumentation Parts	\$10,000	\$8,000
20.	Mechanical Contractors	\$45,000	\$20,000
21.	Mechanical Parts	\$14,000	\$8,000
22.	New Facility – Analysis/Design/Site Testing (OR&R Project)	\$45,000	\$36,722
23.	Radio/Pager System Improvements	\$25,000	\$0
24.	Smoke Detectors & Fire Water Systems	\$2,600	\$1,600
25.	Spillway Handrail & Guardrail (OR&R Project)	\$140,000	\$70,000
26.	Structure Maintenance; Concrete, Fencing	\$20,000	\$10,000
27.	Tools & Equipment	\$15,000	\$6,000
Operating Expenses – Operating Expenses			
28.	1D Sediment Transport Study	\$100,000	\$0
29.	Dam Instrumentation	\$6,000	\$4,000
30.	Diving Services	\$12,500	\$12,000

Partial Settlement Agreement

31.	Equipment Rental	\$30,800	\$18,900
32.	Mechanical & Piping	\$9,000	\$6,600
33.	Metal	\$12,000	\$3,000
34.	Sedimentation Survey	\$5,200	\$2,700
35.	Spillway 4 Rail Extension – Alternative Analysis (OR&R Project)	\$45,000	\$0
36.	Spillway Gates	\$5,000	\$3,000
Operating Expenses – Recreation			
37.	Campground Internet	\$3,000	\$1,500
38.	Contract Services (Backhoe, Gravel)	\$7,000	\$2,000
39.	Copper Creek Take Out Site Parking	\$75,000	\$0
40.	Ground Maintenance	\$3,200	\$0
41.	Open/Close Packwood Gate	\$2,600	\$0
42.	Portable Restrooms	\$2,200	\$2,100
43.	Repairs & Supplies	\$9,000	\$8,200
44.	Sewer & Water System Maintenance	\$6,400	\$4,400
Operating Expenses – Transmission			
45.	ROW Maintenance	\$60,000	\$50,000
Labor – Wage, Benefits, & Taxes			
46.	Employee Medical Insurance	\$411,400	\$2,727,218
47.	Employer PERS	\$131,400	
48.	ES Support Overhead	\$439,200	
49.	ES Support Wages	\$627,900	
50.	Flu Shot Clinics	\$400	
51.	L&I – Employer	\$16,200	
52.	Long Term Disability	\$3,200	
53.	Misc Pension & Benefits, CDL, Medical Exam, etc	\$5,000	
54.	OT Benefits	\$7,000	
55.	OT Taxes	\$4,000	
56.	OT Wages	\$52,000	
57.	Paid Family Leave Benefit	\$2,100	
58.	PCORI ACA Requirement	\$100	
59.	PL Cash Out	\$15,000	
60.	Retiree/COBRA Med-Ins – Premiums & Claims	\$20,000	
61.	Short Term Disability	\$2,000	
62.	Social Security Medicare	\$100,400	
63.	Standby Pay	\$37,100	
64.	Term Ins Benefit	\$1,400	
65.	VEBA Benefit	\$12,200	
66.	VEBA Cash Out	\$5,000	
67.	Wages	\$1,312,500	
68.	Debt Funding	\$0	\$0

* The Unsettled Issues are shown without strikethrough. Settled issues are shown with strikethrough for informational purposes.

Partial Settlement Agreement

Exhibit 7

Example of Support Labor Tracking

Sample Employee X

Item No.	Date	Hours Spent	Work order (if applicable)	Description of work performed
1	2/19/2021	1		Monthly meeting with BPA to discuss status of the budget
2	2/22/2021	0.5		Reviewed draft CFP estimates and impact on current budget for alternate take out site

Sample Employee Y

Item No.	Date	Hours Spent	Work order (if applicable)	Description of work performed
1	2/19/2021	1.5	1002345	Installation of software patches for CFP. Performed installation on 5/6 CFP computers.

Partial Settlement Agreement

From: Stacy Davis
Sent: Wed Jun 09 17:11:17 2021
To: Connolly,Kieran P (BPA) - PG-5
Cc: Carlson,Debbie (BPA) - PGAC-RICHLAND; Sonoda,Cherie D (BPA) - PGAC-RICHLAND; Joe First; Chris Roden; Brad Ford
Subject: [EXTERNAL] RE: Right to Act Notice-Rail Extension
Importance: Normal
Attachments: LCPUD-BPA Right To Act Notice-Rail Extension 06-09-2021.pdf

Mr. Connolly,

Please see the attached letter regarding the District's Right to Act Notice for Rail Extension project.

Due to the size and the amount of documents noted in the letter, the enclosures can be viewed through the following link:

<https://lewiscountypud.sharefile.com/d-s91d31a1032714cb9b84099556f861b3c>

Please note some of the documents provided through this link are CEII and are exempt from disclosure.

Please let me know if you have any problems accessing the enclosures included in the link provided.

Sincerely,
Stacy Davis

Stacy Davis

Executive Assistant | Lewis County PUD | www.lcpud.org
o:(360) 748-9261 | d:(360) 740-2412 | e:Stacy@lcpud.org
321 NW Pacific Ave | PO Box 330 | Chehalis, WA 98532-0330

Public Utility District No. 1 of Lewis County is required to comply with the Washington Public Records Act, RCW Ch.42.56. Information submitted via e-mail, including personal information may be subject to disclosure as a public record.

Lewis County
PUBLIC UTILITY DISTRICT

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(800) 562-5612 • (360) 748-9261 • FAX (360) 740-2455 • www.lcpud.org

June 9, 2021

Mr. Kieran Connolly
Vice President
General Asset Management
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Re: Spillway 4 Rail Extension Alternative Analysis / Budget Amendment

Dear Mr. Connolly;

As previously discussed with Bonneville Power Administration (BPA) staff Public Utility District No. 1 of Lewis County's (District) Spillway 4 Rail Extension Alternative Analysis budget line item is a significant matter pertaining to the operations of the Cowlitz Falls Project (Project). While the item by itself appears somewhat benign; it is in actuality an urgent matter relating to the operations of the Project and work needing to be performed to restore normal operations of the sluice gates as repeatedly referenced in the attached materials.

The completion of the rail across Spillway 4 as contemplated in the initial Project design will allow for the use of the gantry crane as was originally intended. Previous use of a mobile crane during emergency operations has proven to be difficult and expensive at best, and a potential safety and operations risk at worst. Advancing this project ensures District staff can complete the necessary projects and respond to similar emergencies in the future safely and efficiently.

In response to having the Spillway 4 Rail Extension Alternative Analysis incorporated into the Project budget, BPA replied on October 9, 2020 in its enclosure titled "BPA FY 2021 Budget Review Details" with a budget proposal of \$0 with the following comment "Refine estimates; analysis needed. CFP has as ability to defer."

The District believes the inclusion of the budget item itself is in response to BPA's request for further analysis. The District further objects to the statement that "CFP has as ability to defer". The alternative analysis itself, and the alternative from that analysis ultimately implemented, are required before construction on the Sluice Gate Replacement project can begin. Continual deferral as BPA proposes will stall and/or prohibit the advancement of this necessary item. BPA has not provided any justification for deferring this or the associated projects other than it is reluctant to increase Project costs because of a BPA's zero cost increase mandate.

It is with this in consideration the District provides written recommendation to BPA, as authorized by Section 8(d)(1) of the Power Purchase Agreement, to agree to affirming the FY 2021 operating budget costs of \$90,000 for the Spillway 4 Rail Extension Alternative Analysis. Please note the amount required



for advancing this project has increased from what was included in the September 24, 2020 budget document.

The ongoing FY2021 budget dispute continues to detrimentally affect the Project and its ability to adhere to matters of compliance, safety, and reliability. We believe the ongoing failure to recognize the matters held within the submitted budget as necessary items for funding of the project to be a departure from our Amendatory Contract for Power Purchase and the principles set within.

Response to this written recommendation is requested within 15 days.

Sincerely,

C. Roden

Chris Roden
General Manager

Attachments: BPA FY 2021 Budget Review Details
Rail Extension Over Spillway 4
1998 Sluice Gate Summary Report-CEII
2000 Bechtel sluiceway paper-CEII
2000, Apr. 06-Waterpower Paper [Exp. Vault]-CEII
2003 Feb 3, Sluice Gate 1 & 2 Failure-CEII
Cowlitz Fall Paper-NAES Power Contractors_Lewis County PUD-Final-CEII
Cowlitz Falls Sluice Gate Alt Ana_FINAL_2018-07-24-CEII
Crane from S Abutment-CEII
Sluice Gate #2 Out-CEII

cc: Debbie Carlson, BPA
Cherie Sonoda, BPA
Joe First, District
Brad Ford, District

From: Stacy Davis
Sent: Wed Jun 09 17:12:33 2021
To: Connolly,Kieran P (BPA) - PG-5
Cc: Carlson,Debbie (BPA) - PGAC-RICHLAND; Sonoda,Cherie D (BPA) - PGAC-RICHLAND; Chris Roden; Brad Ford; Joe First
Subject: [EXTERNAL] Right to Act Notice-5 Ton Crane
Importance: Normal
Attachments: LCPUD-BPA Right to Act Notice-5 Ton Crane 06-09-2021.pdf

Mr. Connolly,

Please see the attached letter regarding the District's Right to Act Notice for 5 Ton Crane project.

Due to the size and the amount of documents noted in the letter, the enclosures can be viewed through the following link:

<https://lewiscountypud.sharefile.com/d-s4f0b62561b174b2ba8d68a58d43e0695>

Please note some of the documents provided through this link are CEII and are exempt from disclosure.

Please let me know if you have any problems accessing the enclosures included in the link provided.

Sincerely,
Stacy Davis

Stacy Davis

Executive Assistant | Lewis County PUD | www.lcpud.org
o:(360) 748-9261 | d:(360) 740-2412 | e:Stacy@lcpud.org
321 NW Pacific Ave | PO Box 330 | Chehalis, WA 98532-0330

Public Utility District No. 1 of Lewis County is required to comply with the Washington Public Records Act, RCW Ch.42.56. Information submitted via e-mail, including personal information may be subject to disclosure as a public record.

From: Stacy Davis
Sent: Tue Jun 08 17:09:21 2021
To: Connolly,Kieran P (BPA) - PG-5
Cc: Carlson,Debbie (BPA) - PGAC-RICHLAND; Sonoda,Cherie D (BPA) - PGAC-RICHLAND; Joe First; Chris Roden; Brad Ford
Subject: [EXTERNAL] Right to Act Notice-Handrail
Importance: Normal
Attachments: LCPUD-BPA Right to Act Notice-Handrail-06-08-2021.pdf; 2021 CFP Budget Justification Sheet -Spillway Handrail Guardrail 2020 11 3.pdf; BPA FY21 budgets review details.pdf

Mr. Connolly,

Please see the attached letter regarding the District's Right to Act Notice for handrail project

Sincerely,
Stacy Davis

Stacy Davis

Executive Assistant | Lewis County PUD | www.lcpud.org
o:(360) 748-9261 | d:(360) 740-2412 | e:Stacy@lcpud.org
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June 9, 2021

Mr. Kieran Connolly
Vice President
General Asset Management
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Re: 5 Ton Bridge Crane / Budget Amendment

Dear Mr. Connolly;

As discussed and subsequently deferred in previous budget cycles the Cowlitz Falls Project (Project or CFP) is in need of a bridge crane installed over each of the generating units. In Bonneville Power Administration's (BPA) October 9, 2020 response enclosure titled "BPA FY 2021 Budget Review Details", BPA stated: "Needs additional study and scoping to determine need, benefit, and alternatives; This is for two cranes - one over each unit. There are questions still outstanding and CFP needs to look into alternatives. The estimates are from several years ago as well as initial information and scope. This project is at high risk for going over budget and over schedule." Public Utility District No. 1 of Lewis County (District) has previously supplied the requested information and concurrently within the FY 2021 budget process completed with BPA a "Project Justification Sheet" (attached) evaluating alternatives and need.

This measure is critical in nature and can no longer be delayed out of what appears to be efforts to keep immediate costs as low as possible. The measure would provide operational and fiscal benefit to the project. A bridge crane would greatly reduce the frequency of fish flume and generator hatch cover removals during unit overhauls and equipment replacements such as generator water coolers, rotor poles, thrust and guide bearings, and oil head components. Removal of the fish flumes and generator hatch covers likely would require contracting outside contractors at a cost of \$80,000 per occurrence. The removal of the fish flumes during fish collection season is unlikely to take place. Removal of the generator hatch cover outside of July through September is problematic due to likelihood of rain or snow entering the powerhouse. This delays replacement and repair projects into short scheduling windows each year. This potentially increases generator outage time and reduces unit availability.



However, most importantly the installation of the cranes will allow District staff to perform work as safely as possible. Specific examples of this are the removal of the generator deck plates and speed signal generator . Each of the generator deck plate covers weighs over 300pounds and must be removed for normal annual maintenance activities. Currently, each of the generator deck plates is removed by hand and then manually lifted, carried up to 35 feet, and finally stacked for temporary storage by District staff prior to each annual maintenance activity, and then again lifted by hand from the temporary storage stack and manually restored to its proper place when the maintenance is concluded. Manually handling and carrying the heavy deck covers across the tight generator floor is cumbersome and dangerous work that would largely be avoided if the bridge cranes were installed. There are twenty-two generator deck plates. Currently, the plates are not all removed each maintenance cycle due to lack of resources, time, and a safe process. This inhibits performing all of the unit maintenance activities that need to be completed. This will reduce the life of the generator and associated components.

There is a similar risk to staff when removing the speed signal generators located at the top of the unit rotating shafts. Removal requires District staff to construct large scaffolding that allows access to the top of the rotating shaft. The scaffolding takes 98 man-hours to build and dismantle. . The speed signal generators both weigh over 200 pounds and they must be manually lifted vertically over one foot to remove from the shaft and then carried down the scaffolding to the generator floor by hand where the actual maintenance is performed. Then, again, when the maintenance is completed, the speed signal generators are manually lifted off the floor, carried back up the scaffolding, and then put by hand back into place. Due to the tight working environment and the weight and awkward shape of the speed signal generators, the work of lifting and carrying them (both up and down the scaffolding and across the generator floor) is done by no more than two employees and any slip or other mistake could quickly give rise to a serious injury.

Placing our employees in situations of additional risk due to a budget dispute is not acceptable. It is with this in consideration the District provides written recommendation to BPA, as authorized by Section 8(d)(1) of the Power Purchase Agreement, to agree to affirming the FY 2021 operating budget costs of \$500,000 for the 5 Ton Bridge Crane as presented by the District on September 24, 2020. Failure to fund and advance the discussed measures is inconsistent with the stated strategic objective of safety shared by both agencies and would force the District to act in a manner inconsistent with the principles set forth in our Power Purchase Agreement, and as such force the District to exercise its right to act as needed to maintain compliance.

The ongoing FY2021 budget dispute continues to detrimentally affect the Project and its ability to adhere to matters of compliance, safety, and reliability. We believe the ongoing failure to recognize the matters held within the submitted budget as necessary items for funding of the project to be a departure from our Amendatory Contract for Power Purchase and the principles set within.

Response to this written recommendation is requested within 15 days.

Sincerely,

C. Roden

Chris Roden
General Manager

Enclosure: BPA FY 2021 Budget Review Details
2021 CFP Budget Justification Sheet-5-Ton Bridge Crane 2020 11 3
2007-131 Ergonomic Guidelines for Manual Materials Handling
LCPUD Bid 17-06-CF Powerhouse Bridge Cranes-Rev 11
Hitachi 10P182-630 Rev 0 Oil Supply Head-CEII
IMG_2249
IMG_2257
IMG_2264

cc: Debbie Carlson, BPA
Cherie Sonoda, BPA
Joe First, District
Brad Ford, District

Lewis County
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June 8, 2021

Mr. Kieran Connolly
Vice President
General Asset Management
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Re: Right to Act Notice-Handrail

Dear Mr. Connolly;

As previously discussed in prior budgeting periods, the Public Utility District No. 1 of Lewis County (District or Lewis County PUD) believes it is necessary and prudent to move forward with Cowlitz Falls Project (CFP or Project) Spillway Handrail and Guardrail project. The matter has been discussed with the Bonneville Power Administration (Bonneville) and deferred based on Bonneville's demand to hold Project budgets flat for several years and it has unfortunately reached the point where the District must take action to eliminate a safety hazard. Much like the Bonneville Power Administration (Bonneville) the District values safety and are committed to "taking actions to prevent and eliminate hazards" (see <https://www.bpa.gov/news/AboutUs/Pages/Mission-Vision-Values.aspx>). We do not invoke the issue of safety lightly; this issue has suffered from ongoing deferment and must be accomplished.

In Bonneville's October 9, 2020 budget response letter enclosure titled "BPA FY 2021 Budget Review Details" Bonneville stated "Replace hand rails only. Need handrail costs. Jersey barriers in place sufficient for safety- handrails seem prudent." The District does not agree that Bonneville's assessment or measure of what is prudent to address this safety hazard is accurate or determinative. The September 26, 2018 Independent Review and Analysis prepared by HDR identified this issue as one that is more probable than not to have a failure and, if there is a failure, to have extremely bad consequences. The HDR report further recommended replacement in 2021. As noted above, the District's own assessment communicated to Bonneville over the last several budget cycles is that the guardrails and handrails are failing and must be replaced. As the operator of the Project, and as the employer of the employees who work at the Project the determination of what is sufficient and prudent to address a clear safety hazard at the Project are tasked to the District. See, e.g., section 18 of the Amendatory Power Purchase Contract .



It is with this in consideration, the District provides written recommendation to Bonneville, as authorized by Section 8(d)(1) of the Power Purchase Agreement, to agree to affirming the FY 2021 operating budget costs of \$140,000 for the Spillway Handrail and Guardrail project as presented by the District on September 24, 2020 to accommodate those costs necessary to maintaining a safe and healthy workplace. Failure to fund and advance the identified measures would force the District to act in a manner inconsistent with the requirements of the Project and places the Project's employees at risk, and as such force the District to exercise its right to act.

The ongoing FY2021 budget dispute continues to detrimentally affect the Project and its ability to adhere to matters of compliance, safety, and reliability. We believe the ongoing failure to recognize the matters held within the submitted budget as necessary items for funding of the project to be a departure from our Amendatory Contract for Power Purchase and the principles set within.

Response to this written recommendation is requested within 15 days.

Sincerely,

C. Roden

Chris Roden
General Manager

Enclosures:

2021 CFP Budget Justification Sheet-Spillway Handrail Guardrail 2020 11 3
BPA FY21 budgets review details

cc: Debbie Carlson, BPA
Cherie Sonoda, BPA
Joe First, Lewis County PUD
Brad Ford, Lewis County PUD

Cowlitz Falls Project Justification Sheet

Project Title:	Spillway Handrail & Guardrail				
Project Phase:	Multiple	GL:	2-08-545-000	Date:	7/17/2020
Category:	Misc Hydraulic Plant	Timing:	1/21 - 6/21	Budget Yr:	2021

Identify Need Material Only? No **Requirements**

The concrete curbs that support the handrails around the spillway openings on the top deck are deteriorating. The concrete curbs are not tied, or anchored, into the top deck concrete. The handrails will soon become unsafe. There is daily vehicle traffic on the top deck by LCPUD personnel and occasional use by outside contractors. There are no guardrails around the spillway openings.

Replacement/Refurbishment

Asset	HydroAMP Score	Any other projects in budget associated with this project?	No
		<i>If so, what is associated work? Does this work need to be performed in any specific order?</i>	

Summary of any Technical Evaluations Completed **Have any technical evaluations been made?**

Regular field inspections of the curbs and handrail are performed. There is no tracking of the deterioration of the concrete.

Is this project part of the CFP Long Range Plan? No **If so, is it being performed in proposed fiscal year?**

This project was originally scheduled for FY 2019 and then FY 2020. In FY 2019 and FY 2020 this item was removed from the budget to meet funding limitations. As recommended by BPA, proposed projects in the budget years 2019 and 2020 and ongoing projects were not included in the long range plan. Therefore, this project is not included in the long range plan. LCPUD is proposing this project be completed prior to a failure of the handrails.

Constraints in Addressing the Problem or Limiting Alternatives

Schedule project as not to interfere with ongoing operations and projects.

Current Active Mitigations to Address Issue

Continually monitor conditions to determine hazard. No additional mitigation efforts are performed for the handrails.

Recommended Alternative #1 **Replace Handrails and Add Guardrails Around Spillway Opening**

Alternative Approach (Scope)	Outage Req'd?	<input type="checkbox"/> No	<input type="checkbox"/> Contracted?	<input type="checkbox"/> Yes	Alternative #1 Schedule		
<i>Design will be performed by LCPUD. An RFP will be written and sent out for advertisement. The selected contractor will remove the existing handrail and install the new handrail and guardrail. There is about 450 linear feet of fencing to be replaced around spillway 1, 2, and 3 openings.</i>	Phase/Work	Start			Finish		
	Design	Jan-21			Feb-21		
	Construction	May-21			Jun-21		

Alternative #1 Cost Estimate			Estimate Accuracy Level	Class 5
Phase/Work	O&M/EXP	CAP/OR&R	Thresholds	High: \$300,000
Design	\$18,000	\$0		Low: \$75,000
Construction	\$132,000	\$0	Cost Estimate Method	Engineering
	\$0	\$0		
Total	\$150,000			

Additional Considerations

Risks (of not doing project)	Description	Likelihood	Consequence
Safety Risk	Failure of Handrails	3 - Possible (once every 13 years)	5 - Extreme

Benefits **Answers**

Productive Workplace Benefit	How many employees are positively impacted by the expenditure?	6
	How many hours of increased productivity per employee per year?	80

Alternative #2 **Place Temporary Barriers around the Spillway Gate Openings**

Alternative Approach (Scope)	Outage Req'd?	<input type="checkbox"/> No	<input type="checkbox"/> Contracted?	<input type="checkbox"/> No	Alternative #2 Schedule
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Cowlitz Falls Project Justification Sheet

Place jersey barriers around the spillway gate openings. LCPUD crews would install. This would limit access to all areas for dam safety inspections. This would limit access for operational inspections, especially during high flow events. Will limit gantry crane travel along crane rails.

Phase/Work	Start	Finish
Design	Jan-21	Feb-21
Procurement	Mar-21	Jun-21
Installation	Jul-21	Aug-21

Alternative #2 Cost Estimate

Phase/Work	O&M/EXP	CAP/OR&R	Actual cost
Design	\$0	\$0	
Procurement	\$220,500	\$0	
Installation	\$10,000	\$0	
Total		\$230,500	

Estimate Accuracy Level

Estimate Accuracy Level	Class
Class 1	
Thresholds	High: \$461,000
	Low: \$115,250
Cost Estimate Method	Engineering

Additional Considerations

Risks	Description	Likelihood	Consequence
Safety Risk	Would not completely mitigate safety risk	3 - Possible (once every 13 years)	4 - Major

Benefits	Answers
Productive Workplace Benefit	
How many employees are positively impacted by the expenditure?	6
How many hours of increased productivity per employee per year?	80

Alternative #3

Alternative Approach (Scope)

Outage Req'd?	Contracted?

Briefly explain the alternative's proposed technical approach to address the identified need. Is this project for material procurement and installation? Or, is this a phased project with study, design, and/or construction? If an outage is required, does the preferred outage window meet the proposed schedule? Material costs? Labor costs?

Alternative #3 Schedule

Phase/Work	Start	Finish

Alternative #3 Cost Estimate

Phase/Work	O&M/EXP	CAP/OR&R
	\$0	\$0
	\$0	\$0
	\$0	\$0
Total		\$0

Estimate Accuracy Level

Estimate Accuracy Level	Class
Class 5	
Thresholds	High: \$0
	Low: \$0
Cost Estimate Method	Analogy

Additional Considerations

Risks	Description	Likelihood	Consequence

Benefits	Answers

Additional Information / Notes

BPA Proposed FY21 CFP Budget	FY 2020	LCPUD FY 2021	BPA FY 2021	Comment
ADMIN & GENERAL				
A&G Exhibit F		\$537,700	\$100,000	Working jointly to establish agreed upon methodology and amend PPA. This amount is a placeholder. BPA understands the actual may be more or less than amount noted.
Auditing	\$21,000	\$20,900	\$20,900	
Bank Fees	\$1,000	\$1,000	\$1,000	
Communications Fiber - User Fee	\$6,000	\$6,500	\$6,500	
Consumable First Aid Supplies	\$3,200	\$3,200	\$3,200	
Consumable Janitorial Supplies	\$1,300	\$1,300	\$1,300	
Consumable Safety Supplies & PPE	\$5,400	\$5,400	\$5,400	
Excess Liability Insurance	\$13,000	\$19,000	\$19,000	
FERC Fixed Fees	\$65,000	\$65,000	\$65,000	
Liability Insurance	\$22,500	\$10,000	\$10,000	
License & Permits	\$6,400	\$6,400	\$6,400	
Other	\$0	\$3,000	\$3,000	Insurance
Port Blakely Easement	\$16,000	\$17,500	\$17,500	
Property Insurance	\$158,500	\$170,000	\$170,000	
USGS Gauging Station Fees	\$37,300	\$40,600	\$40,600	
American Fisheries Society Meeting	\$0	\$1,500	\$1,500	
AVO Circuit Breaker Maintenance	\$0	\$2,400	\$2,400	Training for operators. Prudent due to new staff.
CEATI Annual Meeting	\$0	\$2,200	\$2,200	
CF Vehicle and Equipment Fuel	\$16,000	\$16,000	\$16,000	
CF Vehicle Maintenance	\$12,000	\$12,000	\$12,000	
Communication Services	\$5,600	\$3,300	\$3,300	
Computer Services	\$5,600	\$5,600	\$5,600	
Computer Training	\$0	\$800	\$0	Ability for CFP to defer.
Confined Space Training	\$0	\$8,000	\$8,000	
Dam Safety Consultant	\$84,000	\$84,000	\$84,000	

Engineering Consultants	\$16,200	\$65,000	\$16,200	300% increase from FY20. Based on actuals as of August, FY20 amounts are adequate. The scope of work consultants will be utilized on has yet to be solidified. BPA holding to FY20 amount due to no quantifiable reasoning to increase from the CFP.
EPTC Elect. Fundamentals	\$0	\$0		CFP removed.
Fire District Payment	\$17,700	\$19,000	\$19,000	7% increase from FY20
HydroVision	\$0	\$2,000	\$2,000	
Labor Consultant	\$1,000	\$1,000	\$1,000	
Legal Services	\$16,000	\$24,200	\$24,200	Increase for FERC historic summary
Legal Services	\$15,000	\$20,000	\$15,000	33% increase from FY20. Actual estimates and scope of work for increase not given.
Long Range Plan Analysis	\$103,000	\$50,000	\$50,000	
Misc.	\$2,700	\$5,400	\$2,700	Drivers for increase not based on prior year actuals or increased work.
NW Hydro Forum	\$0	\$400	\$400	
NWHA Annual Meeting	\$0	\$500	\$500	
NWHA Workshop	\$0	\$600	\$600	
NWPPA Admin Asst. Training	\$0	\$2,400	\$2,400	
NWPPA Leadership Training	\$0	\$3,400	\$3,400	
Office Supplies	\$8,000	\$9,000	\$9,000	
Operator Training Development	\$0	\$45,000	\$45,000	Development of operator training program.
Pesticide Application Training	\$0	\$800	\$800	
Project Analysis	\$0	\$20,000	\$20,000	
Records Training	\$0	\$700	\$700	
Rope Access Training	\$0	\$8,000	\$8,000	
Water/Wastewater Training	\$0	\$1,200	\$1,200	
WECC & NERC Consultants	\$55,000	\$58,000	\$58,000	5.5% increase from FY20

WPUDA Admin Roundtable	\$0	\$600	\$0	CFP has ability to defer
WPUDA Records Roundtable	\$0	\$300	\$0	CFP has ability to defer
Small Tools & equipment	\$5,500	\$5,500	\$5,500	
**cost of debt financing	\$0	\$106,700	\$0	BPA declining debt option.
TOTALS	\$750,300	\$1,493,000	\$890,400	
OPERATING EXPENSES				
1D Sediment Transport Study	\$0	\$100,000	\$0	The 1D study is not required by ecology. This study may help support sedimentation plan but not essential/information provided in detailed study over 2017-2019 is sufficient. Conclusion from this study will not support an alternative plan. Money better spent to address sluice gate operations which identified as concern to properly operating for better sedimentation management.
230kV Circuit Breaker Maintenance	\$0	\$45,000	\$0	HydroAmp score 6.9 (good); Black&Vetch suggests replacement in 2022,item can wait for LRP and future assessments.
Advertising	\$3,000	\$3,000	\$3,000	
AVR Testing	\$0	\$60,000	\$60,000	Prudent to perform in FY21 based on current condition and testing freq. requirements.
Buffer Zone Management	\$1,000	\$2,000	\$1,000	100% increase from FY20. FY20 allocation sufficient and not essential to increase.
Building Maintenance	\$3,200	\$3,200	\$3,200	

Campground Hosts	\$4,000	\$115,400	\$115,400	
Campground Internet	\$1,500	\$3,000	\$1,500	100% increase. Reason for increase from FY20 not provided. FY20 allocation sufficient. Increase not essential.
Campground Reservation Software	\$4,800	\$5,000	\$5,000	
Campground Telephone	\$1,300	\$1,300	\$1,300	
CEATI Membership	\$36,000	\$36,000	\$36,000	
CEATI Projects	\$0	\$15,000	\$0	
CF Project Telephones	\$3,300	\$7,000	\$3,300	112% increase. Reason for large increase from FY20 not provided. FY20 allocation sufficient.
CFP Cell Phones	\$1,600	\$1,600	\$1,600	
Computer Software	\$0	\$2,000	\$2,000	
Contract Crane Inspections	\$12,600	\$12,600	\$12,600	
Contract Diesel Generator Maintenance	\$10,000	\$10,000	\$10,000	
Contract Maintenance Elevator	\$14,800	\$15,000	\$15,000	
Contract Operators	\$0	\$70,000	\$70,000	Head hunter fee
Contract Septic and Water Services	\$25,000	\$25,000	\$25,000	
Contract Services (Backhoe, Gravel)	\$4,000	\$7,000	\$2,000	75% increase from FY20. Backhoe use should be attributed to a specific project. BPA is no longer able to fund backhoe services to Packwood ballpark.
Contract Services (Dock Installation and F	\$0	\$2,500	\$2,500	
Convert Engineering Drawings to AutoCA	\$20,000	\$20,000	\$20,000	
Cooling Water Valves	\$0	\$8,000	\$0	HydroAMP 5.7; move to FY 2022
Cooper Creek Take Out Site Parking	\$0	\$75,000	\$0	Project scope and deadline unknown at this time. Project appropriate for Reserve fund use if scope definitive in FY21.
Creel Study	\$0	\$18,000	\$18,000	BiOp requirement

Dam Instrumentation	\$4,000	\$6,000	\$4,000	50% increase from FY20. This line item is not based on actuals of previous years or based on instrumentation for planned work.
Debris Barrier coating & Cathodic Protect	\$30,000	\$160,000	\$160,000	Funds for design.
Debris Barrier Corrosion Inhibitor	\$0	\$10,000	\$10,000	Work scheduled to be done in FY22-coating the inside of the debris barrier
Debris Barrier Parts	\$0	\$1,000	\$1,000	
Debris Removal	\$1,000	\$6,000	\$6,000	
Diving Services	\$12,000	\$12,500	\$12,000	
Drainage System	\$3,000	\$3,000	\$3,000	
Electric Utilities	\$6,000	\$6,200	\$6,200	
Electric Utilities - Secondary Power Feed	\$10,900	\$11,200	\$11,200	
Electrical Contractors	\$0	\$45,000	\$20,000	Mechanical and electrical contractors fall into the GL 2.08.544.000 (which includes other items as such as parts, etc.). FY20 August SOB has a total of all expenditures in this category of \$55,339. Bases on these actuals, approximately \$20K should be sufficient for misc. work for contractors. Our expectation is contract services for specific projects be included in the cost of associated project and this category is for misc. work.

Electrical Parts	\$8,000	\$14,000	\$8,000	75% increase from FY20. This is not based on actuals or estimates based on trending.
Equipment Rental	\$18,900	\$30,800	\$18,900	63% increase. Scope/work estimates not driving increase. Reduced work under BPA budget proposal will reduce equipment need. FY20 levels sufficient.
Fall Protection Equipment	\$1,500	\$1,500	\$1,500	
FERC Dam Movement Survey	\$8,400	\$8,400	\$8,400	
Fish & Wildlife contract Services (RTL con	\$10,000	\$10,000	\$10,000	
FR Clothing	\$8,000	\$8,000	\$8,000	
Garbage Service	\$8,200	\$8,500	\$8,500	
Generator Parameter Validation Testing	\$0	\$160,000	\$160,000	
Governor		\$4,000	\$4,000	
Governor 3D CAM	\$10,000	\$40,000	\$40,000	\$10k of FY20 used, \$50k total project cost.
Ground Maintenance	\$2,200	\$3,200	\$0	Funding for equipment is covered in small tools. Labor is covered by resource workers and summer help. Estimated increase not driven by actual scope of work increases.
Habitat & Fish Recovery Services (WDFW	\$10,000	\$10,000	\$10,000	
Habitat Management; Fertilizer, Spraying	\$8,400	\$8,700	\$8,400	
HVAC	\$3,200	\$3,200	\$3,200	
Inspections	\$2,200	\$2,200	\$2,200	
Instrumentation Parts	\$8,000	\$10,000	\$8,000	25% increase. Quantifiable drivers of increase not provided. This is not based on actuals or estimates based on failure trending.

Kid's Trout Derby	\$0	\$5,200	\$2,500	This is for prizes and advertising- there is room for reduction of both these items.
Log Bronc Maintenance	\$1,000	\$1,000	\$1,000	
Maintenance Supplies for Electric Plant	\$5,400	\$5,400	\$5,400	
Mechanical & Piping	\$6,600	\$9,000	\$6,600	36% increase from FY20. This line item is not based on actuals of previous years or based on instrumentation for planned work based on instrument trending.
Mechanical Contractors	\$0	\$45,000	\$20,000	See line item for electrical contractors.
Mechanical Parts	\$8,000	\$14,000	\$8,000	75% increase from FY20. This line item is not based on actuals of previous years or based on instrumentation for planned work.

Metal	\$3,000	\$12,000	\$3,000	300% increase from FY20. This line item is not based on actuals of previous years or based on instrumentation for planned work.
Mitigation Trout Program	\$40,500	\$43,000	\$43,000	
Noxious Weed Control	\$5,000	\$5,000	\$5,000	
Noxious Weed Control Contractor	\$8,800	\$9,000	\$9,000	
NWHA Membership		\$800	\$800	
Open/Close Packwood Gate	\$2,500	\$2,600	\$0	BPA has informed LCPUD that we unfortunately cannot support goodwill items due to cost pressures by the region.
Operation Supplies	\$2,200	\$2,200	\$2,200	
Operator Remote SCADA Communicator	\$8,000	\$8,000	\$8,000	
Painting & Special Coatings	\$3,200	\$3,200	\$3,200	
Park Equipment Repairs	\$3,200	\$3,200	\$3,200	
Plant Lighting	\$1,000	\$1,000	\$1,000	
Plant Water Wells & Testing	\$1,200	\$1,200	\$1,200	
Portable Restrooms	\$2,100	\$2,200	\$2,100	
Potable Water and Septic System Testing	\$0	\$2,000	\$2,000	
Radio / Pager System Improvements	\$2,000	\$25,000	\$0	Project deferred to perform in conjunction with District to insure continuity.
Repairs & Supplies	\$8,200	\$9,000	\$8,200	
Rope Access Gear	\$1,500	\$1,500	\$1,500	
ROW Maintenance	\$50,000	\$60,000	\$50,000	20% increase. FY20 levels sufficient. Quantifiable reason for increase not performed.
Safety Improvements	\$6,000	\$5,000	\$5,000	
SCADA Support	\$0	\$50,000	\$50,000	Support for new SCADA system completed in FY20.
Security Assessment	\$0	\$85,000	\$85,000	
Security /Plant Locks	\$1,500	\$1,500	\$1,500	

Sedimentation Survey	\$2,700	\$5,200	\$2,700	93% increase. FY20 levels sufficient. Quantifiable reason for significant increase not provided.
Seismic Study	\$0	\$100,000	\$100,000	
Sewer & Water System Maintenance	\$4,400	\$6,400	\$4,400	45% increase. Not based on actuals. Quantifiable reasoning for increase from FY20 not provided.
Shelving & Furniture	\$2,000	\$2,000	\$2,000	
Sign Replacements	\$2,200	\$2,200	\$2,200	
Smoke Detectors & Fire Water Systems	\$1,600	\$2,600	\$1,600	
Spillway Gates	\$3,000	\$5,000	\$3,000	
Structure Maintenance; Concrete, Fencin	\$10,000	\$20,000	\$10,000	100% increase for FY20. FY20 levels adequate for misc. expenses associated with this GL.
Subscriptions, Prints, Copies and Maps	\$2,200	\$2,200	\$2,200	
Temporary Offices	\$40,000	\$200,000	\$200,000	Provides adequate space for all CFP staff and contractors to address requested extra space for staff and security reasons.
Tools and Equipment	\$6,000	\$15,000	\$6,000	150% increase. Increase not based on actuals or quantifiable reasoning. Large increase not based on proposed work or tending of current equipment.
Transformer Oil Processing & Testing	\$1,000	\$1,000	\$1,000	
Transmission Line Corridor Planting	\$20,000	\$10,000	\$10,000	
Turbidity Sensor Communication	\$1,020	\$1,000	\$1,000	
Turbine Maintenance Seals	\$0	\$50,000	\$50,000	Prudent to perform in FY21 based on current condition of seals.
TOTALS	\$587,020	\$2,080,600	\$1,665,400	

Alternate Fishing Derby Site Developmen	\$0	\$50,000	\$0	Current site sufficient. Ability to defer. Old fishing derby site is available. Defer so alternatives can be looked at.
*5-ton Bridge Crane	\$0	\$500,000	\$0	Needs additional study and scoping to determine need, benefit, and alternatives; This is for two cranes - one over each unit. There are questions still outstanding and CFP needs to look into alternatives. The estimates are from several years ago as well as initial information and scope. This project is at high risk for going over budget and over schedule.
*Communications (Radios,etc)	\$5,900	\$5,900	\$5,900	
*Control Room/Office Area Repairs	\$0	\$40,000	\$40,000	
*Generator Hatch Cover Seals & Drains	\$0	\$120,000	\$120,000	Seals are showing wear and warrants as an essential project for FY21.
*New Facility-Analysis/Design/Site Testin	\$0	\$45,000	\$36,722	CFP indicated at least \$8,278 of work was performed in FY20, The FY21 amount may be lower than BPA proposed based on FY20 actuals.
*Server/Cameras/Office Machines/Comp	\$5,400	\$5,400	\$5,400	
*Service Air Compressor	\$1,000	\$1,000	\$1,000	
*Sluice Gate Replacement - CFD & Physic	\$0	\$330,000	\$330,000	This is an essential project and noted as needing to be addressed in recent assessments.
Sonar & Turbidity Sensors	\$0	\$150,000	\$150,000	Ecology requirement.

*Spillway 4 Rail Extension - Analysis	\$0	\$45,000	\$0	Refine estimates; analysis needed. CFP has as ability to defer.
Spillway Handrail & Guardrail	\$0	\$140,000	\$70,000	Replace hand rails only. Need handrail costs. Jersey barriers in place sufficient for safety- handrails seem prudent.
Wages - capitalized	\$0	\$200,000	\$0	Labor allocation for capital
TOTALS	\$880,300	\$1,432,300	\$759,022	

From: Stacy Davis
Sent: Tue Jun 08 17:16:24 2021
To: Connolly,Kieran P (BPA) - PG-5
Cc: Carlson,Debbie (BPA) - PGAC-RICHLAND; Sonoda,Cherie D (BPA) - PGAC-RICHLAND; Joe First; Chris Roden; Brad Ford
Subject: [EXTERNAL] Right to Act Notice-Sediment
Importance: Normal
Attachments: LCPUD-BPA Right to Act Notice-Sediment-06-08-2021.pdf

Mr. Connolly,

Please see the attached letter regarding the District's Right to Act Notice for sediment. Due to the size and the amount of documents noted in the letter, the enclosures can be viewed through the following link:

<https://lewiscountypud.sharefile.com/d-s3da406c0586a46daa79f346d7b819bab>

Please note some of the documents provided through this link are CEII and are exempt from disclosure.

Please let me know if you have any problems accessing the enclosures included in the link provided.

Sincerely,
Stacy Davis

Stacy Davis

Executive Assistant | Lewis County PUD | www.lcpud.org
o:(360) 748-9261 | d:(360) 740-2412 | e:Stacy@lcpud.org
321 NW Pacific Ave | PO Box 330 | Chehalis, WA 98532-0330

Public Utility District No. 1 of Lewis County is required to comply with the Washington Public Records Act, RCW Ch.42.56. Information submitted via e-mail, including personal information may be subject to disclosure as a public record.



Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER SERVICES

July 15, 2022

In reply refer to: 1. Bonneville's December 1, 2021, CFP OY 2022 CFP Final approval from Cherie Sonoda to Brad Ford
2. Lewis' June 24, 2022, OY 2022 CFP Budget from Brad Ford to Debbie Carlson

Mr. Brad Ford, Chief Financial Officer
Public Utility District #1 of Lewis County
P.O. Box 330
Chehalis WA 98532-0330

Dear Mr. Ford:

Reference is made to the Public Utility District No. 1 of Lewis County's (District) June 24, 2022, letter providing the Bonneville Power Administration (Bonneville) an updated budget for the Cowlitz Falls Project (CFP) for Operating Year (OY) 2022 (OY is defined as January 1 – December 31).

The 2021 OY Financial Account Summary showed an underrun of \$700,515.00. Per the Power Purchase Agreement, this underrun will be used to reduce the CFP OY 2022 Budget. Bonneville approves the proposed budget as written with the exception of the funding allocated for the proposed three new positions, the IT/IS ES support position, purchasing ES support position, and CFP Fish & Wildlife technician. We understand the two "ES support" positions (IT/IS and purchaser) will not become a part of the dedicated CFP staff and the positions were specifically listed separately in the OY 2022 CFP Budget because of uncertainty in how to allocate the percentage of their time between the CFP and the District. The third position (technician) is expected to be a permanent member of the CFP staff. Bonneville does not support this position. Bonneville is not in agreement with the addition of these positions due to inability of the District to provide the required justification needed per agreement in the Bonneville/District Phase I Settlement Agreement (dated March 18, 2021). We feel strongly that this issue should be elevated to one of the highest priority items to be addressed with onboarding of the facilitator so that staffing concerns can be resolved to support the OY 2023 CFP Budget proposal.

With the staffing changes noted above, this brings the total amount approved as \$10,505,585 for the OY 2022 CFP Budget. Monthly payments will be \$875,465.42 and will commence with the August O&M payment (due August 4). A onetime true up payment of \$2,635,537.94 will be made to address difference for the months of January 2022 - July 2022.

In addition Bonneville approves the following added items in OY 2022 CFP Budget with the caveat that their costs will be managed within the amount allocated for the approved OY 2022 CFP Budget:

- (1) HDR study (~\$25K) to look into the possibility of the CFP being eligible for funding from the federal infrastructure bill;
- (2) Free Doc (~\$15.6K) to assist the CFP in cleaning up and organizing their documents; and,
- (3) the boat barrier design (~\$200K) for which we would expect the justification sheet for this item be updated to reflect any new information.

On a personal note, as you know Debbie Carlson will be retiring from Bonneville at the end of July and she has asked I pass on her appreciation to you and to the rest of the District and CFP staff that she was worked with over the last 19 years while serving as Bonneville's Project Manager for the CFP.

Please let me know if you have any issues concerning the OY 2022 CFP Budget or the Cowlitz Falls Project. I can be reached at csonoda@bpa.gov or (509) 372 5164.

Sincerely,

Cherie Sonoda, Nuclear Supervisor
Contract Generating Resources

ecc:

Mr. Joe First, Lewis

Ms. Michelle Holmes, Lewis

Ms. Nichole Lantau, Lewis

Mr. Chris Roden, Lewis

Mr. Doug Streeter, Lewis

Ms. Wendy Wood, Lewis

Lewis Commissioner's: Messrs. Tim Courmyer; Michael Kelly and Ed Rothlin

Lewis County

PUBLIC UTILITY DISTRICT

P.O. BOX 330 CHEHALIS, WA 98532 • 321 N.W. PACIFIC AVENUE CHEHALIS, WA 98532
(800) 562-5612 • (360) 748-9261 • FAX (360) 740-2455 • www.lcpud.org

June 8, 2021

Mr. Kieran Connolly
Vice President
General Asset Management
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Re: Right to Act Notice-Sediment

Dear Mr. Connolly;

As originally submitted, approved and progressively amended, Public Utility District No. 1 of Lewis County (District)'s Sediment Operation Plan as required by Article 39 of the FERC License together with the Sediment Monitoring Plan as required by Article 38 of the FERC License have guided the operations of the Cowlitz Falls Project (Project) since its inception. These requirements, together with the Washington State Department of Ecology's (Department of Ecology) Agreed Order #15322, provide the basis from which the District has created and submitted a FY 2021 budget which includes those cost necessary for advancing these efforts.

The April 23, 2019 "Cowlitz Falls Hydroelectric Project Sedimentation Study and Preliminary Hydraulic Analysis Report" (Report) prepared by Northwest Hydraulic Consultants Ltd (NHC) "recommended that one-dimensional modelling be undertaken as it has the ability to incorporate sediment transport and simulate long periods of time over the entire reservoir."

In response to having the recommended modeling incorporated into the Project budget, the Bonneville Power Administration (Bonneville) replied on October 9, 2020 in its enclosure titled "BPA FY 2021 Budget Review Details" that "1D study is not required by ecology. This study may help support sedimentation plan but not essential/information provided in detailed study over 2017-2019 is sufficient. Conclusion from this study will not support an alternative plan. Money better spent to address sluice gate operations which identified as concern to properly operating for better sedimentation management."

While the District agrees that proper sluice gate function is essential to the operations of the Project and the management of sediment; it disagrees with Bonneville's position that the study would not provide material benefit to the overall management of sediment in the affected area and/or is not necessary to meet the requirements of Agreed Order #15322 between the District and the Department of Ecology.

Among other things, Agreed Order #15322 requires the District to develop recommendations for future actions to preclude slug discharges of sediment below the Project when opening spillway gates. One of the chief conclusions of the Report prepared by NHC is that the key problem for managing sediment at



the Project, and thus (by implication) the key problem that the District must address in order to comply with Agreed Order #15322, "concerns the supply of sediment to the dam from upstream during drawdown events." To address this key concern, NHC recommended that the one-dimensional modeling be undertaken to better identify alternative approaches for managing sediment in the reservoir by focusing on the frequency, timing and magnitude of drawdowns to prevent the intake from becoming overwhelmed by sediment supplied from upstream.

NHC's identification of the key problem for managing sediment at the Project and its proposal to perform one-dimensional modeling to help identify alternatives for addressing that problem were made in its 50-page hydraulic analysis report prepared following its performance of two-dimensional and three-dimensional modeling of the Project, performance of sonar at the Project, visiting the site, and discussions with Project staff. In contrast, Bonneville's proposal to reject NHC's recommendation entails cursory, unsupported statements in Bonneville's October 9, 2020 response to the District's budget proposal that one-dimensional modeling would provide no additional information and would provide no material benefit to the overall management of sediment.

Bonneville's cursory, unsupported justifications for not performing one-dimensional modeling are unconvincing; particularly when set against the analytical weight behind NHC's recommendation. Accordingly, as the Project Operator, and the party ultimately responsible for ensuring that the Project meets aforementioned regulatory obligations, the District has concluded that 1D sediment modeling is prudent and necessary to meet both (i) its regulatory obligations, including its regulatory obligation under Agreed Order #15322 to develop recommendations for future actions to preclude slug discharges of sediment below the Project when opening spillway gates; and (ii) its contractual obligation to discharge duties as Project Operator in accordance with Section 7(e) of the Power Purchase Agreement.

It is with this in consideration that the District provides written recommendation to BPA, as authorized by Section 8(d)(1) of the Power Purchase Agreement, that it agree to affirm the FY 2021 operating budget costs of \$100,000 for the 1D Sediment Transport Study as presented by the District on September 24, 2020 to accommodate those costs necessary to comply with License articles 38 and 39 as set forth by FERC and Ecology's Agreed Order #15322. Failure to fund and advance the measures as explicitly and implicitly required by FERC and Washington's Department of Ecology would force the District to act in a manner inconsistent with the requirements of the Project and as such force the District to exercise its right to act as needed to maintain compliance.

The ongoing FY2021 budget dispute continues to detrimentally affect the Project and its ability to adhere to matters of compliance, safety, and reliability. We believe the ongoing failure to recognize the matters held within the submitted budget as necessary items for funding of the project to be a departure from our Amended Contract for Power Purchase and the principles set within.

Response to this written recommendation is requested within 15 days.

Sincerely,

C. Roden

Chris Roden
General Manager

Enclosures:

- 1983 Final Environmental Impact Statement (including FERC License)
- 2018 Ecology Agreed Order #15322
- BPA FY21 budgets review details
- Cowlitz Falls FEIS-0156-FEIS
- 1987 Sediment Monitoring Program-CEII
- 1988 Sediment Operations Plan-CEII
- 1998 Oct 26, Reservoir Sediment Operation Plan-Bechtel-CEII
- 2019 Improving Sediment Management-CEII
- 2019 NHC Cowlitz Falls Sediment Study-CEII
- #28-1D Sediment Transport Study
- #28-2021 CFP Budget Justification Sheet-1D Sediment Transport Study 2020 11 3
- #28-2021 CFP Budget Justification Sheet-Sedimentation Recommendations Report
- #28-Sedimentation Recommendations Report
- 1987 Dec 14, Ecology Letter, Sediment Monitoring
- 1987 Dec 17, Ecology Comments on Sediment Monitoring
- 1987 Nov 24, Required to Consult with Army Corps
- 1988 Feb 1, Sediment Monitoring Fulfills Requirements
- 1994 Jun 2, Bechtel Sediment Monitoring Report
- 2015 Nov 24, Updated Plan
- 2019Mar06.FERC.Part12ConsultingEngineerings-Copy-CEII
- 2021-03-12 Cowlitz Falls 2020 DSSMR-CEII
- 20190423_2002854_NHC_CowlitzFallsDamStudy_R1-CEII

cc: Debbie Carlson, BPA
 Cherie Sonoda, BPA
 Joe First, Lewis County PUD
 Brad Ford, Lewis County PUD



Department of Energy

Official File

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER SERVICES

September 20th 2022

In reply refer to:

Mr. Chris Roden, General Manager
Public Utilities District No. 1 of Lewis County
P.O. Box 330
Chehalis, WA 98532

Dear Mr. Roden,

Reference is made to the August 18th, 2022, Cowlitz Falls Project (CFP) OY 2023 Budget Proposal.

The Bonneville Power Administration (Bonneville) reiterates its commitment to prioritizing the safe, reliable, and efficient operation of the CFP consistent with the Power Purchase Agreement and Bonneville's statutory mandate to operate consistent with sound business principles. Bonneville also shares the Public Utility District #1 of Lewis County's (Lewis) commitment to meet the requirement under section 9(a) of the Power Purchase Agreement to have a mutually agreed upon budget in place 30 days prior to the start of the next OY. Regarding the OY 2023 budget process currently underway, I feel compelled to share with you some concerns about the proposed OY 2023 budget that Bonneville's budget staff have shared with me. These concerns make meaningful review of the FY 2023 problematic and severely jeopardize meeting the shared goal of having an approved CFP budget in place ahead of the beginning of the operating year.

In Operating Years 2021 and 2022, Bonneville agreed to atypically large increases to the CFP budget, 52.9% and 34.6% respectively. That Bonneville agreed to such substantial increases despite our well-documented concerns with, among other things, the lack of justification for such increases within the context of a cogent long-term investment plan, speaks to Bonneville's commitment to the safe and reliable operation of the CFP and our willingness to trust Lewis and CFP's declaration of its budgetary needs despite the aforementioned deficiencies. Bonneville agreed to these budgets in large part due to a good faith expectation that Bonneville and Lewis would continue to work together to improve both the budget process and substance and that future budgets would demonstrate marked improvements in both areas.

I believe that a good faith effort by both parties to improve the process and the substance is occurring and I want to thank Lewis and CFP staff for that work. Likewise, I believe that you and I have established the basis for a productive relationship with respect to the CFP. These efforts

made by staff and management alike make the OY 2023 budget presented to Bonneville beginning on August 18th, 2022, all the more puzzling.

For OY 2023, Lewis presented Bonneville with a CFP budget request of over \$23 million. This budget represents an approximately 120% increase over the prior year and 351% increase over OY 2020 when the large annual increases began. Just as disconcerting as the amount of the CFP budget proposal, the proposed budget still lacks in critical areas of justification and prioritization that one would expect from any capital budget, much less one proposing such massive and unprecedented increases.

It is unclear how the Bonneville staff can even begin to evaluate a budget without basic information such as a prioritization of capital projects to assess how they relate to the immediate needs of the Project. Information related to the condition, criticality, and strategic need for the projects are often incomplete or altogether absent. Also unclear is the readiness of some of these projects and how Lewis and the CFP plan to execute. Any level of strategic contribution and value is worthless if it cannot be delivered. A project's deliverability is too often assumed.

It is concerning that Lewis struggles to generate a prioritization process that objectively identifies the priority investments. Bonneville has resources to assist with this exercise if needed but this process would ideally occur during budget formulation and should be led by Lewis and CFP. Bonneville staff should not be tasked with prioritizing the CFP budget.

Additionally, the budget information submitted by Lewis thus far has contained material errors and omissions. After five meetings held to date a complete budget has yet to be delivered to Bonneville. The original proposed budget lacked a labor estimate, which is a major portion of the budget, and the budget proposal contained items that should not have been included based on mutual agreement. Incomplete budget information has significantly frustrated progress of reaching an agreement for the upcoming operating year.

Lastly, we need to consider that \$23 million represents a 1% increase to Bonneville's Power rates. The historical level of the CFP annual budget (\$4M-\$6M) has evaded scrutiny but, as you well know, this type of increase will not go unnoticed and Lewis and Bonneville must be prepared to explain the dramatic increases to Bonneville's stakeholders. I am not confident in our ability to justify the CFP budget at this time. The basic budget elements Bonneville is and has been asking of Lewis, such as justification and prioritization of capital projects that relate to basic strategic objectives, are the very things needed to justify to external stakeholders and required of Bonneville as part of our statutory requirement to operate consistent with sound business principles.

I think we share concern that the pace of budget negotiations thus far is jeopardizing the common goal of timely completion of the CFP OY 2023 budget. We expected to have the budget facilitator on board by now but the selected firm recently backed out. We are working diligently to get another firm on board through the contracting process but I wonder if it would be prudent at this point for the both of us to become more directly involved in the substantive issues? I will make myself available for a meeting with the budget working group if you think this would help expedite the process. Bonneville remains committed to working towards agreement on an acceptable OY 2023 budget. We appreciate the Lewis team's efforts on this front and we look forward to continuing to work together to find workable solutions for the long-term funding of the CFP.

Sincerely,

Bill Leady, Vice President
Generating Asset Management

ecc:

Mr. Bradley Ford, Lewis
Messrs. T. Cournyer, M. Kelly, E. Rothlin, Commissioners

PROPELLER

Cowlitz Falls Project Budget Process Improvement

Action Summarization

Maithreyi Shankar & Kevin Price

WWW.PROPELLERCONSULTING.COM

Agenda

01 Review of Issue Identification

02 Walkthrough of Issues and Resolutions

03 Ways of Working Recommendations

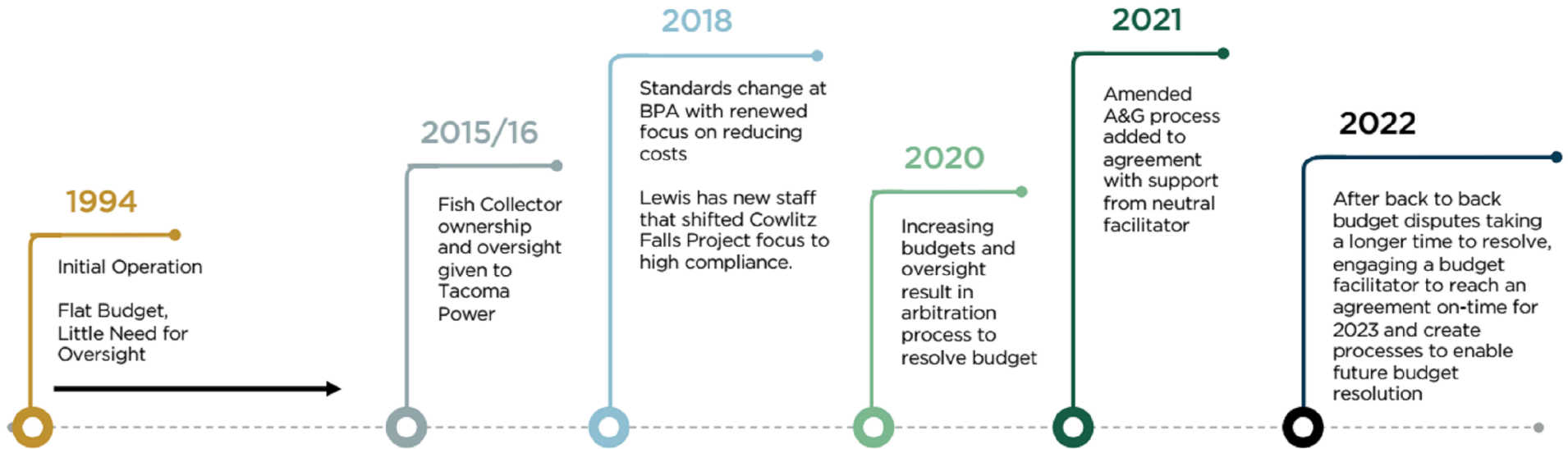
04 Open Items & Actions to Keep in View

05 CFP OR&R Capital Budget Cycle Process Breakdown

06 [Reference Guide to Agendas/Minutes from 2023 Budget Discussions](#)

07 Questions

Timeline Before 2023 Budget Cycle





Main Causes Identified By Propeller

01

Fundamental Alignment

Lewis County and Bonneville Power Administration have a different understanding of the PPA and the underlying authority that imparts on both sides, and how that carries forward in a working relationship through the remainder of the contract.

02

Budget Communication Deficiencies

Change in personnel over time has revealed that there are systemic process deficiencies in the budget resolution between Lewis County and BPA. Timing, breadth of information, and lack of longer-term planning are symptoms of this issue.

03

Ways of Working Misalignment

While there are some procedures outlined in either the PPA or in amendatory agreements, these are not complete sources for how to proceed, and some are not being utilized as the source for current operating practices. Additionally, there is a lack of historical precedent or context among current teams for how to align.

04

Roles and Responsibilities

Lewis County and BPA both need to align on the responsibility each has to this working relationship. Lewis County needs to understand BPA's fiduciary responsibility to steward ratepayers' funds for this project, and BPA needs to understand Lewis County's role as owner and operator.



Overall Budget Issues

01

**Annual
Budget Cycle**

02

**Support
Staffing
Methodology**

03

**OR&R
Planning and
Long Range
Plan
Development**

04

**Closeout &
End of the
Year
Reconciliation**

05

**Residual
Value in 2032**





Annual Budget Cycle

BPA Position: All necessary materials are required before the budget process is initiated for the next yearly cycle.

Lewis Position: Not having budget agreed upon before beginning of operating year causes issues.

Shared Position: Documented processes and agreed upon criteria for alignment and concurrence aids in budget creation.

New Budget Timeline

Different criteria like staffing changes or major non-recurring projects are surfaced early. The 1/12 Payment structure is being followed for O&M Budget while a monthly cadence is followed for OR&R/larger investment projects.

Closeout

Closeout Timeline changed from 60 days after the end of the year to 90 days to better aid Lewis County in processing.

Justification Sheets

Feedback has been gathered for optimization for both Lewis' ease of completion and for BPA's ease of review.

Note :

2 year budget has been discussed but is tabled at this time because of other changes being implemented. May be revisited later on as 2025 would more closely align to rate case.



Support Staffing Methodology

BPA Position: Support staffing allocations and changes do not have adequately documented justifications and are unbound.

Lewis Position: Support staffing needs are increasing with needs of the project

Shared Position: Cowlitz Falls Project needs to be adequately staffed, and work that staff perform on the project should be funded appropriately

Engaged BPA Accountants

BPA SMEs that worked on previous agreements (Exhibit F) agreed to participate in sessions with Lewis County to develop a robust and reusable Cost Allocation Methodology that utilized previous work as a guide for future cost allocation strategies.

Resolved New Positions

After new methodology was put into place and agreed upon, Lewis was able to justify or reconcile new positions for 2023 or adjust needs as landscape changed.

Future Timelines

Lewis has agreed to surface and give notice to any major staffing shifts by Q2 of year preceding budget development.



OR&R Planning and Long Range Plan Development

BPA Position: Historical underruns create difficulty when reconciling execution versus future payments.

Lewis Position: Created 2 year budget and 7 year plan for projects that would serve as the plan.

Shared Position: Ability to forecast future year spending will alleviate yearly oversight and create confidence

Utilized BPA Best Practices

We were able to leverage BPA's FCRPS Funding process as a rough outline and guide for developing the new monthly OR&R/Capital Funding model for Cowlitz Falls Project.

OR&R Monthly Process

This monthly approval process involves creating business cases and fulfilling justification sheets for each project and then reviewing them on a regular cadence as projects mature and need funding. We will walk through this process specifically at the end of this presentation.

Long Range Plan

Lewis is collaborating appropriately with BPA and utilizing Black and Veatch's model to create a robust and dynamic Long Range Plan by the end of Q1. The yearly plan that results from this will serve as a rough guide for the OR&R budget costs in the upcoming year.



Closeout & End of the Year Reconciliation

BPA Position: All necessary materials are required before the budget process is initiated for the next yearly cycle.

Lewis Position: Process for closeout impacted by budget process and not given proper consideration

Shared Position: Current year execution impacts future year planning and budget consideration.

60 to 90 days

Changing the timeline of closeout to the end of Q1 aids in Lewis County's ability to meet the deadline with all necessary information.

Regular Checkpoints

Lewis County and BPA have regular touchpoints about reconciliation and BPA is informed with current status.

Prioritized in 2023

Because the regular budget development process has been improved, closeout can be more easily focused on and resolved this year instead of treated as an afterthought.



Residual Value in 2032

BPA Position: Residual value reporting helps BPA to understand future benefits to projects undertaken

Lewis Position: Residual value reporting aids Lewis to justify projects necessary to achieve "good working condition" of the project

Shared Position: The current Residual Value of the Project helps both parties know what is owed at the end of the contract period.

Residual Value Report

Lewis County will be creating a Residual Value Report for the first time this year including:

- Acquisition Cost (Capital - Expenses)
- Estimated Time of Acquisition (Different for different assets)
- Expected Usable Life in Months
- Expected Residual Value at End of Contract

Cumulative View

We have discussed that Residual Value Reporting should be cumulative and keep a running total for what is owed at the end of the contract.

PPA Interpretation

There are other items also included in the 2032 end-of-contract payments like consumables. These will be monitored in upcoming budget cycles and be added to the total as well as needed.

Ways of Working Recommendations



01

Documentation

Try to have consistent written agendas and minutes throughout the calendar year, possibly alternating on providing documentation week to week or month to month. Michael has agreed to create agendas for ongoing budget meetings to start.

02

Visualization

Visualization and sharing documents on calls have proven easy ways to ensure alignment in communication. In addition, providing documentation in advance allows others to be comfortable with the information and eases decision making.

03

Communication

Being able to have open communication and clarification has been key to improving the efficiency of our meetings. Pivoting to time sensitive or critical items and reviewing open action items and accountability markedly improved time to decisions.

04

Roles and Responsibilities

Lewis County and BPA both need to align on the responsibility each has to this working relationship. Lewis County needs to understand BPA's fiduciary responsibility to steward ratepayers' funds for this project, and BPA needs to understand Lewis County's role as owner and operator.

11



Open Items & Actions to Keep In View

Power Purchase Agreement Amendments

- Change for the Closeout Process from 60 days after the end of the year to 90 days needs to be made
- As the new OR&R process is more refined this first half of the year, we would recommend a legal review and PPA Amendment in order to codify and substantiate the new process

Open Items Still in Discussion

- Infrastructure Grant Proposals via Federal Government (with aid from HDR)
 - More information is necessary to determine feasibility and how the funding process would work
- Underrun from 2022 and process to manage how the credit will work toward 2023 in practice for this year



CFP OR&R Capital Budget Cycle

ON A MONTHLY CADENCE:



PROJECT IDENTIFICATION

Long Range Plan provides some visibility, but Lewis will notify BPA when Projects are nearly ready to be executed.

JUSTIFICATION

Justification Process can be initiated in advance of execution time frame, but this Capital Project Funding Cycle still occurs before a project is formally funded by BPA.

MONTHLY PROJECT REVIEW MEETING

Review the Justification and Alternative Analyses and Cost Estimates and extraneous dependencies, if project meets all requirements, passes through for funding. In this meeting, OR&R costs under \$100,000 also reviewed if applicable as are any non-routine O&M projects

PAYMENT PROCESS

Incremental Funding conducted monthly. After Project Review meeting, BPA will initiate funding for those projects as necessary.

WHEN A PROJECT IS FUNDED V



WHEN A PROJECT IS JUSTIFIED ^

APPROVALS THROUGHOUT PROJECT

Project Review meetings help to check and adjust if project is on track and needs additional funding within an operating year or in multiple operating years

PROJECT ADDED TO RESIDUAL VALUE REPORTING IN YEARLY CLOSEOUT



CFP Capital Budget Cycle Process Specifics

Projects Included

OR&R / Capital Projects , Non-Reoccurring O&M Projects

Yearly Planning

Looking at the overall **Long Range Plan** for projects and estimated total costs, this serves as the guidance for the next operating year.

Project Threshold

- \$100,000 threshold for justification sheet / formal business case
- Items under \$100,000 will be handled via monthly collective Excel sheet with written reasonings/comments
- Both will be part of the Excel document and discussed in OR&R meeting, items above \$100,000 will also have justification sheets and business cases

Payment Process

- Separate from OR&R Approval Cycle
- Not a 1/12 Payment Schedule
- Approved Project enters next phase of project with schedule of costs
- Lewis asks for amount needed in certain month, BPA cuts check

Logistics

- Ideally have final justification sheets (with up to date cost schedule) or excel sheet completed for OR&R projects completed a month prior to seeking approval

Calendar of Meetings with Attached Minutes

MEETING DATE	AGENDA FOCUS	AGENDA	MINUTES
NOVEMBER 4TH	Resolution of 2023 Critical Budget Items	11/4 AGENDA	11/4 MINUTES
NOVEMBER 10TH	Resolution of 2023 Critical Budget Items (Cont.)	11/10 AGENDA	11/10 MINUTES
NOVEMBER 17TH	2023 Annual Budget / Staffing Methodology / Legal Follow Up	11/17 AGENDA	11/17 MINUTES
NOVEMBER 21ST	2023 Annual Budget / Budget Process Improvements	11/21 AGENDA	11/21 MINUTES
NOVEMBER 28TH	Legal Follow Up / Staffing Allocation / Budget Cycle Process	11/28 AGENDA	11/28 MINUTES
DECEMBER 1ST	Budget Cycle Process Changes / Staffing Allocation Discussion	12/1 AGENDA	12/1 MINUTES
DECEMBER 8 TH MORNING	Budget Cycle Expectations / OR&R Process / Justification Sheets	12/8 AM AGENDA	12/8 AM MINUTES
DECEMBER 8 TH AFTERNOON	Staffing Allocation Methodology (with BPA Accts) / Closeout	12/8 PM AGENDA	12/8 PM MINUTES
DECEMBER 15 TH	Last Items for 2023 Resolution / OR&R Process Finalization	12/15 AGENDA	12/15 MINUTES
JANUARY 19 TH	OR&R Monthly Agenda / Residual Value Report / PPA Updates	1/19 AGENDA	1/19 MINUTES

COWLITZ FALLS PROJECT



2023 Budget Process Agendas + Minutes



Cowlitz Falls Budget Agenda

11.4.22

Timeline Review

- Schedule Alignment of remaining meetings
- Is this enough time to reach agreement?
- Thanksgiving week consideration

2023 Open Budget Items

- Continuation of 11/3 discussion and decision points for remaining items
- Process shift to screen-shared budget document with in-meeting Decision Log/Action Items

2023 Staffing Allocation

If figures available from Lewis, discussion of staffing shifts and the impact of these changes to 2023 Budget

Additional Action Items

In prior discussions, different ongoing actions have been discussed regarding Legal, Compliance, and external processes. Let us document these together.

Future Planning Reverse Brainstorm

We will reintroduce this activity and its intended purpose for this group, and we will gather ideas that will aid in future planning.



COWLITZ FALLS PROJECT

2023 Budget Timeline

S	M	T	W	T	F	S
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3



- Budget Facilitation Process Outlined
- Key Items Highlighted
- Future Planning Process Initiated



- Reach Agreement on Key Budget Items
- Future Planning Process and Discussions in Tandem
- Thanksgiving Week meeting scheduling



- Deadline for 2023 Budget Agreement
- Ongoing discussion for Future Process



Propeller Facilitation Process



SCREENSHARING OF BUDGET LINE ITEMS

To aid and clarify process for both groups, Propeller will screenshare the overall budget, highlighting items for discussion.



IN-MEETING DOCUMENTATION OF DECISIONS / ACTIONS NECESSARY

In this same document, Propeller will annotate current standing decision of item as well as any actions necessary to assist the final decision process



PROVIDE CURRENT LOG POST-MEETING

After each meeting, we will provide a view of this log along with open actions for the team.



Budget Items In Deliberation

Budget Items In Deliberation	FY 2023		ACTION ITEMS / NOTES
	BUDGET AMOUNT	CURRENT DECISION	
Spillway 4 Rail Extension	\$3,768,300	Pending Further Discussion	Necessary to enable Sluice Gate Timeline
Cispus Adult Fish Site Release Analysis	\$75,000	Remove From Budget	
Fishing Pond Sediment Removal	\$30,000	Keep in Budget	BPA recommends using underrun or contingency to fund
Construction Management Software	\$7,600	Keep in Budget	Licensing cost moving forward.
Dam Instrumentation	\$3,000	Remove From Budget	Core O&M Cost, unknown which specifics, needs to be accounted for
Drainage Sump Level Indication	\$3,500	Defer to 2024	Necessary activity in 2024
Elevator Controls - Design	\$60,000	Defer to 2024	Necessary because Controls are Obsolete and spare parts are unavailable.
Spillway Gate Finite Element Analysis	\$90,000	Keep in Budget	Unable to complete on time if started in 2024.
Unit Turbine Gage Board Inputs into SCADA - Installation	\$35,000	Defer to 2024	
Sedimentation Report	\$50,000	Keep in Budget	Compliance Requirement from WA Ecology for overall reporting ending in 2028
Kiona Creek Enhancement	\$120,000	Keep in Budget	Update to amount forthcoming due to grant funding. Joe will update justification information.
Man-Made Island Canal- Design	\$50,000	Defer to 2024	Compliance Requirement from Wildlife due to Fish Stranding

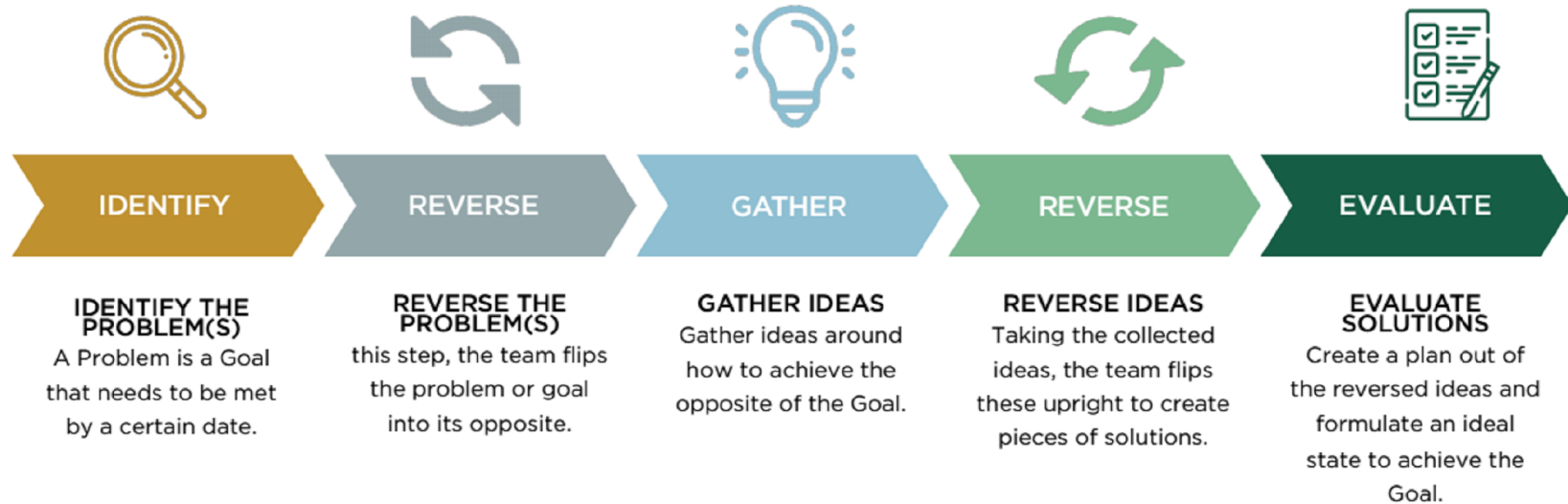


Why Reverse Brainstorming?

- Harnesses our natural tendency toward problem-based thinking
- Utilizes full team's familiarity with the processes to quickly generate ideas
- Helps to depersonalize the problem and improves the creativity of the group through the hypothetical framing
- Resets the future process in a methodology that sits outside the current experience
- Allows for collaboration and generation of implementable and practical solutions since the ideation process involves potential problems
- Involves the whole team at an equal footing and anonymizes participation



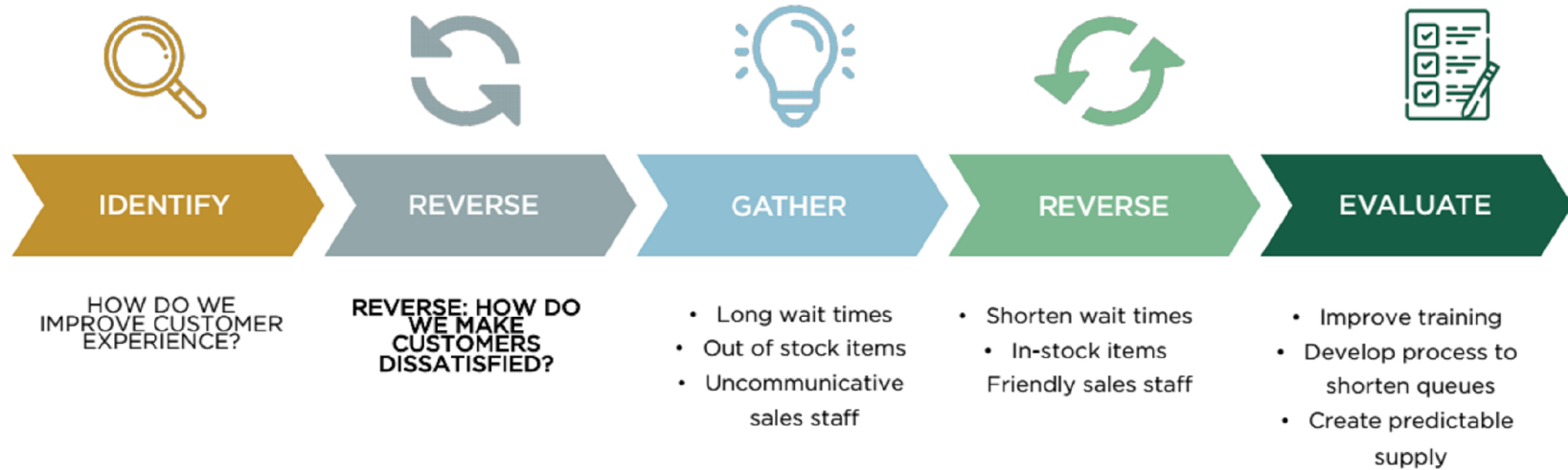
Reverse Brainstorming



Reverse Brainstorming is a technique that builds on our natural ability to more easily see problems than solutions. Instead of asking a group to brainstorm ideas that would work, the group brainstorms all the ways that they could cause a plan to fail. This technique is used because it can be easier to criticize and see gaps in a plan than to outline a strategy for success. Once the group has this list, they can look at these specific examples and come up with ways to achieve the opposite effect.



Reverse Brainstorming Example



Reverse Brainstorming is a technique that builds on our natural ability to more easily see problems than solutions. Instead of asking a group to brainstorm ideas that would work, the group brainstorms all the ways that they could cause a plan to fail. This technique is used because it can be easier to criticize and see gaps in a plan than to outline a strategy for success. Once the group has this list, they can look at these specific examples and come up with ways to achieve the opposite effect.

COWLITZ FALLS PROJECT



11.4 Minutes



Budget Items Decided 11/4	FY 2023		ACTION ITEMS / NOTES
	BUDGET AMOUNT	CURRENT DECISION	
Cispus Adult Fish Site Release Analysis	\$75,000	Remove From Budget	
Fishing Pond Sediment Removal	\$30,000	Remove From Budget	BPA recommends using underrun or contingency to fund
Construction Management Software	\$7,600	Keep in Budget	Licensing cost moving forward.
Dam Instrumentation	\$3,000	Keep in Budget	Core O&M Cost, unknown which specifics, needs to be accounted for
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Spillway Gate Finite Element Analysis	\$90,000	Keep in Budget	Unable to complete on time if started in 2024.
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Sedimentation Report	\$50,000	Keep in Budget	Compliance Requirement from WA Ecology for overall reporting ending in 2028
Man-Made Island Canal- Design	\$50,000	Defer to 2024	Compliance Requirement from Wildlife due to Fish Stranding



Budget Items To Discuss 11/10

Budget Items To Discuss 11/10	FY 2023		ACTION ITEMS / NOTES
	BUDGET AMOUNT	CURRENT DECISION	
Staffing Allocation: Wages & Benefits	See Staffing Documentation	More Discussion Needed	Review of Methodology and walkthrough of process and data to inform Allocation percentages.
Document Management Software	\$50,000	More Information Needed	Joe to provide information about license fees and ongoing cost.
Kiona Creek Enhancement	\$120,000	More Information Needed	Update to amount forthcoming due to grant funding. Joe will update justification information.
Spillway 4 Rail Extension	\$3,768,300	Contingent Funding	Team needs to discuss structure of Contingent Funding Option.
Infrastructure Grant Proposal (HDR)	\$50,000	More Information Needed	Attorneys Need to Review



Staffing Allocation Discussion

- BPA needs either supporting data or supporting methodology for the allocations for FY 2023
- Past evidence or support for change in allocation percentages
- BPA best practices around staffing methodology



Cowlitz Falls Budget Agenda

11.10.22

Timeline Review

- Targeting Budget Draft by 11/17

2023 Open Budget Items

- Start with the list on Slide 4
- Check for Agreement on Full Budget Under 3 Categories: Agreement, Open to Funding Later in 2023 Pending Information, Lack Agreement

2023 Staffing Allocation

- Allocation Changes and Justification
- Methodology and Process Until Today
- Process Moving Forward

Additional Action Items

In prior discussions, different ongoing actions have been discussed regarding Legal, Compliance, and external processes. Let us document these together.

Closeout for 2022

Checking in on reconciliation of the books for 2022 and the closeout process.



COWLITZ FALLS PROJECT

2023 Budget Timeline – November

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6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	1	2	3

NOV
10

- Remaining 2023 Items (on Slide 4)
- Staff Allocation Methodology discussion
- Budget Finalization Timeline

NOV
17

- Budget Draft Ready for Approval

DEC
1

- Deadline for 2023 Budget Agreement
- Ongoing discussion for Future Process



Budget Items Decided 11/3	FY 2023		ACTION ITEMS / NOTES
	BUDGET AMOUNT	CURRENT DECISION	
Cispus Adult Fish Site Release Analysis	\$75,000	Remove From Budget	
Fishing Pond Sediment Removal	\$30,000	Remove From Budget	BPA recommends using underrun or contingency to fund
Dam Instrumentation	\$3,000	Keep in Budget	Core O&M Cost, unknown which specifics, needs to be accounted for
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Sedimentation Report	\$50,000	Keep in Budget	Compliance Requirement from WA Ecology for overall reporting ending in 2028



Budget Items To Discuss 11/10

	FY 2023		ACTION ITEMS / NOTES
	BUDGET AMOUNT	CURRENT DECISION	
Staffing Allocation: Wages & Benefits	See Staffing Documentation	More Discussion Needed	Review of Methodology and walkthrough of process and data to inform Allocation percentages.
Generator Relay Installation	\$100,000		
Man-Made Island Canal- Design	\$50,000	Defer to 2024	Compliance Requirement from Wildlife due to Fish Stranding
Elevator Controls - Design	\$60,000	Defer to 2024	Necessary because Controls are Obsolete and spare parts are unavailable.
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Spillway 4 Rail Extension	\$3,768,300	Contingent Funding	Team needs to discuss structure of Contingent Funding Option.
Infrastructure Grant Proposal (HDR)	\$50,000	More Information Needed	Attorneys Need to Review

COWLITZ FALLS PROJECT



11.10 Minutes



11.10.22 Budget Meeting Minutes

2023 Budget Resolution

- Team worked systematically through remaining items for discussion and categorization into “Agreement”, “Later Pending Additional Information”, “Lack of Agreement”, and “Pending Legal Review”
- Kiona Creek Enhancement is only item in “Lack of Agreement” category – should be removed from budget
- Infrastructure Grant Proposal (HDR) is only item in “Pending Legal Review”
- Draft Budget sent by Brad will categorize items and allow for sign off on all items in “Agreement” much more easily



11.10.22 Budget Meeting Minutes (cont.)

Support Staffing Allocations

- Staffing Allocation changes were also reviewed position by position with more context
- Procurement changes of 50% for Supervisor allows for flexibility to oversee the ES and CFP resources
- Increase of allocation for existing Purchasing Buyer to 30% and new Purchasing Buyer at 70% will aid the increase of projects
- IT Technician line item is 2 staff members working 50% allocation
- Business Services Manager is new title for Public Affairs Manager and moved categories, but did not change allocation from 12.5%
- BPA wants to take time to understand changes and discuss next week
- Cost Allocation Methodology Memo from April 2022 was brought up as a possible solution moving forward, sent as a resource for next meeting on 11/17



11.10.22 Budget Meeting Minutes (cont.)

Action Items

- Brad to send Revised Draft Budget to aid approval of items in agreement
- Joe to send additional information about Construction and Document Management Softwares
- Both teams to follow up with Legal regarding Infrastructure Grant Proposal
- Both teams to discuss follow up to Support Staffing on 11/17



Cowlitz Falls Budget Agenda

11.17.22

2023 Budget Timeline / Schedule

- Budget Draft with All Pending Items Separated
- Approval Letter Timing
- Alignment of 12/1 deadline for majority of budget

Staffing Allocation Discussion

- Proposed Methodology per Chris' Memo
- Discussion of Approach and Feasibility
- Engagement of Subject Matter Experts
- Additional Time Necessary - Schedule Meetings

Legal Follow Up

- Infrastructure Grant Proposal
- Kiona Creek Enhancement

Closeout for 2022

Checking in on reconciliation of the books for 2022 and the closeout process.

Plan for Remainder of 2023

- Priority Issues / Discussions
- Timeline for Planning



COWLITZ FALLS PROJECT

2023 Budget Timeline – November

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- 2023 Budget Approval Draft / Process
- Staffing Methodology Discussion



- Budget Draft Circulated
- Approval Letter in Process
- Staffing Methodology Discussion (Additional sessions? With SMEs?)



- Deadline for 2023 Budget Agreement
- Ongoing discussion for Future Process



COWLITZ FALLS PROJECT

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Is this timeline feasible?

Do we need to increase the cadence of meetings until the end of the year?

Considering vacation time, do the future process discussions need to occur in January?



Support Staffing Methodology

- How does this impact 2023 new positions and allocation changes?
- Lewis County Proposed Cost Allocation Methodology Discussion
- Next Steps - engaging subject matter experts and focused sessions?
- Timeline to Resolution



Budget Items Results 11/3	FY 2023		ACTION ITEMS / NOTES
	BUDGET AMOUNT	CURRENT DECISION	
Cispus Adult Fish Site Release Analysis	\$75,000	Remove From Budget	
Fishing Pond Sediment Removal	\$30,000	Remove From Budget	BPA recommends using underrun or contingency to fund
Dam Instrumentation	\$3,000	Keep in Budget	Core O&M Cost, unknown which specifics, needs to be accounted for
Drainage Sump Level Indication	\$3,500	Defer to 2024	Necessary activity in 2024
Spillway Gate Finite Element Analysis	\$90,000	Keep in Budget	Unable to complete on time if started in 2024.
Unit Turbine Gage Board Inputs into SCADA - Installation	\$35,000	Defer to 2024	
Sedimentation Report	\$50,000	Keep in Budget	Compliance Requirement from WA Ecology for overall reporting ending in 2028



Budget Items Results 11/10

Budget Items Results 11/10	FY 2023		ACTION ITEMS / NOTES
	BUDGET AMOUNT	CURRENT DECISION	
Staffing Allocation: Wages & Benefits	See Staffing Documentation	More Discussion Needed	Review of Methodology and walkthrough of process and data to inform Allocation percentages.
Generator Relay Installation	\$100,000	Keep in Budget	
Man-Made Island Canal- Design	\$50,000	Defer to 2024	Compliance Requirement from Wildlife due to Fish Stranding
Elevator Controls - Design	\$60,000	Defer to 2024	Necessary because Controls are Obsolete and spare parts are unavailable.
Document Management Software	\$50,000	Pending More Information	Joe to provide information about license fees and ongoing cost.
Construction Management Software	\$7,600	Pending More Information	Licensing cost moving forward.
Kiona Creek Enhancement	\$120,000	Lack Agreement	Update to amount forthcoming due to grant funding. Joe will update justification information.
Spillway 4 Rail Extension	\$3,768,300	Contingent Funding	Team needs to discuss structure of Contingent Funding Option.
Infrastructure Grant Proposal (HDR)	\$50,000	Pending Legal Review	Attorneys Need to Review

COWLITZ FALLS PROJECT



11.17 Minutes



COWLITZ FALLS PROJECT

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- Budget Draft Circulated
- Approval Letter in Process
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- Scheduled additional check in for 28th



- Deadline for 2023 Budget Agreement
- Ongoing discussion for Staffing Methodology
- Ongoing Discussion for Additional Topics



COWLITZ FALLS PROJECT

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DEC
8

- Morning and Afternoon session scheduled
- Will structure agenda to include Budget Process topics that can be more easily accomplished alongside Support Staffing Methodology

DEC
15

- Possible Additional Meeting during the week Plan for Q1 2023 Budget Discussions
- Report of Issues Resolved



11.17.22 Meeting Minutes

2023 Budget Process

- Color-coded budget breaks out the Deferred Funding (Spillway Rail Extension), Pending (Infrastructure Grant Proposal, Construction Management Software, Document Management Software), Pending - SL (Support Labor changes for 2023)
- 11/16/22 version of budget should be considered final - Brad will send a reformatted packet week of 11/28
- Michael to write BPA Budget Letter by 12/1



11.17.22 Meeting Minutes (cont.)

Infrastructure Grant Proposal

- If Lewis funds the grant process independently, no need for continued discussion
- If funded by BPA, potential legal issues for particular grants especially coming from federal government & downstream effects (repayment process at the end of the project vs. upfront costs)
- Both teams to confer with attorneys and confirm which path being pursued by Lewis and whether to include item in budget for 2023



11.17.22 Meeting Minutes (cont.)

Support Staffing Methodology

- Lewis County Proposed Cost Allocation Methodology Discussion
- Shift in process from individual position allocation to Departmental allocation based on cost drivers
- Alternate considerations of implementing this methodology: changes to staff, how to factor external labor factors (market changes, inflation)
- BPA to engage team and see if expertise can join sessions with team by end of the year



11.17.22 Meeting Minutes (cont.)

Closeout Process & Future Planning

- Propeller shared list of identified issues (Slide 10 and 11) to anchor future meetings
- Closeout Process for 2023 and moving forward: No projection for underrun included in 2023 Budget -- will amend budget with actuals in the new year. Currently, reconciliation is within 60 days of new year, can this be moved to 90 days? (Needs further discussion and development of process)
- Budget Cycle Changes: Changing to 2 year cycle, exploring changes to payment structure
- These two topics will be slated for future meetings and we will continue to plan to solve for remaining issues



11.17.22 Meeting Minutes (cont.)

Software Packages

- Joe shared additional detail on Labor savings and implementation process for Document Management Software
- For Construction Management Software - Joe shared which recurring cost level Cowlitz Falls Project falls into (under \$10M)
- Construction Management Software - has not been procured yet though budgeted for 2022



11.17.22 Meeting Minutes (cont.)

Action Items:

- **Lewis/BPA** check in with attorneys regarding Infrastructure Grant Proposal **(11/21)**
- **Glen** to check with BPA subject-matter-experts on cost allocation / staffing methodology to see potential availability for discussions **(11/21)**
- **Brad** to share reformatted budget packet (but #s should match budget shared 11/16/22) **(11/28)**
- **Michael** (with support from Cherie and Glen) to write BPA Budget Letter **(12/1)**



Issues Explored

Issue Summary	BPA Position	Shared Position	Lewis PUD Position	Actions to Resolve
Annual Budget Cycle	<ul style="list-style-type: none"> Provision of all necessary information and justification when process starts is essential 	<ul style="list-style-type: none"> Documented processes and agreed upon criteria for agreement aids in budget creation 	<ul style="list-style-type: none"> Not having budget agreed upon before beginning of operating year causes issues 	<ul style="list-style-type: none"> Budget Cadence: 2 year Budget with alignment to Rate Case Alignment on definitions, criteria, and process for justification Consider payment structure revision
Support staffing allocations cause concern in the budget process	<ul style="list-style-type: none"> Support staffing allocations and changes do not have adequately documented justifications and are unbound 	<ul style="list-style-type: none"> Cowlitz Falls Project needs to be adequately staffed Work that staff perform on the project should be funded appropriately 	<ul style="list-style-type: none"> Support staffing needs are increasing with needs of the project 	<ul style="list-style-type: none"> Develop cost allocation methodology Justification process for new positions and changed allocations Resolve disputed positions by aligning them with new agreed methodology
Long-range planning and inconsistent costs for OR&R projects	<ul style="list-style-type: none"> Long-range plan lacks aligned and agreed upon methodology and metrics Budgeted projects are often tabled and result in underruns 	<ul style="list-style-type: none"> Ability to forecast future year spending will alleviate yearly oversight and create confidence 	<ul style="list-style-type: none"> Created 2 year budget and 7 year plan for projects 	<ul style="list-style-type: none"> Create incremental funding option for projects Collaborate on long-range plan utilizing expertise and best practices LPUD working with Black and Veatch on a model to inform future capital investment projects



Issues Explored (cont.)

Issue Summary	BPA Position	Shared Position	Lewis PUD Position	Actions to Resolve
Closeout and End-of-Year Reconciliation	<ul style="list-style-type: none">Historical underruns create difficulty when reconciling execution versus future payments	<ul style="list-style-type: none">Current year execution impacts future year planning and budget consideration.	<ul style="list-style-type: none">Process for closeout impacted by budget process and not given proper consideration	<ul style="list-style-type: none">Develop a process to track and follow through on closeout procedures independent of budget process to ensure accountability
Residual Value in 2032	<ul style="list-style-type: none">Residual value reporting helps BPA to understand future benefits to projects undertaken.	<ul style="list-style-type: none">The current Residual Value of the Project helps both parties know what is owed at the end of the contract period.	<ul style="list-style-type: none">Residual value reporting aids Lewis to justify projects necessary to achieve "good working condition" of the project	<ul style="list-style-type: none">Residual Value Report created yearly by LPUD



Cowlitz Falls Budget Agenda

11.21.22

2023 Budget Timeline / Schedule

- Check In on Agreement
- Approval Letter Timing
- Alignment of 12/1 deadline for majority of budget

Staffing Allocation Discussion

- Any additional data or changes to process proposed
- Cost Allocation / Staffing SMEs Check In

Legal Follow Up

- Infrastructure Grant Proposal
- Kiona Creek Enhancement

Budget Cycle Process Changes

- Option of 2 year cadence
- Current Timeline and processes and proposed changes

Closeout Process

- Closeout Process for 2022
- What should this look like?



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NOV
21

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NOV
28

- Budget Draft Circulated
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- Deadline for 2023 Budget Agreement
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DEC
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- Report of Issues Resolved

COWLITZ FALLS PROJECT



11.21 Minutes



COWLITZ FALLS PROJECT

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11.21.22 Meeting Minutes

2023 Budget Process

- Michael making progress on letter - on track for 12/1
- Brad to send revised Budget Packet with new projections for 7 year look ahead
- BPA Subject Matter Experts - Cherie has emailed, follow up on 11/28
- Legal - also following up 11/28
- Current status on closeout process: October invoices being processed in December



11.21.22 Meeting Minutes (cont.)

Budget Cycle Process Changes

- Brad shared budget timeline from 2023 process
- 10-year planning via Black and Veatch for OR&R projects should be ready in early Spring (March 2023)
- Long Range Planning and Justification sheets should be submitted by the end of Q1
- Identify any Changes to Staffing Allocations and/or Proposed Staff by end of Q2
- Draft Budget for next operating year by end of July



11.21.22 Meeting Minutes (cont.)

Budget Cycle Process Changes

- **2 year Budget Cycle:** helps save time, reduces underrun and overrun because of 2 years for execution. Need to play out scenarios as a group or try out example calculations
- **Incremental Funding Option:** based on the probability of execution, follows the federal capital investment structure process, Project by Project, potential separate funding schedule



11.21.22 Meeting Minutes (cont.)

Budget Cycle Process Changes

- **Closeout Process:** proposed change to 90 days (end of March) instead of 60 days (outlined in PPA) & Residual Value Report should be included
- Current issue is projection of underrun amount:
 - Historically included in the budget letter and then amended
 - May not be necessary to include estimate
 - Determine how best to credit for the following year
 - Potentially solved by Incremental Funding option because large underruns via projects would not be carried over
 - Other issue is big non-routine expenditures (like control room) that is not executed in preceding year (potentially solved by 2 year budget cycle)



2023 Budget Timeline Draft

	QUARTER 1 • 2023			QUARTER 2 • 2023			QUARTER 3 • 2023			QUARTER 4 • 2023		
CAPITAL BUDGET (OR&R)	Long Range Plan & Projects for Next OY			Agreement on Long Range Planning								
OPERATING BUDGET (O&M / SPECIAL O&M)				Identify Any Allocation Changes and/or New Proposed Staff								
CLOSEOUT PROCESS	End of Q1 - Reconciliation											
	End of Q1 - Residual Value Report											
OVERALL BUDGET PROCESS	Justification Sheets Completed						Draft Budget for Next Cycle - July			Finalize Budget		
							Budget Discussions Start - August					
	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC



Cowlitz Falls Budget Agenda

11.28.22

2023 Budget Timeline / Schedule

- Approval Letter Progress
- Budget Packet Progress
- 12/1 deadline

Legal Follow Up

- Infrastructure Grant Proposal
- What is the timeline for the grants to help determine resolution?

Staffing Allocation Discussion

- Cost Allocation / Staffing SMEs Check In
- Clarification on Departmental vs Position by Position
- Line Item in Budget per Activity for Certain Departments (not Support Staff)

Budget Cycle Process Changes

- Revisit ideas from last meeting, time permitting
- What would the breakout of the Capital Budget look like in practice?
- Best Practices from BPA



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- Report of Issues Resolved



Legal Follow Up

- Infrastructure Grant Proposal
- HDR: what services are covered in the \$50,000?
- What is the timeline for the grants to help determine resolution?



Staffing Methodology

- Cost Allocation / Staffing SMEs Check In
- Clarification on Departmental vs Position by Position
- Line Item in Budget per Activity for Certain Departments (not Support Staff)
- How would the Modified Massachusetts formula apply to this apply to this function?



Capital Budget Breakout

- Revisit ideas from last meeting, time permitting
- What would the breakout of the Capital Budget look like in practice?
- Best Practices from BPA's other projects or internal process

COWLITZ FALLS PROJECT



11.28 Minutes



COWLITZ FALLS PROJECT

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- Possible Additional Meeting during the week Plan for Q1 2023 Budget Discussions
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11.28.22 Meeting Minutes

2023 Budget Process

- Brad sent over reformatted budget packet on 11/28 with updated 2024-2029 OR&R cost estimates
- BPA Budget Letter draft is complete, awaiting some figures from 11/28 packet and then can be finalized



11.28.22 Meeting Minutes (cont.)

Legal Follow Up

- Infrastructure Grant Proposal
- HDR: Services that are covered in the \$50,000: selection of grants to apply for and then the grantwriting
- What is the timeline for the grants? Not sure yet but 2 are slated for May and 1 is slated for March
- Additional information will be available from DOE in January regarding eligibility and feasibility