

# BPA's Strategic Direction 2011–2016

BPA is in the center of an important and complex range of new energy industry issues and environmental challenges. In 2009, BPA executives confirmed BPA's fundamental mission, vision and values and adjusted our strategy to recognize the rapidly changing energy industry. Executives defined 23 strategic objectives that best enable BPA to navigate the changing landscape. The strategic objectives describe what BPA intends to achieve

between 2010 and 2016. These objectives are arranged on the Agency Strategy Map in four perspectives — Stakeholder, Financial, Internal Operations and People & Culture. Progress toward achieving strategic objectives is measured through annual Key Agency Targets and related business unit balanced scorecard targets. The targets also link to the performance contracts of the management team to align our efforts across the agency.

## Our Mission

The Bonneville Power Administration's mission as a public service organization is to create and deliver the best value for our customers and constituents as we act in concert with others to assure the Pacific Northwest:

- An adequate, efficient, economical and reliable power supply;
- A transmission system that is adequate to the task of integrating and transmitting power from federal and nonfederal generating units, providing service to BPA's customers, providing interregional interconnections and maintaining electrical reliability and stability; and
- Mitigation of the Federal Columbia River Power System's impacts on fish and wildlife.

BPA is committed to cost-based rates and public and regional preference in its marketing of power. BPA will set its rates as low as possible consistent with sound business principles and the full recovery of all of its costs, including timely repayment of the federal investment in the system.

## Our Vision

BPA will be an engine of the Northwest's economic prosperity and environmental sustainability. BPA's actions advance a Northwest power and transmission system that is a national leader in providing:

- High reliability;
- Low rates consistent with sound business principles;
- Responsible environmental stewardship; and
- Accountability to the region.

We deliver on these public responsibilities through a commercially successful business.

## Our Values

### Trustworthy Stewardship

As stewards of the FCRPS, we are entrusted with the responsibility to manage resources of great value for the benefit of others. We are trusted when others believe in and are willing to rely upon our integrity and ability.

### Collaborative Relationships

Trustworthiness grows out of a collaborative approach to relationships. Internally we must collaborate across organizational lines to maximize the value we bring to the region. Externally we work with many stakeholders who have conflicting needs and interests. Through collaboration we discover and implement the best possible long-term solutions.

### Operational Excellence

Operational excellence is continuously improving the way we do business to produce more efficient and effective ways of delivering on BPA's mission and vision. Achieving operational excellence will place us among the best electric utilities in the nation.

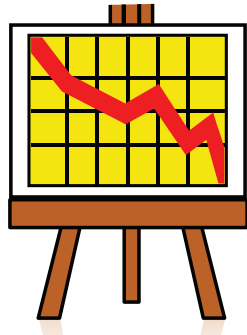


# Today's Driving Forces

## Economy

The global recession hit the Northwest hard, and the regional economy is recovering very slowly. Recent dry winters and low market prices reduced BPA's power revenues. BPA funding decisions are focused on the need to keep rates low while delivering on our mission.

Through a collaborative process with customers and stakeholders, BPA weighs increased cost pressures against significant capital investments required to meet the demands of maintaining and improving an extremely valuable but aging hydropower system and transmission grid.



## Climate Change Uncertainty

The most influential driver altering the landscape of the energy industry centers on the uncertainty of the effects of climate change and society's potential responses. Despite failed attempts to pass federal legislation to curb the release of greenhouse gases, a few federal agencies and the majority of states have already moved ahead to make it a priority. The anticipation of climate change legislation has spurred major investments in renewable resources. BPA is accelerating investments in energy efficiency. To facilitate the integration of renewable energy, BPA is placing a strong emphasis on strengthening the transmission system and adding "smart" technologies.



# Agency Strategy Highlights

Consistent with the Northwest Power and Conservation Council's Sixth Power Plan, BPA will plan to meet the majority of its incremental energy needs through energy efficiency over the next several years. To accomplish this will require that BPA, in partnership with public power, achieve an increase in energy efficiency of 50 percent, as measured in megawatts saved, over the next five years compared to the savings accomplished over the last five years. Energy efficiency is the cleanest and cheapest new energy source available in the Northwest. Investing in energy efficiency helps preserve and stretch the value of Columbia River hydropower. Encouraging BPA customers and the people of the Pacific Northwest to conserve energy by consuming less reduces the need to build new resources. BPA's energy efficiency efforts also enable demand response to reduce the need for energy during periods of peak energy use. BPA is also investing in new technologies to create a smarter grid that will support the automation of energy efficiency. A smarter grid would automatically dispatch the most economic and efficient resources.



Concerns about climate change have propelled wind power as a key component of the region's energy infrastructure, and BPA has played a vital role in integrating wind resources into the power and transmission system. In 1997, BPA did not have any wind resources connected to its system. By 2010, BPA had already integrated over 3,000 MW, signaling a dramatic acceleration of demand for renewable resources. Integrating wind, a variable resource, into the grid is a great engineering and economic challenge. Intermittent wind energy must be coupled with other resources that can provide power when the wind is not blowing. BPA has provided this service from the hydro system so far and is working with regional partners to develop new tools to manage large-scale wind power reliably and cost effectively. Reliable integration of renewable energy continues to be a priority and will require BPA to build transmission and explore innovative market design, cost allocation and rate concepts.

# Key Agency Target Focus for FY 2011

Find the details regarding BPA's FY 2011 agency targets at [www.bpa.gov/go/strategy](http://www.bpa.gov/go/strategy).

## Stakeholder Perspective

### System Infrastructure

- ★ **Transmission System Infrastructure:** Expand and strengthen the transmission system to meet current and future demands.
- ★ **Hydro Generation System Infrastructure:** Replace and modernize FCRPS hydro generation equipment.
- ★ **Energy Efficiency/Demand Management:** Promote and achieve an unprecedented level of regional energy conservation.

### System Performance

- ★ **Transmission Reliability:** Keep the lights on by maintaining a reliable transmission system.
- **Transmission Availability:** Ensure major transmission lines are available to transmit power during peak use.
- ★ **Generation Reliability:** Keep the lights on by ensuring the FCRPS is effectively operated.
- **Generation Availability:** Ensure hydro generators are available to produce energy during peak use.
- **Columbia Generating Station Performance and Cost:** Energy Northwest operates and maintains its nuclear plant within cost and performance targets.

## Industry Advancement

- ★ **Renewable Resource Integration:** Enable the integration of renewable resources, predominantly wind generation, while preserving system reliability, ensuring appropriate allocation of costs and facilitating alternatives to the FCRPS for balancing capacity.
- **Pumped Storage:** Evaluate the engineering, economic and environmental feasibility of pumped storage applications on the hydro system to enable the integration of renewable resources.
- **BPA Rate Case (FY 2012–13):** Establish new wholesale power and transmission rates that reflect low cost for service consistent with sound business principles.

## Environmental Stewardship

- ★ **Endangered Species Act Compliance:** Improve the condition of endangered species through implementation of the FCRPS Biological Opinion and Columbia Basin Fish Accords.

## Financial Perspective

- **Net Revenue:** Realize net revenue within or above the targeted range.
- ★ **Treasury Payment:** Make annual planned payments to the U.S. Treasury on time and in full.
- **Bond Rating:** Sustain high credit ratings on BPA-backed bonds.
- ★ **Internal Operating Costs:** Keep internal operating costs low and within or below the targeted range.

## Internal Operations Perspective

- ★ **Transmission Process Improvement Program:** Advance improvements in major IT systems and business processes in BPA's transmission business.
- ★ **Regional Enterprise Value:** Achieve effective on-time, on-budget implementation of the long-term Regional Dialogue contracts and the Tiered Rates Methodology.
- ★ **RODS Replacement & Retirement Project:** Develop and deploy critical IT systems that will replace the functionality of BPA's legacy system used for dispatch and scheduling.
- **Business Continuity Program:** Continue to establish a comprehensive program to ensure continuity of BPA's structures and operations even under emergency conditions.
- **Smart Grid:** Participate in regional smart grid initiatives.

## People and Culture Perspective

- **Talent Management:** Develop and maintain a BPA workforce that is the right size with the right skills, working in the right environment to deliver on BPA business objectives.
- ★ **Safety:** Create and maintain a safe work environment to keep employee and contract staff accident rates low and with no fatalities.

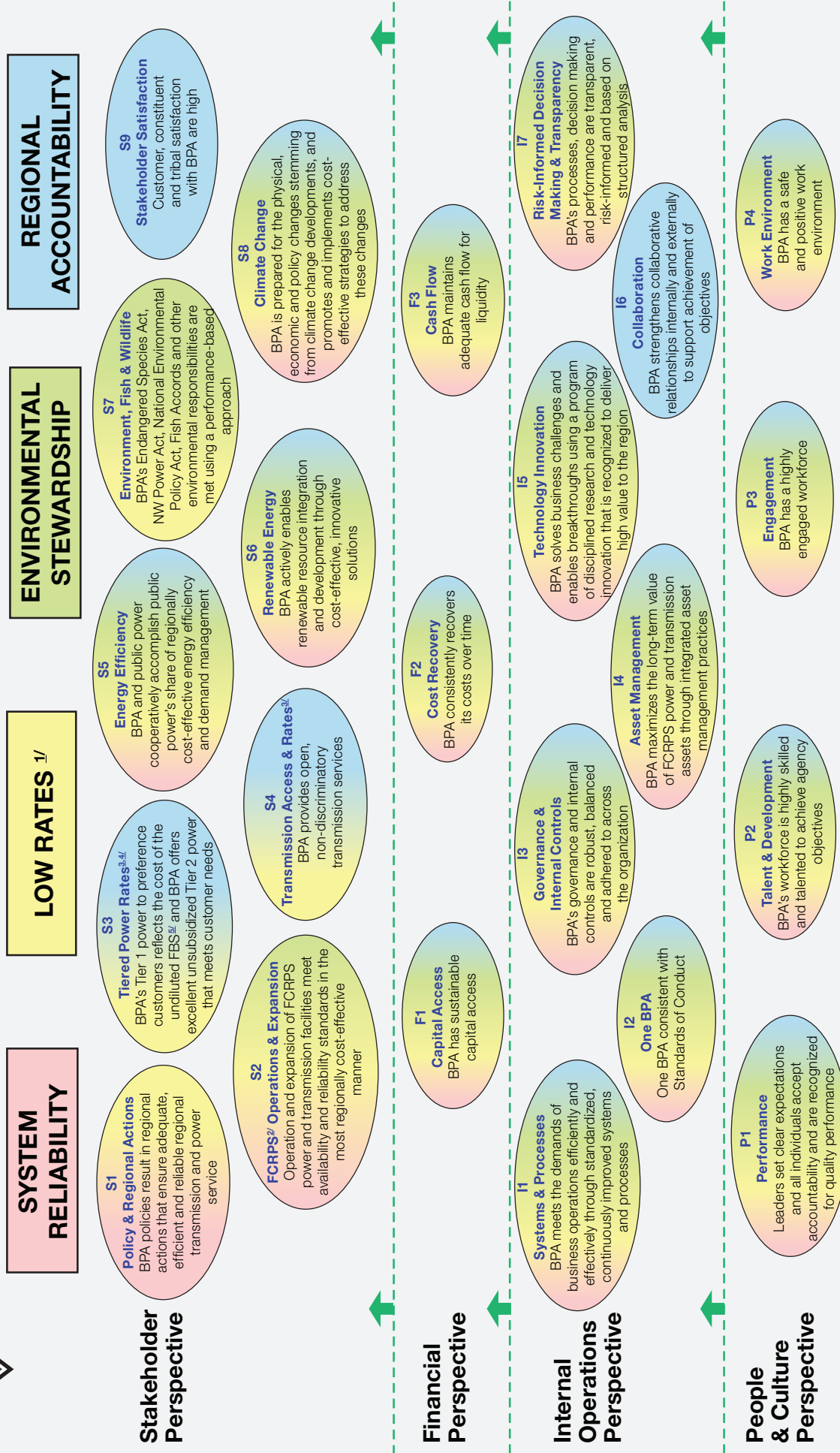
## Success Share

Success Share awards for BPA employees are based on successful performance against targets denoted with a star (★).

Success Share awards are contingent on achieving the Treasury payment target and at least \$5 million in net revenue.



# Agency Strategy Map (2010 – 2016)



1/ Consistent with sound business principles.  
 2/ Federal Columbia River Power System (FCRPS): The transmission system constructed and operated by BPA, the hydroelectric dams constructed and operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation in the Northwest, and nonfederal generation capability acquired by BPA under long-term arrangements. The transmission and power systems are separately managed and financed, but, as much as possible, the facilities are operated as an integrated power system.  
 3/ Power and transmission rates are kept as low as possible consistent with sound business principles while achieving BPA's objectives.  
 4/ Tier 1 power rates are below market for comparable products.  
 5/ Federal Base System.