



June 8, 2005

Dear Interested Parties:

Subject: A resource Adequacy Framework for the Pacific Northwest

The Northwest Power and Conservation Council (Council) and the Bonneville Power Administration (BPA) invite your organization to participate in the development of a resource adequacy framework for the Northwest. Both the Council and BPA are concerned that without an effective resource adequacy framework, the Northwest risks a repeat of the West Coast energy crisis at some time in the future.

To this end, we have scheduled the first meeting of the Resource Adequacy Technical Committee for *Tuesday, June 28, 2005, from 10 a.m. to 3 p.m., at the Council's Offices at 851 SW Sixth Avenue, Suite 1100, Portland Oregon, in the conference room on the 13<sup>th</sup> floor.* The purpose of this meeting will be to scope the analysis that needs to be performed and to select a work group to carry it out.

By way of background, during May and early June, BPA and Council staff jointly conducted a number of telephone and in-person consultations with representatives of utilities, utility organizations, regulators and others. The purpose of these consultations was to determine if there is a critical mass of people and organizations that share this concern and are willing to work to address it. We heard a wide range of views and gained an appreciation for the difficulty of the task. Nonetheless, there was almost unanimous agreement on the need to develop regional and perhaps sub-regional resource adequacy metrics and targets, which would constitute a resource adequacy standard, so that the Pacific Northwest, at least, has a common approach for evaluating whether the Region has adequate resources to meet load obligations. There was also significant support for establishing a framework to implement such a standard, although views on mechanisms to implement a resource adequacy standard vary widely. Finally, there was, generally, a willingness to commit resources to proceed with this effort.

These discussions served to point out that a resource adequacy framework is **not** an attempt to impose "central planning" on the region. Load serving entities (LSE) and their regulators and boards will be free to choose the plan for how they will meet their resource needs and obligations. It does **not** envision the creation of a new organization to enforce a mandatory resource adequacy standard.

Rather, the development of a resource adequacy framework would serve to provide a clear, consistent and unambiguous means of answering the question of whether the region and its LSEs have adequate resources to meet regional loads – a process for the transparent and standardized accounting of deliverable resources (i.e. transmission capability must be part of the consideration) that will help to ensure that individual resource plans of the regions LSEs are sufficient to meet the Region’s load obligations.

This effort is intended to be consistent /compatible with Western Electricity Coordination Council (WECC) efforts. Because the Pacific Northwest region is one of the few hydro-dominated sub-regions of the western interconnection, developing an energy standard for the PNW should help meet WECC needs to address energy.

We propose a two-tier process for arriving at a consensus-based resource adequacy framework. First a technical committee would identify potential ways to measure resource adequacy using various metrics and would discuss the pros and cons of alternative metrics. This discussion would include consideration of load forecasting, resource counting and deliverability protocols. In addition, the committee would consider different target levels along those metrics, and analyze the economic and other consequences of choosing different target levels. Once the options for a resource adequacy standard are formulated, a policy-level steering committee would be formed to select a resource adequacy standard or guideline. It would also be the responsibility of this group to agree on a way to implement such a standard.

We hope that your organization will be able to participate in this process. Please contact Linda Palmer, Personal Assistant to Allen Burns, BPA Vice President for Industry Restructuring, at 503-230-3833, [llpalmer@bpa.gov](mailto:llpalmer@bpa.gov) by June 20 to confirm your organization’s participation. If you have any questions, please call Wally Gibson at the Council, 503-222-5161, or Mary Johannis at BPA, 503-230-3047.

Thank you for your interest in this issue.

Sincerely,



Tom Karier,  
Chair, Power Committee  
Northwest Power and Conservation  
Council



Allen Burns,  
Vice President for Industry  
Restructuring  
Bonneville Power Administration

bcc:

Wright, S – A/7

Hunt, K – DR/7

Norman, P – P/6

Hairston, J – PS/6

Goodwin, H – PS/6

Leathley, K – PS/6

Burns, A – R/3

Johannis, M – R-3

Zimmer, P – DR/7

Kuntz, G - DR-MSGL

Custer, C - DR-WSGL

Morrow, A – DR/7

Williams, J - DR-BOISE

Lebens, J – PSW/6

Thompson, G – PSE/SPOK

Gibson, W – Council

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Addressed to:

DICK WANDERSCHIED, DIRECTOR, ELECTRIC &  
TELECOMMUNICATIONS  
CITY OF ASHLAND  
90 N. MOUNTAIN AVENUE  
ASHLAND OR 97520

JIM SANDERS, GENERAL MANAGER  
BENTON PUD  
PO BOX 6270  
KENNEWICK WA 99336

DIRK BORGES, GENERAL MANAGER  
CANBY UTILITY  
P.O. BOX 1070  
CANBY OR 97013

AL GONZALES,  
CENTRAL ELECTRIC CO-OP  
P.O. BOX 846  
REDMOND OR 97756

GREGORY BOOTH, GENERAL MANAGER  
CLATSKANIE PUD  
P.O. BOX 216  
CLATSKANIE OR 97016

JOHN MAYSE, PRESIDENT/CEO  
CONSUMERS POWER, INC.  
P.O. BOX 1180  
PHILOMATH OR 97370

BRIAN SKEAHAN, GENERAL MANAGER  
COWLITZ COUNTY PUD  
PO BOX 3007  
LONGVIEW WA 98632

DAVE SABALA, GENERAL MANAGER  
DOUGLAS ELECTRIC CO-OP  
P.O. BOX 1327  
ROSEBURG OR 97470

MICHAEL WOODWARD, ELECTRIC DEPARTMENT  
CITY OF BONNERS FERRY  
P.O. BOX 149  
BONNERS FERRY ID 83805

BUD TRACY, GENERAL MANAGER  
BLACHLY LANE ELECTRIC, COOP  
90680 HIGHWAY 99  
EUGENE OR 97402

TOM RICHARDSON, DIRECTOR, LIGHT & PLUMBING  
CITY OF CHENEY, LIGHT DEPARTMENT  
112 ANDERSON ROAD  
CHENEY WA 99004

WAYNE NELSON, GENERAL MANAGER  
CLARK COUNTY PUD  
P.O. BOX 8900  
VANCOUVER WA 98668

DAVID HAGEN, GENERAL MANAGER  
CLEARWATER POWER CO.  
PO BOX 997  
LEWISTON ID 83501

WENER BUEHLER, GENERAL MANAGER  
COOS-CURRY ELECTRIC CO-OP  
P.O. BOX 1268  
PORT ORFORD OR 97465

WILLIAM DOBBINS, CEO/MANAGER  
DOUGLAS COUNTY PUD  
1151 VALLEY MALL PARKWAY  
EAST WENATCHEE WA 98802

FRANK LAMBE, GENERAL MANAGER  
EMERALD PEOPLES UTILITY DISTRICT  
33733 SEAVEY LOOP ROAD  
EUGENE OR 97405

RANDY BERGGREN, GENERAL MANAGER  
EUGENE WATER & ELECTRIC  
P.O. BOX 10148  
EUGENE OR 97401

DEE REYNOLDS, MANAGER  
FALL RIVER RURAL ELECTRIC CO-OP, INC.  
1150 NORTH 3400 EAST  
ASHTON ID 83420

KEN SUGDEN, GENERAL MANAGER  
FLATHEAD ELECTRIC CO-OP  
2510 HIGHWAY 2 EAST  
KALISPELL MT 59901

DAVID BOUCHARD  
CITY OF FOREST GROVE, LIGHT & POWER  
P.O. BOX 326  
FOREST GROVE OR 97116

JEAN RYCKMAN, MANAGER  
FRANKLIN COUNTY PUD  
PO BOX 2407  
PASCO WA 99302-2407

TIM CLUBERTSON, MANAGER  
GRANT COUNTY PUD  
P.O. BOX 878  
EPHRATA WA 98823-0878

MARK GENDRON, MANAGER  
IDAHO FALLS POWER  
BOX 50220  
IDAHO FALLS ID 83405-0220

MARK KJELLAND, MANAGER  
KITTTITAS COUNTY PUD  
1400 EAST VANTAGE HIGHWAY  
ELLENSBURG WA 98926-9501

RICK CRINKLAW, GENERAL MANAGER  
LANE ELECTRIC CO-OP  
P.O. BOX 21410  
EUGENE OR 97402

DAVID MULLER, MANAGER  
LEWIS COUNTY PUD  
321 N.W. PACIFIC AVENUE  
CHEHALIS WA 98532

RICHARD REYNOLDS, MANAGER  
LOST RIVER ELECTRIC CO-OP  
P.O. BOX 420  
MACKAY ID 83251

PAUL ELIAS, GENERAL MANAGER  
MCMINNVILLE WATER & LIGHT  
P.O. BOX 638  
MCMINNVILLE OR 97128

JON SHELBY, GENERAL MANAGER  
NORTHERN LIGHTS, INC  
PO BOX 269  
SAGLE ID 83860

LON PETERS  
NW ECONOMIC RESEARCH, INC.  
624 SE ANDOVER PLACE  
PORTLAND, OR 97202

ROBERT GEDDES, GENERAL MANAGER  
PEND ORIELLE COUNTY PUD  
P.O. BOX 547  
NEWPORT WA 99156

JIM POWERS, GENERAL MANAGER  
RAFT RIVER ELECTRIC CO-OP  
P.O. BOX 617  
MALTA ID 83342

KEN DIZES, GENERAL MANAGER  
SALMON RIVER ELECTRIC CO-OP  
P.O. BOX 384  
CHALLIS ID 83226

JORGE CARRASCO, SUPERINTENDENT  
SEATTLE CITY LIGHT  
P.O. BOX 34023  
SEATTLE WA 98124

ED HANSEN, GENERAL MANAGER  
SNOHOMISH COUNTY PUD  
P.O. BOX 1107  
SEATTLE, WA 98206

ROBERT LINAHAN, GENERAL MANAGER  
SPRINGFIELD UTILITY BOARD  
P.O. BOX 300  
SPRINGFIELD OR 97477

ROD FADDEN,  
CITY OF SUMAS  
P.O. BOX 9  
SUMAS WA 98295

STEVE KLEIN, SUPERINTENDENT  
TACOMA POWER  
P.O. BOX 11007  
TACOMA WA 98406

PAT ASHBY, GENERAL MANAGER  
TILLAMOOK PEOPLE'S UTILITY DISTRICT  
P.O. BOX 433  
TILLAMOOK OR 97141

STEVE ELDRIGE, GENERAL MANAGER  
UMATILLA ELECTRIC CO-OP  
P.O. BOX 1148  
HERMISTON OR 97838

RALPH WILLIAMS, GENERAL MANAGER  
UNITED ELECTRIC CO-OP  
1330 21ST STREET  
HEYBURN ID 83336

KEVIN WELLS, GENERAL MANAGER  
VERA WATER & POWER  
PO BOX 630  
VERADALE WA 99037

CLAY FITCH, CEO  
WELLS RURAL ELECTRIC CO-OP  
PO BOX 365  
WELLS NV 89835

MARC FARMER, GENERAL MANAGER  
WEST OREGON ELECTRIC COOP  
P.O. BOX 69  
VERNONIA OR 97064

TOM ANDERSON, MANAGER  
WHATCOM COUNTY PUD  
1705 TRIGG ROAD  
FERNDALE WA 98248

KELLY NORWOOD  
AVISTA CORPORATION  
P.O. BOX 3727  
SPOKANE WA 99220

PAT CORCORAN  
NORTHWESTERN ENERGY  
40 EAST BROADWAY  
BUTTE MT 59701

JIM LOBDELL  
PORTLAND GENERAL ELECTRIC  
121 S.W. SALMON ST., 1WTC  
PORTLAND OR 97204

JIM MILLER  
IDAHO POWER CO.  
P.O. BOX 70  
BOISE ID 83707

SCOTT BRATTEBO  
PACIFICORP  
825 NE MULTNOMAH, SUITE 2000  
PORTLAND OR 97232

KIMBERLY HARRIS  
PUGET SOUND ENERGY  
P.O. BOX 97034  
BELLEVUE WA 98009-9734

JACK SPEER  
ALCOA INC.  
6200 MALAGA ALCOA HIGHWAY  
MALAGA WA 98828

JIM STROMBERG  
COLUMBIA FALLS ALUMINUM CO  
40 LAKE BELLEVUE, SUITE 100  
BELLEVUE WA 98005

CHUCK REALI  
EVERGREEN ALUMINUM  
P.O. BOX 9805  
VANCOUVER WA 98666

STAN WATTERS, SR. VICE PRESIDENT  
PACIFICORP  
825 NE MULTNOMAH, SUITE 2000  
PORTLAND OR 97232

RON PETERSON, V.P. ENERGY RESOURCES  
AVISTA CORP  
P.O. BOX 3727  
SPOKANE WA 99220-3727

DICK STORRO, DIRECTOR POWER SUPPLY  
AVISTA CORPORATION  
P.O. BOX 3727  
SPOKANE WA 99220-3727

DICK BYERS  
WUTC  
PO BOX 7250  
OLYMPIA, WA 98504-7250

STEVE MARSHALL, ASSISTANT GENERAL MANAGER  
SNOHOMISH PUD  
PO BOX 1107  
EVERETT, WA 98206

BILL GAINES, DEPUTY SUPERINTENDENT  
SEATTLE CITY LIGHT  
PO BOX 34023  
SEATTLE, WA 98104

GEORGE WHITENER, POWER MANAGER  
TACOMA CITY LIGHT  
PO BOX 1107  
TACOMA, WA 98406

TIM CULBERTSON, GENERAL MANAGER  
GRANT PUD  
PO BOX 878  
EPHRATA, WA 98823

CHARLIE HOSKINS, GENERAL MANAGER  
CHELAN PUD  
PO BOX 1231  
WENATCHEE, WA 98807

BRIAN SKEAHAN, GENERAL MANAGER  
COWLITZ PUD  
BOX NO. 3007  
LONGVIEW, WA 98632

BARBARA BECK,  
POWER SUPPLY PLANNING MANAGER  
CLARK COUNTY PUD  
PO BOX 8900  
VANCOUVER, WA 98768

SCOTT SPETTEL,  
EUGENE WATER & ELECTRIC BOARD  
POI BOX 10148  
EUGENE, OR 97440

JOE NADAL, SR. VICE PRESIDENT  
PNGC  
711 NE HALSEY STREET, SUITE 200  
PORTLAND, OR 97232

JOHN SAVEN, EXECUTIVE DIRECTOR  
NORTHWEST REQUIREMENTS UTILITIES  
825 NE MULTNOMAH, SUITE 1015  
PORTLAND, OR 97232

DON GODARD, EXECUTIVE DIRECTOR  
OPUDA  
727 CENTER STREET NE, SUITE 108  
SALEM, OR 97301

STEVE JOHNSON, EXECUTIVE DIRECTOR  
WPUDA  
1411 FOURTH AVENUE, SUITE 810  
SEATTLE, WA 98101

SANDRA FLICKER, EXECUTIVE DIRECTOR  
ORECA  
707 13<sup>TH</sup> STREET, SE, SUITE 200  
SALEM, OR 97301

KEVIN O'MEARA, ASSISTANT MANAGER  
PUBLIC POWER COUNCIL  
1500 NE IRVING STREET, SUITE 200  
PORTLAND, OR 97237

TOM O'CONNOR, EXECUTIVE DIRECTOR  
OREGON MUNICIPAL ELECTRIC UTILITIES  
PO BOX 928  
SALEM, OR 97308

RALPH WILLIAMS, CHAIRMAN  
IDEA  
1330 21<sup>ST</sup> STREET  
HEYBURN, ID 83336

RONALD WILLIAMS, ASSOCIATION COUNSEL  
IDAHO CONSUMER-OWNED UTILITIES ASSOCIATION  
1015 W HAYS STREET  
BOISE, ID 83702

JERRY RUST, PRESIDENT & DIRECTOR  
NW POWER POOL  
26 SW DALMON STREET, SUITE 100  
PORTLAND, OR 97204

BILL DRUMMOND, MANAGER  
WESTERN MONTANA G&T  
1001 SW HIGGINS, SUITE 206  
MISSOULA, MT 59803

ROGER A MEADER, GENERAL MANAGER  
OKANOGAN COUNTY ELECTRIC CO-OP  
BOX 69  
WINTHROP WA 98862

MARILYN SHOWALTER, MANAGER  
PUBLIC POWER COUNCIL  
1500 NE IRVING STREET, SUITE 200  
PORTLAND, OR 97237

BOB RANEY, COMMISSIONER  
MONTANA PSC  
PO BOX 202601  
HELENA, MT 59620-2601

BRAD MOLNAR, VICE-CHAIRMAN  
MONTANA PSC  
PO BOX 202601  
HELENA, MT 59620-2601

TOM SCHNEIDER, COMMISSIONER  
MONTANA PSC  
PO BOX 202601  
HELENA, MT 59620-2601

GREG JERGESON, CHAIRMAN  
MONTANA PSC  
PO BOX 202601  
HELENA, MT 59620-2601

DOUG MOOD, COMMISSIONER  
MONTANA PSC  
PO BOX 202601  
HELENA, MT 59620-2601

JOHN SAVAGE, COMMISSIONER  
PUBLIC UTILITY COMMISSION OF OREGON  
PO BOX 2148  
SALEM, OR 97308-2148

LEE BEYER, CHAIRMAN  
PUBLIC UTILITY COMMISSION OF OREGON  
PO BOX 2148  
SALEM, OR 97308-2148

RAY BAUM, COMMISSIONER  
PUBLIC UTILITY COMMISSION OF OREGON  
PO BOX 2148  
SALEM, OR 97308-2148

PAUL KJELLANDER, PRESIDENT  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, ID 83720

DENNIS HANSEN, COMMISSIONER  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, ID 83720

MARSHA SMITH, COMMISSONER  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, ID 83720

DAVE CLINTON, MANAGER  
WRECA  
1050 CAPITOL WAY, SOUTH, SUITE A  
OLYMPIA, WA 98501

RICHARD LOVELY, GENERAL MANAGER  
GRAYS HARBOR PUD  
PO BOX 480  
ABERDEEN, WA 987520-0109

CHUCK BERRIE  
OKANOGAN PUD  
PO BOX 912  
OKANOGAN, WA 98840

PATRICK REITEN, GENERAL MANAGER  
PACIFIC NORTHWEST GENERATING CO-OP  
711 NE HALSEY, SUITE 200  
PORTLAND, OR 97232

TERRY MUNDORF  
MARSH, MUNDORF, PRATT & SULLIVAN  
6504 - 9TJ AVENUE, SE, SUITE 203  
MILL CREEK, WA 98012

STEVE WEISS, SR. POLICY ASSOCIATE  
NORTHWEST ENERGY COALITION  
4422 OREGON TRAIL CT. NE  
SALEM, OR 97305

DICK ADAMS, EXECUTIVE DIRECTOR  
PNUCC  
101 SW MAIN STREET, SUITE 1400  
PORTLAND, OR 97204-3216